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Chairmen's Association**

Kim Kawada
Chief Deputy Executive Director, **SANDAG**



TRANSPORTATION COMMITTEE AGENDA

Friday, March 16, 2018
9 a.m. to 12 noon
SANDAG Board Room
401 B Street, 7th Floor
San Diego

AGENDA HIGHLIGHTS

- **INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE REPORT: INITIAL FINDINGS AND RECOMMENDATIONS OF THE FY 2017 *TransNet* FISCAL AND COMPLIANCE AUDITS**
- ***TransNet* 2018 NOTE ISSUANCE: REVIEW OF DRAFT NOTE DOCUMENTS**
- **SAN DIEGO FORWARD: THE 2019-2050 REGIONAL PLAN – DRAFT PERFORMANCE MEASURES**

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TRANSPORTATION COMMITTEE

Friday, March 16, 2018

ITEM NO.

RECOMMENDATION

+1. APPROVAL OF MEETING MINUTES

APPROVE

The Transportation Committee is asked to review and approve the minutes from its March 2, 2018, meeting.

2. PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS

Members of the public will have the opportunity to address the Transportation Committee on any issue within the jurisdiction of the Committee that is not on this agenda. Anyone desiring to speak shall reserve time by completing a "Request to Speak" form and giving it to the Clerk prior to speaking. Public speakers should notify the Clerk if they have a handout for distribution to Committee members. Public speakers are limited to three minutes or less per person. Committee members also may provide information and announcements under this agenda item.

CONSENT

+3. SPECIALIZED TRANSPORTATION GRANT PROGRAM: DRAFT 2018 PROGRAM MANAGEMENT PLAN (Jack Christensen)

ACCEPT

The Transportation Committee is asked to accept the Draft 2018 Program Management Plan for a 15-day public comment period.

+4. FEDERAL FISCAL YEAR 2016-2017 CONGESTION MITIGATION AND AIR QUALITY AND REGIONAL SURFACE TRANSPORTATION PROGRAM REPORT (Sue Alpert)

INFORMATION

This report provides a year-end summary of the Congestion Mitigation and Air Quality and Regional Surface Transportation Program federal funding programs.

REPORTS

+5. PROPOSED FY 2018 PROGRAM BUDGET AMENDMENT: STATE ROUTE 11 AND OTAY MESA EAST PORT OF ENTRY PROJECT (Jim Linthicum; Mario Orso, Caltrans)

RECOMMEND

The Transportation Committee is asked to recommend that the Board of Directors approve an amendment to the FY 2018 Program Budget, adding \$49.278 million in federal FASTLANE grant funds, \$1.744 million in federal Coordinated Border Infrastructure funds, and \$2.53 million in state Trade Corridor Improvement funds to the State Route 11 and Otay Mesa East Port of Entry Project (Capital Improvement Program Project No. 1201101) for construction capital and support.

- +6. *TransNet* EXTENSION ORDINANCE MATTERS**

 - +6A. INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE REPORT: INITIAL FINDINGS AND RECOMMENDATIONS OF THE FY 2017 *TransNet* FISCAL AND COMPLIANCE AUDITS** **INFORMATION**
 (Lisa Kondrat-Dauphin; Dustin Fuller, Independent Taxpayer Oversight Committee Chair; and Marc Davis, Davis Farr)

Dustin Fuller, Independent Taxpayer Oversight Committee Chair, and Marc Davis, Davis Farr, will present the initial audit findings and recommendations of the FY 2017 *TransNet* Fiscal and Compliance Audits.
 - +6B. METROPOLITAN TRANSIT SYSTEM: FY 2017 FUNDING ELIGIBILITY REQUEST (Lisa Kondrat-Dauphin)** **RECOMMEND**

The Transportation Committee is asked to recommend that the Board of Directors, acting as the San Diego County Regional Transportation Commission, approve the funding eligibility request submitted by the Metropolitan Transit System, as permitted under the Ordinance.
- +7. *TransNet* 2018 NOTE ISSUANCE: REVIEW OF DRAFT NOTE DOCUMENTS (Andre Douzdjian; Devin Brennan, Orrick, Herrington & Sutcliffe LLP; Victor Hsu, Norton Rose Fulbright LLP; and Darren Hodge, Public Financial Management)** **RECOMMEND**

The Transportation Committee is asked to recommend that the Board of Directors, acting as the San Diego County Regional Transportation Commission (RTC), adopt Resolution No. RTC-2018-02, authorizing the issuance of up to \$537.5 million in fixed-rate, tax-exempt municipal short-term notes to advance implementation of the Mid-Coast Corridor Transit Project; and the execution and distribution of the documents.
- +8. SAN DIEGO FORWARD: THE 2019-2050 REGIONAL PLAN – DRAFT PERFORMANCE MEASURES (Rachel Kennedy)** **RECOMMEND**

The Transportation Committee is asked to recommend that the Board of Directors approve the proposed performance measures for use in the development of San Diego Forward: The 2019-2050 Regional Plan.
- +9. ASSEMBLY BILL 805 PUBLIC TRANSIT REPORT (Jennifer Williamson)** **DISCUSSION**

Pursuant to Assembly Bill 805 (Gonzalez Fletcher), the Board of Directors is required to provide a public transit report, developed by the Transportation Committee, to the Legislature on or before July 1 of each year. The Transportation Committee is asked to provide input on the content of the public transit report.
- 10. CONTINUED PUBLIC COMMENTS**

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

11. UPCOMING MEETINGS

INFORMATION

The next meeting of the Transportation Committee is scheduled for Friday, April 6, 2018, at 9 a.m.

12. ADJOURNMENT

+ next to an agenda item indicates an attachment



**TRANSPORTATION COMMITTEE
MARCH 16, 2018**

ACTION REQUESTED: APPROVE

**TRANSPORTATION COMMITTEE DISCUSSION AND ACTIONS
MARCH 2, 2018**

The meeting of the Transportation Committee was called to order by Chair Jim Desmond (North County Inland) at 9 a.m.

1. APPROVAL OF MEETING MINUTES (APPROVE)

Action: Upon a motion by Vice Chair Bill Sandke (South County), and a second by Chair Desmond, the Transportation Committee approved the meeting minutes of February 16, 2018. Yes: Chair Desmond, Vice Chair Sandke, Councilmember Georgette Gomez (City of San Diego), Councilmember Bill Baber (East County), Mayor Catherine Blakespear (North County Coastal), Councilmember David Arambula (Metropolitan Transit System [MTS]), and Vice Chair John Aguilera (North County Transit District [NCTD]). No: None. Abstain: Ms. April Boling (San Diego County Airport Authority [SDCRAA]). Absent: County of San Diego and San Diego Unified Port District (SDUPD).

2. PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS

John Wotzka, a member of the public, submitted written comments and spoke about various transportation matters.

Vice Chair Sandke announced two important projects that SANDAG recently completed: Bayshore Bikeway National City Segment and State Route 15 Mid-City Centerline *Rapid* Transit Stations.

CONSENT

3. *TransNet* SMART GROWTH INCENTIVE PROGRAM AND ACTIVE TRANSPORTATION GRANT PROGRAM: QUARTERLY STATUS UPDATE (INFORMATION)

This report provided an overview of progress made by *TransNet* Smart Growth Incentive Program and Active Transportation Grant recipients.

Jack Shu, Cleveland National Forest Foundation, spoke about concerns related to social equity and lack of data to measure mode-share shifts.

4. *TransNet* ENVIRONMENTAL MITIGATION PROGRAM: LAND MANAGEMENT GRANT PROGRAM QUARTERLY STATUS UPDATE (INFORMATION)

This report provided an update on progress made by *TransNet* Environmental Mitigation Program Land Management Grant Program recipients.

5. SAN DIEGO FORWARD: THE 2019-2050 REGIONAL PLAN – WHITE PAPERS (INFORMATION)

This report included the Public Health, Economic Prosperity, and Climate Change white papers, which will inform the development of San Diego Forward: The 2019-2050 Regional Plan.

Gretchen Newson, IBEW 569, asked staff to develop a Regional Transportation Plan that is outcome-based and in sync with Climate Action Plan greenhouse gas goals.

Mr. Shu spoke about his concern with inadequacies in each white paper, including addressing cause of illness, climate change, and additional modes of transportation.

Nicole Capretz, Climate Action Campaign, asked staff to develop a Regional Transportation Plan that is outcome-based and sets, a roadmap to achieve those outcomes, and addresses reducing vehicle miles traveled (VMT).

Action: Consent Item Nos. 3 through 5 were provided for information.

REPORTS

6. *TransNet* SENIOR MINI-GRANT PROGRAM: PROPOSED AMENDMENT REQUEST (APPROVE)

Jack Christensen, Grants Administrator II, and Wendi Garrison, City of Coronado, presented the item.

Berie Grobe, Coronado Seniors Out and About, spoke in support of the item.

Action: Upon a motion by Vice Chair Sandke, and a second by Supervisor Ron Roberts (County of San Diego), the Transportation Committee approved an amendment, approving a modified scope of work and 12-month schedule extension for the City of Coronado Seniors Out and About volunteer driver program. Yes: Chair Desmond, Vice Chair Sandke, Councilmember Gomez, Supervisor Roberts, Councilmember Baber, Mayor Blakespear, Councilmember Arambula, Ms. Boling, and NCTD Vice Chair Aguilera. No: None. Abstain: None. Absent: SDUPD.

7. SAN DIEGO FORWARD: THE 2019-2050 REGIONAL PLAN – SOCIAL EQUITY ANALYSIS OVERVIEW (INFORMATION)

Jane Clough, Senior Regional Planner, provided an overview of the social equity analysis to be conducted for San Diego Forward: The 2019-2050 Regional Plan.

Mr. Shu spoke about concerns related to reducing VMT emissions and public health as part of the social equity analysis.

Ms. Capretz spoke about setting the vision, goals, and outcomes before scenarios are developed.

Action: This item was presented for information.

8. FIRST *TransNet* TEN-YEAR REVIEW: PROPOSED "LOOK-AHEAD" IMPLEMENTATION PLAN (DISCUSSION)

Ariana zur Nieden, Senior *TransNet* Program Manager, presented the proposed "Look-Ahead" Implementation Plan.

Action: This item was presented for discussion.

9. OVERVIEW OF PROPOSED 2018 *TransNet* SHORT-TERM BOND ISSUANCE (INFORMATION)

André Douzjian, Director of Finance, provided an overview of the proposed bond strategy and financing schedule for the issuance of up to \$537.5 million in short-term, fixed-rate debt to advance implementation of the Mid-Coast Corridor Transit Project funding strategy.

Action: This item was presented for information.

10. CONTINUED PUBLIC COMMENTS

There were no continued public comments.

11. UPCOMING MEETINGS

The next meeting of the Transportation Committee is scheduled for Friday, March 16, 2018.

12. ADJOURNMENT

Chair Desmond adjourned the meeting at 10:55 a.m.

**CONFIRMED ATTENDANCE
 SANDAG TRANSPORTATION COMMITTEE MEETING
 MARCH 2, 2018**

JURISDICTION	NAME	MEMBER / ALTERNATE	ATTENDING
North County Coastal	Catherine Blakespear	Member	Yes
	Jewel Edson	Alternate	Yes
North County Inland	Jim Desmond (Chair)	Member	Yes
	Judy Ritter	Alternate	Yes
East County	Bill Baber	Member	Yes
	Jennifer Mendoza	Alternate	Yes
South County	Bill Sandke (Vice chair)	Member	Yes
	Mary Salas	Alternate	No
City of San Diego	Georgette Gomez	Member	Yes
	Mark Kersey	Alternate	No
County of San Diego	Ron Roberts	Member	Yes
	Bill Horn	Alternate	No
	Greg Cox	Alternate	No
Metropolitan Transit System	David Arambula	Member	Yes
	Lorie Bragg	Alternate	Yes
North County Transit District	John Aguilera	Member	Yes
	Bill Horn	Alternate	No
	Mark Packard	Alternate	No
San Diego County Regional Airport Authority	April Boling	Member	Yes
	VACANT	Alternate	--
San Diego Unified Port District	Garry Bonelli	Member	No
	Michael Zucchet	Alternate	No
ADVISORY MEMBERS			
Caltrans	Cory Binns	Member	Yes
	Ann Fox	Alternate	No
SCTCA	Erica Pinto	Member	Yes
	Allen Lawson	Member	No
Other Attendees	Matt Tucker	NCTD	No
	Paul Jablonski	MTS	Yes
Ex Officio	Steve Vaus	SANDAG Board Vice Chair	Yes



**TRANSPORTATION COMMITTEE
MARCH 16, 2018**

ACTION REQUESTED: ACCEPT

**SPECIALIZED TRANSPORTATION GRANT PROGRAM:
DRAFT 2018 PROGRAM MANAGEMENT PLAN**

File Number 3320100

Introduction

As the designated recipient of the Federal Transit Administration (FTA) Section 5310 Enhanced Mobility for Seniors and Individuals with Disabilities program funds for the region, SANDAG is required to maintain a Program Management Plan (PMP) to describe the policies and procedures for administering the Specialized Transportation Grant Program. SANDAG staff has revised the PMP to reflect current practices and is requesting that the Transportation Committee open a 15-day public comment period to comply with federal requirements.

Recommendation

The Transportation Committee is asked to accept the Draft 2018 Program Management Plan for a 15-day public comment period.

Discussion

The PMP describes SANDAG policies and procedures for administering its Specialized Transportation Grant Program, which includes the FTA Section 5310 and *TransNet* Senior Mini-Grant programs.

Federal guidance for Section 5310 (FTA Circular 9070.1G) requires that SANDAG develop a PMP to facilitate grant management and FTA oversight over the program. This PMP is designed to ensure that all applicable SANDAG policies and federal, state, and local statutes and regulations are fulfilled. Specifically, the purpose of this PMP is to:

1. Provide guidance to local project applicants, subrecipients of federal funds, and *TransNet* grantees;
2. Provide public information on the administration of SANDAG's Specialized Transportation Grant Program; and
3. Serve as the basis for FTA to perform management reviews of SANDAG administration of Section 5310.

The intent of this plan is to ensure that the maximum possible benefit is enjoyed by the community through a fair and equitable distribution of available funds and the effective administration and monitoring of the specialized transportation grant program.

Staff made various changes to the PMP since its last update in 2015. Most changes were related to adjustments to staff roles and responsibilities, including the addition of the Grants Administrator position and duties, updates to oversight procedures, and revisions to various forms. Several notable changes include: adding non-cost related performance indicators to maximize oversight and compliance; streamlining vehicle procurement procedures; updating Title VI, Americans with Disabilities Act, and service quality standards; making federal regulation references current; and providing clarifications on flow-down requirements to third-party contractors.

Federal guidance requires SANDAG to provide an opportunity for stakeholders to review the PMP when multiple revisions are made to the existing plan.

Next Steps

Pending acceptance by the Transportation Committee, SANDAG staff will post the 2018 Draft Program Management Plan to the website and present it to various stakeholder groups including the Social Services Transportation Advisory Committee and the San Diego County Volunteer Driver Coalition to solicit feedback. After the 15-day public comment period has closed, staff will incorporate any feedback received and bring the final 2018 Program Management Plan to the Transportation Committee for acceptance to submit to FTA.

CHARLES "MUGGS" STOLL

Director of Land Use and Transportation Planning

Attachment: 1. Draft 2018 Program Management Plan

Key Staff Contact: Jack Christensen, (619) 699-6995, jack.christensen@sandag.org

**Agenda Item No. 3 — Attachment 1:
Draft 2018 Program Management Plan**

The full document in electronic format can be downloaded at:
http://www.sandag.org/uploads/projectid/projectid_553_23453.pdf

A hard copy will be available for reference at the meeting. In addition, individual copies can be requested by contacting the Public Information Office at (619) 699-1950 or via email at pio@sandag.org.



**TRANSPORTATION COMMITTEE
MARCH 16, 2018**

ACTION REQUESTED: INFORMATION

**FEDERAL FISCAL YEAR 2016-2017 CONGESTION
MITIGATION AND AIR QUALITY AND REGIONAL
SURFACE TRANSPORTATION PROGRAM REPORT**

File Number 1500000

Introduction

This report presents a year-end summary of the federal Congestion Mitigation and Air Quality (CMAQ) and the Regional Surface Transportation Program (RSTP) funding programs, including the use of financing tools and how these impact the year-end balances. In addition to the summary, this report includes a brief synopsis of upcoming opportunities to advance future federal funds on high priority regional projects.

Discussion

CMAQ and RSTP funds are apportioned to the region by formula. Apportioned funds are available for programming in the Regional Transportation Improvement Program (RTIP), and obligations can be made on eligible projects. Per Assembly Bill 1012 (AB 1012, Torlakson, 1999), regions have three years to obligate apportioned funds or risk losing them. Staff monitors the level of obligations for these apportioned funds and, from time to time, takes certain actions to ensure that no funds are lost from the region.

Congestion Mitigation and Air Quality and Regional Surface Transportation Program Year-End Summaries

Table 1 shows the combined balance of available CMAQ and RSTP funds at the beginning of Federal Fiscal Year (FFY) 2016-2017, which was approximately a negative \$5.8 million (see row 1) due to the advancing of funds in the previous year. The negative beginning balance was due to the advancement of CMAQ funds from future fiscal years using apportionment from the state. This reduced the *TransNet* cash flow during the year and assisted the state in receiving additional obligation authority. The region received approximately \$71.4 million in apportionments during FFY 2016-2017 (see row 2).

Several adjustments to current and prior year apportionments were made throughout the federal fiscal year including actual versus estimated apportionment reconciliation for annual apportionments for CMAQ and RSTP. Incorporating other minor adjustments, including off-the-top deductions for Caltrans oversight, a federal rescission¹ from 2010 and RSTP Exchange², the total apportionment

¹ Rescission: The cancellation of un-obligated apportionments previously approved by Congress.

² RSTP Exchange: A program where federal RSTP funds apportioned to non-urbanized areas are exchanged for state dollars.

adjustment reflects a decrease of approximately \$1.1 million (see row 3). In order to maximize our ability to obligate funds, SANDAG agreed to obligate \$15 million in CMAQ apportionment from Orange County Transit Authority (OCTA) for the Interstate 5 project (see row 4) resulting in net available revenues of approximately \$79.6 million (see row 5) for FFY 2016-2017. This agreement favored both agencies, as SANDAG had a higher need and OCTA did not have enough projects ready to obligate those funds on a timely basis. The agreement also allows OCTA to obligate a similar amount of SANDAG CMAQ funds in future years.

The amount of obligations approved in FFY 2016-2017 by the Federal Highway Administration totaled approximately \$76.7 million (see row 8). This amount includes approximately \$69.4 million in funds programmed and obligated in FFY 2016-2017 (see row 6) and approximately \$7.3 million in obligations approved through SANDAG's Expedited Project Selection Process (EPSP) (see row 7). EPSP allows the obligation of funds programmed in a year different than the current year as long as they are programmed within the first four years of the RTP.

The obligations were offset by approximately \$1.9 million in de-obligations (see row 10) due to project close out on the Interstate 15 Managed Lanes North and State Route 52 Landscaping projects (see row 9), and funds were re-programmed to other projects, as approved by the Board of Directors.

Table 1. CMAQ and RSTP Summary FFY 2016-2017

①	CMAQ (\$000's)	RSTP (\$000's)	Total (\$000's)	Notes	
②	Beginning Balance	(\$8,297)	\$2,534	(\$5,763)	
③	FFY 2016/17 Apportionments	\$32,148	\$39,261	\$71,409	Based on estimates provided by Caltrans Local Assistance and FHWA
④	Adjustments to FFY 2016/17 and prior apportionments	(\$17)	(\$1,057)	(\$1,074)	Adjustments to CMAQ and RSTP funds for oversight, federal rescission and RSTP Exchange
⑤	Apportionment from Other Agencies	\$15,000			CMAQ apportionment from OCTA
	Available FFY 2016/17	\$38,834	\$40,738	\$79,572	
⑥ Obligations					
⑦	Programmed Obligations	(\$32,148)	(\$37,253)	(\$69,401)	Projects programmed in FFY 2016/17 in the RTP include: I-5 NCC HOV/Managed Lanes, SR 76 East, and Rideshare
⑧	Obligations through EPSP	(\$7,312)	\$0	(\$7,312)	Additional Funds for I-5 NCC HOV/Managed Lanes
	Total obligations	(\$39,459)	(\$37,253)	(\$76,712)	
⑨ De-obligations					
⑩	De-obligations and savings from closed-out projects	\$620	\$1,230	\$1,850	Savings occurred from I-15 Managed Lanes N. Segment and SR52 Mitigation Planting
⑪	Total de-obligations	\$620	\$1,230	\$1,850	
	Ending Balance (rows 4+7+9)	(\$5)	\$4,715	\$4,710	

In summary, the combined balance at the end of FFY 2016-2017 for both programs ends with a positive balance of (\$4.7 million) (see Row 11). These balances remain programmed and available for obligation.

August Redistribution of Obligational Authority

Obligational authority (OA) reflects the percentage of the apportionment that states can encumber in the FFY. One of the impacts of fully obligating the region's federal apportionment is the possibility to increase the region's OA by obligating more than the available OA balance. This allows the region to use more apportionment than would otherwise be permitted. Near the end of the fiscal year, the State of California may propose to the federal government to increase its available OA by taking OA from other states that are falling behind in the delivery of projects and the obligation of their funds. This can only occur when enough regions and the state have obligated all of their apportionment. SANDAG, in cooperation with Caltrans, and other project sponsors, works to maximize the obligation of its apportionment each year. For this reason, as the state was seeking to obtain unused OA from other states, SANDAG received approximately \$10.7 million in additional OA in FFY 2016-2017. As discussed previously, additional obligational authority does not increase the amount of apportionment coming to the region, but rather, it provides the region greater flexibility to fully utilize existing apportionment balances and advance future apportionments as well as to fully obligate federal funds that benefit both the SANDAG region and the state.

Upcoming Opportunities in FFY 2017-2018

The region will continue to focus on obligating all CMAQ and RSTP federal formula funds apportioned to the region in a way that best leverages local funds. Staff will work with Caltrans to develop and implement strategies to maximize the use of federal funds and reduce the need for local funds. Staff also will continue focusing on obligating federal funds early in order to put the agency in a position to receive additional obligation authority through the August redistribution process, as discussed above (August Redistribution of Obligational Authority).

JOSÉ A. NUNCIO
TransNet Department Director

Key Staff Contact: Sue Alpert, (619) 595-5318, sue.alpert@sandag.org



**TRANSPORTATION COMMITTEE
MARCH 16, 2018**

ACTION REQUESTED: RECOMMEND

**PROPOSED FY 2018 PROGRAM BUDGET AMENDMENT:
STATE ROUTE 11 AND OTAY MESA EAST
PORT OF ENTRY PROJECT**

File Number 1201101

Introduction

The State Route 11 (SR 11) Otay Mesa East Port of Entry (OME) project proposes to construct a four-lane tolled road connecting directly to a new port of entry, state-of-the-art U.S. Customs and Border Protection compound, and California Highway Patrol commercial vehicle enforcement facility.

To facilitate construction and leverage funding opportunities, the SR 11 OME project was split into multiple segments. Segment 2 extends SR 11 from its current terminus to the future POE as depicted in Attachment 1.

Discussion

At its January 31, 2018, meeting, the California Transportation Commission (CTC) approved splitting Segment 2 into Segments 2A and 2B. Segment 2A is the freeway extension from Enrico Fermi Drive to the future POE, and Segment 2B is the Siempre Viva interchange and commercial vehicle enforcement facility.

Funding Awards

At its January meeting, the CTC approved programming approximately \$53.5 million of new funds on the project. A significant portion of this funding is the result of a \$49.278 million federal FASTLANE grant that was awarded to SANDAG and Caltrans under the highly competitive FASTLANE grant program. The remaining funds reflect savings from other SR 11 corridor projects and include \$1.744 million of Coordinated Border Infrastructure funds and \$2.53 million of new Trade Corridor Improvement funds.

Recommendation

The Transportation Committee is asked to recommend that the Board of Directors approve an amendment to the FY 2018 Program Budget, adding \$49.278 million in federal FASTLANE grant funds, \$1.744 million in federal Coordinated Border Infrastructure funds, and \$2.53 million in state Trade Corridor Improvement funds to the State Route 11 and Otay Mesa East Port of Entry Project (Capital Improvement Program Project No. 1201101) for construction capital and support, in substantially the same form as Attachment 2.

Proposed Budget Amendment

The funds proposed to be added would fully fund the construction of Segment 2A of the SR 11 OME project, as shown in Attachment 2.

Next Steps

Pending approval by the Board of Directors, the Regional Transportation Improvement Program will be updated to reflect this new funding. With the allocated funds, construction of the remaining SR 11 lanes are expected to begin in spring 2019.

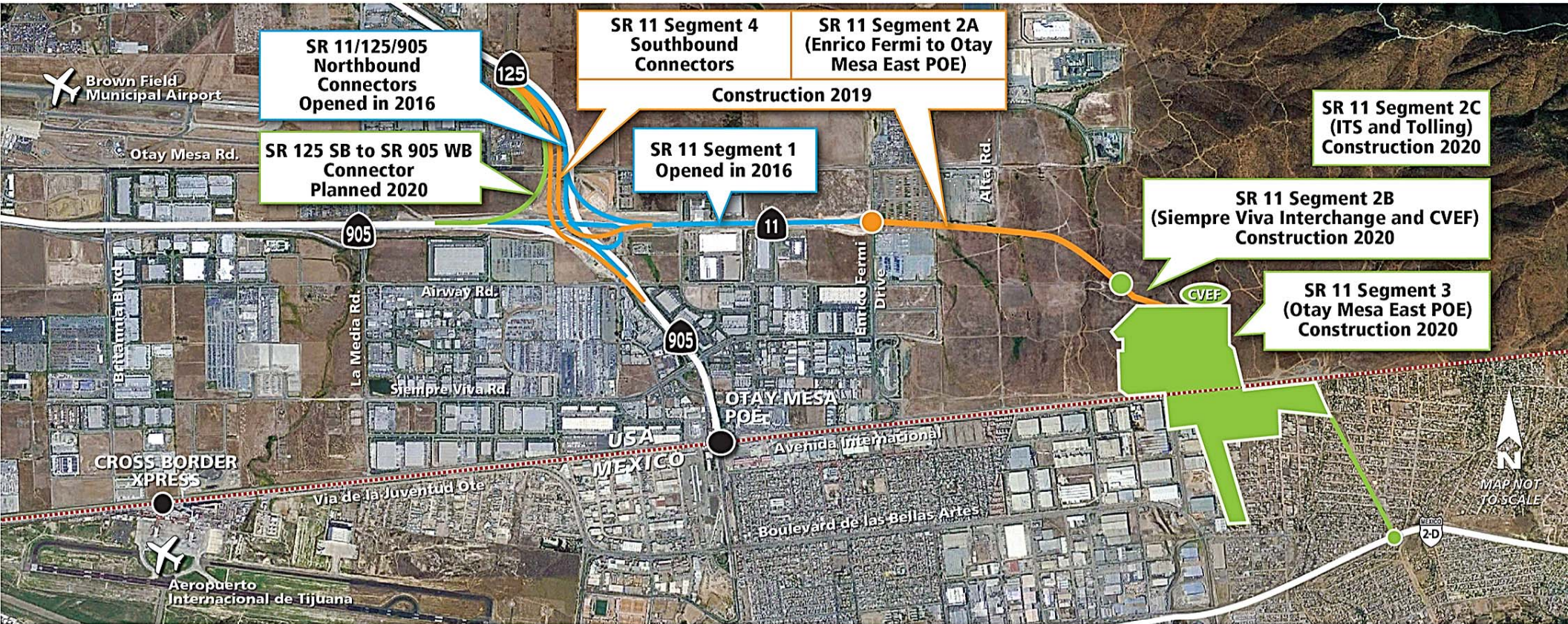
JIM LINTHICUM

Director of Mobility Management and Project Implementation

Attachments: 1. SR 11 Otay Mesa East Port of Entry Overview Map
2. Proposed Budget Amendment for Capital Improvement Program Project No. 1201101, SR 11 and Otay Mesa East Port of Entry

Key Staff Contacts: Jim Linthicum, (619) 699-1970, jim.linthicum@sandag.org
Mario Orso, Caltrans, (619) 688-2561, mario.orso@dot.ca.gov

SR 11 OTAY MESA EAST PORT OF ENTRY OVERVIEW



■ Completed ■ Upcoming Construction ■ Planned

FY 18 CAPITAL BUDGET AMENDMENT IN '000'S

Project Number: 1201101	Corridor Director: Mario Orso
RTIP Number: V11	Project Manager: Jacqueline Appleton-Deane
Project Name: SR 11 and Otay Mesa East Port of Entry	PM Phone Number: (619) 491-3080

PROJECT SCOPE	SITE LOCATION	PROGRESS TO DATE																					
<p>Scope: Construct four-lane toll highway from SR 125 to Enrico Fermi Drive, and design a commercial vehicle enforcement facility, port of entry, and four-lane toll highway between Enrico Fermi Drive and the U.S.-Mexico border.</p> <p>Construct four-lane toll highway from SR 125 to Enrico Fermi Drive and from Enrico Fermi Drive to the U.S.-Mexico border; design a commercial vehicle enforcement facility and port of entry.</p>		<p>Progress to Date: Continued work on innovation studies, Traffic and Revenue Study update for the Port of Entry. The toll highway between Enrico Fermi Drive and the port of entry has reached 60 percent complete and the design of the commercial vehicle enforcement facility is 30 percent complete.</p> <p>Work continues on innovation studies and Traffic and Revenue Study update for the port of entry. Design of the toll highway between Enrico Fermi Drive and the port of entry has reached 95 percent complete and the design of the commercial vehicle enforcement facility is 30 percent complete.</p>																					
PROJECT LIMITS		MAJOR MILESTONES																					
<p>Project Limits: On new alignment from SR 125 to the U.S.-Mexico Border</p>		<table border="1"> <thead> <tr> <th></th> <th>Approved</th> <th>Proposed</th> </tr> </thead> <tbody> <tr> <td>Draft Environmental Document</td> <td>Apr-11</td> <td>Apr-11</td> </tr> <tr> <td>Final Environmental Document</td> <td>Mar-12</td> <td>Mar-12</td> </tr> <tr> <td>Ready to Advertise</td> <td>Jul-13</td> <td>Jul-13</td> </tr> <tr> <td>Begin Construction</td> <td>Nov-13</td> <td>Nov-13</td> </tr> <tr> <td>Open to Public</td> <td>Mar-16</td> <td>Mar-16</td> </tr> <tr> <td>Close-Out</td> <td>TBD</td> <td>TBD</td> </tr> </tbody> </table>		Approved	Proposed	Draft Environmental Document	Apr-11	Apr-11	Final Environmental Document	Mar-12	Mar-12	Ready to Advertise	Jul-13	Jul-13	Begin Construction	Nov-13	Nov-13	Open to Public	Mar-16	Mar-16	Close-Out	TBD	TBD
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Draft Environmental Document	Apr-11	Apr-11																					
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SANDAG EXPENDITURE PLAN (\$000)

TASK	PRIOR YEARS	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	TOTAL		
Administration	\$1,092	\$1,092	\$523	\$523	\$322	\$522	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,137
Environmental Document	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Design	503	503	1,391	1,392	1,971	1,350	0	622	0	0	0	0	0	3,867
Right-of-Way Support	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Right-of-Way Capital	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Construction Support	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Construction Capital	0	2	0	(2)	0	0	0	0	0	0	0	0	0	0
Vehicles	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Legal Services	47	47	187	187	434	234	0	0	0	0	0	0	0	468
Communications	134	134	57	58	159	158	0	0	0	0	0	0	0	350
Project Contingency	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total SANDAG	\$1,778	\$1,778	\$2,158	\$2,158	\$2,886	\$2,264	\$0	\$622	\$0	\$0	\$0	\$0	\$0	\$6,822

CALTRANS EXPENDITURE PLAN (\$000)

TASK	PRIOR YEARS	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	TOTAL		
Environmental Document	0	0	0	0	0	0	0	0	0	0	0	0	0	
Design	13,763	13,763	2,677	2,677	6,890	5,388	0	1,500	0	0	0	0	23,328	
Right-of-Way Support	2,392	2,392	611	611	1,824	1,704	0	120	0	0	0	0	4,827	
Right-of-Way Capital	20,521	20,521	347	348	76,027	68,384	0	6,038	0	0	0	0	95,291	
Construction Support	11,479	11,479	253	253	893	427	0	2,795	0	5,595	0	2,785	12,334	
Construction Capital	52,898	52,898	65	66	6,037	1,207	0	12,320	0	24,639	0	12,319	103,449	
Total Caltrans	\$101,053	\$101,053	\$3,953	\$3,955	\$94,671	\$77,110	\$0	\$22,773	\$0	\$30,234	\$0	\$15,104	\$0	\$250,229
Total SANDAG & Caltrans	\$102,831	\$102,831	\$6,111	\$6,113	\$94,557	\$79,374	\$0	\$23,395	\$0	\$30,234	\$0	\$15,104	\$0	\$257,051
TransNet Pass-Through	0	0	0	0	6,027	0	0	6,027	0	0	0	0	0	6,027
Caltrans Pass-Through	1,580	1,580	0	0	0	0	0	0	0	0	0	0	0	1,580

FUNDING PLAN (\$000)

FUNDING SOURCE	PRIOR YEARS	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	TOTAL		
FEDERAL:														
74030001 ITS	132	132	132	132	175	50	0	125	0	0	0	0	439	
74040001 CBI	1,470	1,470	0	0	0	0	0	0	0	0	0	0	1,470	
CBI	36,676	36,676	3,636	3,636	78,714	75,476	0	2,471	0	1,675	835	0	120,769	
FASTLANE Grant	0	0	0	0	0	0	0	12,320	0	24,639	0	0	49,278	
STATE:														
83010001 STIP	109	109	0	0	0	0	0	0	0	0	0	0	109	
TCIF	64,377	64,377	319	319	6,090	1,634	0	1,955	0	3,920	0	0	74,155	
LOCAL:														
91000100 TransNet-Border	0	0	2,026	353	4,462	108	0	6,027	0	0	0	0	6,488	
91000100 TransNet-MC	68	68	0	1,673	4,275	2,105	0	497	0	0	0	0	4,343	
TOTAL:	\$102,831	\$102,831	\$6,111	\$6,113	\$94,557	\$79,374	\$0	\$23,395	\$0	\$30,234	\$0	\$15,104	\$0	\$257,051



TRANSPORTATION COMMITTEE

MARCH 16, 2018

ACTION REQUESTED: INFORMATION

**INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE REPORT: File Number 1500200
INITIAL FINDINGS AND RECOMMENDATIONS OF THE
FY 2017 *TransNet* FISCAL AND COMPLIANCE AUDITS**

Introduction

In accordance with the *TransNet* Extension Ordinance, the *TransNet* Independent Taxpayer Oversight Committee (ITOC) has the responsibility to conduct the annual fiscal and compliance audits of agencies that receive *TransNet* funds. The *TransNet* Extension Ordinance also requires the ITOC to share the initial audit findings and its recommendations with the Transportation Committee 60 days prior to its release to resolve any inconsistencies and technical issues.

Discussion

The independent certified public accounting firm of Davis Farr, LLP, performed the audits of the FY 2017 *TransNet* sales tax revenue recipient agencies using the agreed-upon procedures approved by the ITOC, which include requirements specific to the *TransNet* Extension Ordinance and [SANDAG Board Policy No. 031: *TransNet* Ordinance and Expenditure Plan Rules](#).

Attachment 1 includes a link to the independent auditor's report, including a summary of the results of procedures and findings.

Request for Exception to TransNet Extension Ordinance Requirement

The FY 2017 *TransNet* fiscal and compliance audit resulted in a finding for the Metropolitan Transit System (MTS) for rail services, which would require Board of Directors approval of future funding eligibility requests. Agenda Item No. 6B of the March 16, 2018, Transportation Committee agenda (Metropolitan Transit System: FY 2017 Funding Eligibility Request) addresses this request.

Next Steps

Following Transportation Committee review, the ITOC will make any final amendments it deems appropriate to its draft FY 2017 fiscal and compliance audit report. Upon completion, the ITOC will incorporate the results of its annual audit process into an annual report. The 2018 ITOC Annual Report is anticipated to be presented to the Board of Directors in July.

ANDRÉ DOUZDJIAN
Director of Finance

Attachment: 1. Independent Taxpayer Oversight Committee, *TransNet* and *TransNet* Extension Activities, Year Ended June 30, 2017

Key Staff Contact: Lisa Kondrat-Dauphin, (619) 699-1942, lisa.kondrat-dauphin@sandag.org

**Agenda Item No. 6A — Attachment 1:
Independent Taxpayer Oversight Committee,
TransNet and *TransNet* Extension Activities, Year Ended June 30, 2017**

The full document in electronic format can be downloaded at:

www.sandag.org/TC-31618

A hard copy will be available for reference at the meeting. In addition, individual copies can be requested by contacting the Public Information Office at (619) 699-1950 or via email at pio@sandag.org.



**TRANSPORTATION COMMITTEE
MARCH 16, 2018**

ACTION REQUESTED: RECOMMEND

**METROPOLITAN TRANSIT SYSTEM:
FY 2017 FUNDING ELIGIBILITY REQUEST**

File Number 1500200

Introduction

The *TransNet* Extension Ordinance (Ordinance) includes annual eligibility requirements for the San Diego Metropolitan Transit System (MTS) and North County Transit District (NCTD) to continue receiving revenues for the operation of transit service programs. If a transit operator does not meet its annual compliance requirement, the Ordinance provides guidance on additional steps.

Recommendation

The Transportation Committee is asked to recommend that the Board of Directors, acting as the San Diego County Regional Transportation Commission, approve the funding eligibility request submitted by the Metropolitan Transit System, as permitted under the Ordinance.

MTS did not meet a certain requirement and has submitted a request, as permitted under Section 4(C)5 of the Ordinance, to recalculate the eligibility requirement, which would result in continued funding eligibility.

At its March 14, 2018, meeting, the *TransNet* Independent Oversight Committee (ITOC), considered recommending approval of the request.

Discussion

San Diego Metropolitan Transit System Request

The draft FY 2017 *TransNet* fiscal and compliance audit for MTS (see Agenda Item No. 6A) includes the following finding:

San Diego Metropolitan Transit System's (MTS') increase in its operating cost per revenue vehicle hour from June 30, 2016 to June 30, 2017 for rail services exceeded the increase in the Consumer Price Index (CPI) for San Diego County. The CPI increased by 4.06%, while the operating cost per revenue vehicle mile for rail services increased by 9.68%.

Per Section 4(C)5 of the Ordinance, MTS is requesting the exclusion of costs related to certain state of good repair, legislative, and one-time labor costs, described in detail in the attached letter from MTS (Attachment 1).

Responsibility for making the final decision on this request rests with the Board of Directors. Approval would enable compliance with Section 4(C)5 of the Ordinance, and MTS would be eligible to receive all apportioned FY 2018 *TransNet* revenues.

Should the Board of Directors choose to not approve the request, then MTS would remain in non-compliance for FY 2017 and would be eligible to receive FY 2018 *TransNet* revenues equal only to those received in FY 2017, adjusted for any increase in the transportation-specific CPI for San Diego County over the same period.

Since the CPI for FY 2017 (\$32,616,711) is greater than the projection of *TransNet* revenues for FY 2018 (\$32,123,055), MTS would be eligible to receive its full FY 2018 projected allocation (\$32,123,055) plus up to \$493,656 over the projected amounts (if the actual FY 2018 *TransNet* receipts exceed the projections). Any actual receipts above CPI for FY 2017 would be deducted from the FY 2018 allocation and withheld from the FY 2019 *TransNet* disbursements.

See Table 1 below for details:

Table 1
Final and Projected *TransNet* Revenues and CPI Calculations for MTS

	A FY 2017 Final	B 4.06% CPI for FY 2017	C FY 2018 Projection	=B - C Difference
MTS Transit Operations	\$ 30,534,213	\$ 31,773,902	\$ 31,293,002	\$ 480,900
MTS Specialized Services	809,926	842,809	830,053	12,756
MTS Totals	\$ 31,344,139	\$ 32,616,711	\$ 32,123,055	\$ 493,656

Next Steps

Action on the request is scheduled for consideration at the March 23, 2018, Board of Directors meeting. Any comments received on the request from the ITOC and Transportation Committee will be conveyed to the Board of Directors.

ANDRÉ DOUZDJIAN
Director of Finance

Attachment: 1. Letter of Request from the Metropolitan Transit System dated February 8, 2018

Key Staff Contact: Lisa Kondrat-Dauphin, (619) 699-1942, lisa.kondrat-dauphin@sandag.org

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466

February 8, 2018

Mr. Jose Nuncio
TransNet Program Director
SANDAG
401 B Street Suite 800
San Diego, CA 92101

Dear Mr. Nuncio,

Looking at MTS's financial performance on a consolidated basis for fiscal year 2017, combined MTS operations were within compliance with the TransNet Ordinance. Combined Rail Operations and Bus Operations costs only increased 3.5% based on revenue vehicle mile and revenue vehicle hour, which both fall under the targeted 4.1% increase in CPI for fiscal year 2017.

Independently, in fiscal year 2017, MTS Bus Operations cost per revenue hour increased only 0.5% and was well beneath the CPI target. MTS Rail Operations cost per revenue mile increased 9.4%, and was not in compliance with the CPI target for fiscal year 2017.

Certain state of good repair (SGR), legislative and one-time labor costs within Rail Operations prohibited MTS from achieving compliance with the CPI target.

- In order to keep the Rail operation in a SGR, MTS incurred approximately \$3.2 million in additional SGR expenses compared to the previous year with the most significant efforts detailed below.
 - The new generation Siemens S70 low-floor light rail vehicle (LRV) is designed to couple and operate together with the older generation Siemens SD100 high-floor LRV. Currently, there is an insufficient number of S70 LRVs to provide system-wide, 100% low-floor service, thus necessitating use of the SD100 LRV as the center car in the standard three-car train configuration. This operation will be required until the SD100 LRVs are decommissioned and replaced between 2020 and 2025. The dissimilar operating characteristics and technological differences between the S70 LRV and SD100 LRV are substantial. Essential in-train electrical functions and vehicle-to-vehicle signal commands are communicated via the coupler gear and associated electrical pin connectors. The coupler gears on the existing SD100 LRV fleet were worn such that operation of the mixed consist train configuration would be compromised by increased equipment failures in revenue service operations. Replacement of the 52 SD100 LRV couplers (100% complete) and overhaul the traction motors (54% complete) was required to ensure 100% SGR and successful operation for the remaining lifecycle of the SD100 LRV fleet necessitating an additional \$1.7 million in costs in fiscal year 2017 compared to fiscal year 2016.



- In early 2015, MTS successfully completed the \$700 million multi-year trolley renewal program, primarily rehabilitating the Blue Line segment of the MTS Rail operation. The renewal program also included replacing all stations system-wide with higher platforms to accept new low-floor train service, new station shelters, enhanced station amenities, and the procurement of 65 new Siemens low-floor S70 LRVs. While the original Blue Line was constructed between 1979 and 1981 with minimal improvements to its existing infrastructure, the Orange Line began service in 1986 with a far more substantial infrastructure design on which to operate. To ensure a 100% SGR is consistently maintained system-wide, infrastructure improvements are generally required at 30-year intervals, depending on level of use and type of activity (light rail trains v. freight trains). The existing Orange Line track structure (ballast, ties and rail) remains operationally safe and without restriction. Nevertheless, replacing railroad ties, upgrading ballast, along with servicing and aligning the track structure, is essential to ensure the long-term SGR of these assets. In fiscal year 2017, a significant effort necessitated approximately \$1.5 million in these SGR costs compared to 2016.
- The State legislature and local officials set in place an aggressive increase in the minimum wage framework through calendar year 2022. This had a measurable impact to Rail Operations as the minimum wage increased by \$1.50 per hour in a six month time frame. This cost increase, entirely out of MTS's control, increased Trolley security costs by \$629,000.
- Until 2015, all MTS Rail Division hourly employees were represented by the International Brotherhood of Electrical Workers (IBEW) Local 465. In 2015, the IBEW was decertified by its represented employees after numerous failed attempts to secure a contract. After which, the IBEW was replaced by the Public Transit Employees Association (PTEA), who in 2017, negotiated a one (1) year contract with MTS. Due to the extended time represented employees went without a contractual increase to the hourly pay schedule, a one-time bonus of \$1000.00 per employee was provided, along with an hourly rate merit increase. The resulting one-time bonus impact relative to this union negotiation totaled \$330,000.

Considering the exclusion of these SGR, legislative and one-time labor costs, Rail Operations independently would be considered compliant with a cost per revenue mile increase of 4.0%.

MTS requests that the SANDAG Board of Directors approve our request to calculate the eligibility requirement excluding \$4.1 million in SGR, labor contract and state mandated costs outside of MTS's control. As was mentioned earlier, from a combined MTS operation perspective, MTS's financial performance for fiscal year 2017 was in compliance with the TransNet Ordinance. We appreciate ITOC's recognition of our continued and concerted efforts to increase the efficiency of our operations and responsibly manage our costs.

Sincerely,



Larry Marinesi
Chief Financial Officer



**TRANSPORTATION COMMITTEE
MARCH 16, 2018**

ACTION REQUESTED: RECOMMEND

**TransNet 2018 NOTE ISSUANCE: REVIEW OF
DRAFT NOTE DOCUMENTS**

File Number 1500100

Introduction

On October 27, 2017, the Board of Directors approved the 2016-2017 Major Corridors *TransNet* Plan of Finance update, which incorporated updated program revenue, cost, and project budget and cash flow assumptions for the *TransNet* Early Action Program (EAP). The 2016-2017 update also anticipated the issuance of approximately \$537.5 million in fixed-rate, tax-exempt municipal short term notes to continue advancing the Mid-Coast Corridor Transit Project. The proposed securities are called notes (instead of bonds) due to their comparatively short final maturity of approximately three years.

Recommendation

The Transportation Committee is asked to recommend that the Board of Directors, acting as the San Diego County Regional Transportation Commission (RTC), adopt Resolution No. RTC-2018-02, authorizing the issuance of up to \$537.5 million in fixed-rate, tax-exempt municipal short-term notes to advance implementation of the Mid-Coast Corridor Transit Project; and the execution and distribution of the documents, in substantially the same form as attached (Attachments 1-9).

At its meeting on March 9, 2018, the Board of Directors reviewed the strategy and timing for the proposed Series 2018 Notes. This report provides an update on the preparations for the upcoming transaction and an overview of the preliminary draft note documents.

Discussion

In December 2005, the Board of Directors approved a financial strategy for implementing the *TransNet* EAP and for fulfilling ongoing commitments of the existing *TransNet* Program. To date, the Board's financial strategy has included the issuance of long-term debt and a short-term Commercial Paper Program to support the Mid-Coast Corridor Transit Project and other EAP projects. In addition, in June 2016 SANDAG closed on a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan transaction, but the loan itself has not yet been drawn upon.

The 2016-2017 *TransNet* Plan of Finance update incorporated the latest cost estimates for all ongoing EAP projects, including the Mid-Coast Corridor Transit Project, maintaining the course to deliver the EAP. The Series 2018 Notes are proposed to be sold to fund capital expenses and reimburse SANDAG for prior expenditures associated with the Mid-Coast Corridor Transit Project. The proposed Notes would be sold as traditional tax-exempt, fixed-rate notes, taking advantage of low borrowing costs in today's market; and secured by a subordinate lien on *TransNet* sales tax revenues (below SANDAG's outstanding senior lien bonds and on parity with the Commercial Paper program). SANDAG would pay interest on the Notes with *TransNet* revenues, while the principal amount is expected to be repaid by a draw on the TIFIA loan in FY 2021.

Current Debt Portfolio

SANDAG has \$1.75 billion of outstanding long-term debt, consisting of the Series 2008 variable-rate bonds, 2010 Series A taxable Build America Bonds¹, 2010 Series B tax-exempt fixed-rate bonds, and 2012 Series A, 2014 Series A and 2016 Series A tax-exempt fixed-rate bonds. Of the total debt portfolio, 23 percent consists of synthetic fixed-rate bonds (variable-rate bonds hedged with fixed-payer interest rate swaps), 76 percent are fixed-rate bonds, and 1 percent in short-term Commercial Paper currently is outstanding. In addition to these outstanding obligations, the SANDAG federal TIFIA loan is available in the amount of \$537.5 million.

Planned 2018 Note Issuance

Approximately \$537.5 million in new money Series 2018 Notes are proposed to be sold as traditional tax-exempt, short-term municipal fixed-rate Notes. The Series 2018 Notes may be sold with a six-month call feature, meaning SANDAG would be able to call the Notes six months before the stated maturity date, without penalty. This call feature provides flexibility to structure the maturity of the Notes six months after the expected draw on the TIFIA loan. This provides SANDAG flexibility and time to respond should there be some delay in accessing the TIFIA loan. If there is no delay, SANDAG would exercise the six-month call option and repay the Notes on the call date with the draw upon the TIFIA loan.

The final decision to include a six-month call feature will be made closer to the pricing date in early April and will account for the cost, if any, of that call flexibility. Similar to the most recent 2014 Series bonds and 2016 Series bonds, the Series 2018 Notes are proposed to be issued without a Debt Service Reserve Fund, which frees up more proceeds for the Mid-Coast Corridor Transit Project and provides an economic benefit by reducing the needed borrowing amount. The TIFIA loan is a third-lien, junior subordinate loan, which is locked at a very attractive rate of 2.72 percent.

Should the TIFIA loan not be used or be able to be drawn upon at the maturity of the Notes, SANDAG would need to fund repayment of the Notes through other available sources such as tax-exempt bonds, additional short-term notes, or sales tax revenues on hand, among other options, or any combination thereof.

Included as Attachment 1 is a memorandum from the SANDAG financial advisor, Public Financial Management (PFM), which provides more detailed information relating to the new funds.

¹ Created by the American Recovery and Reinvestment Act of 2009, Build America Bonds are taxable, tax credit bonds, which allow the issuer to receive a subsidy of 35 percent of interest payments as a cash payment from the U.S. Treasury.

Estimated Costs of Issuance

The selection of bond counsel, disclosure counsel, trustee, and financial advisor was completed through a competitive process and fees were negotiated. Rating agency fees are subject to published rates. The total of these issuance costs is estimated at \$600,000. The selection of the underwriters also was completed through a competitive process, and the fees are calculated as a percentage of the total amount of debt issued. Assuming approximately \$537.5 million in new money Series 2018 Notes would be sold, underwriting fees would total approximately \$800,000.

Total issuance costs of \$1.4 million (the \$600,000 plus the \$800,000) equal approximately 0.26 percent of the Note issuance amount. Final costs of issuance would be paid out of Note proceeds at the closing of the transaction. Also attached is a list of the costs related to previous bond issuances (Attachment 9).

Credit Rating Agency Reviews

SANDAG currently maintains strong senior lien credit ratings: AAA from Standard & Poor's (S&P), AAA ratings from Fitch Ratings (Fitch), and Aa2 from Moody's Investors Service (Moody's). Among the three rating agencies, Moody's takes the least favorable view of self-help county credits, with S&P being the most bullish on the sector.

As a result of the prevailing view of Moody's relative to S&P and Fitch, SANDAG would approach S&P and Fitch for a rating on the new subordinate lien that these Series 2018 Notes would be on. As was the case for the 2014 Series A bonds and 2016 Series A bonds, SANDAG would provide updates and documents as a matter of courtesy to Moody's since they will continue to maintain a rating on the previously issued SANDAG bonds (except the 2014 Series A bonds and 2016 Series A bonds).

Based on the above strategy, SANDAG staff, and representatives from PFM, bond counsel, and the senior underwriting team met with S&P and Fitch credit rating agencies on March 5, 2018, to review the SANDAG 2018 financing proposal. The presentations included a summary of the region's economic strengths as well as the sound management and structure of the current SANDAG Debt Program. S&P and Fitch ratings are anticipated to be received by March 19, 2018.

Responsibilities for Review

Attached to this report for review and information are the preliminary bond documents for the proposed Series 2018 Note issuance (Attachments 2 through 7). Also attached is a catalogue of outstanding (blank) items (Attachment 8) detailing when the missing information in each of the draft Note documents would be filled in along with the responsible party.

The SANDAG Board of Directors, in its role as the San Diego County Regional Transportation Commission, has the ultimate responsibility for approving the 2018 transaction. Before making a decision regarding the Note issuance, Board members should review all of the documents to become familiar with their contents. Board members should pay particular attention to the information contained in the Preliminary Official Statement (Attachment 3) to ensure there are no inaccuracies concerning SANDAG.

Board members also should ensure that to the best of their knowledge all of the factual statements are true and correct in all material respects and that the information does not contain any untrue or misleading statement of a material fact or omit to state any material fact that would make the information in any of the documents regarding SANDAG misleading. When carrying out their fiduciary responsibilities, public officials may rely upon employees, bond counsel, disclosure counsel, and other professionals to assure that they are in compliance with the antifraud provisions of the federal securities laws, as long as the reliance is reasonable. In order for the reliance to be considered reasonable, the public official must: (1) make complete disclosure to the appropriate professional of any potentially material mistake or omission in the documents; (2) request the professional's advice as to what disclosure is proper; (3) receive advice regarding the appropriate disclosure; and (4) rely in good faith on that advice.

SANDAG Bond Counsel (Orrick, Herrington & Sutcliffe LLP), disclosure counsel (Norton Rose Fulbright LLP), and financial advisor (PFM) will be present at the March 23, 2018, Board of Directors meeting to provide information regarding proper disclosure. The Chief Deputy Executive Director (Kim Kawada), Finance Director (André Douzdjian), *TransNet* Department Director (José Nuncio), Technical Services Director and Chief Economist (Ray Major), and General Counsel (John Kirk) have all reviewed the draft Note documents, and to the best of the staff's knowledge, all of the statements are true and correct in all material respects, and the information does not contain any untrue or misleading statement of a material fact or omit to state any material fact that would make the information in those documents regarding SANDAG misleading.

Next Steps

The remaining schedule for the planned Series 2018 Note issuance is as follows:

- March 19: Anticipated notification of credit ratings from S&P and Fitch
- March 23: Board of Directors – final review and approval of Note documents
- March 24: Post Preliminary Official Statement
- Week of April 2: Anticipated pricing date
- Week of April 16: Anticipated closing date

ANDRÉ DOUZDJIAN
Director of Finance

- Attachments:
1. February 22, 2018, Memorandum from Public Financial Management, Inc.
 2. Draft San Diego County Regional Transportation Commission Resolution No. RTC-2018-02
 3. Draft Preliminary Official Statement
 4. Draft Subordinate Indenture
 5. Draft First Supplement to the Subordinate Indenture
 6. Draft Note Purchase Agreement
 7. Draft Continuing Disclosure Agreement
 8. Catalogue of Outstanding Blank and Bracketed Items by Document
 9. Previous Cost of Bond Issuances

Key Staff Contact: André Douzdjian, (619) 699-6931, andre.douzdjian@sandag.org



February 22, 2018

Memorandum

To: SANDAG Board of Directors

From: Peter Shellenberger, *PFM Financial Advisors LLC*
Darren Hodge, *PFM Financial Advisors LLC*

Re: 2018 Short-Term Notes

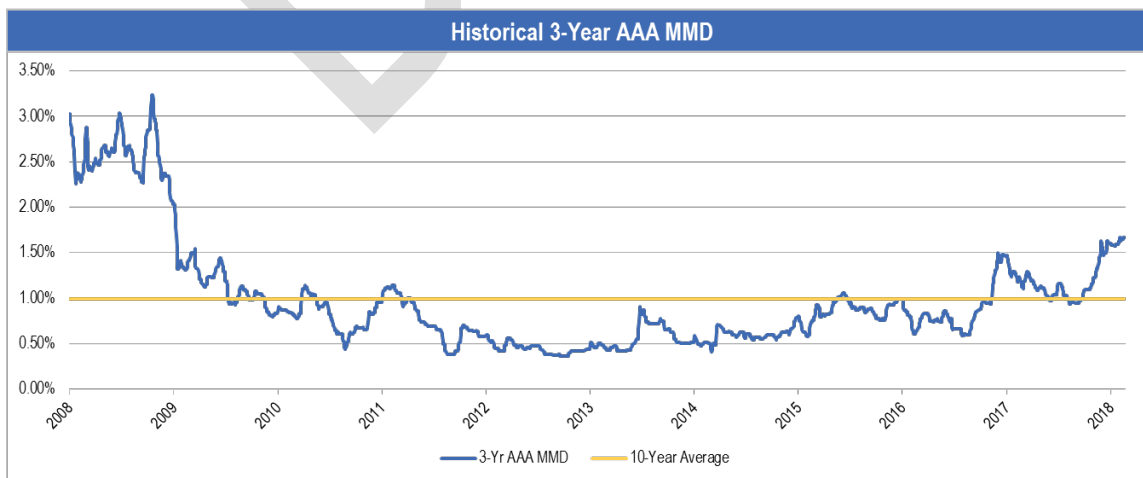
INTRODUCTION

PFM Financial Advisors LLC (“PFM”), as the financial advisor to SANDAG, has worked with SANDAG staff to provide an update on the proposed Series 2018 Short-Term Notes (“Series 2018 Notes”). As outlined in the latest plan of finance, SANDAG needs approximately \$560 million in note proceeds to fund expenses and reimburse expenditures associated with the Mid-Coast Corridor Transit Project. SANDAG already has used 2016 bond proceeds and will potentially use Commercial Paper proceeds to finance Mid-Coast Corridor Transit Project costs. As such, a portion of the proposed note proceeds may be used to reimburse the 2016 bond fund and refinance a portion of outstanding Commercial Paper.

The proposed 2018 financing will consist of tax-exempt, fixed-rate notes and will be issued in April amid what is anticipated to be a favorable interest rate environment. Presented below are a brief market overview and an update on the anticipated financing.

MARKET UPDATE

For the purpose of tracking municipal interest rates over time, we use the AAA Municipal Market Data Index (“AAA MMD”), which serves as the benchmark against which most tax-exempt, fixed-rate transactions are priced. The chart below tracks the 3-year maturity over the past ten years. The 3-year maturity is a good proxy for the final maturity on the proposed Series 2018 Notes. Although rates have risen over the past year, the current market still provides a favorable borrowing environment amid volatility.





As shown in the chart above tax-exempt interest rates remain at low levels. The current 3-year AAA MMD yield is 1.67%, 0.68% above its ten-year average.

OVERVIEW OF SERIES 2018 SHORT TERM NOTES

SANDAG conducted a competitive RFP process to select the underwriting and legal team. The underwriters selected for the transaction include Citigroup Global Markets Inc., Wells Fargo Securities, and Bank of America Merrill Lynch. Bond Counsel is Orrick, Herrington & Sutcliffe LLP and Disclosure Counsel is Norton Rose Fulbright. SANDAG, its financial advisor, banking team, and legal team kicked-off the Series 2018 Notes financing on January 11, 2018, and discussed timing, execution, and related matters. The team has worked over the following months to prepare documents, rating agency presentations, and other materials in preparation for the sale.

Size and Structure: As noted earlier, the Series 2018 Notes are being sold to fund capital expenses and reimburse SANDAG for prior expenditures associated with the Mid-Coast Transit project. The proposed notes are to be sold as traditional tax-exempt, fixed-rate notes, taking advantage of low borrowing costs in today's market. The notes are secured by a subordinate lien on *TransNet* sales tax revenues, below SANDAG's outstanding senior lien bonds and on parity with the Commercial Paper program. SANDAG will repay interest on the notes with *TransNet* revenues, while the principal amount is expected to be repaid by a draw on SANDAG's Junior Subordinate Lien TIFIA loan in FY 2021.

As the Series 2018 Notes are secured by a subordinate lien pledge on *TransNet* sales tax revenues, should the TIFIA loan not be used or be able to be drawn upon at maturity of the notes, SANDAG will need to fund repayment of the Series 2018 Notes through other available sources such as tax-exempt bonds, additional short-term notes or sales tax revenues, among other options, or any combination thereof.

The Series 2018 Notes are expected to be sold with a 6-month call feature, allowing SANDAG to call the notes 6 months before the stated maturity date, without penalty. This call feature provides flexibility to structure the maturity of the notes 6 months after the expected draw on the TIFIA loan. This provides SANDAG flexibility and time to respond should there be some delay in accessing the TIFIA loan. If there is no delay, SANDAG will exercise the 6-month call option and repay the bonds on the call date with the draw upon the TIFIA loan. The notes would not be sold with a Debt Service Reserve Fund.

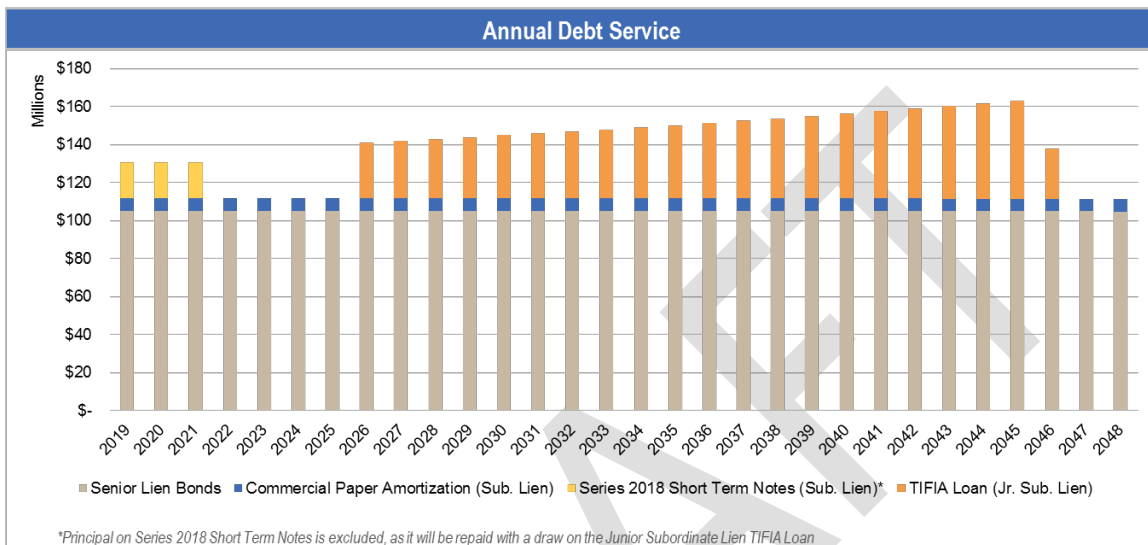
The par amount of the Series 2018 Notes is expected to be the full amount of \$537,480,000 authorized under the TIFIA loan agreement. In the current low interest rate environment, the notes will generate "premium" and total project fund proceeds are expected to be approximately \$570 million.

Annual senior lien debt service on outstanding senior lien bonds (i.e., not including the proposed Series 2018 Notes, commercial paper or the undrawn TIFIA loan) is currently \$105.3 million. Interest on the proposed Series 2018 Notes is expected to be an additional \$21.5 million annually through 2021 (when the TIFIA loan is draw to repay the notes) on the second, subordinate lien. When including commercial paper (also on the second lien), annual debt on the combined senior and second lien will be approximately \$133.3 million through 2021. Using FY 2017 sales tax



revenues, this results in senior lien coverage of 2.70 times and combined senior and subordinate coverage of 2.13 times. This is considered strong debt service coverage from a credit rating perspective.

Given the principal amount of the Series 2018 Notes is expected to be repaid with a draw on the TIFIA loan, the principal amount of the Series 2018 Notes is not included in the following debt service graph. Instead, the full amount of the TIFIA loan and its expected repayment schedule is included.



The financing team will continue to work with SANDAG as we approach pricing to evaluate any structural adjustments that would benefit SANDAG. The structure described above is what is currently anticipated, but is subject to change.

Rating Agency Strategy: SANDAG currently maintains short-term ratings supporting the commercial paper program on the subordinate lien. With the issuance of 3-year notes (i.e., the proposed Series 2018 Notes), SANDAG will request long-term ratings on these new subordinate lien obligations. While often referred to as “short-term,” investors purchasing 3-year notes expect to see long-term ratings.

SANDAG will approach S&P and Fitch to provide ratings on the Series 2018 Notes. Two ratings are consistent with market standards for similar credits and also SANDAG’s recent approach on its last two Senior Lien Sales Tax Revenue Bonds. Two ratings will also help improve the marketability of the notes. In connection with securing long-term ratings on the subordinate lien, SANDAG and its financing team are updating certain terms and covenants within the legal documents to better reflect market demand and rating agency criteria for such borrowings.

Documents and Schedule: The SANDAG legal team has drafted documents in connection with the 2018 Notes. These include: the Subordinate Indenture, First Supplemental Subordinate Indenture, Resolution, Preliminary Official Statement, and Note Purchase Agreement. These documents will be presented for Board approval at the March 23, 2018, Board meeting.

Following Board approval and upon receipt of the ratings, SANDAG and its financing team will release the Preliminary Official Statement and embark on a marketing strategy prior to pricing the



bonds. The current schedule has pricing slated for early April with the closing later that month; however, the financing team will continuously evaluate market conditions and will remain flexible with respect to when to enter the market.

Summary: The 2018 Notes have an estimated All-In True Interest Cost (“All-In TIC”) of approximately 1.92% in today’s market. Combined senior and subordinate lien debt service would increase from \$111.8 million to \$133.3 million through 2021 (until the notes mature). Audited FY 2017 sales tax revenues was \$284.5 million, resulting in estimated annual debt service coverage of 2.70 times on senior lien obligations and 2.13 times on combined senior and subordinate lien obligations. This is strong coverage and should support high ratings on the subordinate lien.

DRAFT



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RESOLUTION NO. RTC-2018-02

AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$537,480,000 AGGREGATE PRINCIPAL AMOUNT OF SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION SUBORDINATE SALES TAX REVENUE SHORT-TERM NOTES (LIMITED TAX BONDS), THE EXECUTION AND DELIVERY OF A SUBORDINATE INDENTURE, A FIRST SUPPLEMENT TO THE SUBORDINATE INDENTURE, A NOTE PURCHASE AGREEMENT, AN OFFICIAL STATEMENT AND A CONTINUING DISCLOSURE AGREEMENT, AND DELEGATING TO THE CHAIR AND SECRETARY OF THE BOARD AND CHIEF DEPUTY EXECUTIVE DIRECTOR OF THE COMMISSION AND OTHER AUTHORIZED REPRESENTATIVES POWER TO COMPLETE SAID DOCUMENTS, AUTHORIZING DISTRIBUTION OF SAID DOCUMENTS AND AUTHORIZING TAKING OF ALL NECESSARY ACTIONS IN CONNECTION THEREWITH

WHEREAS, the San Diego County Regional Transportation Commission (the "Commission") adopted the San Diego Transportation Improvement Program Ordinance and Expenditure Plan on July 31, 1987 (as amended, the "1987 Ordinance"), pursuant to the provisions of Sections 132000 through 132314, inclusive, of the Public Utilities Code of the State of California, which 1987 Ordinance provided for the imposition of a retail transactions and use tax (the "retail transactions and use tax") applicable in the incorporated and unincorporated territory of the County of San Diego (the "County") in accordance with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code of the State of California at the rate of one-half of one percent (1/2%) for a period not to exceed twenty (20) years;

WHEREAS, by its terms the 1987 Ordinance became effective at the close of the polls on November 3, 1987, the day of the election at which the proposition imposing the retail transactions and use tax was adopted by a majority vote of the electors voting on such proposition;

WHEREAS, in order to provide for the extension of the initial term of the retail transactions and use tax for a period of forty (40) years, the Commission adopted the San Diego Transportation Improvement Program Ordinance and Expenditure Plan on May 28, 2004 (the "Sales Tax Extension Ordinance," and, together with any amendments thereto and the 1987 Ordinance, hereinafter collectively referred to as the "Ordinance");

WHEREAS, by its terms the Sales Tax Extension Ordinance became effective on November 3, 2004, the day following the date of the election at which the proposition providing for the extension of the retail transactions and use tax was approved by at least two-thirds of the electors voting on such proposition;

WHEREAS, the Board of Directors (the "Board") of the Commission, pursuant to the San Diego County Regional Transportation Commission Act (constituting Chapter 2 of Division 12.7

of the California Public Utilities Code) and Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code, as referenced in said Act, and Article 10 and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (Section 53570 et seq.), and other applicable provisions of the laws of the State of California (collectively, the "Law"), is authorized to issue bonds payable from the proceeds of the retail transactions and use tax levied by the Commission;

WHEREAS, the Commission has heretofore authorized the issuance of not to exceed \$100,000,000 in aggregate principal amount of Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds), Series B (collectively, the "CP Notes"), pursuant to an Amended and Restated Subordinate Indenture dated as of November 1, 2005 (as amended and supplemented, the "Existing Subordinate Indenture"), by and between the Commission and U.S. Bank National Association, as trustee (the "Notes Trustee");

WHEREAS, in order to amend the Existing Subordinate Indenture to make modifications and adjustments necessary, appropriate and desirable to provide for the issuance of Parity Debt, to incorporate into the provisions of the Existing Subordinate Indenture the amendments effected by the prior supplements thereto, and to conform certain provisions of the Existing Subordinate Indenture to the provisions of the Indenture, the Commission proposes to enter into a Subordinate Indenture, by and between the Commission and the Notes Trustee, amending and restating the Existing Subordinate Indenture (as so amended and restated, the "Subordinate Indenture"), a proposed form of which Subordinate Indenture has been prepared and presented to the Commission;

WHEREAS, the Commission has heretofore issued \$600,000,000 in aggregate principal amount of its Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series A, 2008 Series B, 2008 Series C and 2008 Series D (collectively, the "2008 Bonds"), pursuant to an Indenture dated as of March 1, 2008 (as it has been amended and supplemented, the "Indenture"), and a First Supplemental Indenture and a Second Supplemental Indenture thereto, each entered into by the Commission and U.S. Bank National Association, as trustee (the "Trustee");

WHEREAS, the Commission has heretofore issued \$338,960,000 in aggregate principal amount of its Sales Tax Revenue Bonds (Limited Tax Bonds), 2010 Series A (Taxable Build America Bonds) and \$11,040,000 in aggregate principal amount of its Sales Tax Revenue Bonds (Limited Tax Bonds), 2010 Series B (Tax-Exempt Bonds) (together, the "2010 Bonds"), pursuant to the Indenture, as amended and supplemented, including as amended and supplemented by a Third Supplemental Indenture thereto, entered into by the Commission and the Trustee;

WHEREAS, the Commission has heretofore issued \$420,585,000 in aggregate principal amount of its Sales Tax Revenue Bonds (Limited Tax Bonds), 2012 Series A (the "2012 Bonds"), pursuant to the Indenture, as amended and supplemented, including as amended and supplemented by a Fourth Supplemental Indenture thereto, entered into by the Commission and the Trustee;

WHEREAS, the Commission has heretofore issued \$350,000,000 in aggregate principal amount of its Sales Tax Revenue Bonds (Limited Tax Bonds), 2014 Series A (the "2014 Bonds"), pursuant to the Indenture, as amended and supplemented, including as amended and supplemented by a Fifth Supplemental Indenture thereto, entered into by the Commission and the Trustee;

WHEREAS, the Commission has heretofore issued \$325,000,000 in aggregate principal amount of its Sales Tax Revenue Bonds (Limited Tax Bonds), 2016 Series A (the "2016 Bonds" and, collectively with the 2008 Bonds, the 2010 Bonds, the 2012 Bonds and the 2014 Bonds, the "Bonds"), pursuant to the Indenture, as amended and supplemented, including as amended and supplemented by a Sixth Supplemental Indenture thereto, entered into by the Commission and the Trustee;

WHEREAS, the Commission has heretofore entered into a TIFIA Loan Agreement, dated as of June 27, 2017 (the "TIFIA Loan Agreement"), by and between the Commission and the United States Department of Transportation, an agency of the United State of America, acting by and through the Executive Director of the Build America Bureau (the "TIFIA Lender") in anticipation of financing on a long-term basis certain costs of the Mid-Coast Corridor Transit Project (as defined in the Subordinate Indenture, the "Mid-Coast Project"), comprising a portion of the Project (as such term is defined in the Subordinate Indenture);

WHEREAS, the Commission hereby determines that one or more new series or subseries of short-term notes in an aggregate principal amount of not to exceed five hundred thirty-seven million four hundred eighty thousand dollars (\$537,480,000), to be secured by a lien on the retail transactions and use tax subordinate to the lien on such tax that secures the Bonds and on a parity with the lien on such tax that secures the CP Notes, is necessary to provide funds to (i) finance or refinance certain costs of the Mid-Coast Project, (ii) refund a portion of the outstanding CP Notes, and (iii) pay for the costs of issuance incurred in connection with such short-term notes, and has determined that such short-term notes in an amount not to exceed such principal amount shall be issued and entitled, subject to additional series and subseries designations, "San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Short-Term Notes (Limited Tax Bonds), 2018 Series A" (the "2018 Short-Term Notes");

WHEREAS, the Commission hereby further determines that the 2018 Short-Term Notes shall be issued pursuant to, and as Parity Debt (as such term is defined in the Subordinate Indenture) under, the Subordinate Indenture, and a First Supplement thereto (the "First Supplemental Indenture"), to be entered into by and between the Commission and the Notes Trustee, a proposed form of which First Supplemental Indenture has been prepared and presented to the Commission;

WHEREAS, on or prior to the maturity date of the 2018 Short-Term Notes, the Commission anticipates drawing proceeds under the TIFIA Loan Agreement for payment of the principal of the 2018 Short-Term Notes or, to the extent sufficient funds are not available or eligible thereunder, to issue additional Senior Debt under the Indenture or additional Notes or Parity Debt under the Subordinate Indenture to refinance the 2018 Short-Term Notes or to retire a portion of the 2018 Short-Term Notes from available Revenues;

WHEREAS, in order to set forth the terms of sale of the 2018 Short-Term Notes, the Commission proposes to enter into one or more note purchase agreements (collectively, the "Note Purchase Agreement") with one or more representatives of its underwriters, being Citigroup Global Markets Inc., Wells Fargo Bank, N.A. and either of Merrill Lynch, Pierce, Fenner & Smith Incorporated or BofAML Securities, Inc., as applicable (collectively, the "Underwriters"), and a proposed form of Note Purchase Agreement has been prepared and submitted to the Commission;

WHEREAS, in order to provide information about the 2018 Short-Term Notes and related matters to purchasers and potential purchasers of the 2018 Short-Term Notes, the Commission proposes to execute and deliver an official statement, a proposed form of which has been prepared and presented to the Commission in preliminary form (the "Preliminary Official Statement");

WHEREAS, there has been prepared and presented to the Commission a proposed form of Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") to be executed and delivered by the Commission to assist the Underwriters in satisfying their obligations under Rule 15c2-12 promulgated by the Securities and Exchange Commission;

WHEREAS, in order to provide information about the CP Notes and related matters to purchasers and potential purchasers of the CP Notes, there has been prepared and presented to the Commission a proposed form of Offering Memorandum (the "Offering Memorandum");

WHEREAS, Orrick, Herrington & Sutcliffe LLP is representing the Commission as bond counsel ("Bond Counsel") and Norton Rose Fulbright US LLP, is representing the Commission as disclosure counsel ("Disclosure Counsel") and Public Financial Management, Inc. is serving as municipal advisor ("Municipal Advisor") to the Commission in connection with the 2018 Short-Term Notes;

WHEREAS, in compliance with Government Code Section 5852.1, the Commission has obtained from the Municipal Advisor the certain required good faith estimates and such estimates are disclosed and set forth in Exhibit A attached hereto;

WHEREAS, the Commission has been presented with the form of the Subordinate Indenture, the First Supplemental Indenture, the Note Purchase Agreement, the Preliminary Official Statement, the Continuing Disclosure Agreement and the Offering Memorandum relating to the financing and refinancing described herein (collectively, the "Financing") and the Commission has examined and approved each document and desires to authorize and direct the execution of such documents as are specified herein and such other documents as are necessary in connection with the Financing and to authorize and direct the consummation of the Financing; 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 Financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Commission is now duly authorized and empowered, pursuant to each and every requirement of law, to authorize such Financing and to authorize the execution of the First Supplemental Indenture, the Note Purchase Agreement, the official statement in final form and the Continuing Disclosure Agreement for the purposes, in the manner and upon the terms provided;

NOW, THEREFORE, BE IT RESOLVED by the San Diego County Regional Transportation Commission as follows:

Section 1. The issuance by the Commission of not to exceed \$537,480,000 aggregate principal amount of San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Short-Term Notes (Limited Tax Bonds), 2018 Series A in accordance with the provisions of the Subordinate Indenture and the First Supplemental Indenture, in one or more series or subseries,

in order to provide funds to (i) finance or refinance certain costs of the Mid-Coast Project, (ii) refund a portion of the outstanding CP Notes, and (iii) pay for the costs of issuance incurred in connection with the 2018 Short-Term Notes, is hereby authorized and approved.

Section 2. The proposed form of First Supplemental Indenture, between the Commission and the Notes Trustee, submitted to the Commission, and the terms and conditions thereof, are hereby approved. The Secretary of the Board is directed to file a copy of said form of First Supplemental Indenture with the minutes of this meeting, and any one of the Chair of the Board, the Chief Deputy Executive Director of the Commission or the Director of Finance of the Commission or a designee of any such official (each an "Authorized Representative"), and the Secretary of the Board are authorized and directed to execute and deliver the First Supplemental Indenture to the Notes Trustee, in substantially such form, and with such additions thereto or changes therein, as they, with the advice of Bond Counsel, shall approve, such approval to be conclusively evidenced by the execution and delivery of the First Supplemental Indenture. The structure, date, maturity date or dates (not to exceed [____ 1, 20__]), interest rate or rates (not to exceed [_____] percent ([_____]%) per annum, and with a not to exceed [_____] percent ([_____]%) per annum true interest cost), interest payment dates, forms, registration privileges, place or places of payment, terms of redemption, mandatory purchase, additional series designation and number or letter thereof and other terms of the 2018 Short-Term Notes shall be (subject to the foregoing limitations) as provided in the First Supplemental Indenture as finally executed and delivered.

Section 3. The proposed form of Subordinate Indenture, between the Commission and the Notes Trustee, submitted to the Commission, and the terms and conditions thereof, are hereby approved. The Secretary of the Board is directed to file a copy of said form of Subordinate Indenture with the minutes of this meeting, and an Authorized Representative and the Secretary of the Board are authorized and directed to execute and deliver the Subordinate Indenture to the Notes Trustee, in substantially such form, and with such additions thereto or changes therein, as they, with the advice of Bond Counsel, shall approve, such approval to be conclusively evidenced by the execution and delivery of the Subordinate Indenture.

Section 4. The proposed form of the Preliminary Official Statement describing the 2018 Short-Term Notes, the security therefor and the documents to be executed in connection with the issuance of the 2018 Short-Term Notes, and related matters, submitted to the Commission, is hereby approved. The Authorized Representative is hereby authorized and directed to execute and deliver an Official Statement in substantially such form, and with such additions thereto or changes therein, as the Authorized Representative executing the same, with the advice of Disclosure Counsel, shall approve, such approval to be conclusively evidenced by the execution and delivery of the Official Statement; and the Authorized Representative is hereby authorized and directed to execute and deliver a certificate confirming that the Preliminary Official Statement is "deemed final" by the Commission for purposes of Securities and Exchange Commission Rule 15c2-12. The distribution by the Underwriters of copies of the Official Statement in final form to all actual purchasers of the 2018 Short-Term Notes and the distribution by the Underwriters of the Preliminary Official Statement to potential purchasers of the 2018 Short-Term Notes are hereby authorized and approved.

Section 5. The proposed form of Note Purchase Agreement providing for the sale of the 2018 Short-Term Notes submitted to the Commission, and the terms and conditions thereof, are hereby approved. The Secretary of the Board is directed to file a copy of said form of the Note Purchase Agreement with the minutes of this meeting. The sale of the 2018 Short-Term Notes to the

Underwriters, on one or more sale dates, at not less than the principal amount thereof, less an underwriters' discount (or subject to an underwriters' fee payable by the Commission to the Underwriters) of not to exceed [_____] percent ([_____]%) of such principal amount (exclusive of any original issue discount) in accordance with said Note Purchase Agreement and the costs of issuance (exclusive of underwriters' discount) to be financed with respect to any series of 2018 Short-Term Notes not to exceed [_____] percent ([_____]%) of the proceeds of the sale of such series of 2018 Short-Term Notes, be and is hereby authorized and approved, and the Authorized Representative is authorized and directed to complete, execute and deliver the Note Purchase Agreement in substantially such form, providing for the sale of one or more series or subseries of 2018 Short-Term Notes not to exceed \$537,480,000 in aggregate principal amount, such issue or issues to be, at such principal amounts, with such interest rates, maturities and discounts to be specified therein, and with such additions thereto or changes therein, as the Authorized Representative executing the same, with the advice of Bond Counsel, shall approve, such approval to be conclusively evidenced by the execution and delivery of the Note Purchase Agreement.

Section 6. The Authorized Representative is hereby authorized and directed to execute and deliver a Continuing Disclosure Agreement in substantially the form before the Commission with such changes and additions as such officer may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. The proposed form of Offering Memorandum describing the CP Notes and related matters, submitted to the Commission, is hereby approved. The Authorized Representative is hereby authorized and directed to execute and deliver an Offering Memorandum in substantially such form, and with such additions thereto or changes therein, as the Authorized Representative executing the same, with the advice of Disclosure Counsel, shall approve, such approval to be conclusively evidenced by the execution and delivery of the Offering Memorandum. The distribution by the dealer of the CP Notes of copies of the Offering Memorandum to purchasers of the CP Notes is hereby authorized and approved.

Section 8. The Chair and the Secretary of the Board, the Chief Deputy Executive Director and the Director of Finance of the Commission, and other appropriate officers of the Board or the Commission, are hereby authorized and directed, jointly and severally, for and in the name and on behalf of the Commission, to execute and deliver any and all documents, certificates and representations, including, without limitation, swap terminations or amendments, redemption or defeasance notices, escrow agreements, credit documents or amendments, signature certificates, no-litigation certificates, tax certificates, letters of representation relating to book-entry registration, insurance agreements, reimbursement agreements or amendments, investment instructions, amendments or supplements to any agreements related to the CP Notes, certificates concerning the contents of the Official Statement and the representations and warranties in the Note Purchase Agreement and related agreements, and certificates, agreements, and the documents authorized by this Resolution, substantially in the respective forms presented at this meeting, and with such additions thereto or changes therein, including such changes as may be requested by the TIFIA Lender, as they, with the advice of Bond Counsel, shall approve, and to do any and all things and take any and all actions that may be necessary or advisable, in their discretion, to effectuate the actions that the Commission has approved in this Resolution.

Section 9. All approvals, consents, directions, instructions, notices, orders, requests, indemnifications and other actions permitted or required by any of the documents authorized by this Resolution or executed or outstanding in connection with the Bonds, the CP Notes, or the 2018 Short-Term Notes, including, without limitation, any amendment or substitution of any of the documents authorized by this Resolution or relating to any of the foregoing agreements or obligations that may be necessary or desirable in connection with any liquidity or credit facility, any swaps, any reserve facility, any investment of proceeds of any series of bonds, or in connection with any disclosure document, any agreements with trustees, paying agents, credit providers, liquidity providers, counterparties, remarketing agents, escrow agents, calculation agents or verification agents, may be given or taken by an Authorized Representative, without further authorization or direction by the Commission, and any and all such actions heretofore taken by such officers are hereby ratified, confirmed, and approved, and the Authorized Representatives are each hereby authorized and directed to execute such documents and give any such approval, amendment, consent, direction, instruction, notice, order, request, indemnification or other action and to take any such action that such person may deem necessary or desirable to further the purposes of this Resolution.

Section 10. All actions heretofore taken by the officers and agents of the Board or the Commission with respect to the rating, issuance, purchase, execution and delivery of the 2018 Short-Term Notes are hereby ratified, confirmed and approved.

Section 11. This Resolution shall take effect from and after its adoption.

PASSED AND ADOPTED this [Insert Day] of [Insert Month & Year].

AYES:

NOES:

ABSENT:

[Seal]

Attest:

Chair of the Board of Directors
of the San Diego County Regional
Transportation Commission

Secretary of the Board of Directors of the
San Diego County Regional Transportation
Commission

SECRETARY'S CERTIFICATE

I, _____, Secretary of the Board of Directors of the San Diego County Regional Transportation Commission, hereby certify as follows:

The foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Commission duly and legally held at the regular meeting place of the Commission in San Diego, California, on _____, 2018, of which meeting all of said directors of the Commission had due notice and at which a majority thereof were present and acting throughout; and

At said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSENT:

An agenda of said meeting was posted at least 72 hours before said meeting at a location in San Diego, California, freely accessible to members of the public, and a brief general description of said resolution appeared on said agenda;

I have carefully compared the foregoing with the original minutes and recording of said meeting on file and of record in my office, and the foregoing is a full, true, and correct copy of the original resolution adopted at said meeting and entered in said minutes; and

Said original resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

WITNESS my hand and the seal of the San Diego County Regional Transportation Commission this ___ day of _____ 2018.

[Seal]

Secretary of the Board of Directors of the
San Diego County Regional Transportation
Commission

EXHIBIT A
GOOD FAITH ESTIMATES

San Diego County Regional Transportation Commission
Subordinate Sales Tax Revenue Short-Term Notes
(Limited Tax Bonds)
2018 Series A

The following information was obtained from Public Financial Management, Inc., as the municipal advisor of the notes defined above (the "2018 Short-Term Notes"), for consideration prior to the authorization in the foregoing Resolution of the proposed 2018 Short-Term Notes:

1. True Interest Cost of the 2018 Short-Term Notes. Assuming the proposed maximum aggregate principal amount of the 2018 Short-Term Notes (\$537,480,000) are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the 2018 Short-Term Notes, which means the rate necessary to discount the amounts payable on the principal and interest payment dates to the purchase price received for the 2018 Short-Term Notes, is [____] %.

2. Finance Charge of the 2018 Short-Term Notes. Assuming the maximum aggregate principal amount of the proposed 2018 Short-Term Notes (\$537,480,000) are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the finance charge of the 2018 Short-Term Notes, which means the sum of all fees and charges paid to third parties (or costs associated with the issuance of the 2018 Short-Term Notes), is \$[____], as follows:

a)	Underwriter's Discount	\$
b)	Bond Counsel Fee and Disbursements	
c)	Disclosure Counsel Fee and Disbursements	
d)	Municipal Advisor Fee and Disbursements	
e)	Rating Agency Fee	
f)	Trustee Expenses	
g)	Miscellaneous Expenses	
	Total:	\$

3. Amount of Proceeds to be received. Assuming the maximum aggregate principal amount of the proposed 2018 Short-Term Notes (\$537,480,000) are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the amount of proceeds expected to be received by the issuer for sale of the 2018 Short-Term Notes less the finance charge of the 2018 Short-Term Notes described in 2 above and any reserves funded with proceeds of the 2018 Short-Term Notes, is \$[____].

4. Total Payment Amount. Assuming the maximum aggregate principal amount of the proposed 2018 Short-Term Notes (\$537,480,000) are sold and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount, which means the sum total of all payments the issuer will make to pay debt service on the 2018 Short-Term Notes plus the finance charge of the 2018 Short-Term Notes described in paragraph 2 above not paid with the proceeds of the 2018 Short-Term Notes, calculated to the final maturity of the 2018 Short-Term Notes, is \$[_____].

Attention is directed to the fact that the foregoing information constitutes good faith estimates only. The actual interest cost, finance charges, amount of proceeds and total payment amount may vary from the estimates above due to variations from these estimates in the timing of 2018 Short-Term Notes sales, the amount of 2018 Short-Term Notes sold, the amortization of the 2018 Short-Term Notes sold and market interest rates at the time of each sale. The date or dates of sale and the amount of 2018 Short-Term Notes sold will be determined by the issuer based on need for project funds and other factors. The actual interest rates at which the 2018 Short-Term Notes will be sold will depend on the bond market at the time of each sale. The actual amortization of the 2018 Short-Term Notes will also depend, in part, on market interest rates at the time of each sale. Market interest rates are affected by economic and other factors beyond the issuer's control.

DRAFT

PRELIMINARY OFFICIAL STATEMENT DATED MARCH __, 2018**NEW ISSUE – BOOK ENTRY ONLY****RATINGS:**

S&P: “__”

Fitch: “__”

(See “RATINGS” herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Commission, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2018 Short-Term Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the 2018 Short-Term Notes is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2018 Short-Term Notes. See “TAX MATTERS.”

\$ _____*

**SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
SUBORDINATE SALES TAX REVENUE
SHORT-TERM NOTES (LIMITED TAX BONDS), 2018 SERIES A**

Interest Rate: ___%

Yield: ___%

CUSIP No. _____

Dated: Date of Delivery**Due on April 1, 20__**

The San Diego County Regional Transportation Commission (the “Commission”) will issue its Subordinate Sales Tax Revenue Short-Term Notes (Limited Tax Bonds), 2018 Series A (the “2018 Short-Term Notes”) pursuant to the Subordinate Indenture, dated as of April 1, 2018 (amending and restating the Subordinate Indenture, dated as of August 1, 1991, as amended and restated by the Amended and Restated Subordinate Indenture, dated as of November 1, 2005, as further supplemented and amended), as supplemented and amended by the First Supplement to the Subordinate Indenture, dated as of April 1, 2018 (collectively, the “Subordinate Indenture”), between the Commission and U.S. Bank National Association, as trustee (the “Trustee”).

The 2018 Short-Term Notes are limited obligations of the Commission secured by a subordinate pledge of sales tax revenues (herein called the “Sales Tax Revenues”) derived from a one-half of one percent (0.5%) retail transactions and use tax (the “Sales Tax”) imposed in the County of San Diego (the “County”) for transportation and related purposes. Collection of the Sales Tax commenced on April 1, 1988. The Sales Tax is scheduled to expire on March 31, 2048. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 SHORT-TERM NOTES” herein.

The Commission does not expect to hold Sales Tax Revenues in an amount sufficient to pay the principal of the 2018 Short-Term Notes at maturity. The Commission expects to pay the principal of the 2018 Short-Term Notes from the proceeds of a draw on the TIFIA Loan Agreement (as defined herein). See “JUNIOR SUBORDINATE TIFIA LOAN,” “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 SHORT-TERM NOTES – Best Efforts Undertaking to Draw on TIFIA Loan Agreement or Obtain Financing” and “RISK FACTORS – Availability of Funds to Pay 2018 Short-Term Notes” herein.

The Commission will apply the proceeds of the 2018 Short-Term Notes to: (i) finance or refinance certain costs of the Commission’s Mid-Coast Corridor Transit Project (as further described herein), (ii) retire a portion of outstanding San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds), Series B (the “Series B Notes”), and (iii) pay the costs of issuing the 2018 Short-Term Notes. See “FINANCING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS.”

The 2018 Short-Term Notes will be dated their date of delivery, and will mature on April 1, 20__. The Commission will pay interest on the 2018 Short-Term Notes on April 1 and October 1 of each year, commencing on October 1, 2018. Investors may purchase the 2018 Short-Term Notes in book-entry form only. See APPENDIX E – “BOOK-ENTRY ONLY SYSTEM.”

The 2018 Short-Term Notes are subject to optional redemption by the Commission prior to maturity as described herein. See “THE 2018 SHORT-TERM NOTES – Redemption.”

THE 2018 SHORT-TERM NOTES DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE COUNTY, THE STATE OF CALIFORNIA (THE “STATE”) OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE COMMISSION TO THE EXTENT OF THE PLEDGE OF REVENUES DESCRIBED HEREIN, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE STATE OR OF ANY POLITICAL SUBDIVISION OF THE STATE. THE CREDIT OR TAXING POWER (OTHER THAN AS DESCRIBED IN THE SUBORDINATE INDENTURE) OF THE COMMISSION IS NOT PLEDGED FOR THE PAYMENT OF THE 2018 SHORT-TERM NOTES. THE 2018 SHORT-TERM NOTES ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF

* Preliminary, subject to change.
29495638.6

THE COMMISSION OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE SALES TAX REVENUES AND CERTAIN OTHER FUNDS PLEDGED UNDER THE SUBORDINATE INDENTURE.

This cover page contains general information only. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The 2018 Short-Term Notes are offered when, as and if issued by the Commission and received by the Underwriters, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Commission, and certain other conditions. Certain legal matters will be passed on for the Commission by its General Counsel and by Norton Rose Fulbright US LLP, Disclosure Counsel to the Commission, and for the Underwriters by their counsel, Nixon Peabody LLP. PFM Financial Advisors LLC has served as Municipal Advisor to the Commission. It is expected that the 2018 Short-Term Notes will be available for delivery through the book-entry facilities of The Depository Trust Company on or about April __, 2018.

Citigroup

BofA Merrill Lynch

Wells Fargo Securities

Dated: April __, 2018

DRAFT

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2018 Short-Term Notes by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. The information set forth herein has been provided by the San Diego County Regional Transportation Commission (the “Commission”) and other sources that are believed by the Commission to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Commission or the Underwriters.

This Official Statement is not to be construed as a contract with the purchasers of the 2018 Short-Term Notes.

This Official Statement speaks only as of its date. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made in conjunction herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Commission or other matters described herein since the date hereof. This Official Statement is submitted with respect to the sale of the 2018 Short-Term Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Commission.

All descriptions and summaries of documents and statutes hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document and statute for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and statute. Certain capitalized terms used but not defined herein are defined in APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE AND THE SUBORDINATE INDENTURE – Definitions.”

In connection with the offering of the 2018 Short-Term Notes, the Underwriters may overallocate or effect transactions which stabilize or maintain the market prices of such 2018 Short-Term Notes at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the 2018 Short-Term Notes to certain dealers, institutional investors and others at prices lower than the public offering prices stated on the inside cover page hereof and such public offering prices may be changed from time to time by the Underwriters.

CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are 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 Underwriters, the Municipal Advisor or the Commission is responsible for the selection or correctness of the CUSIP numbers set forth herein.

**CAUTIONARY STATEMENTS REGARDING
FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT**

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the Commission in any way, regardless of the level of optimism communicated in the information. The Commission is not obligated to issue nor does it plan to issue any updates or revisions to the forward-looking statements if or when its expectations change, or events, conditions or circumstances on which such statements are based occur.

TransNet Early Action Program



- 1 SR 76:** Widen highway
- 2 SR 52:** Widen and extend highway
- 3 Mid-Coast:**
Transit: Old Town-UCSD
Transit: UTC *SuperLoop*
I-5/I-8 west to north connector
I-5/Genesee Ave Interchange
- 4 I-15:**
HOV/Express Lanes
Transit: Escondido-Downtown San Diego
Transit: Rancho Bernardo-Sorrento Valley
- 5 I-805:**
HOV/Express Lanes
Transit: Otay Mesa-Downtown San Diego
Transit: Otay Mesa-Sorrento Valley
- 6 North Coast:**
I-5 HOV/Express Lanes
Coastal rail double-tracking
- 7 SPRINTER:** Oceanside-Escondido light rail
- 8 Blue and Orange Line Trolley:**
Low-floor vehicles
Station upgrades
- 9 Mid-City Rapid:** Downtown San Diego-SDSU
- 10 Goods Movement:**
South Line rail upgrades
SR 905
SR 905/SR 125/SR 11 connector
- 11 SR 94/SR 125:** South to east connector

Highway Projects

- Completed
- Under Construction
- ⋯ Preliminary Engineering

Transit Projects

- Completed
- Under Construction
- ⋯ Preliminary Engineering
- Light Rail Line



SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

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VICE-CHAIR: Hon. Steve Vaus

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(A) Hon. Dianne Jacob, Supervisor
(A) Ho. Kristin Gaspar, Chair

Hon. Ron Roberts, Supervisor
(A) Hon. Greg Cox, Supervisor
(A) Hon. Kristin Gaspar, Chair

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(A) Mark Baza, Imperial County Transportation Commission

California Department of Transportation

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(A) Cory Binns, Acting District 11 Director
(A) Ann Fox, Deputy Director

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Hon. Mona Rios
(A) Hon. Bill Sandke

North County Transit District

Hon. Rebecca Jones, Chair
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(A) Hon. Jewel Edson

United States Department of Defense

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(A) Steve Chung, Navy Region Southwest

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(A) Hon. Michael Zucchet, Commissioner

San Diego County Water Authority

Mark, Muir, Chair
(A) Jim Madaffer, Vice Chair
(A) Christy Guerin, Director

Southern California Tribal Chairmen's Association

Hon. Cody Martinez, Chairman, Sycuan Band of the
Kumeyaay Nation
Hon. Robert Smith, Chairman, Pala Band of Mission Indians

Mexico

Hon. Marcela Celorio, Cónsul General of Mexico
(A) Gaspar Orozco, Deputy Cónsul General of Mexico
Hon. Ruth Alicia Lopez, Vice Consul

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

MANAGEMENT

CHIEF DEPUTY EXECUTIVE DIRECTOR

Kim Kawada

GENERAL COUNSEL

John F. Kirk

**DIRECTOR OF MOBILITY
MANAGEMENT AND PROJECT
IMPLEMENTATION**

Jim Linthicum

DIRECTOR OF FINANCE

André Douzdjian

**DIRECTOR OF LAND USE
AND TRANSPORTATION
PLANNING**

Charles “Muggs” Stoll

CHIEF ECONOMIST

Ray Major

***TransNet* DIRECTOR**

José Nuncio

MUNICIPAL ADVISOR

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San Francisco, California

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San Francisco, California

DISCLOSURE COUNSEL

Norton Rose Fulbright US LLP
Los Angeles, California

TRUSTEE

U.S. Bank National Association
Los Angeles, California

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OFFICIAL STATEMENT

\$ _____*

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION SUBORDINATE SALES TAX REVENUE SHORT-TERM NOTES (LIMITED TAX BONDS), 2018 SERIES A

INTRODUCTION

General

This Official Statement, including the cover page and all appendices hereto (the “Official Statement”), provides certain information concerning the issuance and sale by the San Diego County Regional Transportation Commission (the “Commission”) of its Subordinate Sales Tax Revenue Short-Term Notes (Limited Tax Bonds), 2018 Series A (the “2018 Short-Term Notes”) in the aggregate principal amount of \$_____. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE AND THE SUBORDINATE INDENTURE” or, if not defined therein, in the Indenture.

Authority for Issuance

Pursuant to the San Diego County Regional Transportation Commission Act, Chapter 2 of Division 12.7 (Sections 132000 and following) of the Public Utilities Code of the State of California, (the “Act”), the Commission is authorized to issue indebtedness payable in whole or in part from Sales Tax Revenues (defined below). The 2018 Short-Term Notes will be issued and secured pursuant to the Subordinate Indenture, dated as of April 1, 2018 (amending and restating the Subordinate Indenture, dated as of August 1, 1991, as amended and restated by the Amended and Restated Subordinate Indenture, dated as of November 1, 2005, as further supplemented and amended), as supplemented and amended by the First Supplement to the Subordinate Indenture, dated as of April 1, 2018 (collectively, the “Subordinate Indenture”), between the Commission and U.S. Bank National Association, as trustee (the “Trustee”).

The Commission is a separate legal entity from the City of San Diego, California (the “City”) and the County of San Diego, California (the “County”). See “SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION.”

Application of 2018 Short-Term Note Proceeds

The Commission will apply the proceeds of the 2018 Short-Term Notes to: (i) finance or refinance certain costs of the Commission’s Mid-Coast Corridor Transit Project (as further described herein), (ii) retire a portion of outstanding San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds), Series B (the “Series B Notes”), and (iii) pay the costs of issuing the 2018 Short-Term Notes. See “FINANCING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS.”

* Preliminary, subject to change.

Repayment and Security for the 2018 Short-Term Notes

The 2018 Short-Term Notes are limited obligations of the Commission secured by a subordinate pledge of sales tax revenues (herein called the “Sales Tax Revenues”) derived from a one-half of one percent (0.5%) retail transactions and use tax (the “Sales Tax”), imposed in accordance with the Act and the California Transactions and Use Tax Law (Revenue and Taxation Code Section 7251 and following), net of an administrative fee paid to the California Department of Tax and Fee Administration (the “CDTFA”) in connection with the collection and disbursement of the Sales Tax. The Taxpayer Transparency and Fairness Act of 2017 restructured the California State Board of Equalization (the “BOE”) into three separate entities: the State Board of Equalization, the CDTFA and the Office of Tax Appeals. The CDTFA handles most of the taxes and fees previously collected by the BOE, including, as of July 1, 2017, the Sales Tax.

The Commission does not expect to hold Sales Tax Revenues in an amount sufficient to pay the principal of the 2018 Short-Term Notes at maturity. The Commission expects to pay the principal of the 2018 Short-Term Notes from the proceeds of a draw on the loan agreement the Commission entered into, on June 27, 2017 (the “TIFIA Loan Agreement”), with the U.S. Department of Transportation, acting by and through the Executive Director of the Build America Bureau (the “TIFIA Lender”), pursuant to which the TIFIA Lender has agreed to extend credit to the Commission in an amount not to exceed \$537,484,439 (the “Junior Subordinate TIFIA Loan”). See “JUNIOR SUBORDINATE TIFIA LOAN” and “RISK FACTORS – Availability of Funds to Pay 2018 Short-Term Notes” herein.

The proceeds of the Junior Subordinate TIFIA Loan are expected to be fully drawn in a single disbursement no later than April 1, 2021, and such proceeds are expected to be applied to pay the 2018 Short-Term Notes on or prior to their maturity date. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 SHORT-TERM NOTES” and “RISK FACTORS – Availability of Funds to Pay the 2018 Short-Term Notes.”

The Subordinate Indenture provides that unless the 2018 Short-Term Notes have been previously paid or defeased pursuant to the provisions of the Subordinate Indenture, the Commission agrees to use its best efforts, on or before April 1, 2021, to draw on the TIFIA Loan Agreement or, to the extent sufficient funds are not available or eligible thereunder, to issue Senior Bonds under the Senior Indenture, or Notes or other Parity Debt under the Subordinate Indenture or to otherwise obtain financing to provide funds sufficient to pay the principal of the 2018 Short-Term Notes on April 1, 2021. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 SHORT-TERM NOTES – Best Efforts Undertaking to Draw on TIFIA Loan Agreement or Obtain Financing.”

On November 3, 1987, a majority of County voters approved the San Diego County Transportation Improvement Program Ordinance and Expenditure Plan (as amended, the “1987 Ordinance”) which imposed the Sales Tax in the County for a 20-year period. Under the 1987 Ordinance, the Sales Tax was scheduled to expire on April 1, 2008. On November 2, 2004, more than two-thirds of County voters approved the San Diego County Transportation Improvement Program *TransNet* Ordinance and Expenditure Plan (the “Sales Tax Extension Ordinance” and, together with the 1987 Ordinance, the “Ordinance”) which provided for an extension of the Sales Tax through March 31, 2048. The 2018 Short-Term Notes are further secured by a pledge of certain amounts held by the Trustee under the Subordinate Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 SHORT-TERM NOTES – Pledge of Sales Tax Revenues.”

The Sales Tax is scheduled to expire on March 31, 2048. Under the Subordinate Indenture, the Trustee is required to make monthly deposits of Sales Tax Revenues in the Interest Fund and Principal Fund in advance of the next semiannual or annual payment of debt service becoming due on the 2018 Short-Term Notes, in amounts sufficient to pay such debt service, including the final amount becoming

due on April 1, 20___. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 SHORT-TERM NOTES – Revenue Fund; Allocation of Sales Tax Revenues” and “THE SALES TAX – Authorization, Application and Collection of the Sales Tax.” Notwithstanding the foregoing, the Commission expects to pay the principal of the 2018 Short-Term Notes from the proceeds of the Junior Subordinate TIFIA Loan or other financing as set forth above.

Issuance of Additional Subordinate Obligations

The Commission may issue additional commercial paper notes (“CP Notes”) and other Parity Debt (as defined herein) secured by Sales Tax Revenues on a parity with the 2018 Short-Term Notes and the Series B Notes and on a basis subordinate to the Commission’s Outstanding Senior Lien Debt (as defined herein). See SECURITY AND SOURCES OF PAYMENT FOR THE 2018 SHORT-TERM NOTES - Issuance of Additional Obligations.”

No Debt Service Reserve for 2018 Short-Term Notes

No debt service reserve will be funded for the 2018 Short-Term Notes.

Outstanding Senior Obligations

The Commission has outstanding \$_____ aggregate principal amount of its Sales Tax Revenue Bonds (Limited Tax Bonds) with a lien on Sales Tax Revenues senior to the pledge securing the 2018 Short-Term Notes. The Commission is also party to Interest Rate Swap Agreements and Liquidity Facilities secured by a lien on Sales Tax Revenues senior to the pledge securing the 2018 Short-Term Notes. See “OUTSTANDING OBLIGATIONS – Senior Lien Debt,” “– Interest Rate Swap Agreements” and “– Liquidity Facilities.”

The Commission and SANDAG

The Board of Directors of the San Diego Association of Governments (“SANDAG”) is designated under State legislation to serve as the San Diego County Regional Transportation Commission (the “Commission”). The Commission is authorized, acting by motion, resolution or ordinance, to enter into contracts and, by a two-thirds vote to authorize the issuance of bonds payable from proceeds of the Sales Tax.

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

SANDAG is the statutorily created regional transportation planning agency. In 2003, State legislation required the consolidation of the planning, programming, project development, and construction functions of the agencies currently known as San Diego Metropolitan Transit System (“MTS”) and North County Transit District (“NCTD”) into SANDAG. SANDAG is now responsible for transit planning, programming, project implementation, and construction of transit projects in the region and assists in the financing of transit projects. Neither SANDAG nor the Commission operates public transit services. MTS and NCTD operate such services within the County. SANDAG is the operator of certain express lanes on State Route 125 and has issued toll revenue debt to finance the acquisition of such toll road. The liabilities of SANDAG are not liabilities of the Commission. See “SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION.”

THE 2018 SHORT-TERM NOTES

The 2018 Short-Term Notes

The 2018 Short-Term Notes are being issued by the Commission pursuant to the Subordinate Indenture and the Act. The 2018 Short-Term Notes will be dated their date of delivery and will mature on date and in the amount, and will bear interest at the rate, shown on the cover page of this Official Statement. Interest on the 2018 Short-Term Notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Commission will issue the 2018 Short-Term Notes as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Commission will pay interest on the 2018 Short-Term Notes on April 1 and October 1 of each year, commencing on October 1, 2018 (each, an “Interest Payment Date”).

The 2018 Short-Term Notes will be issued in book-entry form only and will be registered in the name of a nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the 2018 Short-Term Notes. Investors may purchase 2018 Short-Term Notes in book-entry form only. Purchasers (“Beneficial Owners”) of the 2018 Short-Term Notes will not receive physical certificates representing their ownership interest in the 2018 Short-Term Notes purchased. Payments of principal of and interest on the 2018 Short-Term Notes will be made to DTC, and DTC will distribute such payments to its Direct Participants. “Beneficial Owner” means any Person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any 2018 Short-Term Note, including, without limitation, any Person holding 2018 Short-Term Notes through nominees or depositories, including DTC. Disbursement of such payments to Beneficial Owners of the 2018 Short-Term Notes is the responsibility of DTC’s Direct and Indirect Participants and not the Commission. See APPENDIX E – “BOOK-ENTRY ONLY SYSTEM.”

Optional Redemption

Redemption Terms. [The 2018 Short-Term Notes shall be subject to redemption in whole or in part, at the option of the Commission, from any source of available funds, on any date on or after ____ 1, 20__, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon, if any, to the date fixed for redemption, without premium.

Conditional Redemption Notice. Any optional redemption of 2018 Short-Term Notes and notice thereof shall be conditional and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and the Commission shall not be required to redeem the 2018 Short-Term Notes thereby called for redemption, such 2018 Short-Term Notes shall not become due and payable, and the redemption shall be cancelled and the Trustee shall within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled. In addition, the Commission may, at its option, on or prior to the date fixed for optional redemption in any notice of redemption of the 2018 Short-Term Notes, rescind and cancel such notice of redemption by Written Request of the Commission to the Trustee, and any optional redemption of 2018 Short-Term Notes and notice thereof shall be rescinded and cancelled and the Trustee shall mail notice of such cancellation to the recipients of the notice of redemption being cancelled. Any optional redemption of 2018 Short-Term Notes and notice thereof shall be rescinded and cancelled if for any reason on the date fixed for optional redemption moneys are not available in the 2018 Short-Term Notes Interest Fund and the 2018 Short-Term Notes Principal Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the 2018 Short-Term Notes called for optional redemption and such failure to optionally redeem the 2018 Short-Term Notes called for redemption shall not be a default under the Subordinate Indenture.

Selection of Notes for Redemption. If less than all of the 2018 Short-Term Notes are to be redeemed on any one date, the Trustee shall select the 2018 Short-Term Notes to be redeemed from all 2018 Short-Term Notes or such given portion thereof not previously called for redemption by lot in any manner that the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, the 2018 Short-Term Notes shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed.

Notice of Redemption. Notice of redemption shall be mailed to the respective registered Holders of any 2018 Short-Term Notes designated for redemption, at their addresses on the registration books maintained by the Trustee, and to the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board, not less than twenty (20) days nor more than sixty (60) days before such redemption date. Each notice of redemption shall state the redemption date, the place or places of redemption, if less than all of the 2018 Short-Term Notes are to be redeemed, the distinctive number of the 2018 Short-Term Notes to be redeemed, and in the case of 2018 Short-Term Notes to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said 2018 Short-Term Notes the principal thereof or of said specified portion of the principal thereof in the case of a 2018 Short-Term Note to be redeemed in part only, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such 2018 Short-Term Notes be then surrendered. Each notice relating to an optional redemption will further state that such optional redemption may be rescinded by the Commission on or prior to the date set for redemption. The Trustee shall send any notice of cancellation of an optional redemption in the same manner as it sent the related notice of redemption. Neither failure to receive such notice nor any defect therein shall affect the sufficiency of such redemption.

Partial Redemption of Notes. Upon surrender of any 2018 Short-Term Note redeemed in part only, the Commission shall execute and the Trustee as authenticating agent shall authenticate and deliver to the Owner thereof, at the expense of the Commission, a new 2018 Short-Term Note or 2018 Short-Term Notes of Authorized Denominations equal in aggregate principal amount to the unredeemed portion of the 2018 Short-Term Note surrendered.

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 date fixed for redemption on, the 2018 Short-Term Notes (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the 2018 Short-Term Notes (or portions thereof) so called for redemption shall become due and payable, interest on the 2018 Short-Term Notes so called for redemption shall cease to accrue, said 2018 Short-Term Notes (or portions thereof) shall cease to be entitled to any benefit or security under the Subordinate Indenture, and the Holders of said 2018 Short-Term Notes shall have no rights in respect thereof, except to receive payment of said principal and interest accrued to the date fixed for redemption from such moneys held by the Trustee for such purpose, and such moneys shall be pledged to such payment.]

SECURITY AND SOURCES OF PAYMENT FOR THE 2018 SHORT-TERM NOTES

Anticipated Repayment of Principal of 2018 Short-Term Notes From TIFIA Loan Draw

The Commission does not expect to hold Sales Tax Revenues in an amount sufficient to pay the principal of the 2018 Short-Term Notes at maturity. The Commission expects to pay the principal of the 2018 Short-Term Notes from the proceeds of a draw on the TIFIA Loan Agreement, with the TIFIA Lender, pursuant to which the TIFIA Lender has agreed to extend credit to the Commission in an amount not to exceed \$537,484,439. See “JUNIOR SUBORDINATE TIFIA LOAN” and “RISK FACTORS – Availability of Funds to Pay 2018 Short-Term Notes” herein.

The Subordinate Indenture provides that unless the 2018 Short-Term Notes have been previously paid or defeased pursuant to the provisions of the Subordinate Indenture, the Commission agrees to use its best efforts, on or before April 1, 2021, to draw on the TIFIA Loan Agreement or, to the extent sufficient funds are not available or eligible thereunder, to issue Senior Bonds under the Senior Indenture, or Notes or other Parity Debt under the Subordinate Indenture or to otherwise obtain financing to provide funds sufficient to pay the principal of the 2018 Short-Term Notes on April 1, 2021. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2018 SHORT-TERM NOTES – Best Efforts Undertaking to Draw on TIFIA Loan Agreement or Obtain Financing.”

Pledge of Sales Tax Revenues

The 2018 Short-Term Notes are limited obligations of the Commission and are payable as to principal and interest exclusively from Revenues as defined in the Subordinate Indenture, consisting of Sales Tax Revenues and any other amounts received by the Trustee after satisfaction of the Commission’s obligation to pay principal of and interest on the Senior Lien Debt and any other requirements relating to the Senior Lien Debt. “Sales Tax Revenues” means the amounts available for distribution to the Commission on and after July 1, 1988 on account of the Sales Tax after deducting amounts payable by the Commission to the CDTFA for costs and expenses for its services in connection with the Sales Tax. For a general discussion of the Sales Tax and historical and forecasted Sales Tax Revenues, see “THE SALES TAX” herein.

The Subordinate Indenture provides that the pledge of Revenues for the payment of the 2018 Short-Term Notes, and any debt or other obligations of the Commission secured by Sales Tax Revenues on a parity with the 2018 Short-Term Notes (such debt being hereinafter referred to as “Parity Debt”), shall constitute a first lien on the Revenues pledged under the Subordinate Indenture and shall be valid and binding from and after delivery by the Trustee of the 2018 Short-Term Notes or Parity Debt, without any physical delivery thereof or further act. The Subordinate Commercial Paper Notes constitute Parity Debt under the Subordinate Indenture. Under the Subordinate Indenture, the Commission has covenanted to cause the Sales Tax Revenues to be transmitted by the CDTFA directly to the trustee for the Senior Lien Debt (the “Senior Lien Bond Trustee”); the Commission has directed the Senior Lien Bond Trustee to remit all Sales Tax Revenues remaining after satisfaction of the requirements relating to the Senior Lien Debt to the Trustee. The Trustee is directed to deposit all Sales Tax Revenues received from the Senior Lien Bond Trustee in the Revenue Fund established under the Subordinate Indenture. All moneys at any time held in the Revenue Fund established under the Subordinate Indenture shall be held in trust for the benefit of the registered owners of the 2018 Short-Term Notes and Parity Debt and shall be disbursed, allocated and applied solely for the uses and purposes set forth in the Subordinate Indenture.

As of April 1, 2018, the Commission had outstanding \$1,725,705,000 aggregate principal amount of sales tax revenue bonds (the “Outstanding Senior Lien Debt”) and may determine to issue additional sales tax revenue bonds or other indebtedness having a lien upon the Sales Tax Revenues that is senior to that of the 2018 Short-Term Notes (the Outstanding Senior Bonds and any additional bonds or other indebtedness secured by a lien on Sales Tax Revenues senior to lien securing the 2018 Short-Term Notes is referred to herein as the “Senior Lien Debt”). The Commission is also party to Interest Rate Swap Agreements and Liquidity Facilities secured by a lien on Sales Tax Revenues senior to the pledge securing the 2018 Short-Term Notes. See “OUTSTANDING OBLIGATIONS – Senior Lien Debt,” “– Interest Rate Swap Agreements” “– Interest Rate Swap Agreements” and “– Liquidity Facilities.”

See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE AND THE SUBORDINATE INDENTURE.”

Limited Liability

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE COMMISSION TO THE EXTENT OF THE PLEDGE OF REVENUES DESCRIBED HEREIN, IS PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE 2018 SHORT-TERM NOTES. NEITHER THE CREDIT NOR THE TAXING POWER (OTHER THAN AS DESCRIBED IN THE SUBORDINATE INDENTURE) OF THE COMMISSION IS PLEDGED FOR THE PAYMENT OF THE 2018 SHORT-TERM NOTES. THE 2018 SHORT-TERM NOTES ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE COMMISSION OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE REVENUES.

Allocation of Sales Tax Revenues for 2018 Short-Term Notes

In accordance with the Subordinate Indenture, so long as any 2018 Short-Term Notes are Outstanding and all other amounts payable thereunder remain unpaid, the Trustee will set aside in each month following receipt of the Sales Tax Revenues the moneys in the Revenue Fund in the following respective funds (each of which the Trustee shall establish, maintain and hold in trust for the benefit of the Holders of the 2018 Short-Term Notes and Parity Debt) in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority; provided that on a parity with such deposits the Trustee may set aside or transfer amounts with respect to any outstanding 2018 Short-Term Notes and Parity Debt as provided in the Subordinate Indenture and the proceedings for such Parity Debt delivered to the Trustee pursuant to the Subordinate Indenture (which shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the 2018 Short-Term Notes and Parity Debt).

2018 Short-Term Notes Interest Fund. Following receipt of the Sales Tax Revenues from the Senior Lien Bond Trustee in each month, the Trustee shall set aside in the 2018 Short-Term Notes Interest Fund as soon as practicable in such month an amount equal to one-sixth of the aggregate half-yearly amount of interest becoming due and payable on the 2018 Short-Term Notes during the next ensuing six (6) months (excluding any interest for which there are moneys deposited in the 2018 Short-Term Notes Interest Fund from the proceeds of the 2018 Short-Term Notes or other source and reserved as capitalized interest to pay such interest during said next ensuing six (6) months), until the requisite half-yearly amount of interest on all such 2018 Short-Term Notes is on deposit in such fund; provided that from the date of delivery of the 2018 Short-Term Notes until the first Interest Payment Date with respect to such 2018 Short-Term Notes the amounts set aside in such fund with respect to such 2018 Short-Term Notes 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. No deposit need be made into the 2018 Short-Term Notes Interest Fund if the amount contained therein is at least equal to the interest to become due and payable on the Interest Payment Date falling within the next six (6) months upon the 2018 Short-Term Notes then Outstanding and on April 1 of each year any excess amounts in the 2018 Short-Term Notes Interest Fund not needed to pay interest on such date shall be transferred to the Commission (but excluding, in each case, any moneys on deposit in the 2018 Short-Term Notes Interest Fund to pay interest on any future Interest Payment Dates following such Interest Payment Dates).

2018 Short-Term Notes Principal Fund. Following receipt of the Sales Tax Revenues in each month, the Trustee shall deposit in the 2018 Short-Term Notes Principal Fund as soon as practicable in such month an amount equal to at least one-twelfth of the aggregate yearly amount of principal payments becoming due and payable on the 2018 Short-Term Notes having annual maturity dates within the next

twelve (12) months; provided that if the Commission certifies to the Trustee that any principal payments are expected to be refunded, or constitute Excluded Principal Payments to be paid from sources of funds other than Revenues, on or prior to their respective due dates, no amounts need be set aside towards such principal to be so refunded or paid. No deposit will be made into the 2018 Short-Term Notes Principal Fund because principal payments on the 2018 Short-Term Notes constitute Excluded Principal Payments.

If five (5) days prior to any Interest Payment Date the amounts on deposit in the 2018 Short-Term Notes Interest Fund with respect to the payments to be made on such upcoming date from Revenues are insufficient to make such payments, the Trustee shall immediately notify the Commission, in writing, of such deficiency and direct that the Commission transfer the amount of such deficiency to the Trustee on or prior to such payment date. The Commission hereby covenants and agrees to transfer to the Trustee from any Revenues in its possession the amount of such deficiency on or prior to the Interest Payment Date referenced in such notice.

If forty-five (45) days prior to any principal payment date the amounts on deposit in the 2018 Short-Term Notes Principal Fund with respect to the payments to be made on such upcoming date from Revenues are insufficient to make such payments, the Trustee shall immediately notify the Commission, in writing, of such deficiency and direct that the Commission transfer the amount of such deficiency to the Trustee on or prior to such payment date. The Commission hereby covenants and agrees to transfer to the Trustee from any Revenues in its possession the amount of such deficiency on or prior to the principal payment date referenced in such notice.

See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE AND THE SUBORDINATE INDENTURE.”

Best Efforts Undertaking to Draw on TIFIA Loan Agreement or Obtain Financing

The Subordinate Indenture provides that unless the 2018 Short-Term Notes have been previously paid or defeased pursuant to the provisions of the Subordinate Indenture, the Commission agrees to use its best efforts, on or before April 1, 2021, to draw on the TIFIA Loan Agreement or, to the extent sufficient funds are not available or eligible thereunder, to issue Senior Bonds under the Senior Indenture, or Notes or other Parity Debt under the Subordinate Indenture or to otherwise obtain financing to provide funds sufficient to pay the principal of the 2018 Short-Term Notes on April 1, 2021. See “RISK FACTORS – Availability of Funds to Pay 2018 Short-Term Notes.”

Issuance of Additional Obligations

[discuss how much should be in the body of the POS]

The 2018 Short-Term Notes will be issued and delivered as Subordinate Obligations under the Subordinate Indenture. Except to the extent restricted by the Subordinate Indenture, the Senior Indenture and the TIFIA Loan, the Commission may issue or incur obligations payable out of Sales Tax Revenues on a basis senior to, on a parity with, or on a basis junior and subordinate to the payment of the principal, interest and reserve fund requirements for the 2018 Short-Term Notes.

Issuance of Additional Senior Lien Obligations

The Commission may by an indenture supplemental to the Senior Indenture establish one or more series of Senior Bonds (as such term is defined herein) payable from Sales Tax Revenues and secured by the pledge made under the Senior Indenture on a basis senior to the 2018 Short-Term Notes, but only upon compliance by the Commission with certain provisions of the Senior Indenture, the Subordinate Indenture and the TIFIA Loan. Some applicable provisions of the Indenture are described below:

(a) No Event of Default (as such term is defined in the Senior Indenture) shall have occurred and then be continuing.

(b) If the supplemental indenture providing for the issuance of such series of additional Bonds requires either (i) the establishment of a bond reserve fund to provide additional security for such series of bonds or (ii) that the balance on deposit in an existing bond reserve fund established under the Senior Indenture be increased, forthwith upon the receipt of the proceeds of the sale of Senior Bonds of such series, to an amount at least equal to the Bond Reserve Requirement (as such term is defined in the Senior Indenture) with respect to such series of Senior Bonds and all other Senior Bonds secured by such bond reserve fund to be considered Outstanding (as such term is defined in the Senior Indenture) upon the issuance of such additional series of Senior Bonds, the supplemental indenture providing for the issuance of such additional series of Senior Bonds shall require deposit of the amount necessary. Said deposit may be made from the proceeds of the sale of Senior Bonds of such series or from other funds of the Commission or from both such sources or in the form of a Reserve Facility as described under APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE AND THE SENIOR INDENTURE AND THE SUBORDINATE INDENTURE – Senior Indenture – Definitions” and “ – Establishment and Application of Funds and Accounts – Funding and Application of Bond Reserve Funds.”

(c) The Commission shall have placed on file with the Senior Bond Trustee a certificate of the Commission, certifying that the amount of Sales Tax Revenues collected during the fiscal year for which audited financial statements are available preceding the date on which such additional series of Senior Bonds will become outstanding was equal to at least 2.0 times Maximum Annual Debt Service (as such term is defined in the Senior Indenture) on all series of Senior Bonds then Outstanding (as such term is defined in the Senior Indenture) and any indebtedness, installment sale obligation, lease obligation or other obligation of the Commission the Outstanding (as such term is defined in the Senior Indenture) for borrowed money or the Initial Swaps (as such term is defined in the Senior Indenture), the Basis Rate Swap Overlays, or any other Interest Rate Swap Agreement (as such term is defined in the Senior Indenture) (excluding, in each case, fees and expenses and termination payments on Interest Rate Swap Agreements (as such term is defined in the Senior Indenture) entered into in connection with a series of Senior Bonds, in each case incurred in accordance with the provisions of the Senior Indenture described herein and having an equal lien and charge upon the Sales Tax Revenues and therefore payable on a parity with the Senior Bonds (whether or not any Senior Bonds are Outstanding (as such term is defined in the Senior Indenture) (collectively, the “Senior Obligations”), and the additional series of Senior Bonds then proposed to be issued. For purposes of calculating Maximum Annual Debt Service (as such term is defined in the Senior Indenture), principal and interest payments on Obligations (as such term is defined in the Senior Indenture) are excluded to the extent such payments are to be paid from Revenues (as such term is defined in the Senior Indenture) then held on deposit by the Senior Trustee or from other amounts on deposit, including Investment Securities (as such term is defined in the Senior Indenture) and interest to be payable thereon, with the Senior Trustee or other fiduciary in escrow specifically therefor and interest payments are excluded to the extent that such interest payments are to be paid from the proceeds of Obligations (as such term is defined in the Senior Indenture), including Investment Securities (as such term is defined in the Senior Indenture) and interest to be payable thereon, held by the Senior Trustee or other fiduciary as capitalized interest specifically to pay such interest or from pledged Subsidy Payments (as such term is defined in the Senior Indenture) the Commission expects to receive.

(d) The Commission shall deliver to the Senior Trustee and the TIFIA Lender a certificate of the Commission to the effect that (i) no Event of Default (as defined in the TIFIA Loan Agreement) has occurred and is then continuing, and (ii) no event has occurred and is then continuing that with the passage of time or the giving of notice will become an Event of Default under the Senior Indenture or under the TIFIA Loan Agreement (as such terms are defined in the 2017 TIFIA Loan Agreement);

(e) While any TIFIA Bonds (as such term is defined in the Senior Indenture) are Outstanding (as such term is defined in the Senior Indenture), the Commission shall provide to the Senior Trustee and the TIFIA Lender, prior to the issuance of such additional series of Senior Bonds, a certificate of the Commission certifying that the amount of Sales Tax Revenues collected during any 12 consecutive calendar months specified by the Commission within the most recent 18 calendar months immediately preceding the date on which such additional series of Senior Bonds will become outstanding shall have been at least equal to 1.15 times Total Maximum Annual Debt Service (as such term is defined in the Senior Indenture) on all Senior Obligations (as such term is defined in the Senior Indenture), Subordinate Obligations (as such term is defined in the Senior Indenture) and Junior Subordinate Obligations (as such term is defined in the Senior Indenture) then Outstanding (as such term is defined in the Senior Indenture) and the additional series of Senior Bonds then proposed to be issued, which certificate shall also set forth the computations upon which such certificate is based; and

(f) The Commission shall certify to the Senior Trustee and the TIFIA Lender that the issuance of any additional Senior Bonds (other than Senior Bonds issued or incurred for purposes of refunding in compliance with the requirements for the issuance of Senior Refunding Bonds described under “–Issuance of Refunding Senior Obligations” will not, in and of itself, result in a downgrade below “A-” or “A3” or withdrawal of the then-existing credit rating of any TIFIA Bonds (as such term is defined in the Senior Indenture), as confirmed by the Nationally Recognized Rating Agencies (as such term is defined in the Senior Indenture) that provided the most recent ratings of such TIFIA Bonds at the request of the Commission.

Nothing in the Senior Indenture will prevent or be construed to prevent the supplemental indenture providing for the issuance of an additional series of Senior Bonds and pledging or otherwise providing, in addition to the security given or intended to be given by the Senior Indenture, additional security for the benefit of such additional series of Senior Bonds or any portion thereof.

Issuance of Additional Subordinate Obligations

The Commission may by Supplemental Indenture to the Subordinate Indenture establish one or more additional Series of CP Notes, payable from Revenues and secured by the pledge made under the Subordinate Indenture equally and ratably with the 2018 Short-Term Notes and any other CP Notes previously issued, and the Commission may issue, and the Issuing and Paying Agent may authenticate and deliver to the purchasers thereof, CP Notes of any Series so established, in such principal amount as shall be determined by the Commission, but only, with respect to each such additional Series of CP Notes, upon compliance by the Commission with the provisions of the Subordinate Indenture and any additional requirements set forth in said Supplemental Indenture and subject to the following specific conditions. See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE AND THE SUBORDINATE INDENTURE.”

(a) No Event of Default shall have occurred and then be continuing under the Subordinate Indenture.

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

(c) The Commission shall place on file with the Trustee and each Administrative Agent a Certificate of the Commission certifying that the amount of Sales Tax Revenues collected during the Fiscal Year for which audited financial statements are available preceding the date on which such additional Series of CP Notes will become Outstanding shall have been at least equal to [1.5] times the

amount of Maximum Annual Debt Service on all Senior Lien Debt, CP Notes and Parity Debt then outstanding and the additional Series of CP Notes then proposed, which Certificate shall also set forth the computations upon which such Certificate is based, which Certificate shall also set forth the computations upon which such Certificate is based.

OUTSTANDING OBLIGATIONS

Senior Lien Debt

Pursuant to the Indenture, dated as of March 1, 2008, between the Commission and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented by a First Supplemental Indenture, dated as of March 1, 2008, a Second Supplemental Indenture, dated as of July 1, 2008, a Third Supplemental Indenture, dated as of October 1, 2010, a Fourth Supplemental Indenture, dated as of June 1, 2012, a Fifth Supplemental Indenture, dated as of September 1, 2014, a Sixth Supplemental Indenture, dated as of August 1, 2016, and a Seventh Supplemental Indenture, dated as of June 1, 2017 (the “Seventh Supplemental Indenture”) and, as so supplemented and as further supplemented from time to time pursuant to its terms, is referred to herein as the “Senior Indenture,” the Commission has issued the senior lien sales tax revenue bonds summarized below. Such bonds and any additional bonds hereafter authorized by, and at any time Outstanding under, the Senior Indenture are referred to collectively herein as “Senior Bonds.”

The Commission may issue additional Senior Bonds and may issue or incur other obligations secured in whole or in part by a pledge of Sales Tax Revenues on a parity with the Senior Bonds and the regularly scheduled payments on the Initial Swaps (as defined herein), the Basis Swap Overlays (as defined herein) and any other Interest Rate Swap Agreements (as defined herein), subject to compliance with the terms and provisions set forth in the Senior Indenture.

Series 2008 Bonds. On March 27, 2008, the Commission issued its \$600,000,000 Sales Tax Revenue Bonds (Limited Tax Bonds), 2008 Series A, 2008 Series B, 2008 Series C and 2008 Series D (collectively, the “Series 2008 Bonds”) in the aggregate principal amount of \$600,000,000. The Series 2008 Bonds have a final stated maturity of April 1, 2038. The Series 2008 Bonds are currently Outstanding in the aggregate principal amount of \$402,300,000. The Series 2008 Bonds are variable rate demand obligations and currently bear interest at a weekly interest rate. The final maturity date for the Series 2008 Bonds is April 1, 2038. The Commission entered into certain Initial Swaps in connection with the Series 2008 Bonds, pursuant to which the Commission pays fixed rates and receives variable rates. See “OUTSTANDING OBLIGATIONS – Interest Rate Swap Agreements.” A portion of the proceeds of the Series 2012 Bonds described below refunded \$151.5 million of the Series 2008 Bonds and a corresponding notional amount of the Initial Swaps were terminated. The Series 2008 Bonds are currently the only Series of Bonds secured by a Bond Reserve Fund.

Series 2008 Bonds Reserve Fund. Pursuant to the Indenture, there has been established the Series 2008 Bonds Reserve Fund to be maintained by the Trustee as a pooled reserve fund for the 2008 Reserve Fund Eligible Bonds. The Series 2008 Bonds Reserve Fund is currently funded in the amount of \$[17,334,733]. The “2008 Reserve Fund Eligible Bonds” are the Series 2008 Bonds and any other Series of Additional Bonds or Refunding Bonds or portions thereof (in each case, payable on a parity with the Series 2008 Bonds from, and secured as to payment on a parity with the Series 2008 Bonds by the Revenues and other funds) issued and designated, by a Supplemental Indenture, to be secured by and entitled to the pledge and benefit of the Series 2008 Bonds Reserve Fund. The Commission has not designated any outstanding Bonds, other than the Series 2008 Bonds as 2008 Reserve Fund Eligible Bonds.

Series 2010 Bonds. On November 10, 2010, the Commission issued its \$338,960,000 Sales Tax Revenue Bonds (Limited Tax Bonds), 2010 Series A (Taxable Build America Bonds) (the “2010 Series A Bonds”). The 2010 Series A Bonds are currently outstanding in the aggregate principal amount of \$338,960,000. The 2010 Series A Bonds are fixed rate bonds and have a final stated maturity date of April 1, 2048.

On November 10, 2010, the Commission issued its \$11,040,000 Sales Tax Revenue Bonds (Limited Tax Bonds), 2010 Series B (the “2010 Series B Bonds” and, together with the 2010 Series A Bonds, the “Series 2010 Bonds”). The 2010 Series B Bonds are currently outstanding in the aggregate principal amount of \$6,235,000. The 2010 Series B Bonds are fixed rate bonds and have a final stated maturity date of April 1, 2030.

The 2010 Series A Bonds were issued as “Build America Bonds” bearing taxable interest rates that were expected to be offset by a cash subsidy from the United States Treasury (the “Subsidy Payments”) pledged thereto under the Senior Indenture. The amount of any Subsidy Payments to be received in connection with the 2010 Series A Bonds is subject to change by the federal government. On March 1, 2013, the federal government announced the implementation of certain automatic spending cuts known as “sequestration.” In Fiscal Year 2016-17, sequestration reduced Subsidy Payments to the Commission by approximately \$480,361. The Commission expects future reductions in Subsidy Payments to occur due to the sequester, but is unable to predict the amount or duration of such reductions. Further, Subsidy Payments will only be paid if the 2010 Series A Bonds continue to qualify as Build America Bonds. The Commission does not believe that failure to receive the Subsidy Payments in whole or in part will materially and adversely impact the Commission’s ability to pay debt service on the 2010 Series A Bonds or other obligations, including the 2018 Short-Term Notes. See “RISK FACTORS – Loss of Subsidy Payments.”

Series 2012 Bonds. On June 14, 2012, the Commission issued its \$420,585,000 Sales Tax Revenue Bonds (Limited Tax Bonds), 2012 Series A (the “Series 2012 Bonds”). The Series 2012 Bonds are currently Outstanding in the aggregate principal amount of \$324,400,000. The Series 2012 Bonds are fixed rate bonds and have a final stated maturity date of April 1, 2048. Proceeds of the Series 2012 Bonds refunded a portion of the Series 2008 Bonds in the aggregate principal amount of \$151,500,000.

Series 2014 Bonds. On September 10, 2014, the Commission issued its \$350,000,000 Sales Tax Revenue Bonds (Limited Tax Bonds) 2014 Series A (the “Series 2014 Bonds”). The Series 2014 Bonds are currently Outstanding in the aggregate principal amount of \$336,130,000. The Series 2014 Bonds are fixed rate bonds and have a final stated maturity date of April 1, 2048.

Series 2016 Bonds. On August 17, 2016, the Commission issued its \$325,000,000 Sales Tax Revenue Bonds (Limited Tax Bonds) 2016 Series A (the “Series 2016 Bonds”). The Series 2016 Bonds are currently Outstanding in the aggregate principal amount of \$317,680,000. The Series 2016 Bonds are fixed rate bonds and have a final stated maturity date of April 1, 2048.

Interest Rate Swap Agreements

Initial Swaps. In November 2005, the Commission entered into three interest rate swap agreements (the “Initial Swaps”) in an initial aggregate notional amount of \$600,000,000 or \$200,000,000 each. The Initial Swaps became effective as of April 1, 2008, and the notional amounts amortize in tandem with the amortization of the Series 2008 Bonds. The Commission’s obligation to make regularly scheduled payments to the counterparties under the Initial Swaps is payable from and secured by Sales Tax Revenues on a parity basis with the Senior Bonds. None of the Initial Swaps obligates the Commission to post any collateral.

Pursuant to the terms of the Initial Swaps, the Commission agreed to pay to the counterparties a fixed rate of interest and the counterparties agreed to pay the Commission a floating rate of interest on the first day of each month, commencing May 1, 2008. Under certain conditions, the Initial Swaps may be terminated, at which time the Commission may be required to make a termination payment to the applicable counterparty. Termination payments payable in accordance with the provisions of the Initial Swaps are secured by a lien on the Sales Tax Revenues subordinate to the lien which secures the Senior Bonds, any parity obligations allowed pursuant to the Senior Indenture and other Subordinate Obligations, including the 2018 Short-Term Notes and the Subordinate Commercial Paper Notes. A portion of the proceeds of the Series 2012 Bonds refunded \$151.5 million of the Series 2008 Bonds and a corresponding notional amount of the Initial Swaps were terminated. As of March 1, 2018, if the Initial Swaps were terminated in full, the Commission would owe a termination payment of approximately \$_____.

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

<u>Name of Counterparty</u>	<u>Current Notional Amount</u>	<u>Rate</u>	<u>Floating Rate Received by Commission</u>
Goldman Sachs Mitsui Marine Derivative Products, L.P.	\$134,100,000	3.8165%	65% of USD One-Month LIBOR until April 1, 2018; USD SIFMA Swap Index thereafter
Bank of America, N.A.	\$134,100,000	3.8165%	65% of USD One-Month LIBOR until April 1, 2018; USD SIFMA Swap Index thereafter
Bank of America, N.A.	\$134,100,000	3.4100%	65% of USD One-Month LIBOR

Basis Rate Swap Overlays. In March 2009, the Commission entered into two SIFMA/LIBOR floating-to-floating swaps (the “Basis Rate Swap Overlays”), each with Barclays Bank PLC (“Barclays”) and each with the initial notional amount of \$156,600,000. Pursuant to the terms of the Basis Rate Swap Overlays, the Commission agreed to pay to Barclays the SIFMA Swap Index and Barclays agreed to pay the Commission 107.4% of 3-month LIBOR on the first day of each month, commencing on May 1, 2018. The Commission’s obligation to make regularly scheduled swap payments to Barclays under the Basis Rate Swap Overlays is payable from and secured by Sales Tax Revenues on parity with the Senior Bonds. Under certain circumstances, the Basis Rate Swap Overlays may be terminated, at which time the Commission may be required to make a termination payment to the applicable counterparty; as of March 1, 2018, if the Basis Rate Swap Overlays were terminated in full, the Commission would be owed approximately \$_____. Under the terms of the Basis Rate Swap Overlays, the Commission may terminate the agreement and cash settle with prior written notice. Termination payments payable in accordance with the provisions of the Basis Rate Swap Overlays are secured by a lien on the Sales Tax Revenues subordinate to the lien that secures the Senior Bonds, any parity obligations and Subordinate Obligations, including the 2018 Short-Term Notes.

The Financial Conduct Authority (“FCA”) of the United Kingdom, which has regulated LIBOR since April of 2013, has announced its intention to retire the benchmark interest rate setting mechanism (“LIBOR Retirement”) by 2021. The FCA has suggested that there may be a transitional period following LIBOR Retirement during which LIBOR will be maintained as a shadow benchmark rate for use in current transactions. Certain agreements that rely on LIBOR without an alternative index upon LIBOR Retirement may need to be amended with the consent of the parties and/or bondholders. The Commission will review its agreements and take appropriate action as the situation with respect to LIBOR Retirement develops. The Commission cannot predict the financial implications, if any, from LIBOR Retirement.

Liquidity Facilities

The 2008 Series A Bonds and the 2008 Series B Bonds are supported by a Standby Bond Purchase Agreement by and among JPMorgan Chase Bank, National Association, the Commission and the Trustee, as amended, including by a Sixth Amendment to Standby Bond Purchase Agreement, dated March 1, 2017 (as amended, the “JPMorgan Liquidity Facility”). The JPMorgan Liquidity Facility will expire on March 24, 2019, prior to the final maturity of the 2008 Series A Bonds and the 2008 Series B Bonds, unless extended or terminated in accordance with its terms.

The 2008 Series C Bonds are supported by a Standby Bond Purchase Agreement dated as of November 1, 2017 (the “Bank of America Liquidity Facility”), by and among Bank of America, N.A., the Commission and the Trustee. The Bank of America Liquidity Facility will expire on November 2, 2020, prior to the final maturity of the 2008 Series C Bonds, unless extended or terminated in accordance with its terms.

The 2008 Series D Bonds are supported by a Standby Bond Purchase Agreement by and among State Street Bank and Trust Company, the Commission and the Trustee (the “State Street Liquidity Facility” and, together with the JPMorgan Liquidity Facility and the Bank of America Liquidity Facility, the “2008 Liquidity Facilities” and each a “2008 Liquidity Facility”). The State Street Liquidity Facility will expire on June 4, 2019, prior to the final maturity of the 2008 Series D Bonds, unless extended or terminated in accordance with its terms.

The Commission is unable to predict the cost or availability of alternate credit or liquidity arrangements to replace any of the 2008 Liquidity Facilities upon their expiration or termination. See “RISK FACTORS – “Acceleration of Liquidity Facility Bonds.”

Subordinate Commercial Paper Notes and CP Letter of Credit

In 2005, the Commission authorized the issuance from time to time of San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds) (the “Subordinate Commercial Paper Notes”) secured by a lien on the Sales Tax Revenues that is subordinate to the lien of the Bonds and any Parity Obligations. The total principal amount of Subordinate Commercial Paper Notes that are authorized to be issued may not exceed \$100,000,000. As of March 1, 2018, \$_____ in aggregate principal amount of Subordinate Commercial Paper Notes was outstanding, of which \$_____ is expected to be retired with proceeds of the 2018 Short-Term Notes. The payment of principal of and interest on the Subordinate Commercial Paper Notes up to \$75,000,000 is supported by an irrevocable, transferable direct-pay letter of credit issued by MUFG Union Bank, N.A. (the “CP Letter of Credit”). The CP Letter of Credit is stated to expire on September 16, 2018. The Commission’s obligation to reimburse MUFG Union Bank, N.A. for draws under the CP Letter of Credit is secured by a lien on the Sales Tax Revenues on a parity with the lien securing the Subordinate Commercial Paper Notes and the 2018 Short-Term Notes.

Under a Memorandum of Understanding, dated as of June 1, 2008 (the “Certificate Purchase MOU”), by and between the Commission and NCTD, the Commission agreed to issue \$34,000,000 in Subordinate Commercial Paper Notes to purchase outstanding Certificates of Participation evidencing payments by NCTD under a Lease Agreement, dated as of July 1, 2004 (the “NCTD Certificates”), the proceeds of which funded the NCTD “SPRINTER” rail line. Under the Certificate Purchase MOU, while the Commission holds the NCTD Certificates, they bear interest at a rate equal to the weighted average interest rate on the Subordinate Commercial Paper Notes and are subject to an amortization schedule of approximately level debt service payments through September 1, 2034, corresponding to the amortization schedule of an interest rate swap agreement NCTD entered into in connection with the NCTD

Certificates. The Commission is not obligated to make any payments under such interest rate swap agreement. The NCTD Certificates are currently outstanding in an aggregate principal amount of \$25,550,000.

JUNIOR SUBORDINATE TIFIA LOAN

General

On June 27, 2017, the Commission entered into the TIFIA Loan Agreement, pursuant to which the TIFIA Lender has agreed to make the Junior Subordinate TIFIA Loan to the Commission in an amount not to exceed \$537,484,439. The proceeds of the Junior Subordinate TIFIA Loan are expected to be applied to the payment of federally eligible costs of the Project, including repayment of the 2018 Short-Term Notes. The Junior Subordinate TIFIA Loan will bear interest at a fixed rate of 2.72% and will mature no later than October 1, 2045. The Junior Subordinate TIFIA Loan is secured by a lien and charge on Sales Tax Revenues that is subordinate to the liens and charges securing the Senior Lien Debt and the Subordinate Obligations. The Junior Subordinate TIFIA Loan is not secured by a springing lien.

The TIFIA Loan Agreement may be found at: <http://www.sandag.org/organization/about/investors/BondDocuments/BondOfficialStatements/2017Agreement.pdf>.

Disbursement Requirements

The proceeds of the Junior Subordinate TIFIA Loan are expected to be fully drawn by the Commission in a single disbursement no later than April 1, 20___. Any requests to disburse the Junior Subordinate TIFIA Loan proceeds must be submitted by the Commission to the TIFIA Lender in the form of a requisition attached to the TIFIA Loan Agreement. Disbursement of Junior Subordinate TIFIA Loan proceeds is subject to certain conditions precedent, including, among others, the following:

- (a) the Commission shall have delivered all required invoices and records evidencing Eligible Project Costs relating to the Mid-Coast Corridor Transit Project;
- (b) all required insurance policies are in full force and effect;
- (c) no event of default or prospective event of default under the TIFIA Loan Agreement has occurred and is continuing;
- (d) all representations and warranties are true, correct and complete as of the date of disbursement; and
- (e) no material adverse effect, or any event or condition that could reasonably be expected to result in a material adverse effect, shall have occurred and be continuing.

Events of Default and Remedies

Certain Definitions used under this Caption.

“Pledged Revenues” means (a) all Sales Tax Revenues, (b) all regularly-scheduled amounts (but not termination payments) owed or paid to the Commission by any Qualified Counterparty under any Interest Rate Swap Agreement after offset for the regularly-scheduled amounts (but not termination payments) owed or paid by the Commission to such Qualified Counterparty under such Interest Rate Swap Agreement, (c) any additional revenues or assets of the Commission to be included in the definition of Pledged Revenues pursuant to a Supplemental Indenture; provided, however, that after making the

required monthly deposits of Pledged Revenues from the Revenue Fund pursuant to Section 5.02 of the Indenture and Section 8(d) (Security and Priority; Flow of Funds), any remaining amounts transferred to the Commission pursuant to Section 5.02(B) of the Indenture, shall be released from the lien of the Indenture and shall no longer constitute Pledged Revenues.

“Indenture Documents” means the Senior Indenture, the Seventh Supplemental Indenture, each Supplemental Indenture executed on or after the effective date of the TIFIA Loan Agreement, the Subordinate Indenture, each Interest Rate Swap Agreement, each Credit Enhancement, and each other agreement, instrument and document executed and delivered pursuant to or in connection with any of the foregoing.

“MTS” means the San Diego Metropolitan Transit System, a public agency in the State.

“MTS Direct Agreement” means the Direct Agreement, dated June 27, 2017, by and among the TIFIA Lender, the Borrower and MTS.

“SANDAG Direct Agreement” means the Direct Agreement, dated June 27, 2017, by and among the TIFIA Lender, the Commission and SANDAG.

“TIFIA Loan Documents” means the TIFIA Loan Agreement, the TIFIA Bond, each Direct Agreement, the Seventh Supplemental Indenture and the other Indenture Documents.

Events of Default. The following events constitute events of default under the TIFIA Loan Agreement:

(i) **Payment Default.** The Commission shall fail to pay any of the principal amount of or interest on the TIFIA Loan, when and as the payment thereof shall be required under the TIFIA Loan Agreement or the TIFIA Bond (as defined herein) or on October 1, 2045, the final maturity date (each such failure, a “Payment Default”).

(ii) **Covenant Default.** (A) The Commission shall fail to observe or perform any covenant, agreement or obligation of the Commission under the TIFIA Loan Agreement, the TIFIA Bond or any other TIFIA Loan Document (other than in the case of any Payment Default or any Development Default), (B) SANDAG shall fail to observe or perform any covenant, agreement or obligation of SANDAG under the SANDAG Direct Agreement or (C) MTS shall fail to observe or perform any covenant, agreement or obligation of MTS under the MTS Direct Agreement, and any such failure described in clauses (A), (B) or (C) shall not be cured within thirty (30) days after receipt by the applicable Commission Related Party from the TIFIA Lender of written notice thereof; provided, however, that if such failure is capable of cure but cannot reasonably be cured within such thirty (30) day cure period, then no Event of Default shall be deemed to have occurred or be continuing under Section 20(a)(ii) of the TIFIA Loan Agreement (*Covenant Default*), and such thirty (30) day cure period shall be extended by up to one hundred fifty (150) additional days, if and so long as (x) within such thirty (30) day cure period the Commission, SANDAG or MTS, as applicable, shall commence actions reasonably designed to cure such failure and shall diligently pursue such actions until such failure is cured, and (y) such failure is cured within one hundred eighty (180) days of the date of the notice of default from the TIFIA Lender.

(iii) **Development Default.** A Development Default shall occur, in which case the TIFIA Lender may (A) suspend the disbursement of TIFIA Loan proceeds under the TIFIA Loan Agreement and (B) pursue such other remedies as provided in Section 20 of the TIFIA Loan Agreement (*Events of Default and Remedies*). If so requested by the TIFIA Lender

in connection with a Development Default, the Commission shall immediately repay any unexpended TIFIA Loan proceeds previously disbursed to the Commission.

(iv) Misrepresentation Default. Any of the representations, warranties or certifications of (A) the Commission made in or delivered pursuant to the TIFIA Loan Documents (or in any certificates delivered by the Commission in connection with the TIFIA Loan Documents), (B) SANDAG made in or delivered pursuant to the SANDAG Direct Agreement (or in any certificates delivered by SANDAG in connection with the SANDAG Direct Agreement) or (C) MTS made in or delivered pursuant to the MTS Direct Agreement (or in any certificates delivered by MTS in connection with the MTS Direct Agreement), shall prove to have been false or misleading in any material respect when made or deemed made (or any representation and warranty that is subject to a materiality qualifier shall prove to have been false or misleading in any respect); provided that no Event of Default shall be deemed to have occurred under Section 20(a)(iv) of the TIFIA Loan Agreement (*Misrepresentation Default*) if and so long as:

- (1) such misrepresentation is not intentional;
- (2) in the case of the Commission, such misrepresentation is not a misrepresentation in respect of Section 14(h) (No Debarment), Section 14(j) (Compliance with Federal Requirements), Section 14(k) (Transportation Improvement Program), Section 14(p) (Information), Section 14(q) (OFAC; Anti-Corruption Laws), Section 14(x) (Financial Statements) or Section 14(cc) (Patriot Act);
- (3) in the case of SANDAG, such misrepresentation is not a misrepresentation in respect of Sections 5(g), 5(i), 5(m) or 5(n) of the SANDAG Direct Agreement;
- (4) in the case of MTS, such misrepresentation is not a misrepresentation in respect of Sections 4(g), 4(i), 4(m) or 4(n) of the MTS Direct Agreement;
- (5) in the reasonable determination of the TIFIA Lender, such misrepresentation has not had, and would not reasonably be expected to result in, a material adverse effect;
- (6) in the reasonable determination of the TIFIA Lender, the underlying issue giving rise to the misrepresentation is capable of being cured;
- (7) the underlying issue giving rise to the misrepresentation is cured by the applicable Commission Related Party within thirty (30) days from the date on which such Commission Related Party first became aware (or reasonably should have become aware) of such misrepresentation; and
- (8) the applicable Commission Related Party diligently pursues such cure during such thirty (30) day period.

(v) Acceleration of Secured Obligations or Other Material Indebtedness. Any acceleration shall occur of the maturity of any (A) Secured Obligations or (B) any indebtedness or other payment obligations of the Commission secured by Pledged Revenues in an aggregate principal amount equal to or greater than \$1,000,000 that is senior to, or in parity with, the TIFIA Loan in right of payment or in right of security (“Other Material Indebtedness”), or any other indebtedness shall not be paid in full upon the final maturity thereof. For the avoidance of

doubt, swap termination payments and term-outs of Secured Obligations that occur in accordance with the terms of such Secured Obligations shall not be considered acceleration.

(vi) Cross Default. (A) Any of the representations, warranties or certifications of the Commission made in or delivered pursuant to the Indenture Documents, or made in or delivered pursuant to the documents (the “Other Loan Documents”) under which any Secured Obligations is created or incurred, shall prove to be false or misleading in any material respect (each an “Other Indebtedness Misrepresentation Default”), or any default shall occur in respect of the performance of any covenant, agreement or obligation of the Commission under the Indenture Documents or the Other Loan Documents, and such default shall be continuing after the giving of any applicable notice and the expiration of any applicable grace period specified in the Indenture Documents or the Other Loan Documents (as the case may be) with respect to such default (each an “Other Indebtedness Covenant Default”), if the effect of such Other Indebtedness Misrepresentation Default or Other Indebtedness Covenant Default shall be to permit the immediate acceleration of the maturity of any or all of the Secured Obligations, and, in the case of any such Other Indebtedness Misrepresentation Default or Other Indebtedness Covenant Default, the Commission shall have failed to cure such Other Indebtedness Misrepresentation Default or Other Indebtedness Covenant Default or to obtain an effective written waiver thereof in accordance with the terms of such Secured Obligations. For the avoidance of doubt, swap termination payments and term-outs of Secured Obligations that occur in accordance with the terms of such Secured Obligations shall not be considered acceleration.

(B) A Commission Related Party shall default in the timely performance of any covenant, agreement or obligation under any Related Document to which it is party or any Related Document shall be terminated prior to its scheduled expiration (unless in any case such default or termination could not reasonably be expected to have a material adverse effect), and the applicable Commission Related Party shall have failed to cure such default or to obtain an effective written waiver or revocation thereof prior to the expiration of the applicable grace period specified in any such Related Document, or to obtain an effective revocation of such termination (as the case may be); provided, however, that no Event of Default shall be deemed to have occurred or be continuing under Section 20(a)(vi)(B) of the TIFIA Loan Agreement (*Cross Default*) if, in the case of any termination of a Principal Project Contract, the applicable Commission Related Party replaces such Principal Project Contract with a replacement agreement (1) entered into with another counterparty that (x) is of similar or greater creditworthiness and experience as the counterparty being replaced was at the time the applicable Principal Project Contract was originally executed (or otherwise reasonably acceptable to the TIFIA Lender) and (y) is not, at the time of such replacement, suspended or debarred or subject to a proceeding to suspend or debar from bidding, proposing or contracting with any federal or state department or agency, (2) on substantially the same terms and conditions as the Principal Project Contract being replaced (or otherwise reasonably acceptable to the TIFIA Lender) and (3) effective as of the date of termination of the Principal Project Contract being replaced. For the avoidance of doubt, swap termination payments and term-outs of Secured Obligations that occur in accordance with the terms of such Secured Obligations shall not be considered acceleration.

(vii) Judgments. One or more judgments (A) for the payment of money that are payable from Sales Tax Revenues and the aggregate amount not otherwise fully covered by insurance (for which the insurer has acknowledged and not disputed coverage) is in excess of \$1,000,000 (inflated annually by CPI) or (B) that would reasonably be expected to result in a material adverse effect shall, in either case, be rendered against a Commission Related Party, and the same shall remain undischarged for a period of thirty (30) consecutive days during which time period execution shall not be effectively stayed, or any action shall be legally taken by a

judgment creditor to attach or levy upon all or any portion of the Trust Estate to enforce any such judgment.

(viii) Failure to Maintain Existence. The Commission shall fail to maintain its existence as a public entity, unless at or prior to the time the Commission ceases to exist in such form a successor public agency or governing body has been created by the State pursuant to a valid and unchallenged State law and has succeeded to the assets of the Commission and has assumed all of the obligations of the Commission under the TIFIA Loan Documents and the Indenture Documents, including the payment of all secured obligations.

(ix) Occurrence of a bankruptcy related event. (A) A bankruptcy related event shall occur with respect to the Commission or (B) a bankruptcy related event shall occur with respect to any Commission Related Party (other than the Commission) or any Principal Project Party; provided, that: (1) a bankruptcy related event in connection with a Principal Project Party shall not constitute an Event of Default if the relevant Commission Related Party shall have promptly provided evidence satisfactory to the TIFIA Lender demonstrating that any substitute Principal Project Party has sufficient financial resources and operating expertise to complete the Principal Project Contract to which such principal project party was a party; and (2) after the substantial completion date, the occurrence of a bankruptcy related event in connection with any Principal Project Party shall not constitute an Event of Default if at the time of such occurrence, (x) each applicable warranty period shall have ended and no claim against any warranty under the applicable principal project contract shall exist or remain outstanding, or (y) if any applicable warranty period has not yet ended or any claim against any warranty remains outstanding, the Commission promptly provides evidence satisfactory to the TIFIA Lender showing that SANDAG or MTS has (I) sufficient moneys to correct any defect or nonconforming work of such principal project party, and (II) a plan to carry out such works referred to in clause (I) hereof.

(x) Project Abandonment. Any Commission Related Party shall abandon the Project.

(xi) Invalidity of TIFIA Loan Documents. (A) Any TIFIA Loan Document ceases to be in full force and effect (other than as a result of the termination thereof in accordance with its terms) or becomes void, voidable, illegal or unenforceable, or any Commission Related Party contests in any manner the validity or enforceability of any TIFIA Loan Document to which it is a party or denies it has any further liability under any TIFIA Loan Document to which it is a party, or purports to revoke, terminate or rescind any TIFIA Loan Document to which it is a party; or (B) any Indenture Document ceases (other than as expressly permitted thereunder) to be effective to grant a valid and binding security interest on any material portion of the Trust Estate other than as a result of actions or a failure to act by, and within the control of, the Trustee or any Secured Party, and with the priority purported to be created thereby.

(xii) Cessation of Operations. Operation of the Project shall cease for a continuous period of not less than one hundred eighty (180) days unless such cessation of operations shall occur by reason of an Uncontrollable Force that is not due to the fault of any Commission Related Party (and which none of the Commission Related Parties could reasonably have avoided or mitigated).

Remedies. Upon the occurrence of an Event of Default described in Section 20(a)(iii) of the TIFIA Loan Agreement (Development Default), all obligations of the TIFIA Lender thereunder with respect to the disbursement of any undisbursed amounts of the TIFIA Loan shall immediately be deemed terminated.

Upon the occurrence of any bankruptcy related event with respect to the Commission, all obligations of the TIFIA Lender thereunder with respect to the disbursement of any undisbursed amounts of the TIFIA Loan shall automatically be deemed terminated, and, if an Event of Default described in the TIFIA Loan Agreement (Acceleration of Secured Obligations or Other Material Indebtedness) shall occur or if the TIFIA Lender has a right to accelerate the TIFIA Loan pursuant to the TIFIA Loan Agreement (Additional Rights), the Outstanding TIFIA Loan Balance, together with all interest accrued thereon and all fees, costs, expenses, indemnities and other amounts payable under the TIFIA Loan Agreement, the TIFIA Bond or the other TIFIA Loan Documents, shall automatically become immediately due and payable, without presentment, demand, notice, declaration, protest or other requirements of any kind, all of which are hereby expressly waived. Upon the occurrence of any other Event of Default, the TIFIA Lender, by written notice to the Commission, may (i) suspend or terminate all of its obligations thereunder with respect to the disbursement of any undisbursed amounts of the TIFIA Loan and (ii) if an Event of Default described in Section 20(a)(v) of the TIFIA Loan Agreement (Acceleration of Secured Obligations or Other Material Indebtedness) shall occur or if the TIFIA Lender has a right to accelerate the TIFIA Loan pursuant to Section 17(n) of the TIFIA Loan Agreement (Additional Rights), declare the unpaid principal amount of the TIFIA Bond to be, and the same shall thereupon forthwith become, immediately due and payable, together with the interest accrued thereon and all fees, costs, expenses, indemnities and other amounts payable under the TIFIA Loan Agreement, the TIFIA Bond or the other TIFIA Loan Documents, all without presentment, demand, notice, protest or other requirements of any kind, all of which are hereby expressly waived.

Whenever any Event of Default thereunder shall have occurred and be continuing, the TIFIA Lender shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of any sums due and unpaid thereunder or under the TIFIA Bond or the other TIFIA Loan Documents, and may prosecute any such judgment or final decree against the Commission and collect in the manner provided by law out of the property of the Commission the moneys adjudged or decreed to be payable, and the TIFIA Lender shall have all of the rights and remedies of a creditor, including all rights and remedies, to the extent applicable to the Trust Estate, of a secured creditor under the Uniform Commercial Code and may take such other actions at law or in equity as may appear necessary or desirable to collect all amounts payable by Commission under the TIFIA Loan Agreement, the TIFIA Bond or the other TIFIA Loan Documents then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Commission under the TIFIA Loan Agreement, the TIFIA Bond or the other TIFIA Loan Documents; provided, however, that any monetary judgment against the Commission shall be payable solely from the Trust Estate or from any other funds made available by the Commission, in its discretion.

Whenever any Event of Default under the TIFIA Loan Agreement shall have occurred and be continuing, the TIFIA Lender may suspend or debar the Commission from further participation in any Government program administered by the TIFIA Lender and to notify other departments and agencies of such default.

No action taken pursuant to this Section of the TIFIA Loan Agreement (Events of Default and Remedies) shall relieve Commission from its obligations pursuant to the TIFIA Loan Agreement, the TIFIA Bond or the other TIFIA Loan Documents, all of which shall survive any such action.

The parties to the TIFIA Loan Agreement acknowledge and agree that the rights and remedies of the TIFIA Lender as the Holder of the TIFIA Bond, including any rights and remedies with respect to the payment thereof, shall be governed exclusively by the Senior Indenture. In addition to the rights and remedies of Holders set forth in the Senior Indenture, the parties further acknowledge and agree in the TIFIA Loan Agreement that the TIFIA Loan shall be made under and subject to, the terms and conditions set forth in the TIFIA Loan Agreement and the rights and remedies of the TIFIA Lender, including the right to enforce the representations, warranties and covenants made by the Commission exclusively for

the benefit of the TIFIA Lender, shall be governed exclusively by those remedies set forth in TIFIA Loan Agreement. In the event of a conflict between the Senior Indenture and the TIFIA Loan Agreement, the provisions of the TIFIA Loan Agreement shall be given precedence; provided, however, in the event there exists a conflict between the provisions of the TIFIA Loan Agreement and the Senior Indenture and performance with the provisions of the TIFIA Loan Agreement is contrary to or inconsistent with the rights of the Holders of other secured obligations under the Senior Indenture, then the provisions of the Senior Indenture shall be given precedence and performance with the provisions thereof shall not constitute a violation of the TIFIA Loan Agreement. Subject to the immediately previous sentence, the Commission shall comply with all provisions of the Senior Indenture and with all documents entered into or delivered in connection with this transaction.

FINANCING PLAN

The Commission will apply the proceeds of the 2018 Short-Term Notes to: (i) finance certain costs of the Commission’s Mid-Coast Corridor Transit Project, including all or a portion of (a) upgrades to signaling and traction power systems along existing trolley tracks from the Santa Fe Depot to the Old Town Transit Center, (b) construction of new double track between the Old Town Transit Center and the UTC Transit Center in University City, (c) construction of new stations; (d) construction of park-and ride facilities with parking spaces; (e) construction of transfer facilities; and (f) acquisition of new low-floor light rail transit vehicles (collectively, the “Project”), (ii) retire a portion of outstanding San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds), Series B, and (iii) pay the costs of issuing the 2018 Short-Term Notes. See “ESTIMATED SOURCES AND USES OF FUNDS.” Construction for the Project commenced in the fall of 2016 and is expected to be completed by 2021.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of proceeds of the 2018 Short-Term Notes are shown below:

Estimated Sources of Funds:

Principal Amount of 2018 Short-Term Notes	\$
Premium	
Total	<u>\$</u>

Estimated Uses of Funds:

Deposit to Project Fund	\$
Retirement of Series B Notes	
Underwriters’ Discount	
Costs of Issuance ⁽¹⁾	
Total	<u>\$</u>

⁽¹⁾ Includes rating agency, municipal advisory, legal and Trustee fees, printing costs and other miscellaneous expenses.

PROJECTED DEBT SERVICE SCHEDULE

The table on the following page shows the annual debt service requirements with respect to the Senior Bonds and the 2018 Short-Term Notes (treating the principal thereof as Excluded Principal Payments as defined in the Subordinate Indenture).

FISCAL YEAR	DEBT SERVICE TABLE													
	Senior Lien										Subordinate Lien			Total Debt Service
	2008A	2008B	2008C	2008D	2010A(1)	2010B(1)	2012A	2014A	2016A	Total Senior Lien Debt Service (1)	Commercial Paper Notes (2)	Interest on 2018 Notes (3)	Total Subordinate Lien Debt Service	
2019	3,838,445	3,838,445	3,702,166	3,429,608	13,486,182	974,350	33,537,500	21,761,450	20,664,000	105,232,145	6,505,000	18,750,000	25,255,000	130,487,145
2020	3,838,445	3,838,445	3,702,166	3,429,608	13,486,182	975,550	33,539,750	21,763,450	20,665,000	105,238,595	6,504,750	18,750,000	25,254,750	130,493,345
2021	3,838,445	3,838,445	3,702,166	3,429,608	13,486,182	590,550	33,924,750	21,762,700	20,664,000	105,236,845	6,505,750	18,750,000	25,255,750	130,492,595
2022	3,838,445	3,838,445	3,702,166	3,429,608	13,486,182	589,750	33,921,250	21,763,700	20,665,500	105,235,045	6,502,750		6,502,750	111,737,795
2023	8,458,867	8,458,867	8,323,638	8,053,180	13,486,182	593,350	15,433,000	21,765,700	20,663,750	105,236,534	6,505,750		6,505,750	111,742,284
2024	8,430,446	8,430,446	8,301,551	8,043,763	13,486,182	591,150	15,521,750	21,762,950	20,668,250	105,236,487	6,504,250		6,504,250	111,740,737
2025	8,470,822	8,470,822	8,348,483	8,103,804	13,486,182	592,800	15,337,250	21,764,950	20,668,000	105,243,113	6,503,250		6,503,250	111,746,363
2026	8,502,612	8,502,612	8,387,132	8,156,173	13,486,182	589,800	15,182,500	21,760,700	20,667,500	105,235,211	6,502,500		6,502,500	111,737,711
2027	8,376,769	8,376,769	8,268,420	8,051,721	13,486,182	590,800	15,656,000	21,764,700	20,666,000	105,237,360	6,506,750		6,506,750	111,744,110
2028	8,471,632	8,471,632	8,370,566	8,168,434	13,486,182	590,600	15,246,250	21,760,700	20,667,750	105,233,745	6,505,500		6,505,500	111,739,245
2029	8,480,523	8,480,523	8,387,129	8,200,343	13,486,182	589,600	15,185,750	21,763,200	20,666,750	105,239,999	6,503,750		6,503,750	111,743,749
2030	8,480,826	8,480,826	8,395,410	8,224,579	13,486,182	592,800	15,147,500	21,760,950	20,667,250	105,236,323	6,506,250		6,506,250	111,742,573
2031	8,472,543	8,472,543	8,395,409	8,241,143	13,486,182		15,740,000	21,763,200	20,663,250	105,234,269	6,507,500		6,507,500	111,741,769
2032	8,455,672	8,455,672	8,387,126	8,250,034	13,486,182		15,771,250	21,763,700	20,664,000	105,233,635	6,507,250		6,507,250	111,740,885
2033	8,504,737	8,504,737	8,445,100	8,325,826	13,486,182		15,542,250	21,761,450	20,663,250	105,233,532	6,505,250		6,505,250	111,738,782
2034	8,467,830	8,467,830	8,417,492	8,316,815	13,486,182		15,650,250	21,765,450	20,665,000	105,236,848	6,506,250		6,506,250	111,743,098
2035	8,496,858	8,496,858	8,456,141	8,374,705	13,486,182		15,498,250	21,764,200	20,668,000	105,241,194	6,504,750		6,504,750	111,745,944
2036	8,514,437	8,514,437	8,483,747	8,422,365	13,486,182		15,388,250	21,761,700	20,666,000	105,237,118	6,505,500		6,505,500	111,742,618
2037	8,520,567	8,520,567	8,500,309	8,459,795	13,486,182		15,322,750	21,761,700	20,668,000	105,239,870	6,503,000		6,503,000	111,742,870
2038	8,589,770	8,589,770	8,580,369	8,561,569	13,486,182		14,999,000	21,762,700	20,667,500	105,236,859	6,507,000		6,507,000	111,743,859
2039					41,926,182		20,879,250	21,763,200	20,663,250	105,231,882	6,506,750		6,506,750	111,738,632
2040					41,889,641		20,878,250	21,761,700	20,664,000	105,193,591	6,507,000		6,507,000	111,700,591
2041					41,844,534		20,884,500	21,761,700	20,668,000	105,158,734	6,507,250		6,507,250	111,665,984
2042					41,804,467		20,881,000	21,761,450	20,663,500	105,110,417	6,507,000		6,507,000	111,617,417
2043					41,762,452		20,881,500	21,764,200	20,664,250	105,072,402	6,505,750		6,505,750	111,578,152
2044					41,716,698		20,879,756	21,762,950	20,663,250	105,022,654	6,503,000		6,503,000	111,525,654
2045					41,670,414		20,879,225	21,760,950	20,663,750	104,974,339	6,503,250		6,503,250	111,477,589
2046					41,621,612		20,878,244	21,764,063	20,663,750	104,927,668	6,505,750		6,505,750	111,433,418
2047					41,568,302		20,885,238	21,765,375	20,666,250	104,885,164	6,504,750		6,504,750	111,389,914
2048					41,513,494		20,888,000	21,762,988	20,664,000	104,828,481	6,504,750		6,504,750	111,333,231
Total	151,048,690	151,048,690	149,256,686	145,672,677	687,041,425	7,861,100	590,360,213	652,887,825	619,962,750	3,155,140,055	195,158,000	56,250,000	251,408,000	3,406,548,055

(1) Net of BAB subsidy after accounting for sequatration of 6.6%
(2) Assuming amortization of the full \$100 million authorized under the Commercial Paper program
(3) Based on 5% coupons and \$375 million estimated par amount; subject to change

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

General

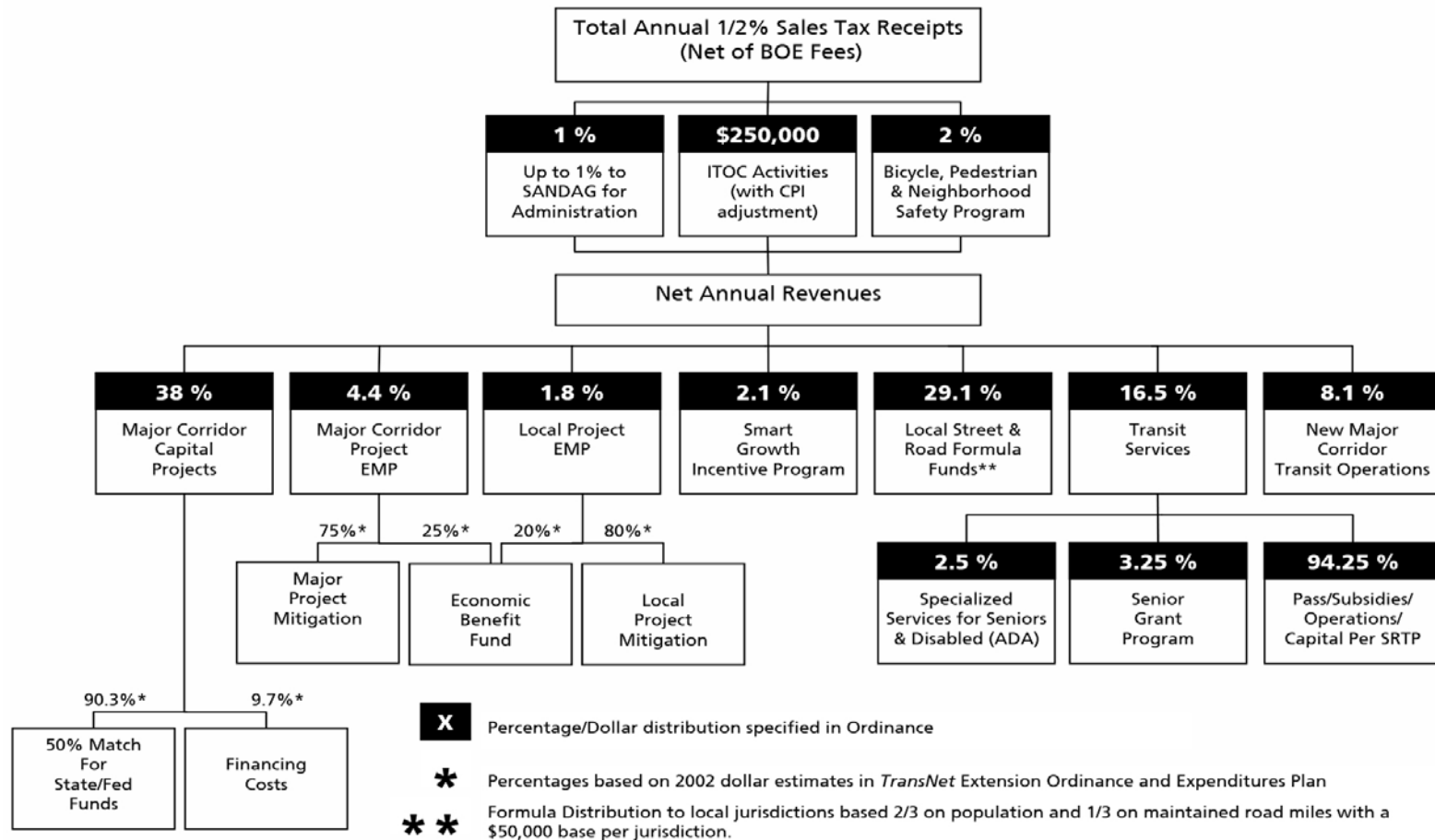
The Commission was organized pursuant to the Act and is responsible for providing improvements to the transportation system and other public infrastructure systems in the County funded with the Sales Tax. To carry out this responsibility, the Commission adopted in 1987 the initial San Diego County Transportation Improvement Program Ordinance (Commission Ordinance 87-1 – Proposition A, 1987) (referred to herein as the “1987 Ordinance”). In 2004, the Commission adopted the San Diego County Transportation Improvement Program *TransNet* Ordinance and Expenditure Plan (Commission Ordinance 04-01), referred to herein as the “2004 Sales Tax Extension Ordinance,” which provides for an extension of the retail transactions and use tax implemented by the initial 1987 Ordinance for a 40-year period commencing on April 1, 2008. See “– The Expenditure Plan” below. The Commission Board is composed of the SANDAG Board of Directors. However, the liabilities of SANDAG are not liabilities of the Commission. SANDAG employees carry out the work of the Commission. The Commission has no employees.

On January 1, 2003, Senate Bill 1703 took effect, changing the structure of SANDAG from a Joint Powers Authority to a State-created regional government agency. The effect of this legislation was to make SANDAG a permanent rather than voluntary association of local governments and to increase SANDAG’s responsibilities and powers. The SANDAG Board of Directors consists of voting representatives from the County and 18 incorporated cities within the County. On October 11, 2017, Governor Jerry Brown signed into law Assembly Bill 805, which will change the voting mechanisms of the Board of Directors of SANDAG and provide additional audit requirements. Supplementing the voting members of the SANDAG Board of Directors are advisory representatives from Imperial County, the U.S. Department of Defense, Caltrans, San Diego Unified Port District, MTS, NCTD, San Diego County Water Authority, Southern California Tribal Chairmen’s Association, and Mexico. Policy Advisory Committees assist the SANDAG Board of Directors in carrying out the agency’s work program. The SANDAG Board of Directors is also assisted by a professional staff of approximately 250 planners, engineers, research specialists, and supporting staff. Senate Bill 1703 also required the consolidation of the planning, programming, project development, and construction functions of MTS and NCTD into SANDAG. SANDAG is responsible for transit planning, project implementation, and construction of regional transit projects in the County. Neither the Commission nor SANDAG operates transit services. Transit operations in the County are the responsibility of MTS and NCTD.

On October 28, 2011, the SANDAG Board of Directors adopted the 2050 Regional Transportation Plan and its Sustainable Communities Strategy (“2050 RTP”), which describes a plan for investing local, State and federal transportation funds expected to come into the region over the next 40 years. The Commission issued a progress report regarding the 2050 RTP in April 2015. Pending litigation against SANDAG broadly alleges that the programmatic Environmental Impact Report (“EIR”) prepared for the 2050 RTP is inconsistent with the California Environmental Quality Act. Among other things, the Plaintiffs’ request injunctive relief, which, if granted, could stay construction of projects listed in the 2050 RTP until after SANDAG corrects any alleged deficiencies in the EIR. Certain projects managed by the Commission are included in the 2050 RTP. The Commission believes that the likelihood of any stay prohibiting work on projects already under construction is remote.

The Expenditure Plan

The 1987 Ordinance and the 2004 Sales Tax Extension Ordinance each outline a series of projects (together, the “Expenditure Plan”) to be completed during the term of the Sales Tax. The Expenditure Plan may be found at: <http://www.sandag.org/index.asp?publicnoticeid=227&fuseaction=notices.detail>. The Expenditure Plan is not incorporated herein by reference. The Ordinance specifies that Sales Tax Revenues are to be applied according to the following diagram.



To implement the Expenditure Plan, the Commission annually adopts finance plan updates (each, a “*TransNet* Plan of Finance”) that describe major program revenue, cost and project budget and schedule assumptions. Each *TransNet* Plan of Finance adopted by the Commission sets forth projected cash flow and borrowing requirements during the term of the program covered by such plan. The *TransNet* Early Action Program (depicted in the map entitled “*TransNet* Early Action Program at the front of this Official Statement) includes various highway and transit improvements in the Interstates 5, 15, 805 corridors; State Route 52 and 76 corridors; implementation of the Mid-Coast Light Rail Project; trolley vehicle and station upgrades along the Blue and Orange Lines; and double tracking improvements in the coastal rail corridor to be financed by the proceeds of Bonds, Sales Tax Revenues, and eligible federal, state, and local revenues.

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

At its October 27, 2017 meeting, the SANDAG Board unanimously approved the 2016-17 *TransNet* Plan of Finance continuing the implementation of major transportation projects in the region.

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

Future Financings

The Commission manages the implementation of its capital program based on project readiness and the availability of federal and State funds, and may advance or slow down the delivery of projects in response to current conditions. No assurance can be given regarding the amount of additional Senior Bonds that may be issued by the Commission in the future, subject to the limitations of the Indenture. However, the Commission anticipates issuing additional Senior Bonds or other obligations from time to time to fund transportation projects authorized under the Expenditure Plan. The Commission currently expects to issue an aggregate amount of additional Senior Bonds or Subordinate Bonds in the range of \$___ to \$___ million through calendar year 2023. The issuance of additional Senior Bonds or other obligations is subject to the requirements of the Indenture. In addition, the Commission expects to issue \$537.48 million in Parity Debt, including the 2018 Short-Term Notes, through calendar year 2021.

The Commission is also authorized to issue up to \$100,000,000 in the aggregate principal amount of Subordinate Commercial Paper Notes. See “OUTSTANDING OBLIGATIONS – Subordinate Commercial Paper Notes and CP Letter of Credit.”

Executive Staff

The SANDAG staff serves as staff to the Commission. Key staff members, the position held by each and a brief statement of the background of each staff member are set forth below. The office of Executive Director is vacant following the retirement of Gary L. Gallegos on August 18, 2017. The Commission is currently conducting a search for its next Executive Director. Under the Commission's Board of Directors' policy, the Chief Deputy Executive Director has all of the authority of the Executive Director.

Kim Kawada, *Chief Deputy Executive Director*. Ms. Kawada's major responsibilities include managing the ongoing operations of SANDAG. She is responsible for overseeing the day-to-day activities of an agency with more than a \$1 billion budget and about 350 employees, including the Administration, Finance, Land Use and Transportation Planning, Mobility Management and Project Implementation, Operations, Technical Services, and *TransNet* Departments. She joined SANDAG in 1995, serving in a variety of leadership roles at the agency for more than 23 years. Ms. Kawada works with other local, regional, state, and federal agencies on regional infrastructure planning, programming and implementation issues. She has extensive experience working with elected leaders throughout the region to build consensus to achieve wide-ranging regional goals. Prior to her current role, Ms. Kawada served as *TransNet* and Legislative Affairs Program Director managing and directing the operations of the SANDAG *TransNet* program and federal and state legislative affairs. Ms. Kawada has played an instrumental role in many of the agency's programs and projects, ranging from long-term transportation planning to budgeting to setting public policy priorities. Her leadership on legislative efforts enabled SANDAG to operate new toll and managed lanes to expand travel choices, and to use innovative project delivery methods to save money and accelerate completion. She is a graduate of Brown University with a Bachelor of Arts in American History.

John F. Kirk, *General Counsel*. Mr. Kirk was appointed General Counsel for SANDAG and the Commission in January 2012. Mr. Kirk was originally hired by SANDAG as Deputy General Counsel in June 2006. Between 1990 and 2006 Mr. Kirk served the City of San Diego as a Deputy City Attorney. Mr. Kirk holds a Bachelors' degree from Wabash College and a Juris Doctorate from Pepperdine University's School of Law.

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

Jim Linthicum, *Director of Mobility Management and Project Implementation*. Mr. Linthicum is directly responsible for the implementation of all capital improvement projects, including *TransNet* funded projects, under the control of the Commission. He is accountable for the scope, schedule, and cost of regional transportation projects and coordinates these efforts with federal, State, and local transportation agencies. Mr. Linthicum transferred to SANDAG from MTS in 2003 as a result of the consolidation of project development and construction functions into SANDAG. Prior to his employment

at MTS, Mr. Linthicum worked for the California Department of Transportation for 24 years. Mr. Linthicum holds a B.S. degree in Civil Engineering from Pennsylvania State University.

Charles “Muggs” Stoll, *Director of Land Use and Transportation Planning*. Mr. Stoll is responsible for development and implementation of SANDAG’s Regional Comprehensive Plan and Regional Transportation Plan and oversees planning and project development activities in the areas of transportation, public transit, land use, public facilities, environmental management, and interregional and binational collaboration. Mr. Stoll joined SANDAG in April 2007 after spending more than 20 years with the California Department of Transportation at its San Diego District Office where he gained experience in many functional units. His career involved primarily project development functions, including assignments in construction as a Resident Engineer, Project Director with responsibility for all phases of development of the proposed tollway portion of future State Route 125 (South Bay Expressway), Deputy District Director of the Environmental Division, the District’s Capital Program Chair Deputy, and an eight-week acting assignment as the Chief of Staff to the Director of Caltrans in Sacramento. Mr. Stoll received a Bachelor of Science (B.S.) degree in Civil Engineering in 1983 and a Master’s degree in Business Administration (M.B.A.) in 1985. Both degrees were earned at San Diego State University. He has been a Registered Engineer in the State since 1988.

Ray Major, *Chief Economist*. Mr. Major originally joined SANDAG in 1987 as a Research Analyst and economist responsible for SANDAG’s econometric and economic impact models, custom analytic research projects, and for developing the San Diego region’s comprehensive Economic Prosperity Strategy. He left SANDAG in 1994 and joined the Nielsen companies where he served as a senior executive holding numerous positions including Chief Marketing Officer, Chief Customer Officer, and product strategist. Mr. Major oversaw the product development of Claritas, a major provider of demographic and segmentation data. As General Manager of Integras, he ran the division of Claritas specializing in Business Intelligence (BI) and predictive analytics, geo-spatial and economic modeling services. In 2010, Mr. Major moved to Halo BI, a state-of-the-art business intelligence and predictive modeling software and service provider where he served as CMO, COO, and CEO. Mr. Major rejoined SANDAG in 2015 where he now serves as the Chief Economist. Mr. Major holds both graduate and undergraduate degrees in economics from San Diego State University, with an emphasis in developmental economics, and econometrics.

José Nuncio, *TransNet Director*. Mr. Nuncio manages and directs the operations of the SANDAG TransNet Department and is responsible for the programming of federal, state, local and TransNet funds, revenue forecasts for the agency’s long-range transportation plans, internal and external accountability and communication through the TransNet Dashboard and staffing for the Independent Taxpayer Oversight Committee. Mr. Nuncio joined SANDAG in April 2002 after spending more than 10 years with the California Department of Transportation at its San Diego District Office where he gained experience in the areas of programming, project management and development, and international border affairs. Mr. Nuncio received a Bachelor of Science (B.S.) in Aerospace Engineering from the University of Michigan in 1989 and a Master of Science (M.S.) in Structural Engineering in 1991 from the University of California at San Diego. Mr. Nuncio has been a Registered Civil Engineer in the State of California since 1995.

Independent Examination of Measure A Revenue Estimates

In November 2016, the Commission’s Board of Directors endorsed Measure A, which sought to establish a new half-cent retail sales tax for the San Diego region. The supporters of Measure A campaigned for its passage with the representation that the additional sales tax would generate roughly \$18 billion in revenue, which would be used for transportation needs throughout the region. The estimates

of potential revenue from the passage of Measure A were over-estimated, a fact that was reported by the press in October 2016. The following month, Measure A was defeated at the polls.

The Commission's Board of Directors commissioned an independent inquiry on April 14, 2017, to determine which individuals within Commission knew that the revenue estimates were overstated, when those individuals gained that knowledge, and with whom that information was shared. A report on the independent inquiry was presented to the Commission's Board of Directors on August 4, 2017. The report found that a computer input error in 2004 caused projections of sales tax receipts to be erroneously high. Several staff members questioned the projections and advised against using them. However, it was not until two days after the November 2016 election that staff discovered the source of the error. The report found that no one at Commission intended to misrepresent the revenue forecast and makes a series of policy and procedural recommendations to avoid such issues in the future. The Commission's Board of Directors subsequently implemented a 7-Point Data Accuracy and Modeling Work Plan as well as a "Plan of Excellence" to carry out ideas discussed by the Board of Directors and recommendations from the report as well as from the San Diego Taxpayers Association regarding improvements to SANDAG operations. The report is available on the Commission website as part of the Commission's Board of Directors' special meeting agenda minutes for the August 4, 2017, and information regarding the 7-Point Data Accuracy and Modeling Work Plan as well as a "Plan of Excellence" can be found at <http://www.sandag.org/index.asp?subclassid=125&fuseaction=home.subclasshome>.

The public reaction to the circumstances surrounding the November 2016 election has had an impact on the Commission. On October 11, 2017, Governor Jerry Brown signed into law AB 805 which made changes including modifications to the Commission's voting mechanisms. In addition, Executive Director Gary L. Gallegos retired effective August 18, 2017. Under the Board of Directors' policy, the Chief Deputy Executive Director of the Commission has all of the authority of the Executive Director. The Commission is currently conducting a search for its new Executive Director. It remains possible that the Commission will continue to experience additional changes as a result of the reaction, including in the governance or management of the Commission. See "RISK FACTORS - Governance and Management – Changes in State Law."

THE SALES TAX

Authorization, Application and Collection of the Sales Tax

The Commission is authorized by the Act to adopt a retail transactions and use tax ordinance applicable in the incorporated and unincorporated territory of the County in accordance with California's Transactions and Use Tax Law (Revenue and Taxation Code Sections 7251 *et seq.*), upon authorization by a majority of the electors voting on the issue. On November 3, 1987, the voters approved the 1987 Ordinance which imposed the Sales Tax in the County for a twenty-year period. On November 2, 2004, more than two-thirds of the voters approved the Sales Tax Extension Ordinance which, among other things, extended the collection of the tax to March 31, 2048. The Ordinance imposes the Sales Tax on the gross receipts of retailers from the sale of tangible personal property sold in the County and upon the storage, use or other consumption in the County of such property purchased from any retailer for storage use or other consumption in the County, subject to certain limited exceptions described below.

Collection of the Sales Tax is administered by the CDTFA, which replaced the BOE for this purpose. The CDTFA, after deducting a fee for administering the Sales Tax, remits the remaining Sales Tax Revenues to the Trustee which are then applied to satisfy the Commission's obligations with respect to the Bonds and Parity Obligations. The remaining Sales Tax Revenues are then remitted to the Trustee for the Commission's Subordinate Obligations, including the 2018 Short-Term Notes and the Subordinate Commercial Paper Notes. After payment of debt service requirements on the Subordinate Obligations,

any remaining unapplied Sales Tax Revenues are then remitted to the Trustee for payment of certain fees and expenses and the Junior Subordinate TIFIA Loan and thereafter to the Commission. The fee charged by the CDTFA is determined by the CDTFA pursuant to statute. The fee charged by the CDTFA to the Commission for collection of the Sales Tax for Fiscal Year 2017 was \$3,300,880. The fee that the CDTFA is authorized to charge for collection of the Sales Tax is determined by State legislation and may be increased or decreased by legislative action. There can be no assurances that the amount of this fee or the method for determining the amount of the fee will remain the same.

The CDTFA disburses collected sales tax monthly to sales taxing jurisdictions such as the Commission through a five-step procedure. First, the CDTFA calculates 90% of the same quarter disbursement from the prior year. Second, the CDTFA multiplies this number by the quarterly growth rate provided by the State Department of Finance. Third, the CDTFA divides the quarterly projection into three monthly disbursements of 30%, 30% and 40%. Fourth, the disbursement for the first month of each quarter is adjusted by a true-up for the previous quarter to reconcile actual sales tax collections with the disbursements made in accordance with the preceding formula. Fifth, a quarterly administration fee is subtracted from the first month's disbursement. From time to time there will be corrections made by the CDTFA for prior periods.

The Sales Tax is imposed in addition to a 7.25 percent sales and use tax levied statewide by the State and local sales tax measures enacted by cities, as described below under “– Other Sales Taxes Imposed in the County.” In general, the statewide sales tax applies to the gross receipts of retailers from the sale of tangible personal property. The statewide use tax is imposed on the storage, use or other consumption in the State of property purchased from a retailer for such storage, use or other consumption. Since the use tax does not apply to cases where the sale of the property is subject to the sales tax, the application of the use tax generally is to purchases made outside of the State for use within the State, subject to certain exceptions. Many categories of transactions are exempt from the Statewide sales and use tax and from the Sales Tax. The most important are: sales of food products for home consumption; prescription medicine; edible livestock and their feed; seed and fertilizer used in raising food for human consumption; and gas, electricity and water when delivered to consumers through mains, lines, and pipes. In addition, “Occasional Sales” (i.e., sales of property not held or used by a seller in the course of activities for which he or she is required to hold a seller's permit) are generally exempt from the statewide sales and use tax and from the Sales Tax. Action by the State legislature or by voter initiative could change the transactions and items upon which the Statewide sales and use tax and the Sales Tax are imposed. Such changes or amendments could have either an adverse or beneficial impact on the Sales Tax Revenues. The Commission is not currently aware of any proposed legislative change, which would have a material adverse effect on Sales Tax Revenues. See also “RISK FACTORS – Proposition 218.”

Historical Sales Tax Revenues

The Commission began receiving distributions of the Sales Tax from the BOE in June, 1988. The CDTFA now handles most of the taxes and fees previously collected by the BOE. The following table shows the Sales Tax remitted to the Commission during the Fiscal Years ended June 30, 1990 through June 30, 2017.

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**SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
HISTORICAL SALES TAX REVENUES**

<u>Fiscal Year Ended June 30</u>	<u>Sales Tax Revenues⁽¹⁾</u>	<u>% Change From Prior Fiscal Year</u>
1990	\$113,758,624	--
1991	109,806,529	(3.5)%
1992	106,105,958	(3.4)
1993	111,783,116	5.4
1994	111,461,846	(0.3) ⁽²⁾
1995	114,303,387	2.5
1996	123,511,934	8.1
1997	131,592,528	6.5
1998	145,754,155	10.8
1999	156,909,677	7.7
2000	172,274,619	9.8
2001	189,795,888	10.2
2002	192,836,199	1.6
2003	200,600,386	4.0
2004	213,230,634	6.3
2005	228,562,785	7.2
2006	243,317,789	6.5
2007	247,924,304	1.9
2008	244,406,219	(1.4)
2009	221,991,360	(9.2)
2010	204,191,747	(8.0)
2011	221,304,014	8.4
2012	236,947,113	7.1
2013	247,221,162	4.3
2014	260,114,931	5.2
2015	268,840,549	3.4
2016	275,500,023	2.5
2017	284,456,260	3.3

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

⁽²⁾ Reflects, in part, effect of increase in BOE administration fee in 1994.

Source: San Diego County Regional Transportation Commission.

Sales Tax Revenues received by the Commission through January of the Fiscal Year ending June 30, 2018 were \$169,816,579, compared with \$162,462,515 for the same period during the Fiscal Year ended June 30, 2017.

Other Sales Taxes Imposed in the County

With limited exceptions, the Sales Tax is imposed upon the same transactions and items subject to the 7.25 percent sales and use tax levied statewide by the State. The State Legislature or the voters of the State, through the initiative process, could change or limit the transactions and items upon which the statewide sales tax and the Sales Tax are imposed. Any such change or limitation could have an adverse impact on the Sales Tax Revenues collected. See “RISK FACTORS – Other Sales Taxes.”

In addition to the statewide sales and use tax and the Sales Tax, the following sales and use taxes are imposed in certain cities within the County. No portion of the statewide sales and use tax or the following taxes imposed in certain cities within the County are pledged to the repayment of the 2018 Short-Term Notes.

<u>Sales and Use Tax</u>	<u>Tax Rate</u>	<u>Effective Date</u>	<u>Termination Date</u>
City of Chula Vista Temporary Transactions and Use Tax	0.50%	04/01/17	04/01/27
City of Del Mar Transactions and Use Tax	1.00	07/01/17	N/A
City of El Cajon Service Preservation Transactions and Use Tax	0.50	04/01/09	03/31/29
City of La Mesa Transactions and Use Tax	0.75	04/01/09	03/31/29
City of National City Transactions and Use Tax	1.00	10/01/06	09/30/36
City of Vista Transactions and Use Tax	0.50	04/01/07	03/31/37

Source: *California City and County Sales and Use Tax Rates* (July 1, 2017), CDTFA.

For information concerning historical taxable sales in the County, see the table entitled “County of San Diego, Taxable Sales Transactions” in APPENDIX B – “Information Regarding the County of San Diego.”

COMMISSION INVESTMENT PORTFOLIO

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

Funds held by the Trustee under the Indenture are invested in Investment Securities (as defined in Appendix C) by the Trustee in accordance with instructions from the Commission. The instructions from the Commission currently restrict those investments to investments permitted by the investment policy adopted by the Commission Board described above (except that the Trustee is permitted to invest a greater percentage of funds in specific securities than the investment policy would otherwise permit).

The value of the various investments in the portfolio will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Further, such values may vary based on credit quality, ratings, or other factors. Therefore, there can be no assurance that the values of the various investments in the portfolio will not vary significantly from the values described below. Further, the values specified in the following tables were based upon estimates of market values provided to the Commission by a third party as of June 30, 2017. Accordingly, there can be no assurance that if these securities had been sold on June 30, 2017, the portfolio would have received the values specified. In addition, under certain provisions of the Indenture, funds and accounts held under the Indenture must be invested in certain specified Investment Securities that include investment agreements and other investments not described above.

As of December 31, 2017, the average maturity of the Commission's portfolio was 389 days, with an average yield of approximately 1.33 percent.

INVESTMENT PORTFOLIO INFORMATION
as of December 31, 2017

	Percent of Portfolio (Market Value)	Par Value	Market Value
Cash or Cash Equivalents	22.7%	\$127,853,022	\$127,853,022
State of California Local			
Agency Investment Fund	1.6	9,118,027	9,118,027
United States Agencies	39.6	225,346,744	223,319,996
Corporate Medium Term Notes	19.3	109,911,998	109,079,900
Commercial Paper	0.8	4,218,928	4,230,204
Supra-National Agency Bonds/Notes	2.5	14,175,404	14,029,005
Certificates of Deposit	6.7	37,995,027	37,880,619
Asset-Backed Securities	2.3	13,202,607	13,136,318
Certificates of Participation	4.5	25,550,000	25,550,000
TOTAL	100.0%	\$567,371,757	\$564,197,091

Source: The Commission.

RISK FACTORS

Availability of Funds to Pay the 2018 Short-Term Notes

The Subordinate Indenture provides that unless the 2018 Short-Term Notes have been previously paid or defeased pursuant to the provisions of the Subordinate Indenture, the Commission agrees to use its best efforts, on or before April 1, 2021, to draw on the TIFIA Loan Agreement or, to the extent sufficient funds are not available or eligible thereunder, to issue Senior Lien Bonds, or Notes or other Parity Debt under the Senior Indenture or the Subordinate Indenture, as applicable, or to otherwise obtain financing to provide funds sufficient to pay the principal of the 2018 Short-Term Notes on April 1, 2021. No assurance can be given that the Commission will satisfy all conditions to disbursement under the TIFIA Loan Agreement, or that the TIFIA Lender will honor a properly presented disbursement request under the TIFIA Loan Agreement. In addition, if the Commission is unable to obtain proceeds of the Junior Subordinate TIFIA Loan, no assurances can be given that capital markets access will be available for the

Commission to issue Senior Bonds under the Senior Indenture, or Notes or other Parity Debt under the Subordinate Indenture, to repay the principal of the 2018 Short-Term Notes on April 1, 20__.

Economy of the County and the State

The 2018 Short-Term Notes are secured by a pledge of Sales Tax Revenues, which consist of the Sales Tax less an administrative fee paid to the CDTFA. The level of Sales Tax Revenues collected at any time is dependent upon the level of retail sales within the County, which level of retail sales is, in turn, dependent upon the level of economic activity in the County and in the State generally. As a result, any substantial deterioration in the level of economic activity within the County or in the State could have an adverse impact upon the level of Sales Tax Revenues and therefore upon the ability of the Commission to pay principal of and interest on the 2018 Short-Term Notes. For information relating to economic conditions within the County and the State, see APPENDIX B – “INFORMATION REGARDING THE COUNTY OF SAN DIEGO.”

Other Sales Taxes

With limited exceptions, the Sales Tax is imposed upon the same transactions and items subject to the 7.25% sales and use tax levied statewide by the State. The State Legislature or the voters of the State, through the initiative process, could change or limit the transactions and items upon which the statewide sales tax and the Sales Tax are imposed. Any such change or limitation could have an adverse impact on the Sales Tax Revenues collected. In addition, the Sales Tax is imposed generally on the same transactions and items subject to sales and use taxes levied by certain cities within the County. See “THE SALES TAX – Other Sales Taxes Imposed in the County.”

Acceleration of Liquidity Facility Bonds

The amortization period applicable to the Liquidity Facility Bonds may be accelerated under certain circumstances. “Liquidity Facility Bonds” are Series 2008 Senior Lien Bonds tendered for purchase and not successfully remarketed, that are then purchased by a Liquidity Provider pursuant to the applicable 2008 Liquidity Facility. Such Liquidity Provider purchases may occur as a result of, among other things, adverse market conditions leading to failed remarketings or the Commission’s inability to obtain replacement credit or liquidity arrangements upon the expiration or termination of the existing 2008 Liquidity Facilities. See “OUTSTANDING OBLIGATIONS – Liquidity Facilities.” The Commission’s obligation to reimburse the Liquidity Providers on account of their purchase of any of the Series 2008 Bonds may, under specified circumstances, be paid over a period of five years or, if earlier, by no later than the last day of the purchase period, and may, under certain circumstances, become immediately due and payable on the one hundred eightieth (180th) day following the date on which any Series 2008 Senior Lien Bond became a Liquidity Facility Bond. Liquidity Facility Bonds are payable on a parity with the Senior Lien Bonds.

Parity with Variable Rate Bonds

The Series 2008 Bonds are variable rate bonds. The calculation of interest on the Series 2008 Bonds is set weekly. Potential fluctuations in interest rates could result in higher net interest rates on the Series 2008 Bonds. The Series 2008 Bonds are subject to tender provisions and remarketing by the remarketing agents for such Series 2008 Bonds. Upon a failure to remarket the Series 2008 Bonds, the Series 2008 Bonds will be purchased pursuant to the 2008 Liquidity Facilities, in which event the Series 2008 Bonds could bear interest at materially higher interest rates. Furthermore, in the event of early termination of the Initial Swaps, the Commission would no longer receive the variable rate payments from the counterparties thereunder and the Commission may be liable for substantial termination fees

which, though subordinate to the 2018 Short-Term Notes, could have a material adverse effect on the Commission.

Loss of Subsidy Payments

The 2010 Series A Bonds were issued as “Build America Bonds.” The amount of any Subsidy Payments are subject to legislative changes by the United States Congress. On March 1, 2013, the federal government announced the implementation of certain automatic spending cuts known as “sequestration.” In Fiscal Year 2016-17, sequestration reduced Subsidy Payments to the Commission by approximately \$480,361. The Commission expects future reductions in Subsidy Payments to occur due to the sequester, but is unable to predict the amount or duration of such reductions. Further, Subsidy Payments will only be paid if the 2010 Series A Bonds continue to qualify as Build America Bonds. For the 2010 Series A Bonds to remain Build America Bonds, the Commission must comply with certain covenants with respect to the 2010 Series A Bonds, the use and investment of proceeds thereof and the use of property financed thereby. Thus, it is possible that the Commission may not receive the Subsidy Payments. Subsidy Payments are also subject to offset against amounts that may, for unrelated reasons, be owed by the Commission to any agency of the United States of America. The Commission does not believe that failure to receive all or a portion of the Subsidy Payments or any offset to the Subsidy Payments will materially and adversely impact the Commission’s ability to pay interest on the 2010 Series A Bonds or other obligations. The failure to receive all or any portion of the Subsidy Payment does not affect the Commission’s obligation to pay debt service on the 2010 Series A Bonds.

Loss of Tax Exemption

As discussed under “TAX MATTERS,” interest on the 2018 Short-Term Notes could become includable in federal gross income, possibly from the date of issuance of the 2018 Short-Term Notes, including as a result of acts or omissions of the Commission subsequent to the issuance of the 2018 Short-Term Notes. Should interest become includable in federal gross income, the 2018 Short-Term Notes are not subject to redemption by reason thereof and will remain outstanding until maturity or earlier redemption.

Bankruptcy Considerations

The Commission may be authorized to file for Chapter 9 municipal bankruptcy under certain circumstances. Should the Commission file for bankruptcy, there could be adverse effects on the holders of the 2018 Short-Term Notes.

If the Sales Tax Revenues are “special revenues” under the Bankruptcy Code, then Sales Tax Revenues collected after the date of the bankruptcy filing should be subject to the lien of the Indenture. “Special revenues” are defined to include taxes specifically levied to finance one or more projects or systems, excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the governmental entity. The Sales Tax was levied to finance the projects described in the San Diego County Transportation Improvement Program *TransNet* Ordinance and Expenditure Plan (under this caption, the “Projects”), and some of these Projects are described in broad terms. In addition, the Projects are not owned by the Commission. No assurance can be given that a court would not hold that the Sales Tax Revenues are not special revenues. Were the Sales Tax Revenues determined not to be “special revenues,” then Sales Tax Revenues collected after the commencement of a bankruptcy case would likely not be subject to the lien of the Indenture. The holders of the 2018 Short-Term Notes may not be able to assert a claim against any property of the Commission other than the Sales Tax Revenues, and were these amounts no longer subject to the lien of the Indenture following commencement of a

bankruptcy case, then there could thereafter be no amounts from which the holders of the 2018 Short-Term Notes are entitled to be paid.

The Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system from which the special revenues are derived, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. The law is not clear as to whether, or to what extent, Sales Tax Revenues would be considered to be “derived” from the Projects. To the extent that Sales Tax Revenues are determined to be both special revenues and derived from the Projects, the Commission may be able to use Sales Tax Revenues to pay necessary operating expenses connected with the Projects, before the remaining Sales Tax Revenues are turned over to the Trustee to pay amounts owed to the holders of the 2018 Short-Term Notes. It is not clear precisely which expenses would constitute necessary operating expenses.

If the Commission is in bankruptcy, the parties (including the holders of the 2018 Short-Term Notes) may be prohibited from taking any action to collect any amount from the Commission or to enforce any obligation of the Commission, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the 2018 Short-Term Notes from funds in the Trustee’s possession. The procedure pursuant to which Sales Tax Revenues are paid directly by the CDTFA to the Trustee may no longer be enforceable, and the Commission may be able to require the CDTFA to pay Sales Tax Revenues directly to the Commission.

The Commission as a debtor in bankruptcy may be able to borrow additional money that is secured by a lien on any of its property (including Sales Tax Revenues), which lien could have priority over the lien of the Indenture, or to cause some Sales Tax Revenues to be released to it, free and clear of lien of the Indenture, in each case provided that the bankruptcy court determines that the rights of the Trustee and the holders of the 2018 Short-Term Notes will be adequately protected. The Commission may also be able, without the consent and over the objection of the Trustee and the holders of the 2018 Short-Term Notes, to alter the priority, interest rate, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Indenture and the 2018 Short-Term Notes, provided that the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in payments on the 2018 Short-Term Notes while the court considers any of these issues. There may be other possible effects of a bankruptcy of the Commission that could result in delays or reductions in payments on the 2018 Short-Term Notes, or result in losses to the holders of the 2018 Short-Term Notes. Regardless of any specific adverse determinations in a Commission bankruptcy proceeding, the fact of a Commission bankruptcy proceeding could have an adverse effect on the liquidity and value of the 2018 Short-Term Notes.

Proposition 218

On November 5, 1996, voters in the State approved an initiative known as the Right to Vote on Taxes Act (“Proposition 218”). Proposition 218 added Articles XIIC and XIID to the California Constitution. Article XIIC requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, which is defined to include local or regional governmental agencies such as the Commission. In 2004, the Sales Tax Extension Ordinance received the approval of more than 2/3 of the voters as required by Article XIIC. However, Article XIIC also removes limitations that may have applied to the voter initiative power with regard to reducing or repealing previously authorized taxes. In the opinion of the Commission, however, any attempt by the voters to use the initiative provisions under Proposition 218 to rescind or reduce the levy and collection of the Sales Tax in a manner which would

prevent the payment of debt service on the 2018 Short-Term Notes would violate the Impairment Clause of the United States Constitution and, accordingly, would be precluded. However, it is likely that the interpretation and application of this provision of Proposition 218 will ultimately be determined by the courts.

Governance and Management – Changes in State Law

SANDAG was created in the 1970s as a Joint Powers Authority made up of various cities in the County of San Diego that desired to voluntarily carry out regional planning activities as a joint enterprise. SANDAG's governance structure was codified into State Law by State statute in 2002. The State Legislature can alter the governance and structure of SANDAG. On October 11, 2017, Governor Jerry Brown signed into law AB 805 which changed the voting mechanisms of the Board of Directors of SANDAG and provide additional audit requirements. The State Legislature can adopt further statutory changes that could materially impact the composition of the Board of Directors or composition of management, or impose new requirements or standards, any of which could cause material changes for SANDAG policy objectives or how it operates.

Further Initiatives

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

ABSENCE OF MATERIAL LITIGATION

No litigation is pending or, to the best knowledge of the Commission, threatened against the Commission concerning the validity of the 2018 Short-Term Notes. The Commission is not aware of any litigation pending or threatened against the Commission questioning the political existence of the Commission or contesting the Commission's ability to impose and collect the Sales Tax.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Commission ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2018 Short-Term Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the 2018 Short-Term Notes is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F hereto.

To the extent the issue price of any maturity of the 2018 Short-Term Notes is less than the amount to be paid at maturity of such 2018 Short-Term Notes (excluding amounts stated to be interest and payable at least annually over the term of such 2018 Short-Term Notes), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2018 Short-Term Notes which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2018 Short-Term Notes is the first price at which a substantial amount of such maturity of the 2018 Short-Term Notes is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2018 Short-Term Notes accrues daily over

the term to maturity of such 2018 Short-Term Notes on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2018 Short-Term Notes to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2018 Short-Term Notes. Beneficial Owners of the 2018 Short-Term Notes should consult their own tax advisors with respect to the tax consequences of ownership of 2018 Short-Term Notes with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2018 Short-Term Notes in the original offering to the public at the first price at which a substantial amount of such 2018 Short-Term Notes is sold to the public.

2018 Short-Term Notes purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium 2018 Short-Term Notes”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium 2018 Short-Term Notes, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium 2018 Short-Term Notes should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2018 Short-Term Notes. The Commission has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2018 Short-Term Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2018 Short-Term Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2018 Short-Term Notes. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the 2018 Short-Term Notes may adversely affect the value of, or the tax status of interest on, the 2018 Short-Term Notes. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2018 Short-Term Notes is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the 2018 Short-Term Notes may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2018 Short-Term Notes to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2018 Short-Term Notes. Prospective purchasers of the 2018 Short-Term Notes should consult their own tax

advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2018 Short-Term Notes for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Commission, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Commission has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2018 Short-Term Notes ends with the issuance of the 2018 Short-Term Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the Commission or the Beneficial Owners regarding the tax-exempt status of the 2018 Short-Term Notes in the event of an audit examination by the IRS. Under current procedures, parties other than the Commission and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Commission legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2018 Short-Term Notes for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2018 Short-Term Notes, and may cause the Commission or the Beneficial Owners to incur significant expense.

LEGAL MATTERS

The validity of the 2018 Short-Term Notes and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Commission. A complete copy of the proposed form of opinion of Bond Counsel is attached as Appendix F hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Commission by its General Counsel and by Norton Rose Fulbright US LLP, as Disclosure Counsel, and for the Underwriters by their counsel, Nixon Peabody LLP. Compensation paid to Bond Counsel, Disclosure Counsel and Underwriters' Counsel is contingent on the successful issuance of the 2018 Short-Term Notes.

CONTINUING DISCLOSURE

The Commission has agreed to execute a continuing disclosure agreement (the "Continuing Disclosure Agreement"), which provides for disclosure obligations on the part of the Commission while the 2018 Short-Term Notes remain Outstanding. Under the Continuing Disclosure Agreement, the Commission will covenant for the benefit of owners of the 2018 Short-Term Notes to provide certain financial information and operating data relating to the Commission by not later than two hundred and ten (210) days after the end of the prior fiscal year, commencing with the fiscal year ending June 30, 2018 (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events (the "Notice Events") in a timely manner. The Annual Reports and the Notice Events will be filed with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system. These covenants will be made to assist the Underwriters of the 2018 Short-Term Notes in complying with the Rule 15c2-12, as amended (the "Rule") adopted by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. See APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

RATINGS

S&P Global Ratings and Fitch Ratings have assigned ratings on the 2018 Short-Term Notes of “___” and “___,” respectively. The ratings described above reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: S&P Global Ratings, 55 Water Street, New York, New York 10041 and Fitch Ratings, 33 Whitehall Street, New York, New York 10004. Such ratings are not recommendations to buy, sell or hold securities. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price of the 2018 Short-Term Notes.

UNDERWRITING

Purchase of the 2018 Short-Term Notes

The Commission has entered into a Note Purchase Agreement (the “Purchase Agreement”) with respect to the 2018 Short-Term Notes with Citigroup Global Markets Inc., on behalf of itself and as representative of the underwriters named therein and set forth on the cover page hereof (collectively, the “Underwriters”), pursuant to which the Underwriters will agree, subject to certain conditions, to purchase the 2018 Short-Term Notes for reoffering at a price of \$_____, which represents the aggregate principal amount of the 2018 Short-Term Notes, [plus an original issue premium of \$_____] less an Underwriters’ discount of \$_____. Citigroup Global Markets Inc. is a dealer for the Subordinate Commercial Paper Notes and is an Underwriter of the 2018 Short-Term Notes. Bank of America, N.A. is a swap counterparty and provider of the Bank of America Liquidity Facility. Merrill Lynch, Pierce, Fenner & Smith Incorporated is an Underwriter of the 2018 Short-Term Notes. Bank of America, N.A. and Merrill Lynch, Pierce, Fenner & Smith Incorporated are both subsidiaries of BAC North America Holding Company. **[confirm]**

The Purchase Agreement provides that the Underwriters will purchase all of the 2018 Short-Term Notes if any are purchased. The 2018 Short-Term Notes may be offered and sold by the Underwriters to certain dealers and others at yields higher than the public offering yields indicated on the inside cover hereof, and such public offering yields may be changed from time to time by the Underwriters. The Underwriters agree to make a public offering of the 2018 Short-Term Notes. The Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the 2018 Short-Term Notes at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

In June 2013, the Commission commenced an action against a number of banks, including entities affiliated with Citigroup Global Markets Inc., one of the Underwriters of the 2018 Short-Term Notes, alleging that the defendants conspired to suppress U.S. dollar London Interbank Offered Rate (“LIBOR”) by collectively submitting U.S. dollar LIBOR rates to the British Bankers’ Association that were artificially low between August 2007 and March 2011. The Commission alleges that the suppression of U.S. dollar LIBOR deprived it of its rightful rate of return on various interest rate swap transactions, and asserts a variety of claims including antitrust claims seeking treble damages. The defendants deny such allegations. Since it was commenced in June 2013, this action has been stayed pending a final determination on motions to dismiss that were filed in similar U.S. dollar LIBOR actions pending before Judge Naomi Reice Buchwald in New York federal district court. On August 4, 2015, Judge Buchwald issued a decision, following which the parties agreed all claims by the Commission against the Citigroup

and J.P. Morgan defendants would be dismissed either on the merits or for lack of personal jurisdiction. On May 23, 2016, however, the U.S. Court of Appeals for the Second Circuit vacated the dismissal of the antitrust claims and remanded for further consideration of the issue by the district court.

The following two paragraphs have been provided by and are being included in this Official Statement at the request of the Underwriters. The Commission does not assume any responsibility for the accuracy or completeness of such statements or information.

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

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Commission. Certain of the Underwriters or their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such securities and instruments.

Retail Brokerage Arrangements

The following two paragraphs have been provided by and are being included in this Official Statement at the request of Wells Fargo Securities. The Commission does not assume any responsibility for the accuracy or completeness of such statements or information.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group (“WFBNA”), one of the underwriters of the 2018 Short-Term Notes, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the 2018 Short-Term Notes. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2018 Short-Term Notes with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the 2018 Short-Term Notes. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal

securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

MUNICIPAL ADVISOR

The Commission has retained PFM Financial Advisors LLC, San Francisco, California, as municipal advisor (the “Municipal Advisor”) in connection with the 2018 Short-Term Notes. The Municipal Advisor is an independent registered municipal advisor. The Municipal Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS

Financial information relating to the Commission is included in the Commission’s Audited Basic Financial Statements for the Fiscal Year Ended June 30, 2017, which are included as part of Appendix A to this Official Statement. The financial statements of the Commission included in Appendix A have been audited by Davis Farr LLP, Certified Public Accountants (the “Auditors”), as stated in their report appearing in Appendix A. The Auditors were not requested to consent to the inclusion of their report in Appendix A, nor have they undertaken to update their report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditors with respect to any event subsequent to the date of their report.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Commission and holders of any of the 2018 Short-Term Notes. All quotations from and summaries and explanations of the Indenture, the Act and of other statutes and documents contained herein, do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion are intended as such and not as representations of fact.

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

By: _____
Chief Deputy Executive Director

APPENDIX A

**SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

DRAFT

APPENDIX B

INFORMATION REGARDING THE COUNTY OF SAN DIEGO

Set forth below is certain information with respect to the County of San Diego (the “County”). Such information was obtained from the County and from other sources the Commission believes to be reliable as of the latest date when such information was available. The Commission takes no responsibility for the accuracy or completeness of such information.

ECONOMIC AND DEMOGRAPHIC INFORMATION

General

The County is the southernmost major metropolitan area in the State of California (the “State”). The County covers 4,261 square miles, extending 70 miles along the Pacific Coast from the Mexican border to Orange County and inland 75 miles to Imperial County. Riverside and Orange Counties form the northern boundary. The County is approximately the size of the State of Connecticut.

The topography of the County varies from broad coastal plains and fertile inland valleys to mountain ranges in the east which rise to an elevation of 6,500 feet. Eastern slopes of these mountains form the rim of the Anza-Borrego Desert and the Imperial Valley. The Cleveland National Forest occupies much of the interior portion of the County. The climate is stable in the coastal and valley regions where most of the population and resources are located. The average annual rainfall in the coastal areas is approximately 10 inches.

The County possesses a diverse economic base consisting of large sectors in high technology, tourism, health care, government, and a large military presence.

San Diego’s has several important job centers, including its downtown, which is currently undergoing a building boom and features tourism, professional, and government jobs; Sorrento Valley/Torrey Mesa, a hub for high-tech and health care; Kearney Mesa, the manufacturing and industrial center, and Uptown-Mission Valley, with a concentration of retail.

The San Diego Convention Center includes 2.6 million total gross square feet and estimates by the San Diego Convention Center Corporation indicate that the San Diego Convention Center generated approximately \$654 million in direct attendee spending during fiscal year 2017. In fiscal year 2017, there were 109 events held at the Convention Center (comprising 62 City-wide events and 47 secondary events) with approximately 793,960 people in attendance. The San Diego Convention Center Corporation estimates that the Convention Center’s operations generate more than a \$1.1 billion of regional economic activity.

The County is also growing as a major center for culture and education. Over 30 recognized art organizations, including the Old Globe Theatre productions, the La Jolla Chamber Orchestra, as well as museums and art galleries, are located in the County. Higher education is provided through community colleges and colleges, universities, and graduate level schools, referenced below under “Education.”

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

Population

There are 18 incorporated cities in the County, and a number of unincorporated communities. The County population as of January 1, 2017 was estimated to be approximately 3,316,192, making it the second largest County by population in California. The County's 2017 population increased 0.90% from 2016. January 2018 figures are not yet available. By the year 2025, the County's population is projected to exceed 3.5 million.

The following table shows changes in the population in the County, the State and the United States for the years 2006 to 2017.

Year	POPULATION ⁽¹⁾ (In Thousands)					
	San Diego County	Percent Change	State of California	Percent Change	United States	Percent Change
2006	2,976	0.30%	37,086	1.12%	299,398	1.01%
2007	2,998	0.74	37,472	1.04	301,140	0.58
2008	3,033	1.17	37,884	1.10	304,374	1.07
2009	3,064	1.02	38,293	1.08	307,006	0.86
2010	3,095	1.01	37,224	(2.79)	310,408	1.11
2011	3,121	0.84	37,537	0.92	312,720	0.74
2012	3,153	1.03	37,881	0.92	315,058	0.75
2013	3,195	1.33	38,239	0.95	317,288	0.71
2014	3,230	1.10	38,567	0.86	319,672	0.75
2015	3,264	1.05	38,908	0.88	321,931	0.71
2016	3,286	0.77	39,189	0.89	324,142	0.69
2017	3,316	0.90	39,523	0.90	326,359 ⁽²⁾	0.68 ⁽²⁾

⁽¹⁾ For 2006-2009 and 2011-2017, population statistics are as of January 1. For 2010, population statistics are as of April 1.

⁽²⁾ Projected.

Source: California State Department of Finance for 2006-2009, 2011-2016, and 2016-17; U.S. Census Bureau, Population Division.

Employment

The County's total annual average labor force, the number of persons who work or are available for work, during 2016 was approximately 1,570,400. The annual average number of employed civilian workers in the labor force for the same year was approximately 1,497,000. The following table sets forth information regarding the size of the civilian labor force, employment and unemployment rates for the County, the State and the United States for the full years 2012 through 2016. This employment data shows that San Diego has been adding jobs and is trending towards a lower unemployment rate faster than the rest of the State. In 2016, the County enjoyed a lower unemployment than the State at 4.7%, which was an improvement from the 2015 unemployment rate of 5.2%. 2017 figures are not yet available.

**CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGES 2012-2016⁽¹⁾
By Place of Residence
(In Thousands)**

	2012	2013	2014	2015	2016
County of San Diego					
Labor Force	1,540.4	1,543.2	1,543.7	1,554.8	1,570.4
Employment	1,399.9	1,422.5	1,444.5	1,474.4	1,497.0
Unemployment Rate	9.1%	7.8%	6.4%	5.2%	4.7%
State of California					
Labor Force	18,523.8	18,624.3	18,755.0	18,983.2	19,102.7
Employment	16,607.7	16,958.7	17,348.6	17,723.3	18,065.0
Unemployment Rate	10.4%	8.9%	7.5%	6.2%	5.4%
United States of America					
Labor Force	154,975.0	155,389.0	155,904.0	157,126.0	159,640.0
Employment	142,469.0	143,929.0	146,306.0	148,839.0	152,111.0
Unemployment Rate	8.1%	7.4%	6.2%	5.3%	4.7%

⁽¹⁾ Data not seasonally adjusted. Unemployment rate is based on unrounded data. March 2016 Benchmark.

Sources: County and State Data – California Employment Development Department; National Data – U.S. Department of Labor, Bureau of Labor Statistics.

The following table sets forth the annual average civilian employment within the County by employment sector for 2012 through 2016. 2017 figures are not yet available.

**SAN DIEGO COUNTY
LABOR FORCE AND INDUSTRY EMPLOYMENT
ANNUAL AVERAGES
2012-2016**

Employment Sector	2012	2013	2014	2015	2016
Total, All Industries	1,289,000	1,327,500	1,355,900	1,395,500	1,431,600
Total Farm	9,800	9,800	9,400	9,100	9,000
Total Nonfarm	1,279,200	1,317,700	1,346,500	1,386,800	1,422,600
Total Private	1,051,400	1,088,200	1,114,600	1,150,700	1,180,500
Goods Producing	151,600	160,300	165,800	176,400	184,200
Construction	56,900	60,900	63,800	70,200	76,100
Manufacturing	94,300	99,000	101,600	106,200	107,800
Service Providing	1,127,600	1,157,400	1,180,700	1,210,400	1,238,400
Private Service Providing	899,800	928,000	948,700	974,200	996,300
Trade, Transportation & Utilities	207,700	212,400	215,000	219,200	221,600
Retail Trade	137,200	141,300	144,300	146,800	147,400
Transportation, Warehousing & Utilities	27,300	27,200	27,000	28,400	29,400
Information	24,500	24,300	24,400	23,800	23,600
Financial Activities	70,100	70,800	69,400	71,200	73,000
Professional & Business Services	216,200	221,600	224,900	230,200	234,000
Professional, Scientific & Technical Services	120,700	121,500	124,400	126,300	129,200
Educational & Health Services	170,400	181,000	186,000	192,700	198,500
Health Care & Social Assistance	141,400	151,500	156,400	163,300	168,600
Leisure & Hospitality	161,700	168,600	177,000	183,900	190,700
Accommodation & Food Services	136,900	142,700	150,400	156,300	161,900
Government	227,800	229,500	231,900	236,200	242,100
Federal Government	46,800	46,500	45,800	46,000	46,500
State Government	42,600	43,100	44,100	45,700	47,500
Local Government	138,500	139,900	142,000	144,500	148,100

Source: California Employment Development Department - San Diego County (San Diego-Carlsbad MSA) Historical Annual Average Data.

Major Employers

The County is host to a diverse mix of major employers representing industries ranging from education and health services, to diversified manufacturing, military, financial services, retail trade and amusement and recreation. The following table lists the County's major employers.

COUNTY OF SAN DIEGO MAJOR EMPLOYERS (2017)

<u>Employer</u>	<u>Organization Description</u>	<u>Number of Employees⁽¹⁾</u>
1. University of California, San Diego	Higher education, research, healthcare	32,524 ⁽²⁾
2. Sharp HealthCare	Health care, hospitals, medical groups, health services, health plans	17,962
3. Scripps Health	Hospitals, hospice, home health care services, outpatient centers and clinics, physicians' offices	15,238
4. Qualcomm	Computer and technical devices	12,600
5. City of San Diego	Municipal government, public agency	11,544
6. Kaiser Permanente	Nonprofit health maintenance hospital, outpatient medical, urgent care, medical offices	8,965
7. UC San Diego Health	Academic health system	8,923
8. San Diego Community College District	Higher education institution that includes City, Mesa and Miramar colleges and continuing education	6,817
9. San Diego State University	Higher education	5,921
10. General Atomics Aeronautical Systems Inc.	Remotely piloted aircraft systems, radars and electro-optic and related missions systems solutions	5,888
11. Rady Children's Hospital – San Diego	Health care for children of all ages – newborns to young adults; regional pediatric center	5,279
12. YMCA of San Diego County	Programs and services focused on youth development, healthy living and social responsibility	5,172
13. Northrop Grumman Corp.	Unmanned systems, Cyber solutions, C4ISR, Logistics	4,978
14. Sempra Energy	Energy services holding company	4,782
15. BD (Becton, Dickinson and Co.) ⁽³⁾	BD is a medical technology company helping to advance discover, diagnostics and delivery of care	3,975
16. Veterans Affairs San Diego Healthcare System	Health care for veterans in inpatient, outpatient settings	3,805
17. SeaWorld San Diego	Marine park	3,740
18. University of San Diego	Private university	3,565
19. Barona Resort & Casino	Gaming and hospitality	3,176
20. Grossmont-Cuyamaca Community College District	Higher education institution	2,779

⁽¹⁾ Estimates based on company reports. Because industries use different standards for what is considered an employee, totals may include contract, per diem and other classifications.

⁽²⁾ Total local employee count is as of October 1, 2017.

Source: San Diego Business Journal's Book of Lists (whose sources are the companies and the Employment Development Department. Some organizations and companies declined to participate or did not return a survey by press time).

Regional Economy

Economic activity and population growth in the local economy are closely related. Helping to sustain the County's economy is the performance of many industries, including Biotechnology, Wireless Communications, Defense Manufacturing and Uniformed Personnel, and Leisure and Hospitality. The table below sets forth the San Diego-Carlsbad Metropolitan Statistical Area's Gross Domestic Product, which is an estimate of the value for all goods and services produced in the region, from 2012 through 2016. Annual figures for 2017 are not yet available.

SAN DIEGO-CARLSBAD METROPOLITAN STATISTICAL AREA GROSS DOMESTIC PRODUCT 2012-2016

Year	Gross Domestic Product (In Billions) ⁽¹⁾	Annual Percent Change (year over year)
2012	\$189.2	3.3%
2013	198.5	4.9
2014	205.1	3.3
2015	210.7	2.7
2016	215.3	2.2

⁽¹⁾ Shown in current dollars reflecting the Census Bureau's midyear population estimates available as of March 2017.
Source: Bureau of Economic Analysis, U.S. Department of Commerce.

The table below sets forth the assessed valuation of property within the County subject to taxation for Fiscal Years 2008-09 through 2016-17.

ASSESSED VALUATION OF PROPERTY SUBJECT TO AD VALOREM TAXATION Fiscal Years 2008-09 through 2016-17 (In Thousands)

Fiscal Year	Land	Improvements	Personal Property	Gross Assessed Valuation	Exemption ⁽¹⁾	Net Assessed Valuation for Tax Purposes ⁽²⁾
2008-09	\$184,573,765	\$217,641,565	\$14,496,587	\$416,711,917	\$10,336,971	\$406,374,945
2009-10	177,035,056	215,309,621	15,194,665	407,539,342	11,244,820	396,294,522
2010-11	173,642,233	214,286,031	14,639,554	402,567,818	11,790,769	390,777,049
2011-12	174,658,242	216,383,122	14,483,422	405,524,786	12,537,490	392,987,296
2012-13	173,840,948	217,588,947	14,693,957	406,123,852	13,165,008	392,958,844
2013-14	179,943,404	224,701,971	15,195,049	419,840,424	13,856,802	405,983,622
2014-15	192,003,349	236,234,389	15,347,042	443,584,780	14,344,037	429,240,743
2015-16	203,701,281	249,298,560	15,491,395	468,491,236	15,175,726	453,315,510
2016-17	215,835,633	261,594,164	16,324,650	493,754,447	19,514,046	474,240,401

⁽¹⁾ Exemption figures include veterans, church, welfare, religious, college and cemetery exemptions.

⁽²⁾ Figures include local secured, unsecured manufactured home and possessory interest, state unitary and redevelopment valuation, if any.

Source: County of San Diego, Auditor and Controller.

Building Activity

Annual total building permit valuation and the annual unit total of new residential permits from 2012 through 2016 are shown in the following table. Annual 2017 figures are not yet available.

COUNTY OF SAN DIEGO BUILDING PERMIT ACTIVITY 2012 – 2016

	2012	2013	2014	2015	2016
Valuation (\$ in Millions):					
Residential	\$1,610	\$2,060	\$1,818	\$2,447	\$2,472
Non-Residential	<u>1,222</u>	<u>1,401</u>	<u>1,921</u>	<u>1,863</u>	<u>1,782</u>
Total ⁽¹⁾	\$2,832	\$3,461	\$3,739	\$4,310	\$6,270
New Housing Units:					
Single Family	2,100	2,539	2,276	3,136	2,420
Multiple Family	<u>4,319</u>	<u>5,803</u>	<u>4,327</u>	<u>6,869</u>	<u>7,680</u>
Total ⁽¹⁾	6,419	8,342	6,603	10,005	10,100

⁽¹⁾ Totals may not sum due to rounding.

Source: Construction Industry Research Board.

Commercial Activity

The following table sets forth information regarding taxable sales in the County for the years 2012 through 2016. 2017 figures are not yet available.

COUNTY OF SAN DIEGO TAXABLE SALES 2012 through 2016 (\$ in Thousands)

Type of Business	2012	2013	2014	2015	2016
Motor Vehicle and Parts Dealers	\$ 5,851,723	\$ 6,355,973	\$ 6,753,234	\$ 7,294,830	\$ 7,552,836
Home Furnishings and Appliance Stores	962,420	1,015,878	1,047,805	2,431,314	2,555,889
Electronics and Appliance Stores ⁽²⁾	1,261,183	1,297,063	1,272,567	_(2)	_(2)
Bldg. Materials. And Garden Equip & Supplies	2,204,608	2,376,043	2,474,612	2,631,077	2,744,043
Food and Beverage Stores	2,087,821	2,179,811	2,291,807	2,456,465	2,427,634
Health and Personal Care Stores ⁽²⁾	876,663	915,651	919,455	_(2)	_(2)
Gasoline Stations	4,595,421	4,515,941	4,514,898	3,795,002	3,359,889
Clothing and Clothing Accessories Stores	3,208,810	3,425,325	3,482,100	3,562,794	3,573,188
Sporting Goods, Hobby, Book, and Music Stores ⁽²⁾	1,003,947	1,031,505	1,033,870	_(2)	_(2)
General Merchandise Stores	4,695,436	4,784,812	4,845,900	4,398,638	4,305,597
Miscellaneous Store Retailers	1,473,767	1,539,376	1,594,890	_(2)	_(2)
Nonstore Retailers	265,508	556,994	641,091	_(2)	_(2)
Other Retail Group ⁽²⁾	_(2)	_(2)	_(2)	4,463,781	4,682,868
Food Services and Drinking Places	5,665,929	5,954,220	6,385,266	6,955,660	7,374,383
Total Retail and Food Services	34,153,236	35,948,592	37,257,495	37,989,566	38,576,363
All Other Outlets	13,793,799	14,348,737	15,454,144	16,196,021	16,831,504
TOTAL ALL OUTLETS	<u>\$47,947,035</u>	<u>\$50,297,329</u>	<u>\$52,711,639</u>	<u>\$54,185,588</u>	<u>\$55,407,866</u>

⁽¹⁾ Data represents the first two quarters only.

⁽²⁾ Beginning in 2015, the taxable sales report combines Electronics, Health, Sporting Goods, and Miscellaneous Retailers into a broad Other Retail Group.

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

Personal Income

The following table summarizes the median household income for the County, the State, and the United States for the years 2013 through 2017. Annual 2017 figures are not yet available.

MEDIAN HOUSEHOLD INCOME⁽¹⁾ 2013 through 2017⁽¹⁾

Year	San Diego County	California	United States
2013	\$48,634	\$47,307	\$41,358
2014	49,302	48,340	43,715
2015	51,447	50,072	45,445
2016	55,146	53,589	46,738
2017 ⁽¹⁾	58,408	55,681	48,043

⁽¹⁾ As of August 2017.
Source: Claritas, LLC.

Transportation

Surface, sea and air transportation facilities serve County residents and businesses. Interstate 5 parallels the coast from Mexico to the Los Angeles area and beyond. Interstate 15 runs inland, leading to Riverside and San Bernardino Counties, Las Vegas, and Salt Lake City. Interstate 8 runs eastward through the southern United States.

The San Diego International Airport (Lindbergh Field) is located approximately three miles northwest of the downtown area and sits on 614 acres. The facilities are owned and maintained by the San Diego County Regional Airport Authority and are leased to commercial airlines and other tenants. The airport is California's third most active commercial airport, serving over 20 million passengers annually, and served by 18 passenger carriers and three cargo carriers. In addition to San Diego International Airport, there are two naval air stations and seven general aviation airports located in the County.

Public transportation in the County is provided by two transit operators, the San Diego Metropolitan Transit System ("MTS") and North County Transit District (NCTD). MTS operates the light rail system that provides transportation for commuters and tourists from Downtown San Diego to San Ysidro (adjacent to Tijuana), and from Downtown San Diego to the southern part of the County and East County and includes the newest connection at San Diego State University. MTS also provides fixed route and paratransit services. NCTD operates the 43-mile Coaster Commuter rail line from Oceanside to downtown San Diego as well as the Sprinter light rail that runs from Oceanside to Escondido. Like MTS, NCTD also provides fixed route and paratransit bus services.

San Diego is the terminus of the Santa Fe Railway's main line from Los Angeles. Amtrak passenger service is available at San Diego, with stops at Solana Beach and Oceanside in the North County. San Diego rail corridor is part of the Los Angeles-San Luis Obispo-San Diego Corridor which is the second busiest rail corridor in the nation. San Diego's harbor is one of the world's largest natural harbors. The Port of San Diego is administered by the San Diego Unified Port District, which includes the cities of San Diego, National City, Chula Vista, Imperial Beach, and Coronado.

Visitor and Convention Activity

An excellent climate, proximity to Mexico, extensive maritime facilities, and such attractions as the San Diego Zoo and Wild Animal Park, Sea World, Cabrillo National Monument, and Palomar Observatory allow San Diego to attract visitor and convention business each year. The development of the 4,600-acre Mission Bay Park at San Diego and the construction of meeting and convention facilities at the San Diego community concourse have contributed to the growth in tourism. The visitor business is expected to continue to increase steadily.

The following table depicts total visitor spending in San Diego County since 2008.

**TOTAL VISITOR SPENDING
SAN DIEGO COUNTY
2006 – 2017
(\$ billions)**

Year	Amount
2008	\$ 7.91
2009	6.96
2010	7.08
2011	7.49
2012	7.98
2013	8.39
2014	9.21
2015	9.92
2016	10.40
2017	10.41

Source: San Diego Tourism Authority.

Contributing to the growth in total visitor spending has been an increase in convention activity, as displayed in the table below. The convention center has hosted the annual Comic-Con International Convention, the 1996 Republican National Convention and the 2007 California Democratic Party Convention.

**SAN DIEGO CONVENTION CENTER
2008 – 2017**

<u>Calendar Year</u>	<u>Estimated Spending</u>	<u>Number of Conventions</u>	<u>Total Delegate Attendance</u>
2008	\$666,328,990	68	633,900
2009	541,904,169	71	519,400
2010	567,413,270	64	543,900
2011	578,931,514	74	566,700
2012	621,304,790	67	561,500
2013	559,947,727	75	524,400
2014	593,105,421	76	527,600
2015	620,092,228	71	553,300
2016	721,000,000	67	697,518
2017	653,500,000	62	793,960

Note: Table includes only the San Diego Convention Center, it does not include other sources of convention activity in the San Diego region.

Source: San Diego Tourism Authority.

Major attractions located in the County include the world-renowned San Diego Zoo, the San Diego Zoo Safari Park, Legoland, California and Sea World. The San Diego Padres play home games at PETCO Park, a \$449.4 million project, located on 18 acres, with a capacity of 42,000. Other attractions include the Cabrillo National Monument on Point Loma, Balboa Park, home to the Zoo and a host of other cultural and recreational activities, downtown’s historic Gaslamp Quarter, and the Old Town State Park. The cruise ship industry is another important sector of the local visitor industry.

There are over 90 golf courses in the County, including the La Costa Golf Course, scene of the Tournament of Champions in 2006 and the championship Torrey Pines Golf Course, where the U.S. Open was held in 2008. Torrey Pines is also slated to host the U.S. Open for the second time in 2021.

The County benefits from its proximity to Mexico, with its sporting attractions such as Jai Alai, thoroughbred racing and ocean fishing, as well as the shopping and entertainment venues of Tijuana. Tijuana may be reached from downtown San Diego by the Red Trolley, and within a short drive from the center of the City, visitors may take in the many beaches, mountains and desert areas within the County.

Education

Forty-two independent school districts provide educational programs for the elementary and secondary public school children in the County. Each school system is governed by a locally elected board of education and administered by a superintendent or other chief administrative officer appointed by the board. In the County there are three types of school districts: elementary, union high and unified. Elementary districts educate elementary students, union high districts for the most part educate secondary students, and unified districts educate both elementary and secondary students. There are currently 12 unified, 24 elementary and 6 union high school districts in the County.

Additionally, there are five community college districts in the County that are locally operated and administered two-year institutions of higher education. They offer Associates in Arts and Associates in Science degrees and have extensive vocational curricula. These community college districts have students at numerous campuses, adult and community centers.

Among the institutions of higher education offering bachelors and graduate programs in metropolitan San Diego are: San Diego State University; the University of California, San Diego; National University; the University of San Diego; Point Loma Nazarene University; California State University – San Marcos; Alliant International University; the University of Phoenix; Thomas Jefferson School of Law, and California Western School of Law.

Impact of Military Spending

Military and related defense spending are significant factors in the County economy. Military installations include Marine Corps Base Camp Joseph H. Pendleton; the Marine Corps Recruit Depot; Marine Corps Air Station at Miramar; Naval Air Station North Island; Naval Station San Diego; and Naval Submarine Base, San Diego.

The San Diego Military Economic Impact Study (the “Military Study”) released in October 2017 by the San Diego Military Advisory Council estimates that approximately 22% of the jobs in the County for the federal fiscal year ending September 30, 2017 were directly and indirectly related to the military. According to the Military Study, as of September 30, 2017, there were approximately 115,700 active duty and reserve military personnel and 24,100 full-time civilian workers directly employed by the military throughout the County. The Military Study concludes that overall spending in the County related to the military in the federal fiscal year ended September 30, 2017 represented approximately 22% of the County’s total gross regional product.

Given the substantial role that the military plays in the local economy, significant reductions in defense spending or the relocation of military bases out of the area could negatively impact the local economy and, in turn, reduce revenues to the Commission from such major sources as property taxes, sales taxes and transient occupancy taxes. Any direct impact on the Commission operations or finances is uncertain and the Commission is unable to predict the extent of any negative impact on the area economy as a result of reduced military spending.

[insert appendix C]

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APPENDIX E

BOOK-ENTRY ONLY SYSTEM

Introduction

Unless otherwise noted, the information contained under the subcaption “– General” below has been provided by DTC. Commission makes no representations as to the accuracy or completeness of such information. Further, Commission undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on DTC’s websites as described under “– General,” including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites. The Beneficial Owners of the 2018 Short-Term Notes should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER COMMISSION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2018 SHORT-TERM NOTES UNDER THE RESOLUTIONS; (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2018 SHORT-TERM NOTES, IF APPLICABLE; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT TO THE OWNERS OF THE 2018 SHORT-TERM NOTES; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF 2018 SHORT-TERM NOTES; OR (F) ANY OTHER MATTER REGARDING DTC.

General

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2018 Short-Term Notes. The 2018 Short-Term Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2018 Short-Term Note certificate will be issued for each maturity of the 2018 Short-Term Notes and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 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”). S&P Global Ratings has rated DTC “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on such website is not incorporated herein by reference.

Purchases of the 2018 Short-Term Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2018 Short-Term Notes on DTC’s records. The ownership interest of each actual purchaser of each 2018 Short-Term Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2018 Short-Term Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2018 Short-Term Notes, except in the event that use of the book-entry system for the 2018 Short-Term Notes is discontinued.

To facilitate subsequent transfers, all 2018 Short-Term Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2018 Short-Term Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2018 Short-Term Notes. DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2018 Short-Term Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2018 Short-Term Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2018 Short-Term Notes, such as redemptions, tenders, defaults, and proposed amendments to the 2018 Short-Term Notes documents. For example, Beneficial Owners of the 2018 Short-Term Notes may wish to ascertain that the nominee holding the 2018 Short-Term Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

[Redemption notices shall be sent to DTC. If less than all of the 2018 Short-Term Notes of like maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2018 Short-Term Notes unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Commission 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 2018 Short-Term Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the 2018 Short-Term Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Commission or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest on the 2018 Short-Term Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Commission or 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.

NEITHER COMMISSION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

Commission, the Trustee and the Underwriters cannot and do not give any assurances that DTC, the DTC Participants or others will distribute payments of principal or interest on the 2018 Short-Term Notes paid to DTC or its nominee as the registered owner, or will distribute any notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Commission, the Trustee and the Underwriters are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the 2018 Short-Term Notes or for an error or delay relating thereto.

DTC may discontinue providing its services as depository with respect to the 2018 Short-Term Notes at any time by giving reasonable notice to Commission or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2018 Short-Term Notes certificates are required to be printed and delivered.

Commission may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, 2018 Short-Term Notes certificates will be printed and delivered to DTC.

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

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF 2018 SHORT-TERM NOTES AND WILL NOT BE RECOGNIZED BY THE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE DTC PARTICIPANTS.

[insert appendix F]

DRAFT

SUBORDINATE INDENTURE

between

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Dated as of April 1, 2018

(Amending and Restating the Subordinate Indenture, dated as of August 1, 1991, as previously amended and restated by the Amended and Restated Subordinate Indenture, dated as of November 1, 2005, as further supplemented and amended)

Relating To
San Diego County Regional Transportation Commission
Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds)
and Parity Debt

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SUBORDINATE INDENTURE

This SUBORDINATE INDENTURE, dated as of April 1, 2018 (as amended and supplemented, this “Indenture”), between the SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION, a public entity duly established and existing under the laws of the State of California (the “Commission”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as trustee (the “Trustee”), amending and restating the Subordinate Indenture, dated as of August 1, 1991, as previously amended and restated by the Amended and Restated Subordinate Indenture, dated as of November 1, 2005, as further supplemented and amended;

W I T N E S S E T H:

WHEREAS, the Commission adopted the San Diego Transportation Improvement Program. Ordinance and Expenditure Plan on July 31, 1987 (as amended, the “1987 Ordinance”), pursuant to the provisions of Sections 132000 through 132314, inclusive, of the Public Utilities Code of the State of California, which 1987 Ordinance provided for the imposition of a retail transactions and use tax (the “retail transactions and use tax”) applicable in the incorporated and unincorporated territory of the County of San Diego (the “County”) in accordance with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code at the rate of one-half of one percent (1/2%) for a period not to exceed twenty (20) years;

WHEREAS, by its terms the 1987 Ordinance became effective at the close of the polls on November 3, 1987, the day of the election at which the proposition imposing the retail transactions and use tax was adopted by a majority vote of the electors voting on such proposition;

WHEREAS, in order to provide for the extension of the initial term of the retail transactions and use tax for a period of forty (40) years, the Commission adopted the San Diego Transportation Improvement Program Ordinance and Expenditure Plan (the “Sales Tax Extension Ordinance,” and, together with the 1987 Ordinance, hereinafter collectively referred to as the “Ordinance”) on May 28, 2004;

WHEREAS, by its terms the Sales Tax Extension Ordinance became effective on November 3, 2004, the day following the date of the election at which the proposition providing for the extension of the retail transactions and use tax was approved by at least two-thirds of the electors voting on such proposition;

WHEREAS, pursuant to Section 132310 of the California Public Utilities Code, the Commission is authorized to issue limited tax bonds (defined to include indebtedness and securities of any kind or class, including commercial paper notes), secured by and payable from revenues of the retail transactions and use tax;

WHEREAS, in order to provide for the issuance, authentication and delivery of certain limited tax bonds in the form of commercial paper notes, the Commission entered into that certain Amended and Restated Subordinate Indenture, dated as of November 1, 2005 (as amended and supplemented to the date hereof, the “Existing Indenture”), by and between the Commission

and the Trustee, pursuant to which the Commission authorized and reauthorized the issuance, authentication and delivery of three series of commercial paper notes designated the San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds), Series A (the “Series A Notes”), the San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds), Series B (the “Series B Notes”) and the San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds), Series C (the “Series C Notes”);

WHEREAS, pursuant to a First Supplement to the Existing Indenture, dated March 27, 2008 (the “2008 First Supplement”), and other documents, the Commission permanently reduced the Commitment Amounts of the Series A Notes and the Series C Notes, terminated related dealer and support agreements, and provided continuing authorization of only a single series of Notes, the Series B Notes;

WHEREAS, in order to provide liquidity for payment of the Series B Notes, the Commission has entered into a Reimbursement Agreement, dated as of September 1, 2012 (as amended and extended, and as more fully defined in Section 1.02 hereof, the “Series B Support Agreement”), by and among the Commission and MUFG Union Bank, N.A. (f/k/a Union Bank, N.A.) (as more fully defined in Section 1.02 hereof, the “Series B Bank”), pursuant to which the Series B Bank extended a support facility in the form of an irrevocable transferable letter of credit (as more fully defined in Section 1.02 hereof, the “Series B Support Facility”) which Series B Support Facility could be drawn upon by the Issuing and Paying Agent to pay principal of and interest on the Series B Notes;

WHEREAS, in order to provide for the offering and sale of the Series B Notes, the Commission entered into a Dealer Agreement, dated as of November 1, 2005 (as more fully defined in Section 1.02 hereof, the “Series B Dealer Agreement”), between the Commission and Citigroup Global Markets Inc., as dealer (as more fully defined in Section 1.02 hereof, the “Series B Dealer”);

WHEREAS, in order to provide for the issuance, authentication and delivery of certain limited tax bonds payable on a basis senior to the Series B Notes (as more fully defined in Section 1.02 of the Indenture, the “Bonds”) and any obligations of the Commission on a parity with the Series B Notes (as more fully defined in Section 1.02 of the Indenture, the “Parity Obligations”), the Commission entered into that certain Indenture, dated as of March 1, 2008 (as more fully defined herein and as amended and supplemented, the “Bond Indenture”), by and between the Commission and the Trustee;

WHEREAS, pursuant to the Bond Indenture, and a third supplemental indenture thereto, the Commission issued its Sales Tax Revenue Bonds (Limited Tax Bonds), 2010 Series A (Taxable Build America Bonds) (the “2010 Build America Bonds”) which qualified the Commission to receive federal subsidy payments under Sections 54AA and 6431 of the Code;

WHEREAS, the issuance of the 2010 Build America Bonds required certain amendments be made to the Bond Indenture pursuant to a supplement to the Bond Indenture and

conforming amendments be made to the Existing Indenture pursuant to a second supplement to the Existing Indenture, dated as of October 1, 2010 (the “2010 Second Supplement”);

WHEREAS, the Commission has entered into a TIFIA Loan Agreement, dated as of June 27, 2017 (the “TIFIA Loan Agreement”), by and between the Commission and the United States Department of Transportation, an agency of the United States of America, acting by and through the Executive Director of the Build America Bureau (the “TIFIA Lender”) in anticipation of financing on a long-term basis certain costs of the Mid-Coast Corridor Transit Project (the “Mid-Coast Project”), comprising a portion of the Project (as defined herein);

WHEREAS, the Existing Indenture provides that the Commission may issue indebtedness having an equal lien and charge upon the Revenues and payable on a parity with the Notes (as more fully defined herein, “Parity Debt”) and amend the Existing Indenture to make modifications or adjustments necessary, appropriate or desirable to provide for the issuance of such Parity Debt;

WHEREAS, the Commission has determined to provide for the issuance of a series of short-term notes pursuant to, and as Parity Debt under, this Indenture and a first supplement to this Indenture, dated as of April 1, 2018 (the “First Supplement”), for the purpose of providing funds to (i) finance the Mid-Coast Project Costs, (ii) refund a portion of the outstanding CP Notes, and (iii) pay for the Costs of Issuance, all as provided in the First Supplement;

WHEREAS, concurrently with the execution and delivery of the First Supplement, the Commission desires to provide at this time for the execution and delivery of this Indenture in order to make modifications and adjustments necessary, appropriate and desirable to provide for the issuance of Parity Debt, to incorporate into the provisions of this Indenture the amendments effected by the 2008 First Supplement and 2010 Second Supplement, and to conform certain provisions of the Existing Indenture to the provisions of the Bond Indenture;

WHEREAS, this Indenture will become effective on [_____], 2018, a date on which all Notes Outstanding mature and new Series B Notes will be issued, the proceeds of which will be applied to pay all such Outstanding Notes, subject to receipt by the Commission of written consent to this Indenture from the Series B Bank and the TIFIA Lender;

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

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

NOW, THEREFORE, THIS SUBORDINATE INDENTURE WITNESSETH, that in order to secure the payment of the principal of and the interest on all Notes and Parity Debt at any time issued, authenticated and delivered hereunder and to provide the terms and conditions under which all property, rights and interests hereby assigned and pledged are to be dealt with and disposed of, and to secure performance and observance of the terms, conditions, stipulations,

covenants, agreements, trusts, uses and purposes hereinafter expressed, and in consideration of the premises and of the material covenants herein contained and of the purchase and acceptance of the Notes and Parity Debt by the Owners thereof, respectively, and for other valuable consideration, the receipt of which is hereby acknowledged, the Commission does hereby agree and covenant with the Trustee for the benefit of the respective Owners, from time to time, of the Notes and the Parity Debt, or any part thereof, and each Bank, as follows:

ARTICLE I

EQUALITY OF SECURITY; DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

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

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

Accreted Value

“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.

Administrative Agent

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

Advance

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

Advice

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

Alternate Facility

“Alternate Facility” means a replacement Support Facility provided pursuant to the provisions of Section 6.11 and the instruments pursuant to which such Support Facility is provided.

Annual Debt Service

“Annual Debt Service” means for any Fiscal Year the aggregate amount (without duplication) of principal and interest on all Senior Lien Debt, Notes 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.

Assumed Debt Service

“Assumed Debt Service” means for any Fiscal Year the aggregate amount of principal and interest which would be payable on all Senior Lien Debt, Notes and Parity Debt if each Excluded Principal Payment were amortized for a period commencing on the date of calculation of such Assumed Debt Service and ending on the earlier of (i) the Tax Expiration Date, and (ii) the date which is thirty (30) years from such date of calculation, on a substantially level debt service basis, calculated based on a fixed interest rate equal to the rate at which the Commission could borrow for such period, as certified by a certificate of a financial advisor or investment banker, delivered to the Trustee, who may rely conclusively on such certificate, such certificate to be delivered within thirty (30) days of the date of calculation;

Authorized Representative

“Authorized Representative” means the Chair of the Board of Directors, Executive Director, the Chief Deputy Executive Director, the Director of Finance, the TransNet Program Manager, or any other person designated to complete and deliver Issuance Requests and who has been identified in a Certificate of the Commission delivered to the Issuing and Paying Agent and whose signature has likewise been certified to the Issuing and Paying Agent.

Available Amount

“Available Amount” means the initial amount available to be drawn on a Support Facility as set forth in such. Support Facility or the Support Agreement entered into in connection with such Support Facility, as applicable, as such amount may be reduced and/or reinstated pursuant to the terms of such Support Facility or the Support Agreement entered into in connection with such Support Facility, as applicable, and available to be drawn under such Support Facility.

Bank

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

Bank Loan

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

Board

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

Bond Indenture

“Bond Indenture” means that certain Indenture, dated as of March 1, 2008, by and between the Commission and the Trustee, as amended and supplemented.

Bond Reserve Costs

“Bond Reserve Costs” means the amounts, including fees, expenses and accrued interest, owing to the provider of a surety bond, insurance policy or letter of credit which is used to satisfy all or a portion of a bond reserve requirement established pursuant to a Bond Indenture.

Bond Trustee

“Bond Trustee” means the financial institution designated as trustee under the Bond Indenture or its successor as trustee under the Bond Indenture.

Bonds; Capital Appreciation Bonds; Current Interest Bonds; Serial Bonds; Term Bonds

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

“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.

“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 excluding the first payment of interest thereon.

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

“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.

Business Day

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

Certificate, Statement, Request, Requisition or Order of the Commission

“Certificate,” “Statement,” “Request,” “Requisition” and “Order” of the Commission mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Commission by its Executive Director, Chief Deputy Executive Director, Director of Finance, TransNet Program Manager, or any other person authorized by the Executive Director to execute such instruments. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.03, each such instrument shall include the statements provided for in Section 1.03.

Certificate Agreement

“Certificate Agreement” means the Book-Entry-Only Money Market Instrument (Master Note Program) Certificate Agreement, dated as of November 6, 2003, between the Issuing and Paying Agent and DTC.

Code

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

Commission

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

Corporate Trust Office

“Corporate Trust Office” or “corporate trust office” means the corporate trust office of the Trustee at 633 West 5th Street, 24th Floor, Los Angeles, California 90071, Attention: Corporate Trust Division, or such other or additional offices as may be designated by the Trustee.

Costs of Issuance

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Commission and related to the authorization, execution, sale and delivery of a Series of Notes or Parity Debt, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, travel expenses and costs relating to rating agency meetings and other meetings concerning the Notes or Parity Debt, initial fees and charges of the Trustee and the Issuing and Paying Agent, legal fees and charges, fees and disbursements of consultants and professionals, including fees of the Dealers, underwriters fees and discounts, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Notes or other evidences of Parity Debt, surety, insurance, liquidity and credit enhancements costs, including without limitation fees and expenses payable to a Bank under a Support Agreement, and any other cost, charge or fee in connection with the issuance of a Series of Notes or Parity Debt.

Counterparty

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

Dealer

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

Dealer Agreement

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

Debt Service

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

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

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

(c) if any Obligations bear, or if any Obligations proposed to be issued will bear interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on which is excluded or expected to be excluded from gross income for federal income tax purposes, the interest rate on such Obligations for periods when the actual interest rate cannot yet be determined shall be calculated at an interest rate equal to twelve percent (12%) per annum;

(d) if any Obligations bear, or if any Obligations proposed to be issued will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and interest on which is included or expected to be included in gross income for federal income tax purposes, the interest rate on such Obligations shall be calculated at an interest rate equal to twelve percent (12%) per annum;

(e) with respect to any Obligations bearing interest, or expected to bear interest, at a variable interest rate for which an Interest Rate Swap Agreement is in place providing for a fixed rate of interest to maturity or for a specific term with respect to such Obligations, the interest rate on such Obligations shall be assumed to be the synthetic fixed interest rate specified in such Interest Rate Swap Agreement for such term; provided that if, pursuant to a Certificate of the Commission filed with the Trustee, the sum of (i) interest payable on such Obligations, plus (ii) amounts payable by the Commission under such Interest Rate Swap Agreement, less (iii) amounts receivable by the Commission under such Interest Rate Swap Agreement, is expected to be greater than the interest payable on the Obligations to which such Interest Rate Swap Agreement relates (i.e., if such Interest Rate Swap Agreement is an "off-market" Interest Rate Swap Agreement), then, in such instance, such excess amounts payable by the Commission under such Interest Rate Swap Agreement shall be included in the calculation of Debt Service;

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

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

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

Defeasance Securities

“Defeasance Securities” means: (i) U.S. Treasury Certificates, Notes and Bonds, including State and Local Government Series securities; (ii) direct obligations of the U.S. Treasury which have been stripped by the U.S. Treasury itself; (iii) Resolution Funding Corp. securities (“REFCORP”), provided, however, only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry

form are acceptable; (iv) pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s, provided, however, that if such municipal bonds are rated only by Standard & Poor’s, then such pre-refunded municipal bonds must have been pre-refunded with cash, direct United States or United States guaranteed obligations, or “AAA” rated pre-refunded municipal bonds; (v) obligations issued by the following agencies, which are backed by the full faith and credit of the United States: (a) Farmers Home Administration (FmHA) - certificates of beneficial ownership; (b) General Services Administration - participation certificates; (c) U.S. Maritime Administration - Guaranteed Title XI financing; (d) Small Business Administration guaranteed participation certificates and guaranteed pool certificates; (e) GNMA guaranteed MSB and participation certificates; and (f) U.S. Department of Housing and Urban Development (HUD) Local Authority Bonds, or (vi) certain obligations of government-sponsored agencies that are not backed by the full faith and credit of the United States limited to: (a) Federal Home Loan Mortgage Corp. (FHLMC) debt obligations; (b) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives) consolidated system-wide bonds and notes; (c) Federal Home Loan Banks (FHL Banks) consolidated debt obligations; (d) Federal National Mortgage Association (FNMA) debt obligations; (e) Student Loan Marketing Association (SLMA) debt obligations; and (f) Financing Corp. (FICO) debt obligations.

Depository

“Depository” means DTC or any other qualified securities depository selected as set forth in Section 2.10 hereof.

DTC

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

Event of Default

“Event of Default” means any of the events specified in Section 7.01 and Section 22.01.

Excluded Principal Payments

“Excluded Principal Payments” means each payment of principal (or the principal component of lease or installment purchase payments) of Senior Lien Debt, Notes or Parity Debt which the Commission determines (in a Supplemental Bond Indenture, this Indenture, a Supplemental Indenture or other document delivered on a date not later than the date of issuance of such Senior Lien Debt, Notes or Parity Debt) that the Commission intends to pay with moneys which are not Senior Lien Revenues or Revenues, as applicable (such as commercial paper, balloon indebtedness or bond anticipation notes), but from future debt obligations of the Commission, grants received from the State or federal government, or any agency or instrumentality thereof, or any other source of funds of the Commission, upon which determination of the Commission the Trustee may conclusively rely. No such determination shall affect the security for such Senior Lien Debt, Notes or Parity Debt or the obligation of the Commission to pay such payments from Revenues or Senior Lien Revenues, as applicable, or

with respect to Senior Lien Debt, from the bond reserve fund, if any, established under the Bond Indenture. No payment of principal of Senior Lien Debt, Notes or Parity Debt may be determined to be an Excluded Principal Payment unless it is due on or prior to the Tax Expiration Date.

Fiscal Year

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

Holder or Noteholder or Noteowner or Owner

“Holder” or “Noteholder” or “Noteowner” or “Owner,” whenever used herein with respect to a Note, means the person in whose name such Note is registered, and whenever used herein with respect to any evidence of Parity Debt, means the person in whose name such Parity Debt is registered.

Indenture

“Indenture” means this Subordinate Indenture, dated as of April 1, 2018, between the Trustee and the Commission, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Indenture delivered pursuant to the provisions hereof.

Interest Fund

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

Interest Rate Swap Agreement

“Interest Rate Swap Agreement” [shall, while the TIFIA Loan is Outstanding (as such terms are defined in the TIFIA Loan Agreement) have the meaning ascribed to such term in the TIFIA Loan Agreement, and otherwise means an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement or security, however denominated, entered into between the Commission and a Counterparty, in connection with or incidental to, the issuance or carrying of Bonds, Notes or Parity Debt, including, without limitation, an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement or security entered into in advance of the issuance of Bonds, Notes or Parity Debt.

Investment Securities

“Investment Securities” means the following:

- [(i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies and federally sponsored entities set

forth in clause (iii) below to the extent unconditionally guaranteed by the United States of America;

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

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

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

(v) obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing; provided that at the time of their purchase such obligations are rated in either of the two highest long-term or highest short-term Rating Categories by Moody's and Standard & Poor's;

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

(vii) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by Moody's and

Standard & Poor's in their respective highest short-term Rating Categories, or, if the term of such indebtedness is longer than three (3) years, rated by Moody's and Standard & Poor's in one of their respective two highest long-term Rating Categories, for comparable types of debt obligations;

(viii) demand or time deposits or certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee), provided that such certificates of deposit 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 rated in the highest Rating Category by Moody's and Standard & Poor's;

(x) variable rate obligations required to be redeemed or purchased by the obligor or its agent or designee upon demand of the holder thereof secured as to such redemption or purchase requirement by a liquidity agreement with a corporation and as to the payment of interest and principal either upon maturity or redemption (other than upon demand by the holder thereof) thereof by an unconditional credit facility of a corporation, provided that the variable rate obligations themselves are rated in the highest Rating Category for its short-term rating, if any, and in either of the two highest Rating Categories for its long-term rating, if any, by Moody's and Standard & Poor's, and that the corporations providing the liquidity agreement and credit facility have, at the date of acquisition of the variable rate obligation by the Trustee, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations rated in either of the two highest long-term Rating Categories by Moody's and Standard & Poor's;

(xi) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee) having a minimum permanent capital of one hundred million dollars (\$100,000,000) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities and obligations described in clauses (i), (ii), (iii) or (iv) above, which 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 agreement, and the entity executing each such repurchase agreement required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least monthly) will be an amount equal to 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 (xi) of this definition of Investment Securities and any money market fund, the entire investments of which are limited to investments described in clauses (i), (ii), (iii), (iv), (v) and (xi) of this, definition of Investment Securities; provided that as used in this clause (xii) and clause (xiii) investments will be deemed to satisfy the requirements of clause (xi) if they meet the requirements set forth in clause (xi) ending with the words “clauses (i), (ii), (iii) or (iv) above” and without regard to the remainder of such clause (xi);

(xiii) any investment agreement with a financial institution or insurance company which: (a) has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated in either of the two highest long-term Rating Categories by Moody’s and Standard & Poor’s; or (b) is fully secured by obligations described in items (i), (ii), (iii) or (iv) of the definition of Investment Securities which are (A) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to the principal amount of the investment, (B) held by the Trustee or other custodian acceptable to the Trustee, (C) subject to a perfected first lien in the Trustee, and (D) free and clear from all third party liens;

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

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

(xvi) bankers’ acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest category by Moody’s and Standard & Poor’s, which purchases may

not exceed two hundred seventy (270) days maturity or forty percent (40%) of the Commission's surplus money;

(xvii) the pooled investment fund of the County of San Diego, California, which is administered in accordance with the investment policy of said County as established by the Treasurer/Tax Collector thereof, as permitted by Section 53601 of the Government Code of the State, copies of which policy are available upon written request to said Treasurer/Tax Collector;

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

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

Issuance Request

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

Issuing and Paying Agent

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

Issuing and Paying Agent Agreement

"Issuing and Paying Agent Agreement" means the Amended and Restated Issuing and Paying Agent Agreement, dated as of November 1, 2005, between the Commission and the Issuing and Paying Agent, and any and all modifications, alterations, amendments and supplements thereto, including that certain First Supplement to the Amended and Restated Issuing and Paying Agent Agreement, dated as of March 27, 2008, between the Commission and the Issuing and Paying Agent, or any other Issuing and Paying Agent Agreement entered into by the Commission and an Issuing and Paying Agent with respect to the Notes or a Series of Notes.

Law

"Law" means the San Diego County Regional Transportation Commission Act, Chapter 2 of Division 12.7 (Section 132000 et seq.) of the Public Utilities Code of the State and Chapter 6 of Part 1 of Division 2 of Title 5 (Section 54300 et seq.) of the Government Code of the State as referenced in said San Diego County Regional Transportation Commission Act and Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 (Section 53570 et seq.) of the

Government Code of the State, in each case as now in effect and as it may from time to time hereafter be amended or supplemented.

Letter of Representations

“Letter of Representations” means: (i) with respect to the Series B Notes, the Certificate Agreement and the Letter of Representations, dated September 27, 2005, executed by the Commission and the Issuing and Paying Agent and delivered to DTC, as initial Depository for the Series B Notes, or any replacement thereof or substitute therefor; and (ii) with respect to any other Series of Notes, the documentation delivered to a Depository in connection with such Series of Notes.

Mandatory Sinking Account Payment

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

Master Note

“Master Note” means a Note substantially in the form attached hereto as Exhibit B.

Maximum Annual Debt Service

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

Moody’s

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

1987 Ordinance

“1987 Ordinance” means the San Diego Transportation Improvement Program Ordinance and Expenditure Plan, adopted by the Commission on July 31, 1987 and approved by a majority of the electors voting on such proposition on November 3, 1987, as supplemented and amended.

Note Fund

“Note Fund” means a fund by that name established pursuant to Section 5.05 and maintained by the Issuing and Paying Agent to pay principal and interest on a Series of Notes when due.

Note Interest Account

“Note Interest Account” means an account by that name established in a Note Fund pursuant to Section 5.05 and maintained by the Issuing and Paying Agent.

Note Principal Account

“Note Principal Account” means an account by that name established in a Note Fund pursuant to Section 5.05 and maintained by the Issuing and Paying Agent.

Notes

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

Notice of Borrowing

“Notice of Borrowing” means a notice submitted by the Issuing and Paying Agent to a Bank pursuant to Section 5 of the Issuing and Paying Agent Agreement.

Notice of No Issuance

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

Notice of Termination

“Notice of Termination” means a written notice delivered by a Bank with respect to a Series of Notes pursuant to the provisions of the Support Agreement entered into in connection with such Series of Notes, which notifies the Commission and the Issuing and Paying Agent that the Support Facility provided pursuant to such Support Agreement is being terminated.

Opinion of Bond Counsel

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

Ordinance

“Ordinance” means, collectively, the 1987 Ordinance and the Sales Tax Extension Ordinance.

Outstanding

“Outstanding,” when used as of any particular time with reference to Notes, means (subject to the provisions of Section 11.10) all Notes theretofore, or thereupon being, authenticated and delivered by the Issuing and Paying Agent under this Indenture except: (i) Notes theretofore cancelled by the Issuing and Paying Agent or surrendered to the Issuing and Paying Agent for cancellation; (ii) Notes with respect to which all liability of the Commission shall have been discharged in accordance with Section 10.02, including Notes (or portions of Notes) referred to in Section 11.10; and (iii) Notes for the transfer or exchange of or in lieu of or in substitution for which other Notes shall have been authenticated and delivered by the Issuing and Paying Agent pursuant to this Indenture.

Owner or Holder or Noteholder or Noteowner

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

Paired Obligations

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

Parity Debt

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

Participant

“Participant” means any participant in a Depository’s book-entry system.

Person

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

Principal Fund

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

Principal Office

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

Project

“Project” means transportation facility and service improvements within the County of San Diego, including transportation and service improvements for highways, rail transit services, bus services, local streets and roads, bicycle and pedestrian facilities, transportation-related community infrastructure to support smart growth development and related environmental mitigation and enhancement projects, and the payment of all costs incidental to or connected with the accomplishment of such purposes, including, without limitation, engineering, inspection, legal, fiscal agents, financial consultant and other fees, bond and other reserve funds, working capital, bond or note interest estimated to accrue during construction and for a period not to exceed one year thereafter and expenses for all proceedings for the authorization, issuance and sale of Notes.

Project Fund

“Project Fund” means a fund by that name established pursuant to Section 4.01 to hold the proceeds of a Series of Notes or a portion thereof prior to expenditure on the Project.

Rating Category

“Rating Category” means: (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

Rebate Fund

“Rebate Fund” means the fund by that name established pursuant to Section 6.08.

Rebate Requirement

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

Redemption Price

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

Revenue Fund

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

Revenues

“Revenues” means all (i) all Sales Tax Revenues; (ii) all Swap Revenues and (iii) such additional sources of revenue pledged to pay the Senior Lien Debt under the Bond Indenture; but excluding all amounts which are required by the terms of the Bond Indenture to be used to pay the principal of or interest on, or reserve requirements with respect to, Senior Lien Debt; provided that the Commission by Supplemental Indenture may provide for additional revenues or assets of the Commission to be included in the definition of Revenues hereunder.

Sales Tax Extension Ordinance

Sales Tax Extension Ordinance means the San Diego Transportation Program Ordinance and Expenditure Plan, adopted by the Commission on May 28, 2004, and approved by at least two-thirds of electors voting on such proposition in the November 2, 2004 election.

Sales Tax Senior Lien Revenues

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

Sales Tax Revenues

“Sales Tax Revenues” means the amounts available for distribution to the Commission on and after July 1, 1988 on account of the retail transactions and use tax imposed in the County of San Diego pursuant to the Law after deducting amounts payable by the Commission to the California Department of Tax and Fee Administration, as statutorily created and designated successor to the California State Board of Equalization, for costs and expenses for its services in connection with the retail transactions and use taxes collected pursuant to the Law.

Senior Lien Debt

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

Senior Lien Revenues

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

Series

“Series,” whenever used herein with respect to Notes, means all of the Notes designated as being of the same series, regardless of variations in maturity, interest rate and other provisions, and whenever used herein with respect to Parity Debt, all Parity Debt designated in the instrument establishing such Parity Debt as being of the same series, regardless of variations in maturity, interest rate and other provisions.

Series B Bank

“Series B Bank” means MUFG Union Bank, N.A., or the provider or providers of any Alternate Facility for the Series B Notes, substituted therefor in accordance with the provisions set forth in Section 6.11 hereof.

Series B Dealer

“Series B Dealer” means Citigroup Global Markets Inc., or any successor or assign, permitted under the Series B Dealer Agreement, or any other Dealer for the Series B Notes which has entered into a Dealer Agreement with the Commission.

Series B Dealer Agreement

“Series B Dealer Agreement” means, as of the effective date of this Indenture, the Dealer Agreement, dated as of November 1, 2005, between the Commission and Citigroup Global Markets Inc., as originally executed and as it may from time to time be amended or supplemented pursuant to its terms, or any other Series B Dealer Agreement entered into by the Commission with a Series B Dealer with respect to the Series B Notes.

Series B Support Agreement

“Series B Support Agreement” means, as of the effective date of this Indenture, the Reimbursement Agreement, dated as of September 1, 2012, by and between the Commission and MUFG Union Bank, N.A. (f/k/a Union Bank, N.A.), as originally executed and as it may from time to time be amended or supplemented pursuant to its terms, and any similar agreement entered into in connection with delivery of an Alternate Facility for the Series B Notes.

Series B Support Facility

“Series B Support Facility” means, as of the effective date of this Indenture, the liquidity facility provided by MUFG Union Bank, N.A. pursuant to the Series B Support Agreement, and any Alternate Facility for the Series B Notes substituted therefor in accordance with the provisions set forth in Section 6.11 hereof.

Series B Support Facility Fund

“Series B Support Facility Fund” means the fund by that name established and held by the Issuing and Paying Agent pursuant to Section 6 of the Issuing and Paying Agent Agreement.

SIFMA Swap Index

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

Standard & Poor’s

“Standard & Poor’s” means Standard & Poor’s Corporation, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation 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 Commission.

State

“State” means the State of California.

Subsidy Payments

“Subsidy Payments” means payments to be made by the United States Treasury to the Trustee pursuant to Section 54AA of the Code or Section 6431 of the Code or any successor to either of such provisions of the Code and with respect to the interest due on Senior Lien Debt issued as taxable bonds that have been accorded Build America Bonds status under the provisions of the American Recovery and Reinvestment Act of 2009 or any successor thereto or replacement thereof.

Supplemental Bond Indenture

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

Supplemental Indenture

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

Support Agreement

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

Support Agreement Fund

“Support Agreement Fund” means a fund by that name established pursuant to Section 5.04.

Support Facility

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

Support Facility Expiration Date

“Support Facility Expiration Date” means the stated expiration date of a Support Facility, taking into account any extension of such stated expiration date.

Support Facility Fund

“Support Facility Fund” means a fund by that name established pursuant to Section 6 of the Issuing and Paying Agent Agreement.

Swap Revenues

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

Tax Certificate

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

Tax Expiration Date

“Tax Expiration Date” means March 31, 2048, or such later date to which the levy of the retail transactions and use tax is extended in accordance with the Law.

Trustee

“Trustee” means U.S. Bank National Association, a national banking association, duly organized and existing under the laws of the United States, or its successor, as Trustee, as provided in Section 8.01.

Variable Rate Indebtedness

“Variable Rate Indebtedness” means any indebtedness, including, without limitation, auction rate indebtedness, the interest rate on which is not fixed at the time of incurrence of such indebtedness, and has not at some subsequent date been fixed, at a single numerical rate for the entire term of the indebtedness.

SECTION 1.03 Content of Certificates and Opinions. Every certificate or opinion provided for in this Indenture with respect to compliance with any provision hereof shall include: (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person, he has made or caused to be made such examination or

investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; and (4) a statement as to whether, in the opinion of such person, such provision has been complied with.

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

ARTICLE II

THE NOTES

SECTION 2.01 Authorization of Notes; Series B Notes.

(a) Notes may be issued hereunder, in registered form, from time to time as authorized by this Article. The maximum principal amount of Notes which may be issued hereunder is not limited; subject, however, to any limitations contained in the Law and to the right of the Commission, which is hereby reserved, to limit the aggregate principal amount of Notes which may be issued or outstanding hereunder. The Notes authorized to be issued hereunder are designated generally as "San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds)," each Series thereof to bear such additional designation as may be necessary or appropriate to distinguish such Series from every other Series of Notes.

(b) A Series of Notes entitled "Series B" is hereby authorized to be issued. The Series B Notes shall be issued from time to time as provided herein to finance and refinance the cost of the Project and Costs of Issuance. Proceeds of the Series B Notes may be used to pay maturing Series B Notes and to reimburse the Series B Bank for Advances and Bank Loans used to pay maturing Series B Notes. Such authorization specifically includes the authorization to issue and reissue Series B Notes for such purposes. The aggregate principal amount of Series B Notes that may be Outstanding hereunder shall not at any one time exceed \$100,000,000; provided, however, that in the event the Issuing and Paying Agent shall have made a draw on the Series B

Support Facility pursuant to the terms of the Series B Support Agreement to pay principal of, or, if provided pursuant to the terms of such Series B Support Agreement, principal of and interest on, the Series B Notes which the Commission shall not have repaid, the aggregate principal amount of the Series B Notes Outstanding at any one time shall not exceed \$100,000,000 less the aggregate principal amount of such draw used to pay the principal of Series B Notes at maturity and provided further that the interest to accrue to maturity on the Outstanding Notes shall not exceed the interest portion of the Available Amount. The principal amount of the Series B Notes and the corresponding amount of any Advances are hereby determined to be Excluded Principal Payments intended to be paid from the proceeds of debt obligations of the Commission, including without limitation, Series B Notes, grants received from the State or federal government, or any agency or instrumentality thereof, and other funds of the Commission, other than Revenues.

SECTION 2.02 Terms of the Notes.

(a) The Notes shall be dated the date of their respective authentication and issuance; shall be issued in registered form, registered as designated by the applicable Dealer; subject to the provisions regarding delivery of Notes in book-entry form set forth in Section 2.10 hereof; shall be issued in denominations of \$100,000 and in integral multiples of \$1,000 in excess thereof; and interest on the Notes shall be separately stated by rate and amount on the face of each Note. Notes shall bear interest from their respective dates, payable on their respective maturity dates.

(b) The Notes: (i) shall bear interest payable at maturity at an annual rate (calculated on the basis of a year consisting of 365/366 days and actual number of days elapsed); (ii) shall mature not more than two hundred seventy (270) days after their respective dates, but in no event later than the Tax Expiration Date or five (5) days prior to the applicable Support Facility Expiration Date; (iii) shall be sold at a price of not less than 100% of the principal amount thereof; and (iv) shall mature on a Business Day. The stated interest rate, maturity date and other terms of each Note, so long as not inconsistent with the terms of this Indenture, shall be as set forth in the Issuance Request required to be delivered pursuant to Section 3.01 hereof directing the issuance of such Note.

(c) The Notes shall not be subject to redemption prior to maturity.

(d) Each Series of Notes shall be numbered consecutively from No. 1 upward. The Issuing and Paying Agent may make additional provisions for numbering, including additional prefixes and suffixes, as it may deem appropriate.

(e) The principal of and the interest on the Notes shall be paid in federal or other immediately available funds in such coin or currency of the United States of America as, at the respective times of payment, is legal tender for the payment of public and private debts. The principal of and the interest on the Notes shall be payable at the Principal Office of the Issuing and Paying Agent on or before the close of business on any Business Day upon which such Notes have become due and payable provided that such Notes are presented and surrendered on a timely basis. Upon presentation of such a Note to the Issuing and Paying Agent no later than 2:00 p.m. (New York City time) on a Business Day, payment for such Note shall be made by the Issuing and Paying Agent in immediately available funds on such Business Day. If a Note is presented for payment

after 2:00 p.m. (New York City time) on a Business Day, payment therefor shall be made by the Issuing and Paying Agent on the next succeeding Business Day without the accrual of additional interest thereon.

Notwithstanding the provisions set forth in this Section 2.02: (i) in the event that the Commission determines to issue a taxable Series of Notes, the terms of such taxable Series of Notes shall be set forth in the Supplemental Indenture creating such taxable Series of Notes; and (ii) in the event that a Series of Notes is issued in the form of a Master Note or Master Notes in book-entry form, such Notes shall be payable at maturity without the necessity of physical presentation or surrender in accordance with the procedures of the Depository for such Series of Notes.

SECTION 2.03 Form of Notes. The Series B Notes shall be in the form set forth in Exhibit A hereto. The Notes of any Series (other than Series B) shall be in such form or forms as may be specified in the Supplemental Indenture creating such Series.

Notwithstanding the foregoing, the Commission may deliver the Notes of any Series, including the Series B Notes, in the form of a Master Note, representing all Notes of such Series to be issued from time to time, each maturing no later than the date calculated pursuant to Section 2.02(b)(ii). Each Master Note may be replaced by a new Master Note having a later maturity date so long as the maturity date thereof does not extend beyond the date calculated pursuant to Section 2.02(b)(ii), as the same may be extended from time to time. Each Master Note shall evidence indebtedness of the Commission as set forth in the Advices. Each Advice shall comply with the limitations on Notes set forth in Section 2.01 and Section 2.02. The aggregate indebtedness evidenced by any Master Note shall at all times equal or be less than the Available Amount of the Support Facility then in effect with respect to the Series of Notes to which the Master Note relates. References herein to Notes when a Master Note has been issued therefor shall refer to the indebtedness under the Master Note or the Advices issued with respect thereto.

SECTION 2.04 Execution of Notes. The Notes shall be executed in the name and on behalf of the Commission with the facsimile or manual signature of the Chairperson of the Commission attested by the facsimile or manual signature of the Director of Finance of the Commission. In case any of the officers who shall have signed or attested any of the Notes shall cease to be such officer or officers of the Commission before the Notes so signed or attested shall have been authenticated or delivered by the Issuing and Paying Agent or issued by the Commission, such Notes may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Commission as though those who signed and attested the same had continued to be such officers of the Commission.

SECTION 2.05 Authentication of Notes.

(a) Each Note shall be authenticated by manual signature of the Issuing and Paying Agent who shall, pursuant to the provisions set forth in the Issuing and Paying Agent Agreement, authenticate and deliver Notes in accordance with the terms of an Issuance Request delivered pursuant to Section 3.01 hereof.

(b) Notwithstanding anything herein or in the Issuing and Paying Agent Agreement to the contrary, the Issuing and Paying Agent shall not authenticate any Note except in compliance with Section 4(e) and Section 4(f) of the Issuing and Paying Agent Agreement.

(c) Only such of the Notes as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A hereto or as set forth in the Supplemental Indenture creating such Series, manually executed by the Issuing and Paying Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of authentication when manually executed by the Issuing and Paying Agent shall be conclusive evidence that the Notes so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.06 Transfer of Notes. Any Note may, in accordance with its terms, be transferred, upon the register required to be kept pursuant to the provisions of Section 2.08, by the Person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Note for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Issuing and Paying Agent.

Whenever any Note or Notes shall be surrendered for transfer, the Commission shall execute and the Issuing and Paying Agent shall authenticate and deliver a new Note or Notes, of the same Series, maturity and interest rate and for a like aggregate principal amount. The Issuing and Paying Agent shall require the Noteholder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

SECTION 2.07 Exchange of Notes. Notes may be exchanged at the Principal Office of the Issuing and Paying Agent for a like aggregate principal amount of Notes of other authorized denominations of the same Series, maturity and interest rate. The Issuing and Paying Agent shall require the Noteholder requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

SECTION 2.08 Note Register. The Issuing and Paying Agent will keep or cause to be kept, at its Principal Office, sufficient books for the registration and transfer of the Notes, which shall at all times be open to inspection during normal business hours by the Commission upon reasonable prior notice; and, upon presentation for such purpose, the Issuing and Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Notes as hereinbefore provided.

SECTION 2.09 Notes Mutilated, Lost, Destroyed or Stolen. If any Note shall become mutilated, the Commission, at the expense of the Holder of said Note, shall execute and deliver a new Note of like tenor and number in exchange and substitution for the Note so mutilated, but only upon surrender to the Commission of the Note so mutilated. If any Note shall

be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Commission and, if such evidence be satisfactory to it and the Issuing and Paying Agent and indemnity satisfactory to it shall be given, the Commission, at the expense of the owner, shall execute and deliver a new Note of like tenor and Series in lieu of and in substitution for the Note so lost, destroyed or stolen. Neither the Commission nor the Issuing and Paying Agent shall be required to treat both the original Note and any replacement Note as being outstanding for the purpose of determining the principal amount of Notes which may be issued hereunder, but both the original and the replacement Note shall be treated as one and the same.

SECTION 2.10 Special Provisions Regarding Book-Entry Only System for Notes.

(a) Except as may otherwise be provided in a Supplemental Indenture establishing the terms and provisions of an additional Series of Notes, and except as otherwise provided in subsections (b) and (c) of this Section 2.10, each Series of Notes shall be initially issued in book-entry form and shall be registered in the name of Cede & Co., as nominee for DTC, or in the name of such other nominee as the Depository for such Series of Notes shall request pursuant to the Letter of Representations delivered in connection with such Series of Notes. Payment of the interest on any Note registered in the name of Cede & Co. or any other nominee (hereinafter referred to as a “Nominee”) shall be made in the manner and at the address indicated in or pursuant to the Letter of Representations delivered in connection with such Series of Notes.

(b) Each Series of Notes shall be initially issued in the form of a separate single authenticated fully registered Master Note. Upon initial issuance, except as otherwise provided in subsection (a) of this Section 2.10, the ownership of Notes of all Series shall be registered in the registration records maintained by the Issuing and Paying Agent pursuant to Section 2.08 hereof in the name of the Nominee for such Series of Notes. The Commission and the Issuing and Paying Agent may treat each Depository as the sole and exclusive owner of the Notes registered in its name or the name of its Nominee for the purposes of payment of the principal of and interest on the Series of Notes to which such Note belongs, giving any notice permitted or required to be given to Owners hereunder, registering the transfer of Notes, obtaining any consent or other action to be taken by Owners of the Notes and for all other purposes whatsoever; and neither the Commission nor the Issuing and Paying Agent shall be affected by any notice to the contrary. Neither the Commission nor the Issuing and Paying Agent shall have any responsibility or obligation to any participant in a Depository (hereinafter referred to as a “Participant”), any Person claiming a beneficial ownership interest in the Notes under or through a Depository or any Participant, or any other Person which is not shown on the registration records as being an Owner, including, but not limited to, any responsibility or obligation with respect to (i) the accuracy of any records maintained by any Depository or any Participant, (ii) the payment by any Depository or any Participant of any amount in respect of the principal of, or interest on the Notes, (iii) the delivery of any notice which is permitted or required to be given to Owners of Notes hereunder, (iv) any consent given or other action taken by any Depository as Owner of Notes, or (v) any other purpose. The Issuing and Paying Agent shall pay all principal of, and interest on the Notes only at the times to the accounts, at the addresses and otherwise in accordance with the Letter of Representations, and all such payments shall be valid and effective to satisfy fully and discharge the Commission’s obligations with respect to the principal of, and interest on the Notes to the extent of the sum or sums so paid. Upon delivery by any Depository to the Issuing and Paying Agent of written notice

to the effect that any Depository has determined to substitute a new nominee in place of its then existing Nominee, the Notes will be transferable to such new nominee in accordance with subsection (e) of this Section 2.10.

(c) In the event that the Commission determines that it is in the best interests of the beneficial owners of the Notes of any Series that they be able to obtain note certificates, the Issuing and Paying Agent shall, upon the Request of the Commission, so notify each Depository, whereupon pursuant to the Letter of Representations, each Depository shall notify the Participants of the availability of note certificates. In such event, the Notes will be transferable in accordance with subsection (e) of this Section 2.10. Any Depository may determine to discontinue providing its services with respect to the Notes at any time by giving written notice of such discontinuance to the Commission and the Issuing and Paying Agent and discharging its responsibilities with respect thereto under applicable law. In such event, the Notes will be transferable in accordance with subsection (e) of this Section 2.10. Whenever any Depository requests the Commission and any Issuing and Paying Agent to do so, the Issuing and Paying Agent and the Commission will cooperate with such Depository in taking appropriate action after reasonable notice to arrange for another depository to maintain custody of all certificates evidencing the Notes then Outstanding. In such event, the Notes will be transferable to such depository in accordance with subsection (e) of this Section 2.10, and thereafter, all references in this Indenture to such depository or its Nominee shall be deemed to refer to such securities depository and its nominee, as appropriate.

(d) In connection with any successor nominee for DTC or any other Depository or any successor to DTC or any other Depository, the Issuing and Paying Agent is hereby authorized and requested to enter into arrangements comparable to those entered into with DTC in connection with the Initial Series of Notes, and the Issuing and Paying Agent shall have the same rights and immunities with respect to its actions thereunder as it has with respect to its actions under this Indenture.

(e) In the event that any transfer or exchange of Notes is authorized under subsection (b) or (c) of this Section 2.10, such transfer or exchange shall be accomplished upon receipt by the Issuing and Paying Agent from the registered owner thereof of the Notes to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of Sections 2.06 and 2.07 hereof. In the event note certificates are issued to Owners other than Cede & Co., its successor as nominee for DTC as holder of all the Notes, another securities depository as holder of all the Notes, or the nominee of such successor securities depository, the provisions of Sections 2.02, 2.06 and 2.07 hereof shall also apply to, among other things, the registration, exchange and transfer of the Notes and the method of payment of principal of and interest on the Notes.

(f) Notwithstanding any other provision of this Indenture to the contrary, so long as any Series of Notes are issued in the form of a Master Note, all payments with respect to principal of and interest on such Notes and all notices with respect to such Notes shall be made and given, respectively, as provided in the Letter of Representations delivered in connection with such Series of Notes or as otherwise instructed in writing by the Depository.

ARTICLE III

ISSUE AND SALE OF NOTES

SECTION 3.01 Issuance and Sale of Notes.

(a) Except as otherwise provided in Section 2.10 with respect to the issuance of a Series of Notes in book-entry form, whenever an Authorized Representative determines that the Commission shall sell or issue Notes, such Authorized Representative shall deliver an Issuance Request to the Issuing and Paying Agent prescribing the terms of such Notes and the sale or issuance thereof in accordance with Section 2.02, and representing: (i) that all action on the part of the Commission necessary for the valid issuance of the Notes then to be issued has been taken and has not been rescinded or revoked; (ii) that all provisions of State and federal law necessary for the valid issuance of such Notes and (except in the case of a Series of Notes, the interest with respect to which is not expected to be excluded from gross income for federal income tax purposes) necessary to provide that interest thereon is excludable from gross income for purposes of federal income taxes and exempt from State of California personal income taxes have been complied with; (iii) that interest on the Notes is excludable from gross income for purposes of federal income taxes and is exempt from State of California personal income taxes, provided, however, that such representation need not be provided in the case of a Series of Notes, the interest with respect to which is not expected to be excluded from gross income for federal income tax purposes; and (iv) that such Notes in the hands of the Holders thereof will be valid and binding limited tax bond obligations of the Commission according to their terms. Each such Issuance Request shall also certify or constitute a representation and warranty that:

(1) no Event of Default under Section 7.01 has occurred and is continuing as of the date of such Issuance Request;

(2) the Commission is in compliance with the covenants set forth in Article VI hereof, including without limitation, the tax covenants contained in Section 6.08 and 6.09, as of the date of such Issuance Request, and is in compliance with the covenants set forth in Section 1.8.2 of the Tax Certificate, as of the date of such Issuance Request, except in the case of a Series of Notes the interest with respect to which is not expected to be excluded from gross income for federal income tax purposes under the Code; and

(3) No Notice of No Issuance has been received from the applicable Bank.

Upon receipt of an Issuance Request, the Issuing and Paying Agent shall authenticate and deliver the Notes to the applicable Dealer for the consideration and in the manner hereinafter and in the Issuing and Paying Agent Agreement provided, but only if the Issuing and Paying Agent shall have received such Issuance Request no later than 12:00 Noon (New York City time) on the Business Day on which such Notes are to be delivered. If an Issuance Request is received after 12:00 Noon (New York City time) on a given day, the Issuing and Paying Agent shall not be obligated to deliver the requested Notes until the next succeeding Business Day.

(b) Upon receipt of such Issuance Request which shall be transmitted by the Commission in accordance with the provisions set forth in the Issuing and Paying Agent Agreement, the Issuing and Paying Agent shall, by 2:00 p.m. (New York City time) on such day, complete each Note then to be delivered as to principal amount, date of issue, registered owner (which shall be registered in accordance with the instructions for registration provided by the applicable Dealer), maturity date, interest rate and interest amount specified in such Issuance Request, authenticate each such Note and deliver it to the applicable Dealer. The applicable Dealer shall, by 12:00 Noon (New York City time) on such day, pursuant to the provisions set forth in the applicable Dealer Agreement, pay to the Issuing and Paying Agent, in immediately available funds, the aggregate purchase price for such Notes.

(c) Notwithstanding any other provision of this Indenture or the Issuing and Paying Agent Agreement to the contrary, no such Notes shall be delivered by the Issuing and Paying Agent if the delivery of such Notes would result in violation of any of the prohibitions respecting authentication of Notes set forth in Section 2.05. If the Issuing and Paying Agent is unable to comply with an Issuance Request due to a failure to comply with the conditions set forth in Section 2.05, the Issuing and Paying Agent shall promptly notify the Commission and the applicable Dealer of the circumstances prohibiting the issuance of Notes.

(d) So long as any Series of Notes is issued in book-entry form as provided in Section 2.10, the Issuing and Paying Agent shall deliver Notes of such Series in accordance with the terms of the Letter of Representations delivered in connection with such Series of Notes.

SECTION 3.02 Proceeds of Sale of Notes.

(a) Upon receipt from a Dealer of the proceeds of the issuance and sale of a Series of Notes, the Issuing and Paying Agent shall:

(1) deposit such proceeds to the credit of the applicable Support Facility Fund created pursuant to the Issuing and Paying Agent Agreement if such Notes are being issued pursuant to Section 4(f) of the Issuing and Paying Agent Agreement or the Note Principal Account in the applicable Note Fund to the extent necessary for the payment of the principal of Notes then due and payable or becoming due and payable on the day of receipt of such proceeds; and

(2) transfer the balance of such proceeds to the Trustee for deposit in the appropriate fund or account established hereunder.

(b) Upon receipt from the Issuing and Paying Agent, the Trustee shall deposit all moneys representing proceeds of the issuance and sale of a Series of Notes to the credit of the following funds and accounts in the following order of priority:

(1) the Interest Fund, to the extent required to increase the amount on deposit therein to the amount required to be on deposit therein pursuant to Section 5.02;

(2) the Support Agreement Fund, to the extent set forth in a Request of the Commission, to pay fees and expenses due each Bank; and

- (3) the Project Fund established pursuant to Section 4.01.

SECTION 3.03 Issuance of Additional Series of Notes or Parity Debt. The Commission may by Supplemental Indenture establish one or more additional Series of Notes or Parity Debt, payable from Revenues and secured by the pledge made under this Indenture equally and ratably with the Series B Notes and any other Notes and Parity Debt previously issued, and the Commission may issue, and the Issuing and Paying Agent may authenticate and deliver to the purchasers thereof, Notes of any Series so established, or Parity Debt in such principal amount as shall be determined by the Commission, but only, with respect to each such additional Series of Notes or Parity Debt issued hereunder after the Series B Notes, upon compliance by the Commission with the provisions of Section 3.04 and any additional requirements set forth in said Supplemental Indenture and subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such additional Series of Notes or Parity Debt:

- (a) No Event of Default shall have occurred and then be continuing.
- (b) The aggregate principal amount of Notes or Parity Debt authorized to be issued hereunder together with all outstanding Senior Lien Debt and Parity Debt shall not in combination with all outstanding debt obligations of the Commission exceed any limitation imposed by law or by any Supplemental Indenture or by Section 132309(b) of the Public Utilities Code of the State, and such Notes or Parity Debt have been duly and legally authorized for any lawful purpose of the Commission.
- (c) The Commission shall place on file with the Trustee and each Administrative Agent a Certificate of the Commission certifying that the amount of Sales Tax Revenues collected during the Fiscal Year for which audited financial statements are available preceding the date on which such additional Series of Notes or Parity Debt will become Outstanding shall have been at least equal to [1.5] times the amount of Maximum Annual Debt Service on all Senior Lien Debt, Notes and Parity Debt then outstanding and the additional Series of Notes or Parity Debt then proposed, which Certificate shall also set forth the computations upon which such Certificate is based.

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

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

SECTION 3.04 Proceedings for Issuance of Additional Series of Notes or Parity Debt. Whenever the Commission shall determine to issue an additional Series of Notes pursuant to Section 3.03, the Commission shall authorize the execution of a Supplemental Indenture specifying the aggregate principal amount of such Series of Notes, which shall prescribe the terms and conditions of such Series of Notes, including the Series designation, forms, authorized denominations and the Support Facility to be provided with respect to such Notes and which shall include such other provisions respecting the Notes of such Series as shall be necessary or appropriate and not inconsistent with the terms of this Indenture.

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

- (a) An executed copy of the Supplemental Indenture authorizing such Series of Notes.
- (b) An executed copy of the Dealer Agreement, the Support Agreement and the Support Facility, and, as and to the extent applicable, the Issuing and Paying Agent Agreement executed in connection with the issuance and delivery of such additional Series of Notes.
- (c) A Certificate of the Commission stating that no Event of Default has occurred and is then continuing; and that upon the delivery of such Series of Notes the aggregate principal amount of Notes then Outstanding will not exceed the amount permitted by law or by this Indenture.
- (d) An Opinion of Bond Counsel to the effect that the execution of the Supplemental Indenture has been duly authorized by the Commission in accordance with this Indenture; and that such Series, when duly executed by the Commission and authenticated and delivered by the Issuing and Paying Agent, will be valid and binding limited tax bond obligations of the Commission.
- (e) A Certificate of the Commission executed by the Director of Finance of the Commission certifying (on the basis of calculations as of the date of sale of such Series of Notes, which calculations shall be set forth in such Certificate) that the requirement of Section 3.03(c) is satisfied.
- (f) A Certificate of the Commission certifying that upon delivery of such additional Series, of Notes, the aggregate principal amount of debt of the Commission then outstanding will not exceed the amount permitted by Section 132309(b) of the Public Utilities Code of the State.
- (g) A Certificate of the Commission, if appropriate, designating any Excluded Principal Payments.

Before an additional Series of Parity Debt shall be issued and delivered, the Commission shall file with the Trustee and each Administrative Agent an Opinion of Bond

Counsel, addressed to the Trustee to the effect that such Parity Debt has been duly authorized in accordance with this Indenture shall have been filed with the Trustee and each Administrative Agent.

The Commission shall also deliver to the Trustee and each Administrative Agent a transcript of the proceedings providing for the issuance of such Parity Debt.

SECTION 3.06 Issuance of Refunding Debt.

(a) Refunding debt may be authorized and issued by the Commission without compliance with the provisions of Sections 3.03 or 3.04; provided that no Note, Advance or Bank Loan shall be deemed to constitute refunding debt and provided further that Debt Service on all Senior Lien Debt, Notes and Parity Debt outstanding following the issuance of such refunding debt is less than or equal to Debt Service on all Senior Lien Debt, Notes and Parity Debt outstanding prior to the issuance of such refunding debt. Such refunding debt may be issued as Senior Lien Debt in accordance with the provisions set forth in the Bond Indenture or as Parity Debt in accordance with the provisions set forth herein, in each case, in an aggregate principal amount sufficient (together with any additional funds available or to become available) to provide funds for the payment of all of the following:

(1) The principal or Redemption Price, if applicable, of the outstanding Senior Lien Debt, Notes or Parity Debt to be refunded.

(2) All expenses incident to the calling, retiring or paying of such outstanding Senior Lien Debt, Notes or Parity Debt and the Costs of Issuance of such refunding debt.

(3) Interest on all outstanding Senior Lien Debt, Notes or Parity Debt to be refunded to the date such Senior Lien Debt, Notes or Parity Debt will be called for redemption or paid at maturity, as applicable.

(4) Interest on the refunding debt from the date thereof to the date of payment or redemption of the Senior Lien Debt, Notes or Parity Debt to be refunded.

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

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

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

(3) If any of the Senior Lien Debt or Parity Debt to be refunded is to be redeemed prior to its stated maturity date, irrevocable instructions to the trustee for such debt to give the applicable notice of redemption or a waiver of the notice of redemption

signed by the owners of all or the portion of such debt to be redeemed, or proof that such notice has been given by the Commission; provided, however, that in lieu of such instructions or waiver or proof of notice of redemption, the Commission may cause to be deposited with the trustee for such debt all of the debt proposed to be redeemed (whether cancelled or uncanceled) with irrevocable instructions 'to the trustee for such debt to cancel said debt so to be redeemed upon the exchange and delivery of said refunding debt; and provided further that no provision of this Indenture shall be construed to require the redemption of such debt prior to the maturity date thereof due to the refunding thereof.

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

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

SECTION 3.07 Limitations on the Issuance of Obligations Payable from Revenues. The Commission will not, so long as any of the Notes, Parity Debt, Advances or Bank Loan are outstanding, issue any obligations or securities, howsoever denominated, payable in whole or in part from Revenues except the following:

- (a) Notes of any additional Series authorized pursuant to Sections 3.03 and 3.04.
- (b) Refunding debt authorized pursuant to Section 3.05.
- (c) Parity Debt authorized pursuant to Section 3.03.
- (d) Obligations which are junior and subordinate to the payment of the principal, premium, if any, interest and reserve fund requirements, if any, for the Notes and all Parity Debt, and which junior and subordinate obligations are payable as to principal, premium, if any, interest and reserve fund requirements, if any, only out of Revenues after the prior payment of all amounts then required to be paid hereunder from Revenues for principal, premium, if any, interest and reserve fund requirements, if any, for the Notes and all Parity Debt, as the same become due and payable and at the times and in the manner as required in this Indenture.

Notwithstanding anything herein to the contrary, the issuance of the Series B Notes or the making of an Advance or Bank Loan with respect to Notes of any Series shall not be considered the issuance of additional debt within the provisions of Sections 3.03 through 3.07,

inclusive, and no limitation contained in such Sections shall apply to the issuance of Series B Notes, or the making of Advances or Bank Loans with respect thereto or with respect to the makings of Advances or Bank Loans with respect to any other Series of Notes.

SECTION 3.08 Limitations on the Issuance of Obligations Payable From Senior Lien Revenues. The Commission will not, so long as any of the Notes or Parity Debt are outstanding, issue any Senior Lien Debt unless the Commission shall have placed on file with the Trustee and each Administrative Agent a Certificate of the Commission executed by the Director of Finance of the Commission certifying that, the amount of Senior Lien Revenues received for any period of twelve (12) consecutive months during the eighteen (18) months immediately preceding the date on which such additional Senior Lien Debt will become outstanding shall have been at least equal to 1.15 times the amount of Maximum Annual Debt Service on all Senior Lien Debt, Notes and Parity Debt then outstanding and. the additional Senior Lien Debt then proposed to be issued and 1 times the amount of Bond Reserve Costs then due and owing.

ARTICLE IV

PROJECT FUNDS

SECTION 4.01 Establishment and Application of Project Funds.

(a) In connection with the issuance of each Series of Notes issued to finance a portion of the Project, the Trustee shall establish, maintain and hold in trust a separate fund designated as the “___ Project Fund” (inserting therein the Series designation of such Project Fund). The moneys in each Project Fund shall be used and withdrawn by the Trustee to pay the costs of the Project, including providing interim funds for a portion or portions of the Project which shall on a long term basis be financed with private developer funding, as contemplated by the Ordinance, and the Costs of Issuance of any Series of Notes, provided that moneys in a Project Fund for a tax-exempt Series of Notes cannot be used to pay Costs of Issuance of a taxable Series of Notes. All investment earnings on funds held in a Project Fund shall be deposited in such Project Fund unless directed by the Commission to be deposited in the Rebate Fund.

(b) Before any payment from any Project Fund shall be made, the Commission shall file or cause to be filed with the Trustee a Requisition of the Commission stating: (i) the item number of such payment; (ii) the name and address of the person to whom each such payment is due, which may be the Commission in the case of reimbursement for costs theretofore paid by the Commission; (iii) the respective amounts to be paid; (iv) the purpose by general classification for which each obligation to be paid was incurred; (v) that obligations in the stated amounts have been incurred by the Commission or a constituent thereof and are presently due and payable and that each item thereof is a proper charge against such Project Fund and has not been previously paid from said Project Fund, and (vi) that there has not been filed with or served upon the Commission notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in such Requisition, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen’s or mechanics’ liens accruing by mere operation of law.

Upon receipt of each such Requisition, the Trustee shall pay the amount set forth in such Requisition as directed by the terms thereof out of the applicable Project Fund. The Trustee need not make any such payment if it has received notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys to be so paid, which has not been released or will not be released simultaneously with such payment. The Trustee shall not incur any liability for any disbursement from any Project Fund made in reliance upon any Requisition.

(c) When the Commission determines that the portion of the Project to be financed with the proceeds of a Series of Notes has been completed, a Certificate of the Commission shall be delivered to the Trustee by the Commission stating: (i) the fact and date of such completion; (ii) that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims which are subject to dispute and for which a retention in such Project Fund is to be maintained in the full amount of such claims until such dispute is resolved); and (iii) that the Trustee is to transfer the remaining balance in such Project Fund, less the amount of any such retention, to the Principal Fund and apply such funds to the payment at maturity of the Notes of such Series. Upon the receipt of such Certificate, the Trustee shall transfer any remaining balance in such Project Fund, less the amount of any such retention, to the Principal Fund to be used for the payment at maturity of the Notes of such Series as soon as practicable in accordance with the foregoing Certificate and the terms and conditions of the Indenture.

ARTICLE V

REVENUES

SECTION 5.01 Pledge of Revenues; Subordinate Sales Tax Revenue Fund.

(a) The Notes are limited obligations of the Commission and are payable as to both principal and interest exclusively from the Revenues and other funds pledged under the Indenture, which pledge the Commission hereby ratifies and approves. All Revenues are hereby pledged to secure the payment of the principal of and interest on the Notes and any Parity Debt in accordance with their terms, subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein. There are hereby pledged to secure the payment of the principal of and interest on the Notes and all amounts owed to each Bank pursuant to a Support Agreement, each in accordance with their terms, all amounts (including proceeds of the Notes) held by the Trustee hereunder (except for amounts held in the Rebate Fund) and all amounts held by the Issuing and Paying Agent hereunder and under the Issuing and Paying Agent Agreement, subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein. Said pledge shall constitute a first lien on the Revenues and amounts in such funds and shall be valid and binding from and after delivery by the Trustee of the Notes or Parity Debt, without any physical delivery thereof or further act.

The Revenues are hereby pledged to the payment of Notes and Parity Debt, including, without limitation, all amounts owed to each Bank pursuant to a Support Agreement, without priority or distinction of one over the other and the Revenues constitute a trust fund for the security and payment of the Notes and Parity Debt, including, without limitation, all amounts

owed to each Bank pursuant to a Support Agreement; but nevertheless out of Revenues certain amounts may be applied for other purposes as provided herein.

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

(b) The Commission has assigned and caused all Sales Tax Revenues to be transmitted directly to the Bond Trustee by the State Board of Equalization or the California Department of Tax and Fee Administration, as statutorily created and designated successor to the California State Board of Equalization. After application of the Sales Tax Revenues in accordance with the provisions set forth in the Bond Indenture, the Bond Trustee shall pay over all Revenues directly to the Trustee in accordance with an instruction which the Commission covenants and agrees to provide to the Bond Trustee in the Bond Indenture. In the event that all Senior Lien Debt is discharged in accordance with the provisions of the Bond Indenture and any Notes or Parity Debt remain unpaid, the Commission covenants and agrees to amend and restate its existing agreement with the State Board of Equalization in order to cause the California Department of Tax and Fee Administration, as statutorily created and designated successor to the California State Board of Equalization, to remit all Sales Tax Revenues directly to the Trustee, such assignment to continue as long as any Notes or Parity Debt remain unpaid.

The Trustee shall forthwith deposit in a trust fund, designated as the “Subordinate Sales Tax Revenue Fund,” which fund the Trustee shall establish and maintain, all Revenues, when and as received by the Trustee. Investment income on amounts held by the Trustee hereunder (other than amounts held in the Rebate Fund or for which particular instructions, such as with respect to a Project Fund, are provided) shall also be deposited in the Revenue Fund. All moneys at any time held in the Revenue Fund shall be held in trust for the benefit of the Owners of the Notes and Parity Debt including, without limitation, each Bank and shall be disbursed, allocated and applied solely for the uses and purposes set forth in Section 5.02.

SECTION 5.02 Allocation of Revenues.

(a) So long as any Notes 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 Notes) in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority; provided that on a parity with such deposits the Trustee shall set aside or transfer amounts with respect to outstanding Parity Debt, as provided in the proceedings for such Parity Debt delivered to the Trustee pursuant to Section 3.06 hereof, including, without limitation, all amounts owed to each Bank pursuant to a Support Agreement, which amounts shall be set forth by each Bank in an invoice delivered to the Commission and the Trustee or represented by an Advance or Bank Loan, and which amounts shall be deposited in the Support Agreement Fund established pursuant to

Section 5.04, which deposits and amounts shall be proportionate in the event such Revenues are insufficient to provide for all deposits and amounts required as of any date to be made with respect to the Notes and such Parity Debt:

(1) Interest Fund. The Trustee shall set aside in the Interest Fund as soon as practicable in each month an amount which would be sufficient to cause the amount on deposit in the Interest Fund on such day to equal the accrued and unpaid interest, if any, on the Notes Outstanding on such date plus the interest which would accrue on such Notes from such date to and including the next forty (40) calendar days, or such longer period as shall be established in any Supplemental Indenture, if such Notes were outstanding at all times during such period, calculated (i) at the actual rate of interest on the Notes for any day interest is to accrue at a rate known on the date such deposit is made and (ii) at the rate of twelve percent (12%) for any day interest is to accrue at a rate unknown on the date such deposit is made. On April 1 of each year any excess amounts in the Interest Fund not needed to pay interest on the Notes on such date shall be transferred to the Commission; provided, however, that in each case, any moneys on deposit in the Interest Fund to pay interest on Notes maturing on any dates no later than 270 days following such April 1 shall be retained on deposit in the Interest Fund.

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

(b) Any Revenues remaining in the Revenue Fund after the foregoing transfers described in subsection (a) above, except as otherwise provided in Section 5.04 and Section 5.05 hereof, or in a Supplemental Indenture, shall be transferred on the same Business Day to the Bond Trustee for application in accordance with the provisions of the Bond Indenture and, until expended by the Commission, shall continue to be "Revenues" as such term is used in the Bond Indenture and herein and be subject to the lien of the Bond Indenture and the lien granted herein.

(c) If five (5) days prior to any principal payment date or interest payment date the amounts on deposit in the Interest Fund and Principal Fund, with respect to the payments to be made on such upcoming date from Revenues are insufficient to make such payments, the Trustee shall immediately notify the Commission, in writing, of such deficiency and direct that the Commission transfer the amount of such deficiency to the Trustee on or prior to such payment date. The Commission hereby covenants and agrees to transfer to the Trustee from any Revenues in its possession the amount of such deficiency on or prior to the principal or interest payment date referenced in such notice.

SECTION 5.03 Application of Interest Fund and Principal Fund: Transfer to Issuing and Paying Agent.

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

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

SECTION 5.04 Support Agreement Funds. In connection with the issuance of each Series of Notes, the Trustee shall establish and maintain a separate fund, which fund shall be designated the “Support Agreement, Fund – Series __ Support Facility” (inserting therein the Series designation of such Support Agreement Fund). Within each such Support Agreement Fund, the Trustee shall establish two (2) separate accounts to be known as the “Support Agreement Interest Account – Series __ Support Facility” (inserting therein the Series designation of such Support Agreement Interest Account) and the “Support Agreement Principal Account – Series __ Support Facility” (inserting therein the Series designation of such Support Agreement Principal Account). To the extent that there is an Advance outstanding relating to a Series of Notes, the Trustee shall deposit in the applicable Support Agreement Fund, as soon as practicable in each month, an amount equal to one-third (1/3) of the amount expected to become due within the next ninety (90) calendar days with respect to interest due with respect to such Advance, which amount shall be deposited in the applicable Support Agreement Interest Account. To the extent that there is a Bank Loan outstanding relating to a Series of Notes, the Trustee shall deposit in the applicable Support Agreement Fund as soon as practicable in each month, an amount equal to one-twelfth (1/12) or, during the first six months of a Bank Loan, one-sixth (1/6) of the amount expected to become due on the next date on which an installment of principal is due with respect to such Bank Loan, which amount shall be deposited in the applicable Support Agreement Principal Account, and an amount equal to one-third (1/3) of the amount expected to become due within the next ninety (90) calendar days with respect to the interest due with respect to such Bank Loan, which amount shall be deposited in the applicable Support Agreement Interest Account. The foregoing deposits by the Trustee, shall be made from Revenues on a parity basis with the deposits made pursuant to Section 5.02. A Support Agreement Fund may also be funded by the Commission from any other source of funds of the Commission and shall be used only to reimburse and repay the applicable Bank with respect to Advances or Bank Loans at the times and in accordance with the terms of the applicable Support Agreement.

For purposes of this Section 5.04, with respect to a determination as to the principal amount due in connection with an Advance or a Bank Loan relating to the Series A Notes, the Trustee shall utilize the principal amount set forth in a Notice of Borrowing or a Notice of Bank Loan (as such term is defined in the applicable Support Agreement) received from the Issuing and Paying Agent or the Commission, as applicable, shall assume, unless otherwise informed by the Commission to the contrary, for purposes of calculating interest, that

such Advance or Bank Loan bears interest at the Applicable Rate (as such term is defined in the applicable Support Agreement), and shall utilize the Federal Funds Rate or the Base Rate supplied by the applicable Administrative Agent in calculating such interest amount. When the actual rate of interest payable on such Advance or Bank Loan is supplied to the Trustee, the amount of the next deposit to be made by the Trustee with respect thereto shall be adjusted to reflect the excess or deficiency on deposit with respect to such interest.

SECTION 5.05 Note Funds.

(a) In connection with the issuance of each Series of Notes, the Issuing and Paying Agent shall establish and maintain a separate fund, which shall be designated the “____ Note Fund” (inserting therein the Series designation of such Note Fund). Within each such Note Fund, the Issuing and Paying Agent shall establish two (2) separate accounts to be known as the “____ Note Principal Account” (inserting therein the Series designation of such Note Principal Account) and the “Note Interest Account” (inserting therein the Series designation of such Note Interest Account). The Issuing and Paying Agent shall not have a lien on any Note Fund for the payment of any fees or expenses or other obligations owing to the Issuing and Paying Agent and each such Note Fund shall only be used for the purposes set forth herein and in the Issuing and Paying Agent Agreement.

(b) All moneys from time to time on deposit in each Note Principal Account, whether received from a Dealer from the proceeds of Notes pursuant to Section 3.02 hereof, from the Trustee from the Principal Fund pursuant to Section 5.03, from an Advance under a Support Facility, or from any other source, shall be used to pay the principal of matured Notes of the applicable Series. Pursuant to the provisions set forth in the Issuing and Paying Agent Agreement and this Section 5.05, the Issuing and Paying Agent shall apply all amounts from time to time held in each Note Principal Account, to the payment of the principal of Notes of the applicable Series when due, as contemplated by this Section 5.05 and the Issuing and Paying Agent Agreement, without further authorization or direction.

(c) Pursuant to the provisions set forth in the Issuing and Paying Agent Agreement and this Section 5.05, the Issuing and Paying Agent shall apply all amounts from time to time on deposit in each Note Interest Account solely for the purpose of paying interest on the Notes of the applicable Series, as contemplated by this Section 5.05 and the Issuing and Paying Agent Agreement, without further authorization or direction.

SECTION 5.06 Investment of Moneys in Funds and Accounts. All moneys in any of the funds and accounts held by the Trustee or the Issuing and Paying Agent and established pursuant to this Indenture shall be invested, as directed by the Commission, solely in Investment Securities. All Investment Securities shall, as directed by the Commission in writing or by telephone, promptly confirmed in writing, be acquired subject to the limitations set forth in Section 6.09 and each Tax Certificate, the limitations as to maturities hereinafter in this Section and each Tax Certificate set forth and such additional limitations or requirements consistent with the foregoing as may be established in each Tax Certificate or by Request of the Commission. If and to the extent the Trustee or the Issuing and Paying Agent does not receive investment instructions from the Commission with respect to the moneys in the funds and accounts held pursuant to this Indenture by the Trustee or the Issuing and Paying Agent, as applicable, such

moneys shall be invested in Investment Securities described in clause (xii) of the definition thereof and the Trustee or the Issuing and Paying Agent, as applicable, shall thereupon request investment instructions from the Commission for such moneys.

Moneys in the funds and accounts shall be invested in Investment Securities maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Trustee or the Issuing and Paying Agent.

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

Unless otherwise provided herein or in a Supplemental Indenture, all interest, profits and other income received from the investment of moneys in, any fund or account, other than the Rebate Fund, 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 provided in Section 6.09. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account from which such accrued interest was paid.

The Trustee may commingle any of the funds or accounts established and held by the Trustee pursuant to this Indenture (other than the Rebate Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee hereunder shall be accounted for separately as required by this Indenture; and provided further the Trustee shall segregate such funds and accounts if so instructed by the Commission to assist in the calculation of the Rebate Requirement. The Trustee may act as principal or agent in the making or disposing of any investment and, with the prior written consent of the Commission may impose its customary charge therefor. The Trustee may sell at the best price obtainable, or present for redemption, any Investment Securities so purchased whenever it 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 Commission may, and the Trustee shall, upon the Request of the Commission, enter into a financial futures or financial option contract with an entity the debt securities of which are rated in the highest short-term or one of the two highest long-term Rating Categories by Moody's and Standard & Poor's.

The Commission may, and the Trustee shall, upon the Request of the Commission, enter into an Interest Rate Swap Agreement corresponding to the interest rate or rates payable on a Series of Notes or Parity Debt or any portion thereof and the amounts received by the Commission or the Trustee, if any, pursuant to such Interest Rate Swap Agreement may be applied to the deposits required hereunder. If the Commission so designates, amounts payable under an Interest Rate Swap Agreement shall be secured by Revenues and other assets pledged hereunder to the Notes and other Parity Debt on a parity basis therewith (excluding amounts

payable in connection with any termination or unwinding of an Interest Rate Swap Agreement which shall be secured on a subordinate basis) and, in such event, the Commission shall pay to the Trustee for deposit in the Interest Fund, at the times and in the manner provided by Section 5.02, the amounts to be paid under such Interest Rate Swap Agreement, as if such amounts were additional interest due on the Notes to which such Interest Rate Swap Agreement relates, and the Trustee shall pay to the other party to the Interest Rate Swap Agreement, to the extent required thereunder, amounts deposited in the Interest Fund for the payment of interest on the Notes with respect to which such Interest Rate Swap Agreement was entered into.

The Trustee 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 Notes, including moneys derived from, pledged to, or to be used to make payments on the Notes. Such records shall specify the account or fund to which each investment (or portion thereof) held by the Trustee is 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 Commission in accordance with a Request of the Commission, with respect to each Investment Security such documentation as is reasonably available to the Trustee and is required by the Code or other applicable law to be obtained by the Commission as evidence to establish that each investment had been acquired and disposed of on an established market in an arm's-length transaction at a price equal to its fair market value and with no amounts having been paid to reduce the yield on the investments.

ARTICLE VI

COVENANTS OF THE COMMISSION

SECTION 6.01 Punctual Payment. The Commission will punctually pay or cause to be paid the principal of and interest on all the Notes, in strict conformity with the terms of the Notes and of this Indenture, according to the true intent and meaning thereof, but in each case only out of Revenues as provided in this Indenture.

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

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

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

SECTION 6.05 Against Encumbrances. The Commission will not create any pledge, lien or charge upon any of the Revenues having priority over or having parity with the lien of the Notes except only as permitted in Section 3.06.

SECTION 6.06 Accounting Records and Financial Statements.

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

(b) The Commission will furnish the Trustee and each Administrative Agent within one hundred eighty (180) days after the end of each Fiscal Year, the financial statements of the Commission relating to the Revenues for such Fiscal Year, together with the report and opinion of an independent certified public accountant stating that the financial statements have been prepared in accordance with generally accepted accounting principles and that such accountant's examination of the financial statements was performed in accordance with generally accepted auditing standards and a Certificate of the chief financial officer of the Commission stating that no event which constitutes an Event of Default or which with the giving of notice or the passage of time or both would constitute an Event of Default has occurred and is continuing as of the end of such Fiscal Year, or specifying the nature of such event and the actions taken and proposed to be taken by the Commission to cure such default. Thereafter, a copy of such financial statements will be furnished to any owner of Notes upon written request to the Commission.

SECTION 6.07 Collection of Sales Tax Revenues.

(a) The Commission covenants and agrees that it has duly levied a retail transactions and use tax in accordance with the Law, pursuant to and in accordance with the Ordinance, duly passed and adopted by the Commission. Said Ordinance has not and will not be amended, modified or altered so long as any of the Notes or Parity Debt are Outstanding in any manner which would reduce the amount of or timing of receipt of Sales Tax Revenues, and the Commission will continue to levy and collect such retail transactions and use tax to the full amount permitted by law. The Commission further covenants that it has entered into an agreement with the State Board of Equalization under and pursuant to which the Board of Equalization, or the California Department of Tax and Fee Administration, as statutorily created and designated successor to the former California State Board of Equalization, will process and supervise collection of said retail transactions and use tax and will transmit Sales Tax Revenues directly to the Bond Trustee. Said agreement will be continued in effect so long as any of the Senior Lien Debt remains unpaid and any of the Notes or Parity Debt are Outstanding and shall not be amended, modified or altered without the written consent of the Bond Trustee so long as any of the Senior Lien Debt remains unpaid. The Commission will receive and hold in trust for (and remit immediately to) the Bond Trustee any Sales Tax Revenues paid to the Commission by the State Board of Equalization or the California Department of Tax and Fee Administration, as statutorily created and designated successor to the California State Board of Equalization.

(b) In the event that the Bonds are discharged in accordance with the provisions set forth in the Bond Indenture and no other Senior Lien Debt remains outstanding, the Commission covenants and agrees that it will amend and restate said agreement with the State Board of Equalization to provide for the California Department of Tax and Fee Administration, as statutorily created and designated successor to the California State Board of Equalization, to transmit Sales Tax Revenues to the Trustee. If such agreement is so amended and restated, the Commission covenants and agrees that said agreement will be continued in effect so long as any of the Notes or Parity Debt are Outstanding and that said agreement will not be further amended, modified or altered without the written consent of the Trustee so long as any of the Notes or Parity Debt are Outstanding.

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

(d) During the continuance of an Event of Default, any Sales Tax Revenues received by the Trustee from the Bond 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, shall be deposited into the Interest Fund, Principal Fund, and the Support Agreement Funds, as more fully set forth in Section 7.03.

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

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

SECTION 6.08 Rebate Fund.

(a) The Trustee shall establish and maintain a fund separate from any other fund established and maintained hereunder designated as the Rebate Fund. Within the Rebate Fund, the Trustee shall maintain such accounts as shall be necessary in order to comply with the terms and requirements of each Tax Certificate. Subject to the transfer provisions provided in subsection (c) below, all money at any time deposited in the Rebate Fund shall be held by the Trustee for the account of the Commission in trust, to the extent required to satisfy the Rebate Requirement (as defined in each Tax Certificate), for payment to the federal government of the United States of America, and neither the Trustee nor the Owner of any Notes nor any Bank shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Indenture and by the provisions of each Tax Certificate (which are incorporated herein by reference). The Commission hereby covenants to comply with the directions contained in each Tax Certificate and the Trustee hereby covenants to comply with all written instructions of the Commission delivered to the Trustee pursuant to each Tax Certificate (which instructions shall state the actual amounts to be deposited in or withdrawn from the Rebate Fund and shall not require the Trustee to make any calculations with respect thereto). The Trustee shall be deemed conclusively to have complied with the provisions of this Section 6.08(a) if it follows such instructions of the Commission, and the Trustee shall have no liability or responsibility to enforce compliance by the Commission with the terms of any Tax Certificate nor to make computations in connection therewith.

(b) The Trustee shall invest all amounts held in the Rebate Fund, pursuant to written instructions of the Commission, in Investment Securities, subject to the restrictions set forth in each Tax Certificate.

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

(d) Notwithstanding any other provision of this Indenture, including in particular Article X hereof, 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 each Tax Certificate shall survive the defeasance or payment in full of the Notes.

The Commission shall retain all records, with respect to the calculations and instructions required by this Section for at least six (6) years after the date on which the last of the principal of and interest on the Notes has been paid, whether upon maturity or prior redemption thereof.

The Commission shall establish and maintain additional rebate funds and accounts with respect to any Parity Debt as provided in the tax certificate and other proceedings relating to such Parity Debt.

SECTION 6.09 Tax Covenants. The Commission covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Notes under Section 103 of the Code; provided that, prior to the issuance of any Series of Notes, the Commission may exclude the application of the covenants contained in this Section 6.09 and Section 6.08 to such Series of Notes. Without limiting the generality of the foregoing, the Commission shall comply with all requirements and covenants contained in each Tax Certificate. In the event that at any time the Commission is of the opinion that for purposes of this Section 6.09 it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under this Indenture, the Commission 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 this Section 6.09 and Section 6.08 hereof, if the Commission shall receive an Opinion of Bond Counsel to the effect that any action required under any Tax Certificate or this Section 6.09 and Section 6.08 hereof is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Notes pursuant to Section 103 of the Code, the Commission and the Trustee may rely conclusively on such opinion in complying with the provisions hereof, and the covenants hereunder shall be deemed to be modified to that extent.

SECTION 6.10 Maintenance of Issuing and Paying Agent. The Commission will at all times maintain an Issuing and Paying Agent for the Notes in New York, New York.

SECTION 6.11 Support Facilities; Alternate Facilities. The Commission will at all times maintain in effect a Support Facility enabling it to borrow an amount equal to the principal amount of each Series of Notes then authorized by the Indenture, and may, in its sole discretion, at any time maintain in effect a Support Facility which also enables it to borrow an amount equal to the accrued interest on such principal amount. The Commission may deliver a substitute (each, an “Alternate Facility”) to replace any Support Facility then in effect, provided, however, that: (i) the Commission shall have provided to the Issuing and Paying Agent, the Trustee and the applicable Dealer written evidence from Moody’s, if such Series of Notes are then rated by Moody’s, and Standard & Poor’s, if such Series of Notes are then rated by Standard & Poor’s, of the ratings which will be assigned to such Series of Notes upon delivery of such Alternate Facility; and (ii) such Alternate Facility shall take effect on a date on which all Notes of such Series mature. The Commission shall provide advance written notice of the proposed delivery of an Alternate Facility to the Issuing and Paying Agent, the Trustee and the applicable Dealer, such notice to be provided by the Commission, to the extent practicable, at least forty (40) days in advance of the proposed delivery of an Alternate Facility. Upon receipt of such written

notice from the Commission, the Issuing and Paying Agent shall provide written notice of the proposed delivery of an Alternate Facility to the Owners of the applicable Series of Notes, such written notice to be provided by first class mail at least thirty (30) days prior to the proposed date of delivery of such Alternate Facility. Following the substitution of an Alternate Facility for a Support Facility then in effect, references to the Support Facility replaced thereby will refer to such Alternate Facility. Upon receipt of an Alternate Facility, the Issuing and Paying Agent or the Trustee, as applicable, shall promptly give notice of the acceptance of such Alternate Facility to the Owners of the Notes, such notice to be given by first class mail, postage prepaid.

SECTION 6.12 Appointment of Dealers. The Commission covenants and agrees to take all reasonable steps necessary to assure that, at all times, there shall be one or more Dealers for each Series of Notes, and to that end shall from time to time enter into one or more Dealer Agreements with such Dealers, providing for the services specified in such Dealer Agreements to be performed by such Dealers, in connection with the offering, sale and issuance of Notes. The Commission hereby appoints Citigroup Global Markets Inc. to serve as the initial Dealer with respect to the Series B Notes.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF NOTEHOLDERS

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

- (a) default in the due and punctual payment of the principal of any Note when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;
- (b) default in the due and punctual payment of any installment of interest on any Note when and as such interest installment shall become due and payable;
- (c) if the Commission shall fail to observe or perform any covenant, condition, agreement or provision in this Indenture on its part to be observed or performed, other than as referred to in subsection (a) or (b) of this Section, for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, has been given to the Commission by the Trustee; except that, if such failure can be remedied but not within such sixty (60) day period and if the Commission 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 Commission 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 applicable grace period, if any, provided for with respect to such default or if the holder of any Parity Debt exercises a right under the Parity Debt or the corresponding instruments pursuant to which such Parity Debt was issued to declare the principal thereof to be accelerated and payable immediately;

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

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

(g) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Commission 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;

(h) if the Legislature of the State shall repeal or amend all or any portion of the provisions of the Law relating to the retail transactions and use tax, being Sections 132301 to 132308, inclusive, of the Public Utilities Code of the State unless the Commission has determined that said repeal or amendment does not materially and adversely affect the rights of Noteholders; or

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

SECTION 7.02 Reserved.

SECTION 7.03 Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, the Commission shall immediately transfer to the Bond Trustee all Revenues held by it. The Trustee shall apply all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture (except as otherwise provided in this Indenture) as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Notes and Parity Debt, including the costs and expenses of the Trustee, the Noteholders and the Owners of any Parity Debt in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under this Indenture;

(b) To the payment of the whole amount of principal then due on the Notes and Parity Debt (upon presentation of the Notes and Parity Debt to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Indenture (including Section 9.02), with interest on such principal, at the rate or rates of

interest borne by the respective Notes and Parity Debt, to the payment to the persons entitled thereto of all installments of interest then due and the unpaid principal or Redemption Price, if applicable, of any Notes and Parity Debt which shall have become due whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal and Parity Debt at the rate borne by the respective Notes and Parity Debt, and, if the amount available shall not be sufficient to pay in full all the Notes and Parity Debt due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or interest due on such date to the persons entitled thereto, without any discrimination or preference.

SECTION 7.04 Trustee to Represent Noteholders and Owners of Parity Debts. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Notes, 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 Notes and the owners of any Parity Debt for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Notes, this Indenture, the Law and applicable provisions of any other law and to such owners of any Parity Debt under the provisions of the evidences of such Parity Debt, this Indenture, the Law and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Noteholders or the owners of Parity Debt, 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 Notes and Parity Debt then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Owners and the owners of Parity Debt by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners or in such owners of Parity Debt under this Indenture, the Law or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under this Indenture, pending such proceedings. All rights of action under this Indenture or the Notes or the evidences of Parity Debt or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Notes or the evidences of Parity Debt 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 Notes and the owners of such Parity Debt, subject to the provisions of this Indenture (including Section 7.07).

SECTION 7.05 Holders' Direction of Proceedings. Anything in this Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Notes and Parity then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the

Trustee would be unjustly prejudicial to Noteholders or Owners of Parity Debt that are not parties to such direction.

SECTION 7.06 Limitation on Holders' Right to Sue. No Owner of any Note or evidence of Parity Debt shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Law or any other applicable law with respect to such Note or Parity Debt, 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 principal amount of the Notes and Parity Debt then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such 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 a majority in aggregate principal amount of the Notes and Parity Debt then Outstanding.

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

SECTION 7.07 Absolute Obligation of the Commission. Nothing in Section 7.07 or in any other provision of this Indenture, or in the Notes or evidences of Parity Debt, contained shall affect or impair the obligation of the Commission, which is absolute and unconditional, to pay the principal of and interest on the Notes and the Parity Debt to the respective Owners of the Notes and Parity Debt at their respective dates of maturity, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Notes and evidences of Parity Debt.

SECTION 7.08 Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Owners of Notes or Parity Debt 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 Owners of Notes or Parity Debt, then in every such case the Commission, the Trustee and the Owners of Notes or Parity Debt, 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 Commission, the Trustee and the Owners of Notes or Parity Debt shall continue as though no such proceedings had been taken.

SECTION 7.09 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Notes or Parity Debt is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.10 No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Notes or Parity Debt to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or to the Owners of the Notes or Parity Debt may be exercised from time to time and as often as may be deemed expedient.

ARTICLE VIII

THE TRUSTEE

SECTION 8.01 Appointment: Duties, Immunities and Liabilities of Trustee.

(a) The appointment of U.S. Bank National Association as Trustee under the Indenture is hereby ratified, confirmed, extended and approved, and U.S. Bank National Association hereby ratifies, confirms, extend and approves its acceptance of the trust imposed upon it as Trustee hereunder and to perform all the functions and duties of the Trustee hereunder, subject to the terms and conditions set forth in this Indenture. The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants shall be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) The Commission may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate amount of principal of the Notes and Parity Debt then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and each Administrative Agent, and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Commission, the Issuing and Paying Agent, each Administrative Agent and each Dealer and any parties as may be specified in the proceedings relating to Parity Debt. Upon

receiving such notice of resignation, the Commission shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Noteholder (on behalf of himself and all other Noteholders) or any holder of Parity Debt (on behalf of himself and all other Owners of Parity Debt) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture, shall signify its acceptance of such appointment by executing and delivering to the Commission and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Request of the Commission or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Commission shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Commission shall give notice of the succession of such Trustee to the trusts hereunder by mail to the Issuing and Paying Agent, the Administrative Agent and the Dealer.

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company or bank having the powers of a trust company having a corporate trust office in the State, having a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

If, by reason of the-judgment of any court, the Trustee or any successor Trustee is rendered unable to perform its duties hereunder, and if no successor Trustee be then appointed, all such duties and all of the rights and powers of the Trustee hereunder shall be assumed by and vest in the Director of Finance of the Commission in trust for the benefit of the Owners of Notes and Parity Debt.

SECTION 8.02 Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (e) of Section 8.01, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8.03 Liability of Trustee.

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

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts. The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, but the Trustee shall be answerable for the negligence or misconduct of any such attorney, agent, or receiver selected by it; provided that the Trustee shall not be answerable for the negligence or misconduct of any attorney or certified public accountant selected by it with due care.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Notes and any Parity Debt at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(d) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Holders of Notes or Parity Debt pursuant to the provisions of this Indenture, including, without limitation, the

provisions of Article VII hereof, unless such Holders of Notes or Parity Debt shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers, if repayment of such funds or adequate indemnity against such risk or liability is not assured to its satisfaction.

(f) The Trustee shall not be deemed to have knowledge of and shall not be required to take any action with respect to, any Event of Default (other than an Event of Default described in subsections (a) or (b) of Section 7.01) or event which would, with the giving of notice, the passage of time or both, constitute an Event of Default, unless the Trustee shall have actual knowledge of such event or shall have been notified of such event by the Commission, an Administrative Agent, or the Owners of twenty-five percent (25%) of the principal amount of the Notes and Parity Debt at the time Outstanding. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain, monitor or inquire as to the performance or observance by the Commission of the terms, conditions, covenants or agreements set forth in Article VI hereof (including, without limitation, the covenants of the Commission set forth in Sections 6.08 or 6.09 hereof) or in any other provisions contained in the proceedings relating to Parity Debt as may be specified therein, other than the covenants of the Commission to make payments with respect to the Notes when due as set forth in Section 6.01 and with respect to Parity Debt when due as set forth in the instruments establishing or evidencing such Parity Debt and to file with the Trustee when due, such reports and certifications as the Commission is required to file with the Trustee hereunder.

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

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

(i) The Trustee shall not be responsible for:

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

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

(3) any error or omission by the Commission in making any computation or giving any instruction pursuant to Sections 6.08, 6.09 hereof, nor in any

provisions relating to Parity Debt as may be specified in the proceedings therefor, and may rely conclusively on any computations or instructions furnished to it by the Commission in connection with such requirements, including Sections 6.08 and 6.09 and each Tax Certificate and any tax certificate relating to Parity Debt;

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

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

SECTION 8.04 Right of Trustee to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, including, without limitation, counsel of or to the Commission, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Commission, and such Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable. The Trustee may also rely conclusively on any report or certification of any certified public accountant, investment banker; financial consultant, or other expert selected by the Commission or selected by the Trustee with due care in connection with matters required to be proven or ascertained in connection with its administration of the trusts created hereby.

SECTION 8.05 Compensation and Indemnification of Trustee. The Commission covenants to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of the powers and duties hereunder of the Trustee, and the Commission will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence, default or willful misconduct. The Commission, to the extent permitted by law, shall indemnify, defend and hold harmless the Trustee against any loss, damages, liability or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the acceptance or administration of the trusts created hereby, including costs and expenses (including attorneys' fees) of defending itself against any claim or liability in connection with the exercise or

performance of any of its powers hereunder. The rights of the Trustee and the obligations of the Commission under this Section 8.05 shall survive the discharge of the Notes, the Parity Debt and this Indenture and the resignation or removal of the Trustee.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THIS INDENTURE

SECTION 9.01 Amendments Permitted.

(a) (1) This Indenture and the rights and obligations of the Commission, the Owners of the Notes, any Parity Debt and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Commission and the Trustee may enter into with the written consent of the Owners of a majority in aggregate principal amount of the Notes and any Parity Debt (or, if such Supplemental Indenture is only applicable to a Series of Notes, such Series of Notes, or to a particular series or designation of Parity Debt, such series or designation of Parity Debt) 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 Notes of any particular maturity remain Outstanding or any Parity Debt of any particular maturity remain Outstanding, the consent of the Owners of such Notes or Parity Debt, as applicable, shall not be required and such Notes or Parity Debt, as applicable, shall not be deemed to be Outstanding for the purpose of any calculation of Notes or Parity Debt Outstanding under this Section.

(2) This Indenture and the rights and obligations of the Commission and of the Owners of the Notes and Parity Debt and of the Trustee may also be modified or amended at any time by a Supplemental Indenture entered into by the Commission and the Trustee which shall become binding when the written consents of each provider of a letter of credit or a policy of bond insurance for the Notes and such Parity Debt shall have been filed with the Trustee, provided that at such time the payment of all the principal of and interest on all Outstanding Notes and all Outstanding Parity Debt 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 Moody's and Standard & Poor's.

(3) No such modification or amendment shall: (a) extend the fixed maturity of any Note or Parity Debt, or reduce the amount of principal thereof, or extend the time of payment provided for any Note or Parity Debt, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Note or Parity Debt so affected; or (b) reduce the aforesaid percentage of principal the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture, or deprive the Owners of the Notes or Parity Debt of the lien created by this Indenture on such Revenues and other assets (in each case, except as expressly provided in this Indenture),

without the consent of the Owners of all of the Notes and Parity Debt then Outstanding. It shall not be necessary for the consent of the Noteholders or Holders of Parity Debt to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

(b) This Indenture and the rights and obligations of the Commission, of the Trustee and of the Owners of the Notes and Parity Debt may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Commission may adopt without the consent of any Noteholders or Holders of Parity Debt but only to the extent permitted by law and only for any one or more of the following purposes:

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

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

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

(4) to make modifications or adjustments necessary, appropriate or desirable to provide for the issuance of Parity Debt with such interest rate, payment, maturity and other terms as the Commission may deem desirable; subject to the provisions of Sections 3.03, 3.04, 3.05 and 3.06;

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

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

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

(8) to provide for the issuance of an additional Series of Notes pursuant to provisions of Section 3.04 or Section 3.05;

(9) to amend Section 3.03(c) hereof to provide for the issuance of an additional Series of Notes upon demonstration of pro forma debt service coverage or historical debt service coverage, provided that no such provision shall materially and adversely affect the interests of Owners of the Notes and Parity Debt; and

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

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

SECTION 9.03 Amendment of Particular Notes and Parity Debt. The provisions of this Article shall not prevent any Noteholder or Holder of Parity Debt from accepting any amendment as to the particular Notes or evidence of Parity Debt held by him, provided that due notation thereof is made on such Notes or evidence of Parity Debt.

ARTICLE X

DEFEASANCE

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

- (a) by paying or causing to be paid the principal of and interest on such Outstanding Notes, as and when the same become due and payable;
- (b) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay such Outstanding Notes; or
- (c) by delivering to the Trustee, for cancellation by it, such Outstanding Notes.

If the Commission shall pay all Series for which any Notes are Outstanding and also pay or cause to be paid all other sums payable hereunder by the Commission including, without limitation, all Parity Debt, if any, then and in that case, at the election of the Commission (evidenced by a Certificate of the Commission, filed with the Trustee, signifying the intention of the Commission to discharge all such indebtedness and this Indenture), and notwithstanding that any Notes or evidences of Parity Debt shall not have been surrendered for payment, this Indenture and the pledge of Revenues and other assets made under this Indenture and all covenants, agreements and other obligations of the Commission under this Indenture shall cease,

terminate, become void and be completely discharged and satisfied. In such event, upon Request of the Commission, the Trustee shall cause an accounting for, such period or periods as may be requested by the Commission to be prepared and filed with the Commission and shall execute and deliver to the Commission 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 Commission all moneys or securities or other property held by it pursuant to this Indenture which, as evidenced by a verification report, upon which the Trustee may conclusively rely, from a firm of independent certified public accountants, or other firm acceptable to the Trustee, are not required for the payment of Notes or Parity Debt not theretofore surrendered for such payment.

SECTION 10.02 Discharge of Liability on Notes and Parity Debt. Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Note or Parity Debt (whether upon or prior to maturity of the redemption date of such Outstanding Note or Parity Debt), provided that, if such Note or Parity Debt is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture or other evidence of Parity Debt or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Commission in respect of such Note or Parity Debt shall cease, terminate and be completely discharged, provided that the Owner thereof shall thereafter be entitled to the payment of such principal of and interest on the Notes or Parity Debt, and the Commission shall remain liable for such payment, but only out of such money or securities deposited as aforesaid for their payment, subject, however, to the provisions of Section 10.04 and the continuing duties of the Trustee hereunder including, without limitation, the provisions of Section 2.07 and Section 5.06.

The Commission may at any time surrender to the Trustee for cancellation by it any Notes or evidences of Parity Debt previously issued and delivered, which the Commission may have acquired in any manner whatsoever, and such Notes or Parity Debt, upon such surrender and cancellation, shall be, deemed to be paid and retired.

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

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

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

shall have delivered to the Trustee a Certificate to the effect that the Commission will provide such additional funds as are necessary to pay all unpaid interest to maturity on the Notes or Parity Debt to be paid should such Defeasance Securities be insufficient; provided, in each case, that the Trustee, escrow agent or other fiduciary shall have been irrevocably instructed (by the terms of this Indenture or by Request of the Commission) to apply such money to the payment of such principal and interest with respect to such Notes or Parity Debt.

SECTION 10.04 Payment of Notes or Parity Debt After Discharge of Indenture. Any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Notes or Parity Debt and remaining unclaimed for two (2) years after the principal of all of the Notes or Parity Debt has become due and payable, if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the Notes or Parity Debt became due and payable, shall, upon Request of the Commission, be repaid to the Commission free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease. All moneys held by or on behalf of the Trustee for the payment of principal of or interest on Notes or Parity Debt shall be held in trust for the account of the Owners thereof and the Trustee shall not be required to pay Owners any interest on, or be liable to the Owners or any other Person (other than the Commission) for any interest earned on, moneys so held. Any interest earned thereon shall belong to the Commission and shall be deposited monthly by the Trustee into the Revenue Fund.

ARTICLE XI

MISCELLANEOUS

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

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

SECTION 11.03 Limitation of Rights to Commission, Trustee, Issuing and Paying Agent, Bank and Holders. Nothing in this Indenture or in the Notes expressed or implied is intended or shall be construed to give to any Person other than the Commission, the Trustee, the Issuing and Paying Agent, each Bank and the Owners of the Notes and any Parity Debt, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Commission, the Trustee, the Issuing and Paying Agent, each Bank and the Owners of the Notes and any Parity Debt.

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

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

SECTION 11.06 Severability of Invalid Provisions. If any one or more of the provisions contained in this Indenture or in the Notes shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Commission hereby declares that it would have adopted this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Notes and Parity Debt pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

SECTION 11.07 Notices. Except as otherwise provided herein or in the Issuing and Paying Agent Agreement, any Support Agreement or any Dealer Agreement, for the purposes of each such Agreement, respectively, any notice to or demand may be served or presented, and such demand may be made and shall be deemed to have been sufficiently given or served for all purposes by being deposited, first-class mail postage prepaid, in a post office letter box, addressed, as the case may be, to the parties as follows:

Trustee:

U.S. Bank National Association
633 West 5th Street, 24th Floor
Los Angeles, California 90071
Attention: Corporate Trust Division
Telephone: (213) 615-6023
Fax: (213) 615-6197

Commission:

San Diego Association of Governments
401 B Street, Suite 800
San Diego, California 92101
Attention: Director of Finance
Telephone: (619) 699-1940
Fax: (619) 699-4890

Issuing and Paying Agent

U.S. Bank Trust National Association
100 Wall Street, 16th Floor
New York, New York 10005
Attention: Stacey Pagliaro
Telephone: (212) 361-2529
Fax: (212) 809-5459

Series B Bank:

MUFG Union Bank, N.A.
445 South Figueroa Street, 5th Floor
Los Angeles, California 90071
Attention: Jay Goldstone
Telephone: (213) 236-5993
Fax: (213)236-6917

Series B Dealer:

Citigroup Global Markets Inc.
390 Greenwich Street, 5th Floor
New York, New York 10013
Attention: Short-Term Tax Exempt Trading
Telephone: (212) 723-7082
Fax: (212) 723-8809

SECTION 11.08 Notice to Rating Agencies. The Trustee shall give notice to Moody's and Standard & Poor's, if the Notes are then rated, by such rating agency, of : (i) any supplements or amendments to this Indenture; (ii) any changes to, or expiration, substitution or termination of, any Support Agreement; (iii) any substitution of any Dealer; (iv) the appointment of a successor Trustee or a successor Issuing and Paying Agent; and (v) when there are no longer any Notes Outstanding under the Indenture, initially at each respective address given below, or at such other address as may be furnished to the Commission from time to time by each rating agency:

Standard & Poor's Ratings Services
55 Water Street, 38th Floor
New York, New York 10041
Attention: Municipal Structured Surveillance

Moody's Investors Service
99 Church Street
New York, New York 10007-2796
Attention: Public Finance

SECTION 11.09 Evidence of Rights of Holders. Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Holders of Notes or Parity Debt may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Holders of Notes or Parity Debt in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other

instrument or of a writing appointing any such agent, or of the holding by any Person of Notes or Parity Debt transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Commission if made in the manner provided in this Section.

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

The ownership of Notes shall be proved by the Note registration books held by the Issuing and Paying Agent. The Trustee may establish a record date as of which to measure consent of the Noteowners in order to determine whether the requisite consents are received.

Any request, consent, or other instrument or writing of the Owner of any Note or evidence of Parity Debt shall bind every future Owner of the same Note or Parity Debt and the Owner of every Note or evidence of Parity Debt issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Commission in accordance therewith or reliance thereon.

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

SECTION 11.11 Money Held for Particular Notes or Parity Debt. The money held by the Trustee for the payment of the interest or principal due on any date with respect to particular Notes or Parity Debt shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Notes or Parity Debt entitled thereto, subject, however, to the provisions of Section 10.04.

SECTION 11.12 Funds and Accounts. Any fund required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or

as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the industry, to the extent practicable, and with due regard for the protection of the security of the Notes and Parity Debt and the rights of every Holder thereof.

SECTION 11.13 Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Indenture.

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

SECTION 11.14 Waiver of Personal Liability. No Board member, officer, agent or employee of the Commission or the Trustee shall be individually or personally liable for the payment of the principal of or interest on the Notes or Parity Debt or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such Board member, officer, agent or employee of the Commission or the Trustee from the performance of any official duty provided by law or by this Indenture.

SECTION 11.15 Governing Law. This Indenture shall be construed and governed in accordance with the laws of the State of California.

SECTION 11.16 Business Day. Except as specifically set forth in a Supplemental Indenture, any payments or transfers which would otherwise become due on any day which is not a Business Day shall become due or shall be made on the next succeeding Business Day.

SECTION 11.17 Effectiveness of Indenture. This Indenture shall take effect immediately upon payment at maturity of all Series B Notes issued prior to and maturing on [April __, 2018] and receipt by the Commission of written consent to this Indenture from the United States Department of Transportation, an agency of the United States of America, acting by and through the Executive Director of the Build America Bureau and the Series B Bank.

SECTION 11.18 Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

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

SAN DIEGO COUNTY REGIONAL
TRANSPORTATION COMMISSION

Chair of the Board of Directors

(Seal)

ATTEST:

Secretary

Approved as to Form:

By: _____
General Counsel

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

Attachment I

Consent of MUFG Union Bank, N.A.

The undersigned, MUFG Union Bank, N.A., acting as letter of credit bank pursuant to that certain Reimbursement Agreement, dated as of September 1, 2012, as previously amended, supplemented and extended, by and between the San Diego County Regional Transportation Commission (the "Commission") and Union Bank, N.A. ("Union Bank"), as a bank, hereby consents to the execution and delivery of that certain Subordinate Indenture, dated as of April 1, 2018 (the "Subordinate Indenture"), between the Commission and U.S. Bank National Association, as trustee, amending and restating the Subordinate Indenture, dated as of August 1, 1991, as previously amended and restated by the Amended and Restated Subordinate Indenture, dated as of November 1, 2005, as further supplemented and amended, between the Commission and U.S. Bank National Association.

Dated: April __, 2018.

MUFG UNION BANK, N.A.

By: _____

Name: Jay Goldstone

Title: Managing Director

Exhibit A

Form of Series B Note

**United States of America
State of California**

**San Diego County Regional Transportation Commission
Subordinate Sales Tax Revenue Commercial Paper Note
(Limited Tax Bond),
Series B**

Principal Amount \$ _____

Note Number:

Interest Rate:

Registered Owner:

Date of Issue:

Maturity Date:

Interest Rate:

Interest Amount: \$ _____

The San Diego County Regional Transportation Commission (the “Commission”), acting pursuant to the provisions of the San Diego County Regional Transportation Commission Act, constituting Chapter 2 of Division 12.7 of the California Public Utilities Code and Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code as referenced in said San Diego County Regional Transportation Commission Act and Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the California Government Code (the “Law”), for value received, hereby promises to pay to the Registered Owner designated above (the “Holder”), on the Maturity Date identified above, but solely from Revenues (as such term is defined in the hereinafter-defined Indenture) and the other funds hereinafter mentioned, the Principal Amount identified above, together with interest on said Principal Amount at the Interest Rate per annum (calculated on the basis of a year containing 365/366 days) identified above, upon the presentation and surrender hereof at the Principal Office of U.S. Bank Trust National Association (together with any successor, the “Issuing and Paying Agent”). For payment of this Note on the Maturity Date hereof, this Note must be presented to the Issuing and Paying Agent no later than 2:00 p.m. (New York City time) on such day. If a Note is presented for payment after 2:00 p.m. (New York City time), payment therefor shall be made by the Issuing and Paying Agent on the next succeeding business day without the accrual of additional interest thereon. The principal of and interest on this Note shall be payable in lawful money of the United States of America. This Note may be transferred or exchanged in accordance with the terms and conditions and upon payment of the charges set forth in the Subordinate Indenture, dated as of April 1, 2018 (as supplemented and amended from time to time pursuant to its terms, the “Indenture”), between the Commission and U. S. Bank National Association, as trustee (together with any successor, the “Trustee”).

The Indenture provides that the Commission may issue additional series of notes and incur other indebtedness (“Parity Debt”) under the terms and conditions set forth in the Indenture. All notes issued thereunder and secured thereby are collectively referred to herein as “Notes.” All Notes and Parity Debt issued or incurred pursuant to the provisions of the Indenture will be secured under the Indenture equally and ratably with this Note. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Indenture.

This Note is one of a duly authorized issue of San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds) issued under, and secured by, the Indenture. The issue of which this Note is a part is additionally designated as Series B. Except as is otherwise authorized pursuant to the Indenture, the aggregate principal amount of Series B Notes authorized pursuant to the Indenture may not exceed \$_____ Outstanding at any one time.

The Notes and the interest thereon (to the extent set forth in the Indenture), together with the any additional Series of Notes issued and any Parity Debt incurred by the Commission pursuant to the provisions of the Indenture, and the interest thereon, are payable from, and are secured by a charge and lien on, the proceeds derived by the Commission from the retail transactions and use tax imposed pursuant to the Law (as more particularly defined in the Indenture, the “Revenues”), which is subordinate to the charge and lien on the proceeds of such retail transactions and use tax which secures the Commission’s Senior Lien Debt. All of the Notes and Parity Debt are equally secured by a pledge of, and charge and lien upon, all of the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of the Notes and Parity Debt.

The Notes are limited obligations of the Commission and are payable, both as to principal and interest, solely from the Revenues and certain funds held by the Trustee under the Indenture and by the Issuing and Paying Agent under the Indenture and the Amended and Restated Issuing and Paying Agent Agreement, dated as of November 1, 2005, between the Commission and the Issuing and Paying Agent. The Commission is not obligated to pay the Notes except from such Revenues and such funds. The general fund of the Commission is not liable, and the credit or taxing power (other than as described above) of the Commission is not pledged, for the payment of the Notes or their interest. The Notes are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Commission or any of its income or receipts, except the Revenues. No holder of this Note shall ever have the right to compel any other exercise of the taxing power of the Commission to pay this Note or the interest hereon.

This Note shall not be entitled to any security or benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been signed by the Issuing and Paying Agent.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Note and in the issuing of this Note, do exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State

of California, and that this Note, together with all other indebtedness of the Commission pertaining to the Revenues, is within every debt and other limit prescribed by the Constitution and the statutes of the State of California, and is not in excess of the amount of Notes permitted to be issued under the Indenture or the Law.

IN WITNESS WHEREOF, SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION has caused this Note to be executed in its name and on its behalf by the facsimile signature of the Chair of the Board of Directors of the Commission and attested by the facsimile signature of its Director of Finance, and this Note to be dated the date set forth above.

SAN DIEGO COUNTY REGIONAL
TRANSPORTATION COMMISSION

By: _____
Chair of the Board of Directors

Attest:

Director of Finance

DRAFT

Certificate of Authentication

This Note is one of an issue described in the Indenture mentioned herein.

U.S. BANK TRUST NATIONAL ASSOCIATION,
as Issuing and Paying Agent

By: _____
Authorized Signatory

Date of Authentication:

DRAFT

Exhibit B

Form of Master Note

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
SUBORDINATE SALES TAX REVENUE COMMERCIAL PAPER NOTES
(LIMITED TAX BONDS)
SERIES ___ MASTER NOTE

Registered Owner: CEDE & CO.

Principal Sum: Not To Exceed _____ Dollars (\$ _____) Outstanding

The San Diego County Regional Transportation Commission (the “Commission”), acting pursuant to the provisions of the San Diego County Regional Transportation Commission Act, constituting Chapter 2 of Division 12.7 of the California Public Utilities Code and Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code as referenced in said San Diego County Regional Transportation Commission Act and Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the California Government Code (the “Law”), for value received, hereby promises to pay to Cede & Co., as nominee of The Depository Trust Company, or to registered assigns, the principal amount, together with unpaid accrued interest thereon on the maturity date of each obligation identified on the records of Commission (the “Underlying Records”) as being evidenced by this Master Note, which Underlying Records are maintained by U. S. Bank Trust National Association (together with any successor, the “Issuing and Paying Agent”). Interest shall be calculated on the basis of a year containing 365/366 days at the rate specified on the Underlying Records. Payments shall be made solely from the Revenues (as such term is defined in the hereinafter-defined Indenture) and the other funds hereinafter mentioned by wire transfer to the registered owner stated hereinabove from the Issuing and Paying Agent without the necessity of presentation and surrender of this Master Note.

This Master Note is one of a duly authorized issue of San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds) (the “Obligations”) issued under, and secured by, the Subordinate Indenture, dated as of April 1, 2018 (as supplemented and amended from time to time pursuant to its terms, the “Indenture”), between the Commission and U. S. Bank National Association, as trustee (together with any successor, the “Trustee”). This Master Note evidences a series of Notes additionally designated as “San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds), Series ___” (the “Series ___ Notes”), limited to \$_____ in aggregate principal amount Outstanding at any one time, except as is otherwise authorized pursuant to the Indenture.

The Indenture provides that the Commission may issue additional Obligations and incur other indebtedness (“Parity Debt”) under the terms and conditions set forth in the Indenture. All Obligations and Parity Debt issued or incurred pursuant to the provisions of the Indenture will be secured under the Indenture equally and ratably with the Series ___ Notes. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Indenture.

The Master Note and the interest thereon (to the extent set forth in the Indenture), together with any other Obligations issued and any Parity Debt incurred by the Commission pursuant to the provisions of the Indenture, and the interest thereon, are payable from, and are secured by a charge and lien on, the proceeds derived by the Commission from the retail transactions and use tax imposed pursuant to the Law (as more particularly defined in the Indenture, the “Revenues”), which is subordinate to the charge and lien on the proceeds of such retail transactions and use tax which secures the Commission’s Senior Lien Debt. All of the Obligations and Parity Debt are equally secured by a pledge of, and charge and lien upon, all of the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of the Obligations and Parity Debt.

This Master Note and all other Obligations are limited obligations of the Commission and are payable, both as to principal and interest, solely from the Revenues and certain funds held by the Trustee under the Indenture and by the Issuing and Paying Agent under the Indenture and the Amended and Restated Issuing and Paying Agent Agreement, dated as of November 1, 2005, between the Commission and the Issuing and Paying Agent. The Commission is not obligated to pay the Obligations except from such Revenues and such funds. The general fund of the Commission is not liable, and the credit or taxing power (other than as described above) of the Commission is not pledged, for the payment of the Obligations or their interest. The Obligations are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Commission or any of its income or receipts, except the Revenues. No holder of this Master Note shall ever have the right to compel any other exercise of the taxing power of the Commission to pay this Master Note or the interest hereon.

This Master Note shall not be entitled to any security or benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been signed by the Issuing and Paying Agent.

At the request of the registered owner, the Commission shall promptly issue and deliver one or more separate note certificates evidencing each obligation evidenced by this Master Note. As of the date any such note certificate or certificates are issued, the obligations which are evidenced thereby shall no longer be evidenced by this Master Note. This Master Note is transferable by the registered owner hereof, in person or by attorney duly authorized in writing, at the principal office of the Issuing and Paying Agent in New York, New York, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Master Note. Upon such transfer a new fully registered Series ___ Note or Series ___ Notes without coupons, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange herefor.

The Commission and the Issuing and Paying Agent may deem and treat the registered owner hereof as the absolute owner hereof for all purposes, and the Commission and the Issuing and Paying Agent shall not be affected by any notice to the contrary.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Master Note and in the issuing of this Master Note, do exist, have happened and have been

performed in due time, form and manner, as required by the Constitution and statutes of the State of California, and that the Series Notes evidenced by this Master Note, together with all other indebtedness of the Commission pertaining to the Revenues, is within every debt and other limit prescribed by the Constitution and the statutes of the State of California, and is not in excess of the amount of Obligations permitted to be issued under the Indenture or the Law.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS MASTER NOTE SET FORTH ON THE FOLLOWING PAGE.

This Master Note is a valid and binding obligation of Commission.

<u>U.S. Bank Trust National Association</u> (Issuing and Paying Agent) By: _____ (Authorized Countersignature)	<u>San Diego County Regional Transportation Commission</u> (Issuer) By: _____ Chair of the Board of Directors By: _____ Director of Finance
---	--

(Seal)

(Final Page of Master Note)

At the request of the registered owner, Commission shall promptly issue and deliver one or more separate note certificates evidencing each obligation evidenced by this Master Note. As of the date any such note certificate or certificates are issued, the obligations which are evidenced thereby shall no longer be evidenced by this Master Note.

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

(Name, Address, and Taxpayer Identification Number of Assignee)

the Master Note and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said Master Note on the books of Commission with full power of substitution in the premises.

Dated: _____

Signature(s) Guaranteed:

(Signature)

NOTICE: The signature on this assignment must correspond with name as written upon the face of this Master Note, in every particular, without alteration or enlargement or any change whatsoever.

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Commission or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

FIRST SUPPLEMENT TO THE SUBORDINATE INDENTURE

between

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Dated as of April 1, 2018

Supplementing the Subordinate Indenture
dated as of April 1, 2018

Relating To
San Diego County Regional Transportation Commission
Subordinate Sales Tax Revenue Short-Term Notes
(Limited Tax Bonds)
2018 Series A

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FIRST SUPPLEMENT TO THE SUBORDINATE INDENTURE

This FIRST SUPPLEMENT TO THE SUBORDINATE INDENTURE, dated as of April 1, 2018 (this “First Supplement”), between the SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION, a public entity duly established and existing under the laws of the State of California (the “Commission”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as trustee (the “Trustee”);

W I T N E S S E T H:

WHEREAS, the Commission adopted the San Diego Transportation Improvement Program Ordinance and Expenditure Plan on July 31, 1987 (as amended, the “1987 Ordinance”), pursuant to the provisions of Sections 132000 through 132314, inclusive, of the Public Utilities Code of the State of California, which 1987 Ordinance provided for the imposition of a retail transactions and use tax (the “retail transactions and use tax”) applicable in the incorporated and unincorporated territory of the County of San Diego (the “County”) in accordance with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code at the rate of one-half of one percent (1/2%) for a period not to exceed twenty (20) years;

WHEREAS, by its terms the 1987 Ordinance became effective at the close of the polls on November 3, 1987, the day of the election at which the proposition imposing the retail transactions and use tax was adopted by a majority vote of the electors voting on such proposition;

WHEREAS, in order to provide for the extension of the initial term of the retail transactions and use tax for a period of forty (40) years, the Commission adopted the San Diego Transportation Improvement Program Ordinance and Expenditure Plan (the “Sales Tax Extension Ordinance,” and, together with the 1987 Ordinance, hereinafter collectively referred to as the “Ordinance”) on May 28, 2004;

WHEREAS, by its terms the Sales Tax Extension Ordinance became effective on November 3, 2004, the day following the date of the election at which the proposition providing for the extension of the retail transactions and use tax was approved by at least two-thirds of the electors voting on such proposition;

WHEREAS, pursuant to Section 132310 of the California Public Utilities Code, the Commission is authorized to issue limited tax bonds (defined to include indebtedness and securities of any kind or class, including commercial paper notes), secured by and payable from revenues of the retail transactions and use tax;

WHEREAS, in order to provide for the issuance, authentication and delivery of certain limited tax bonds in the form of commercial paper notes, the Commission entered into that certain Amended and Restated Subordinate Indenture, dated as of November 1, 2005 (as amended and supplemented to the date hereof, the “Existing Indenture”), by and between the Commission and the Trustee, pursuant to which the Commission authorized and reauthorized the issuance, authentication and delivery of three series of commercial paper notes designated the San Diego

County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds), Series A (the “Series A Notes”), the San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds), Series B (the “Series B Notes”) and the San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds), Series C (the “Series C Notes”);

WHEREAS, pursuant to a First Supplement to the Existing Indenture, dated March 27, 2008 (the “2008 First Supplement”), and other documents, the Commission permanently reduced the Commitment Amounts of the Series A Notes and the Series C Notes, terminated related dealer and support agreements, and provided continuing authorization of only a single series of Notes, the Series B Notes;

WHEREAS, the Existing Indenture provides that the Commission may issue indebtedness having an equal lien and charge upon the Revenues and payable on a parity with the Notes (as more fully defined in Section 1.02 thereof, “Parity Debt”) and amend the Existing Indenture to make modifications or adjustments necessary, appropriate or desirable to provide for the issuance of such Parity Debt;

WHEREAS, the Commission desires to provide at this time for the issuance of a series of short-term notes pursuant to, and as Parity Debt under, the Indenture (as defined below) and this First Supplement, to be designated “San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Short-Term Notes (Limited Tax Bonds), 2018 Series A” (the “2018 Short-Term Notes”), for the purpose of providing funds to (i) finance or refinance certain costs of the Mid-Coast Project, (ii) refund a portion of the outstanding Series B Notes, and (iii) pay for the Costs of Issuance, all as provided in this First Supplement;

WHEREAS, concurrently with the execution and delivery of the First Supplement, the Commission will execute and deliver a new Subordinate Indenture, dated as of April 1, 2018, by and between the Commission and the Trustee, amending and restating the Existing Indenture (as so amended and restated, the “Indenture”), in order to make modifications and adjustments necessary, appropriate and desirable to provide for the issuance of Parity Debt, to incorporate into the provisions of the Existing Indenture the amendments effected by the 2008 First Supplement and the Second Supplement, and to conform certain provisions of the Existing Indenture to the provisions of the Bond Indenture;

WHEREAS, in order to provide for the issuance, authentication and delivery of certain limited tax bonds (as more fully defined in Section 1.02 of the Indenture, the “Bonds”) payable on a basis senior to the Series B Notes and any obligations of the Commission on a parity with the Series B Notes (as more fully defined in Section 1.02 of the Indenture, the “Parity Obligations”), the Commission entered into that certain Indenture, dated as of March 1, 2008 (as more fully defined in the Indenture and as amended and supplemented, the “Bond Indenture”), by and between the Commission and the Trustee;

WHEREAS, the Commission has entered into a TIFIA Loan Agreement, dated as of June 27, 2017 (the “TIFIA Loan Agreement”), by and between the Commission and the United

States Department of Transportation, an agency of the United States of America, acting by and through the Executive Director of the Build America Bureau (the “TIFIA Lender”) in anticipation of financing on a long-term basis certain costs of the Mid-Coast Corridor Transit Project (the “Mid-Coast Project”), comprising a portion of the Project (as such term is defined in the Indenture);

WHEREAS, on or prior to the maturity date of the 2018 Short-Term Notes, the Commission anticipates drawing proceeds under the TIFIA Loan Agreement for payment of the principal of the 2018 Short-Term Notes or, to the extent sufficient funds are not available or eligible thereunder, to issue additional Senior Debt under the Bond Indenture or additional Notes or Parity Debt under the Indenture to refinance the 2018 Short-Term Notes or to retire a portion of the 2018 Short-Term Notes from available Revenues;

WHEREAS, the execution and delivery of this First Supplement has in all respects been duly and validly authorized by a resolution duly passed and approved by the Commission; and

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

NOW, THEREFORE, THIS FIRST SUPPLEMENT TO THE SUBORDINATE INDENTURE WITNESSETH, that in order to provide for the issuance of one or more series of short-term notes, the Commission does hereby agree and covenant with the Trustee for the benefit of the respective Owners, from time to time, of the Notes, or any part thereof, as follows:

ARTICLE XVI

AMENDMENTS

SECTION 16.01 **Definitions.** All capitalized terms not otherwise defined herein shall have the meaning assigned to them in Section 1.02 of the Indenture.

SECTION 16.02 **Additional Definitions.** The following terms shall, for all purposes of the Indenture, including this First Supplement, have the following meanings:

Authorized Denominations

“Authorized Denominations” means, with respect to the 2018 Short-Term Notes, any integral multiple of \$5,000.

Beneficial Owner

“Beneficial Owner” means any Person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any 2018 Short-Term Note, including, without limitation, any Person holding 2018 Short-Term Notes through nominees or depositories, including the Depository.

Interest Payment Date

“Interest Payment Date” means, with respect to the 2018 Short-Term Notes, each April 1 and October 1, commencing October 1, 2018.

Holder or Noteholder or Noteowner or Owner

“Holder” or “Noteholder” or “Noteowner” or “Owner,” whenever used herein with respect to a 2018 Short-Term Note, means the person in whose name such 2018 Short-Term Note is registered.

Issue Date

“Issue Date” means, with respect to the 2018 Short-Term Notes, the date on which the 2018 Short-Term Notes are first delivered to the purchasers thereof.

Maturity Date

“Maturity Date” means, with respect to the 2018 Short-Term Notes, April 1, 20__.

Mid-Coast Project

“Mid-Coast Project” means the Mid-Coast Corridor Transit Project, comprising a portion of the Project. [ADDITIONAL DESCRIPTION DESIRED?]

Outstanding

“Outstanding,” when used as of any particular time with reference to 2018 Short-Term Notes, means (subject to the provisions of Section 11.10) all 2018 Short-Term Notes theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (1) 2018 Short-Term Notes theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) 2018 Short-Term Notes with respect to which all liability of the Commission shall have been discharged in accordance with Section 23.02, including 2018 Short-Term Notes (or portions of 2018 Short-Term Notes) referred to in Section 11.10; and (3) 2018 Short-Term Notes for the transfer or exchange of or in lieu of or in substitution for which other 2018 Short-Term Notes shall have been authenticated and delivered by the Trustee pursuant to this Indenture.

Participant

“Participant” means, with respect to a Depository, each participant listed in such Depository’s book-entry system as having an interest in the 2018 Short-Term Notes.

Rebate Instructions

“Rebate Instructions” means those calculations and directions required to be delivered to the Trustee by the Commission pursuant to the 2018 Short-Term Notes Tax Certificate.

Record Date

“Record Date” means for any Interest Payment Date the fifteenth (15th) day (whether or not a Business Day) of the month preceding the month in which such Interest Payment Date occurs.

First Supplement

“First Supplement” means this First Supplement to the Amended and Restated Subordinate Indenture, between the Commission and the Trustee, as amended and supplemented from time to time.

TIFIA Loan Agreement

“TIFIA Loan Agreement” means the loan agreement by and between the Commission and the United State Department of Transportation, effective as of June 27, 2017 providing credit for the Project.

2018 Short-Term Notes

“2018 Short-Term Notes” means the San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Short-Term Notes (Limited Tax Bonds), 2018 Series A, authorized by Article XVIII of this Indenture.

2018 Short-Term Notes Costs of Issuance Fund

“2018 Short-Term Notes Costs of Issuance” means the fund by that name established pursuant to Section 19.01(b).

2018 Short-Term Notes Interest Fund

“2018 Short-Term Notes Interest Fund” means the fund by that name established pursuant to Section 20.02(i).

2018 Short-Term Notes Principal Fund

“2018 Short-Term Notes Principal Fund” means the fund by that name established pursuant to Section 20.02(ii).

2018 Short-Term Notes Project Fund

“2018 Short-Term Notes Project Fund” means the fund by that name established pursuant to Section 19.01(a).

2018 Short-Term Notes Rebate Fund

“2018 Short-Term Notes Rebate Fund” means the fund by that name established pursuant to Section 21.08(A).

2018 Short-Term Notes Rebate Requirement

“2018 Short-Term Notes Rebate Requirement” means the Rebate Requirement defined in the 2018 Short-Term Notes Tax Certificate.

2018 Short-Term Notes Tax Certificate

“2018 Short-Term Notes Tax Certificate” means the Tax Certificate delivered by the Commission in connection with the 2018 Short-Term Notes Tax Certificate, as the same may be amended or supplemented in accordance with its terms.

ARTICLE XVII

FINDINGS, DETERMINATIONS AND DIRECTIONS

SECTION 17.01 **Findings and Determinations.** The Commission hereby finds and determines that the 2018 Short-Term Notes shall be issued as Parity Debt under the Indenture pursuant to Section 3.03 thereof and upon the issuance of the 2018 Short-Term Notes, any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the issuance thereof, will exist, will have happened and will have been performed, in due time, form and manner, as required by the Constitution and statutes of the State.

The Commission hereby further finds and determines that the principal of the 2018 Short-Term Notes shall be treated as Excluded Principal Payments for purposes of the Indenture and the Bond Indenture.

SECTION 17.02 **Recital in Notes.** There shall be included in each of the definitive 2018 Short-Term Notes, and also in each of the temporary 2018 Short-Term Notes, if any are issued, a certification and recital that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by that 2018 Short-Term Note, and in the issuing of that 2018 Short-Term Note, exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State and the Law, and that said 2018 Short-Term Note, together with all other indebtedness of the Commission payable out of Revenues, is within every debt and other limit prescribed by the Constitution and statutes of the State and the Law, and that such certification and recital shall be in such form as is set forth in the form of the 2018 Short-Term Note attached hereto as Exhibit A.

SECTION 17.03 **Effect of Findings and Recital.** From and after the issuance of the 2018 Short-Term Notes, the findings and determinations herein shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of the 2018 Short-Term Notes is at issue.

ARTICLE XVIII

AUTHORIZATION OF 2018 SHORT-TERM NOTES

SECTION 18.01 **Principal Amount, Designation and Series.** Pursuant to the provisions of the Indenture and the provisions of the Law, the 2018 Short-Term Notes are hereby authorized in the aggregate principal amount of \$[_____], issued as Parity Debt entitled to the benefit, protection and security of such provisions. Such 2018 Short-Term Notes shall be designated as, and shall be distinguished from the Notes and Parity Debt of all other series by the title, “San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Short-Term Notes (Limited Tax Bonds), 2018 Series A.”

SECTION 18.02 **Purpose and Application of Proceeds.** The 2018 Short-Term Notes are issued for the purpose of providing funds to (i) finance or refinance certain costs of the Mid-Coast Project, (ii) refund a portion of the outstanding Series B Notes, and (iii) pay for the Costs of Issuance.

The net proceeds from the sale of the 2018 Short-Term Notes in the amount of \$[_____] shall be received by the Trustee, and the Trustee shall deposit or transfer such funds as follows:

- (a) \$[_____] of such proceeds shall be deposited in the 2018 Short-Term Notes Project Fund;
- (b) \$[_____] of such proceeds shall be deposited in the 2018 Short-Term Notes Costs of Issuance Fund; and
- (c) \$[_____] of such proceeds shall be deposited in the Series B Notes Principal Fund and applied to retire a portion of the outstanding Series B Notes.

SECTION 18.03 **Form, Denomination, Numbers and Letters; Book Entry.** The 2018 Short-Term Notes shall be issued as fully registered notes without coupons in book-entry form and in Authorized Denominations and shall be numbered from one upward in consecutive numerical order preceded by the letter “R” prefixed to the number. The 2018 Short-Term Notes and the certificate of authentication shall be substantially in the form attached hereto as Exhibit A, which form is hereby approved and adopted as the form of the 2018 Short-Term Notes and as the form of the certificate of authentication as such form shall be completed based on the terms of the 2018 Short-Term Notes set forth herein. The 2018 Short-Term Notes shall be executed in the name and on behalf of the Commission by the facsimile or manual signature of the Chairperson of the Commission and attested by the facsimile or manual signature of the Director of Finance of the Commission. The 2018 Short-Term Notes shall then be delivered to the Trustee for authentication by the Trustee. In case any of the officers who shall have signed or attested any of the 2018 Short-Term Notes shall cease to be such officer or officers of the Commission before the 2018 Short-Term Notes so signed or attested shall have been authenticated or delivered by the Trustee or issued by the Commission, such 2018 Short-Term Notes may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as

binding upon the Commission as though those who signed and attested the same had continued to be such officers of the Commission, and also any 2018 Short-Term Note may be signed and attested on behalf of the Commission by such persons as at the actual date of execution of such 2018 Short-Term Note shall be the proper officers of the Commission although at the nominal date of such 2018 Short-Term Note any such person shall not have been such officer of the Commission. Only such of the 2018 Short-Term Notes as shall bear thereon a certificate of authentication substantially in the form required in Exhibit A attached hereto, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of authentication when manually executed by the Trustee shall be conclusive evidence that the 2018 Short-Term Notes so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

The 2018 Short-Term Notes shall be initially registered in the name of “Cede & Co.,” as nominee of the Depository and shall be evidenced by one note certificate. Registered ownership of the 2018 Short-Term Notes, or any portion thereof, may not thereafter be transferred except as set forth in Section 18.15, or in the event the use of the Depository is discontinued, in accordance with the provisions set forth in Section 18.06.

SECTION 18.04 Date, Maturity and Interest Rate. The 2018 Short-Term Notes shall be dated their Issue Date. The 2018 Short-Term Notes shall be issued in the aggregate principal amount of \$[_____] and shall mature and be payable on the Maturity Date. The 2018 Short-Term Notes in the respective principal amounts set forth below shall bear interest at the following rate per annum:

<u>Maturity Date</u> <u>(April 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>	<u>CUSIP No.</u>
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Interest on each 2018 Short-Term Note shall be payable on each Interest Payment Date for such 2018 Short-Term Note until the principal sum of such 2018 Short-Term Note has been paid; provided, however, that if at the Maturity Date any 2018 Short-Term Note funds are available for the payment or redemption thereof, in full accordance with terms of the Indenture, such 2018 Short-Term Note shall then cease to bear interest.

Each 2018 Short-Term Note shall bear interest from the latest of: (i) its Issue Date; (ii) the most recent Interest Payment Date to which interest has been paid thereon or duly provided for, or (iii) if the date of authentication of such 2018 Short-Term Note is after a Record Date but prior to the immediately succeeding Interest Payment Date, the Interest Payment Date immediately succeeding such date of authentication.

Each 2018 Short-Term Note shall be payable as provided in Section 18.15 or, in the event the use of the Depository is discontinued, the principal of each 2018 Short-Term Note shall be payable in lawful money of the United States of America upon surrender thereof at the Corporate Trust Office of the Trustee, and the interest on each 2018 Short-Term Note shall be payable in lawful money of the United States of America by the Trustee to the Holder thereof as of the close

of business on the Record Date, such interest to be paid by the Trustee to such Holder in immediately available funds (by wire transfer or by deposit to the account of the Holder if such account is maintained with the Trustee), according to the instructions given by such Holder to the Trustee or, in the event no such instructions have been given, by check mailed on the Interest Payment Date by first class mail to the Holder at such Holder's address as it appears as of the Record Date on the bond registration books kept by the Trustee.

Each 2018 Short-Term Note shall bear interest as provided herein from and including the Issue Date to but excluding the date of payment in full of such 2018 Short-Term Note, such interest to be computed on the basis of a 360-day year of twelve (12) 30-day months. Interest shall accrue on the 2018 Short-Term Notes from one Interest Payment Date to, but not including, the next Interest Payment Date.

SECTION 18.05 **Optional Redemption.**

(a) The 2018 Short-Term Notes shall be subject to redemption in whole or in part, at the option of the Commission, from any source of available funds, on any date on or after [____ 1, 20__], at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon, if any, to the date fixed for redemption, without premium.

(b) Any optional redemption of 2018 Short-Term Notes and notice thereof shall be conditional and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and the Commission shall not be required to redeem the 2018 Short-Term Notes thereby called for redemption, such 2018 Short-Term Notes shall not become due and payable, and the redemption shall be cancelled and the Trustee shall within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled. In addition, the Commission may, at its option, on or prior to the date fixed for optional redemption in any notice of redemption of the 2018 Short-Term Notes, rescind and cancel such notice of redemption by Written Request of the Commission to the Trustee, and any optional redemption of 2018 Short-Term Notes and notice thereof shall be rescinded and cancelled and the Trustee shall mail notice of such cancellation to the recipients of the notice of redemption being cancelled. Any optional redemption of 2018 Short-Term Notes and notice thereof shall be rescinded and cancelled if for any reason on the date fixed for optional redemption moneys are not available in the 2018 Short-Term Notes Interest Fund and the 2018 Short-Term Notes Principal Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the 2018 Short-Term Notes called for optional redemption and such failure to optionally redeem the 2018 Short-Term Notes called for redemption shall not be a default hereunder.

SECTION 18.06 **Selection of Notes for Redemption.** If less than all of the 2018 Short-Term Notes are to be redeemed on any one date, the Trustee shall select the 2018 Short-Term Notes to be redeemed from all 2018 Short-Term Notes or such given portion thereof

not previously called for redemption by lot in any manner that the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, the 2018 Short-Term Notes shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed.

SECTION 18.07 **Notice of Redemption.** Notice of redemption shall be mailed to the respective registered Holders of any 2018 Short-Term Notes designated for redemption, at their addresses on the registration books maintained by the Trustee, and to the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board, not less than twenty (20) days nor more than sixty (60) days before such redemption date. Each notice of redemption shall state the redemption date, the place or places of redemption, if less than all of the 2018 Short-Term Notes are to be redeemed, the distinctive number of the 2018 Short-Term Notes to be redeemed, and in the case of 2018 Short-Term Notes to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said 2018 Short-Term Notes the principal thereof or of said specified portion of the principal thereof in the case of a 2018 Short-Term Note to be redeemed in part only, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such 2018 Short-Term Notes be then surrendered. Each notice relating to an optional redemption will further state that such optional redemption may be rescinded by the Commission on or prior to the date set for redemption. The Trustee shall send any notice of cancellation of an optional redemption in the same manner as it sent the related notice of redemption. Neither failure to receive such notice nor any defect therein shall affect the sufficiency of such redemption.

SECTION 18.08 **Partial Redemption of Notes.** Upon surrender of any 2018 Short-Term Note redeemed in part only, the Commission shall execute and the Trustee as authenticating agent shall authenticate and deliver to the Owner thereof, at the expense of the Commission, a new 2018 Short-Term Note or 2018 Short-Term Notes of Authorized Denominations equal in aggregate principal amount to the unredeemed portion of the 2018 Short-Term Note surrendered.

SECTION 18.09 **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 date fixed for redemption on, the 2018 Short-Term Notes (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the 2018 Short-Term Notes (or portions thereof) so called for redemption shall become due and payable, interest on the 2018 Short-Term Notes so called for redemption shall cease to accrue, said 2018 Short-Term Notes (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Holders of said 2018 Short-Term Notes shall have no rights in respect thereof, except to receive payment of said principal and interest accrued to the date fixed for redemption from such moneys held by the Trustee for such purpose, and such moneys shall be pledged to such payment.]

SECTION 18.10 **Transfer of 2018 Short-Term Notes.** Any 2018 Short-Term Note may, in accordance with its terms, be transferred, upon the register required to be kept pursuant to the provisions of Section 18.08, by the person in whose name it is registered, in person

or by his duly authorized attorney, upon surrender of such 2018 Short-Term Note for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee.

Whenever any 2018 Short-Term Note or 2018 Short-Term Notes shall be surrendered for transfer, the Commission shall execute and the Trustee shall authenticate and deliver a new 2018 Short-Term Note or 2018 Short-Term Notes, of the same tenor and interest rate and a like aggregate principal amount; provided that, no registration of transfer may occur during the period established by the Trustee for selection of 2018 Short-Term Notes for redemption, or of any 2018 Short-Term Note or portion of a 2018 Short-Term Note so selected for redemption. The Trustee shall require the Holder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

SECTION 18.11 **Exchange of 2018 Short-Term Notes.** 2018 Short-Term Notes may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of 2018 Short-Term Notes of other authorized denominations of the same tenor and interest rate; provided that, unless otherwise provided in any Supplemental Indenture, no exchange may occur during the period established by the Trustee for selection of 2018 Short-Term for redemption, or of any 2018 Short-Term Note or portion of a 2018 Short-Term Note so selected for redemption. The Trustee shall require the Noteholder requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

SECTION 18.12 **2018 Short-Term Notes Register.** The Trustee will keep or cause to be kept, at its Corporate Trust Office sufficient books for the registration and transfer of 2018 Short-Term Notes, which shall at all times be open to inspection during normal business hours by the Commission upon reasonable prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, 2018 Short-Term Notes as hereinbefore provided.

SECTION 18.13 **Temporary 2018 Short-Term Notes.** The 2018 Short-Term Notes may be issued in temporary form exchangeable for definitive 2018 Short-Term Notes when ready for delivery. Any temporary 2018 Short-Term Notes may be printed, lithographed or typewritten, shall be of such denomination as may be determined by the Commission, shall be in registered form and may contain such reference to any of the provisions of this Indenture as may be appropriate. A temporary 2018 Short-Term Note may be in the form of a single 2018 Short-Term Note payable in installments, each on the date, in the amount and at the rate of interest established for the 2018 Short-Term Notes. Every temporary 2018 Short-Term Note shall be executed by the Commission and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive 2018 Short-Term Notes. If the Commission issues temporary 2018 Short-Term Notes, the Commission will execute and deliver definitive 2018 Short-Term Notes as promptly thereafter as practicable, and thereupon the temporary 2018 Short-Term Notes may be surrendered, for cancellation, in exchange therefor at the Corporate Trust Office of the Trustee and the Trustee shall authenticate and deliver in exchange for such temporary 2018 Short-Term Notes an equal aggregate principal amount of definitive 2018 Short-Term Notes of authorized denominations of the same tenor. Until so exchanged, the temporary 2018 Short-

Term Notes shall be entitled to the same benefits under this Indenture as definitive 2018 Short-Term Notes authenticated and delivered hereunder.

SECTION 18.14 **2018 Short-Term Notes Mutilated; Lost; Destroyed or Stolen.** If any 2018 Short-Term Note shall become mutilated, the Commission, at the expense of the Holder of said 2018 Short-Term Note, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2018 Short-Term Note of like tenor and interest rate in exchange and substitution for the 2018 Short-Term Note so mutilated, but only upon surrender to the Trustee of the 2018 Short-Term Note so mutilated. Every mutilated 2018 Short-Term Note so surrendered to the Trustee shall be canceled by the Trustee and delivered to, or upon the Order of, the Commission. If any 2018 Short-Term Note shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Commission and to the Trustee and, if such evidence be satisfactory to both and indemnity satisfactory to both shall be given, the Commission, at the expense of the Holder, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2018 Short-Term Note of like tenor and interest rate in lieu of and in substitution for the 2018 Short-Term Note so lost, destroyed or stolen (or if any such 2018 Short-Term Note shall have matured or shall have been called for redemption, instead of issuing a substitute 2018 Short-Term Note, the Trustee may pay the same without surrender thereof upon receipt of the aforementioned indemnity). The Commission may require payment of a sum not exceeding the actual cost of preparing each new 2018 Short-Term Note issued under this Section and of the expenses which may be incurred by the Commission and the Trustee in the premises. Any 2018 Short-Term Note issued under the provisions of this Section in lieu of any 2018 Short-Term Note alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Commission whether or not the 2018 Short-Term Note so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Indenture with all other Notes and Parity Debt secured by this Indenture. Neither the Commission nor the Trustee shall be required to treat both the original 2018 Short-Term Note and any replacement 2018 Short-Term Note as being Outstanding for the purpose of determining the principal amount of 2018 Short-Term Notes which may be issued hereunder or for the purpose of determining any percentage of 2018 Short-Term Notes Outstanding hereunder, but both the original and replacement 2018 Short-Term Note shall be treated as one and the same.

SECTION 18.15 **Use of Depository.** Notwithstanding any provision of this Indenture to the contrary:

(a) The 2018 Short-Term Notes shall be delivered and registered as provided in Section 18.03. Registered ownership of the 2018 Short-Term Notes, or any portion thereof, may not thereafter be transferred except:

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

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

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

(b) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (a) above, upon receipt of the 2018 Short-Term Notes by the Trustee, together with a Statement of the Commission to the Trustee, a single new 2018 Short-Term Note for each 2018 Short-Term Note then Outstanding shall be executed and delivered in the aggregate principal amount of the 2018 Short-Term Notes then Outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Statement of the Commission. In the case of any transfer pursuant to clause (iii) of subsection (a) hereof, upon receipt of the Outstanding 2018 Short-Term Notes by the Trustee together with the Statement of the Commission to the Trustee, new 2018 Short-Term Notes shall be authorized and prepared by the Commission and authenticated and delivered by the Trustee in such authorized denominations and registered in the names of such Persons as are requested in such a Statement of the Commission, numbered in such manner as the Trustee shall determine, subject to the limitations of Section 18.03.

(c) In the case of partial redemption or an advance refunding of any 2018 Short-Term Notes evidencing all or a portion of such amount Outstanding, the Depository shall make an appropriate notation on such 2018 Short-Term Notes indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee.

(d) The Commission and the Trustee shall be entitled to treat the Person in whose name any 2018 Short-Term Note is registered as the Holder thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Commission; and the Commission and the Trustee shall have no responsibility for transmitting payments to, communicating with, notifying or otherwise dealing with any Beneficial Owners of the 2018 Short-Term Notes. Neither the Commission nor the Trustee will have any responsibility or obligations, legal or otherwise, to the Beneficial Owners or to any other party including the Depository or its successor (or substitute depository or its successor), except for the Holder of any 2018 Short-Term Note.

So long as the Outstanding 2018 Short-Term Notes are registered in the name of Cede & Co. or its registered assign, the Commission and the Trustee shall cooperate with Cede & Co., as sole

registered Holder, and its registered assigns in effecting payment of the principal of, redemption premium, if any, purchase price and interest on the 2018 Short-Term Notes by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

ARTICLE XIX

ESTABLISHMENT OF FUNDS AND ACCOUNTS AND APPLICATION THEREOF

SECTION 19.01 **Funds and Accounts.** The following funds and accounts are hereby established in connection with the 2018 Short-Term Notes:

(a) To ensure the proper application of such portion of proceeds from the sale of the 2018 Short-Term Notes to be applied to pay the costs of the Mid-Coast Project, there is hereby established the 2018 Short-Term Notes Project Fund, such fund to be held by the Trustee.

(b) To ensure the proper application of such portion of proceeds from the sale of the 2018 Short-Term Notes to be applied to pay the Costs of Issuance of the 2018 Short-Term Notes, there is hereby established the 2018 Short-Term Notes Costs of Issuance Fund, such fund to be held by the Trustee.

SECTION 19.02 **2018 Short-Term Notes Project Fund.** The monies set aside and placed in the 2018 Short-Term Notes Project Fund from the proceeds of the 2018 Short-Term Notes, and any other moneys deposited in the 2018 Short-Term Notes Project Fund by the Commission, shall remain therein until from time to time expended for the purpose of paying the costs of the Mid-Coast Project. The Trustee shall invest amounts on deposit in the 2018 Short-Term Notes Project Fund in Investment Securities pursuant to the written direction of the Commission. All investment earnings on funds held in the 2018 Short-Term Notes Project Fund shall be deposited in the 2018 Short-Term Notes Project Fund unless the Commission instructs the Trustee to deposit such investment earnings in the Rebate Fund.

(a) Before any payment from the 2018 Short-Term Notes Project Fund shall be made by the Trustee, the Commission shall file or cause to be filed with the Trustee a Requisition of the Commission, such Requisition to be signed by an Authorized Representative and to include: (i) the item number of such payment; (ii) the name and address of the person to whom each such payment is due, which may be the Commission in the case of reimbursement for costs theretofore paid by the Commission; (iii) the respective amounts to be paid; (iv) the purpose by general classification for which each obligation to be paid was incurred; (v) that obligations in the stated amounts have been incurred by the Commission or a constituent thereof and are presently due and payable and that each item thereof is a proper charge against the 2018 Short-Term Notes Project Fund and has not been previously paid from said fund; and (vi) that there has not been filed with or served upon the Commission notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in such Requisition, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or

mechanics' liens accruing by mere operation of law. Each such Requisition of the Commission shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

(b) When the Commission determines that the portion of the Project to be financed with the proceeds of the 2018 Short-Term Notes has been completed, a Certificate of the Commission shall be delivered to the Trustee by the Commission stating (i) the fact and date of such completion, (ii) that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims which are subject to dispute and for which a retention in the 2018 Short-Term Notes Project Fund is to be maintained in the full amount of such claims until such dispute is resolved) and (iii) that the Trustee is to transfer the remaining balance in the 2018 Short-Term Notes Project Fund to the Revenue Fund or, if so directed by the Commission, to the Rebate Fund.

SECTION 19.03 **2018 Short-Term Notes Costs of Issuance Fund.** The monies set aside and placed in the 2018 Short-Term Notes Costs of Issuance Fund shall be expended for the purpose of paying the Costs of Issuance of the 2018 Short-Term Notes. Before any payment from the 2018 Short-Term Notes Costs of Issuance Fund shall be made by the Trustee, the Commission shall file or cause to be filed with the Trustee a Requisition of the Commission, such Requisition to be signed by an Authorized Representative and to include: (i) the item number of such payment; (ii) the name and address of the person to whom each such payment is due, which may be the Commission in the case of reimbursement for costs theretofore paid by the Commission; (iii) the respective amounts to be paid; (iv) the purpose by general classification for which each obligation to be paid was incurred; and (v) that obligations in the stated amounts have been incurred by the Commission and are presently due and payable and that each item thereof is a proper charge against the 2018 Short-Term Notes Costs of Issuance Fund and has not been previously paid from said fund. Each such Requisition of the Commission shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On October 1, 2018 any remaining amounts in the 2018 Short-Term Notes Costs of Issuance Fund shall be transferred to the 2018 Short-Term Notes Project Fund and the 2018 Short-Term Notes Costs of Issuance Fund shall be closed.

ARTICLE XX

REVENUES

SECTION 20.01 **Pledge of Revenues; Revenue Fund.** In accordance with Section 5.01 of the Indenture, the 2018 Short-Term Notes are limited obligations of the Commission and are payable as to both principal and interest exclusively from the Revenues and other funds pledged under the Indenture. The Commission hereby ratifies and confirms the pledge of the Indenture of all Revenues to secure the payment of the principal of and interest on the Notes and any Parity Debt, including the 2018 Short-Term Notes, in accordance with their terms, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. The Commission hereby further pledges to secure the payment of the principal of and interest on the 2018 Short-Term Notes, all amounts (including proceeds of the 2018 Short-Term Notes) held by the Trustee hereunder (except for amounts held

in the 2018 Short-Term Notes Rebate Fund), subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein. Said pledge constitutes a first lien on the Revenues and amounts in such funds and shall be immediately valid and binding without any physical delivery thereof or further act.

In accordance with Section 5.01 of the Indenture, the Commission hereby further ratifies and confirms the pledge of Revenues to the payment of Notes and Parity Debt, including, without limitation, the 2018 Short-Term Notes and all amounts owed to each Bank pursuant to a Support Agreement, without priority or distinction of one over the other, and the Revenues constitute a trust fund for the security and payment of the Notes and Parity Debt, including, without limitation, the 2018 Short-Term Notes and all amounts owed to each Bank pursuant to a Support Agreement; but nevertheless out of Revenues certain amounts may be applied for other purposes as provided in this Indenture.

Out of Revenues there shall be applied as set forth in the Indenture all sums required for the payment of the principal of and interest on the Notes and all Parity Debt, including without limitation the 2018 Short-Term Notes, together with any sinking fund payments of Parity Debt and reserve fund requirements with respect thereto. The pledge of Revenues in this Indenture made shall be irrevocable until all of the Notes and all Parity Debt, including the 2018 Short-Term Notes, are no longer outstanding.

SECTION 20.02 **Allocation of Sales Tax Revenues.**

(a) In accordance with Section 5.02 of the Indenture, so long as any 2018 Short-Term Notes are Outstanding and all other amounts payable hereunder remain unpaid, the Trustee shall set aside in each month following receipt of the Sales Tax Revenues the moneys in the Revenue Fund in the following respective funds (each of which the Trustee shall establish, maintain and hold in trust for the benefit of the Holders of the 2018 Short-Term Notes) in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority; provided that on a parity with such deposits the Trustee may set aside or transfer amounts with respect to any outstanding Notes and Parity Debt as provided in the Indenture and the proceedings for such Parity Debt delivered to the Trustee pursuant to Section 3.03 of the Indenture (which shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the 2018 Short-Term Notes and such Notes and Parity Debt):

(i) **2018 Short-Term Notes Interest Fund.** Following receipt of the Sales Tax Revenues in each month, the Trustee shall set aside in the 2018 Short-Term Notes Interest Fund as soon as practicable in such month an amount equal to one-sixth of the aggregate half-yearly amount of interest becoming due and payable on the 2018 Short-Term Notes during the next ensuing six (6) months (excluding any interest for which there are moneys deposited in the 2018 Short-Term Notes Interest Fund from the proceeds of the 2018 Short-Term Notes or other source and reserved as capitalized interest to pay such interest during

said next ensuing six (6) months), until the requisite half-yearly amount of interest on all such 2018 Short-Term Notes is on deposit in such fund; provided that from the date of delivery of the 2018 Short-Term Notes until the first Interest Payment Date with respect to such 2018 Short-Term Notes the amounts set aside in such fund with respect to such 2018 Short-Term Notes 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. No deposit need be made into the 2018 Short-Term Notes Interest Fund if the amount contained therein is at least equal to the interest to become due and payable on the Interest Payment Date falling within the next six (6) months upon the 2018 Short-Term Notes then Outstanding and on April 1 of each year any excess amounts in the 2018 Short-Term Notes Interest Fund not needed to pay interest on such date shall be transferred to the Commission (but excluding, in each case, any moneys on deposit in the 2018 Short-Term Notes Interest Fund to pay interest on any future Interest Payment Dates following such Interest Payment Dates).

(ii) 2018 Short-Term Notes Principal Fund. Following receipt of the Sales Tax Revenues in each month, the Trustee shall deposit in the 2018 Short-Term Notes Principal Fund as soon as practicable in such month an amount equal to at least one-twelfth of the aggregate yearly amount of principal payments becoming due and payable on the 2018 Short-Term Notes having annual maturity dates within the next twelve (12) months; provided that if the Commission certifies to the Trustee that any principal payments are expected to be refunded, or constitute Excluded Principal Payments to be paid from sources of funds other than Revenues, on or prior to their respective due dates, no amounts need be set aside towards such principal to be so refunded or paid.

No deposit need be made into the 2018 Short-Term Notes Principal Fund so long as there shall be in such fund (i) moneys sufficient to pay the principal payments of the 2018 Short-Term Notes issued hereunder and then Outstanding and maturing by their terms within the next twelve (12) months; provided that if the Commission certifies to the Trustee that any principal payments are expected to be refunded, or constitute Excluded Principal Payments to be paid from sources of funds other than Revenues, on or prior to their respective due dates, 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 April 1 of each year, the Trustee shall request from the Commission a Certificate of the Commission setting forth the principal payments for which deposits will not be necessary pursuant to the preceding sentence and the reason therefor. On April 1 of each year or as soon as practicable thereafter any excess amounts in the 2018 Short-Term Notes Principal Fund not needed to pay principal on such date shall be transferred to the Commission.

(b) If five (5) days prior to any Interest Payment Date the amounts on deposit in the 2018 Short-Term Notes Interest Fund with respect to the payments to be made on such upcoming date from Revenues are insufficient to make such payments, the Trustee shall immediately notify the Commission, in writing, of such deficiency and direct that the Commission transfer the amount of such deficiency to the Trustee on or prior to such payment date. The Commission hereby covenants and agrees to transfer to the Trustee from

any Revenues in its possession the amount of such deficiency on or prior to the Interest Payment Date referenced in such notice.

(c) If forty-five (45) days prior to any principal payment date the amounts on deposit in the 2018 Short-Term Notes Principal Fund with respect to the payments to be made on such upcoming date from Revenues are insufficient to make such payments, the Trustee shall immediately notify the Commission, in writing, of such deficiency and direct that the Commission transfer the amount of such deficiency to the Trustee on or prior to such payment date. The Commission hereby covenants and agrees to transfer to the Trustee from any Revenues in its possession the amount of such deficiency on or prior to the principal payment date referenced in such notice.

ARTICLE XXI

COVENANTS OF THE COMMISSION

SECTION 21.01 **Punctual Payment.** The Commission will punctually pay or cause to be paid the principal of and interest on all the 2018 Short-Term Notes, in strict conformity with the terms of the 2018 Short-Term Notes and of this Indenture, according to the true intent and meaning thereof, but in each case only out of Revenues as provided in this Indenture.

SECTION 21.02 **Extension of Payment of 2018 Short-Term Notes.** The Commission will not directly or indirectly extend or assent to the extension of the maturity of any of the 2018 Short-Term Notes or the time of payment of any 2018 Short-Term Notes or claims for interest by the purchase or funding of such 2018 Short-Term Notes or claims for interest or by any other arrangement and in case the maturity of any of the 2018 Short-Term Notes or the time of payment of any such claims for interest shall be extended, such 2018 Short-Term Notes or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the 2018 Short-Term Notes then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Commission to issue debt for the purpose of refunding any Outstanding 2018 Short-Term Notes, and such issuance shall not be deemed to constitute an extension of maturity of 2018 Short-Term Notes.

SECTION 21.03 **Waiver of Laws.** The Commission will not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the 2018 Short-Term Notes, and all benefit or advantage of any such law or laws is hereby expressly waived by the Commission to the extent permitted by law.

SECTION 21.04 **Further Assurances.** The Commission will make, execute and deliver any and all such instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better

assuring and confirming unto the Owners of the 2018 Short-Term Notes of the rights and benefits provided in this Indenture.

SECTION 21.05 **Against Encumbrances.** The Commission will not create any pledge, lien or charge upon any of the Revenues having priority over or having parity with the lien of the 2018 Short-Term Notes except only as permitted in Section 3.06.

SECTION 21.06 **Accounting Records and Financial Statements.** A copy of the financial statements prepared in accordance with Section 6.06 of the Indenture will be furnished to any owner of 2018 Short-Term Notes upon written request to the Commission.

SECTION 21.07 **[Reserved].**

SECTION 21.08 **2018 Short-Term Notes Rebate Fund.**

(A) Upon receipt of funds to be applied to the 2018 Short-Term Notes Rebate Requirement, the Trustee shall establish and maintain a fund separate from any other fund established and maintained hereunder designated as the 2018 Short-Term Notes Rebate Fund. Within the 2018 Short-Term Notes Rebate Fund, the Trustee shall maintain such accounts as shall be necessary in order to comply with the terms and requirements of the 2018 Short-Term Notes Tax Certificate as directed in writing by the Commission. Subject to the transfer provisions provided in paragraph (C) below, all money at any time deposited in the 2018 Short-Term Notes Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the 2018 Short-Term Notes Rebate Requirement, for payment to the federal government of the United States of America, and neither the Trustee nor any Holder nor any other Person shall have any rights in or claim to such money. All amounts deposited into or on deposit in the 2018 Short-Term Notes Rebate Fund shall be governed by this First Supplement and by the 2018 Short-Term Notes Tax Certificate. The Commission hereby covenants to comply with the directions contained in the 2018 Short-Term Notes Tax Certificate and the Trustee hereby covenants to comply with all written instructions of the Commission delivered to the Trustee pursuant to the 2018 Short-Term Notes Tax Certificate (which instructions shall state the actual amounts to be deposited in or withdrawn from the 2018 Short-Term Notes Rebate Fund and shall not require the Trustee to make any calculations with respect thereto). The Trustee shall be deemed conclusively to have complied with the provisions of this Section 21.08(A) if it follows such instructions of the Commission, and the Trustee shall have no liability or responsibility to enforce compliance by the Commission with the terms of the 2018 Short-Term Notes Tax Certificate nor to make computations in connection therewith.

(B) Pursuant to the 2018 Short-Term Notes Tax Certificate, an amount shall be deposited in the 2018 Short-Term Notes Rebate Fund by the Commission so that the balance of the amount on deposit thereto shall be equal to the 2018 Short-Term Notes Rebate Requirement. Computations of the 2018 Short-Term Notes Rebate Requirement shall be furnished by or on behalf of the Commission to the Trustee in accordance with the 2018 Short-Term Notes Tax Certificate.

(C) The Trustee shall invest all amounts held in the 2018 Short-Term Notes Rebate Fund, pursuant to written instructions of the Commission, in Investment Securities, subject to the restrictions set forth in the 2018 Short-Term Notes Tax Certificate. Money shall not be transferred from the 2018 Short-Term Notes Rebate Fund except as provided in paragraph (D) below.

(D) Upon receipt of Rebate Instructions, the Trustee shall remit part or all of the balances in the 2018 Short-Term Notes Rebate Fund to the United States of America, as so directed. In addition, if the Rebate Instructions so direct, the Trustee will deposit moneys into or transfer moneys out of the 2018 Short-Term Notes Rebate Fund from or into such accounts or funds as directed by the Rebate Instructions. Any funds remaining in the 2018 Short-Term Notes Rebate Fund after redemption and payment of all of the 2018 Short-Term Notes and payment and satisfaction of any 2018 Short-Term Notes Rebate Requirement applicable to such 2018 Short-Term Notes, shall be withdrawn and remitted to the Commission in accordance with a Request of the Commission.

(E) Notwithstanding any other provision of this First Supplement, including in particular Article XXIII hereof, the obligation to remit the 2018 Short-Term Notes Rebate Requirement applicable to the 2018 Short-Term Notes to the federal government of the United States of America and to comply with all other requirements of this Section and the 2018 Short-Term Notes Tax Certificate shall survive the defeasance or payment in full of the 2018 Short-Term Notes.

SECTION 21.09 **Tax Covenants.** The Commission covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the 2018 Short-Term Notes under Section 103 of the Code. The Commission will not directly or indirectly use or permit the use of any proceeds of the 2018 Short-Term Notes or any other funds of the Commission, or take or omit to take any action that would cause the 2018 Short-Term Notes to be “arbitrage bonds” within the meaning of Section 148(a) of the Code. To that end, the Commission will comply with all requirements of the 2018 Short-Term Notes Tax. In the event that at any time the Commission is of the opinion that for purposes of this Section 21.09 it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under this First Supplement, the Commission shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, the Commission agrees that there shall be paid from time to time all amounts required to be rebated to the federal government of the United States of America pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the 2018 Short-Term Notes from time to time. The Commission specifically covenants to pay or cause to be paid to the federal government of the United States of America the 2018 Short-Term Notes Rebate Requirement with respect to the 2018 Short-Term Notes at the times and in the amounts determined under and as described in the 2018 Short-Term Notes Tax Certificate.

Notwithstanding any provision of this Section 21.09, Section 21.08 and the 2018 Short-Term Notes Tax Certificate, if the Commission shall receive an Opinion of Bond Counsel to the

effect that any action required under this Section 21.09, Section 21.08 or the 2018 Short-Term Notes Tax Certificate is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the 2018 Short-Term Notes pursuant to Section 103 of the Code, the Commission and the Trustee may rely conclusively on such opinion in complying with the provisions hereof, and the covenants hereunder shall be deemed to be modified to that extent.

Notwithstanding any provisions of this First Supplement, including particularly Article XXIII, the covenants and obligations set forth in this Section 21.09 shall survive the defeasance of the 2018 Short-Term Notes.

ARTICLE XXII

EVENTS OF DEFAULT AND REMEDIES OF NOTEHOLDERS

SECTION 22.01 **Events of Default.** The following events shall be Events of Default:

- (a) any Event of Default as defined in Section 7.01 of the Indenture;
- (b) default in the due and punctual payment of the principal of any 2018 Short-Term Note when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;
- (c) default in the due and punctual payment of any installment of interest on any 2018 Short-Term Note when and as such interest installment shall become due and payable;
- (d) if the Commission shall fail to observe or perform any covenant, condition, agreement or provision in this First Supplement on its part to be observed or performed, other than as referred to in subsection (b) or (c) of this Section, for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, has been given to the Commission by the Trustee; except that, if such failure can be remedied but not within such sixty (60) day period and if the Commission 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 Commission shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee;

SECTION 22.02 **Trustee to Represent Holders.** The Trustee is hereby irrevocably appointed (and the successive respective Owners of the 2018 Short-Term Notes, 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 2018 Short-Term Notes for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the 2018 Short-Term Notes, the Indenture, the Law and applicable provisions of any other law. Upon the occurrence and continuance of an Event of

Default or other occasion giving rise to a right in the Trustee to represent the Holders, the provisions of Section 7.04 of the Indenture shall govern, and all rights of action under this First Supplement or the 2018 Short-Term Notes or otherwise may be prosecuted and enforced by the Trustee as provided therein.

SECTION 22.03 **Holders' Direction of Proceedings** . Holders' may direct of the method of conducting all remedial proceedings taken by the Trustee hereunder as provided in Section 7.06 of the Indenture.

SECTION 22.04 **Limitation on Holders' Right to Sue** . No Owner of any 2018 Short-Term Note 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 Law or any other applicable law with respect to such 2018 Short-Term Note, except as provided in Section 7.07 of the Indenture.

SECTION 22.05 **Absolute Obligation of the Commission** . Nothing in this Section 22.05 or in any other provision of this First Supplement, or in the 2018 Short-Term Notes, contained shall affect or impair the obligation of the Commission, which is absolute and unconditional, to pay the principal of and interest on the 2018 Short-Term Notes to the respective Owners of the 2018 Short-Term Notes at their respective dates of maturity, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the 2018 Short-Term Notes.

SECTION 22.06 **Termination of Proceedings** . As provided in Section 7.09 of the Indenture, in case any proceedings taken by the Trustee or any one or more Holders 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 Holders, then in every such case the Commission, the Trustee and the Holders, 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 Commission, the Trustee and the Holders shall continue as though no such proceedings had been taken.

SECTION 22.07 **Remedies Not Exclusive** . No remedy herein conferred upon or reserved to the Trustee or to the Owners of the 2018 Short-Term Notes is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 22.08 **No Waiver of Default** . No delay or omission of the Trustee or of any Owner of the 2018 Short-Term Notes to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this First Supplement to the Trustee or to the Owners of the 2018 Short-Term Notes may be exercised from time to time and as often as may be deemed expedient.

ARTICLE XXIII

DEFEASANCE

SECTION 23.01 **Discharge of First Supplement.** The 2018 Short-Term Notes or a portion thereof may be paid by the Commission in any of the following ways:

- (a) by paying or causing to be paid the principal of and interest on such Outstanding 2018 Short-Term Notes, as and when they become due and payable;
- (b) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03 of the Indenture) to pay or redeem such Outstanding 2018 Short-Term Notes; or
- (c) by delivering to the Trustee, for cancellation by it, such Outstanding 2018 Short-Term Notes.

If the Commission shall pay all 2018 Short-Term Notes Outstanding and also pay or cause to be paid all other sums payable hereunder by the Commission, then and in that case, at the election of the Commission (evidenced by a Certificate of the Commission, filed with the Trustee, signifying the intention of the Commission to discharge all such indebtedness and this First Supplement), and notwithstanding that any 2018 Short-Term Notes shall not have been surrendered for payment, this First Supplement and the pledge of Sales Tax Revenues and other assets made under this First Supplement and all covenants, agreements and other obligations of the Commission under this First Supplement shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon Request of the Commission, the Trustee shall cause an accounting for such period or periods as may be requested by the Commission to be prepared and filed with the Commission and shall execute and deliver to the Commission 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 Commission all moneys or securities or other property held by it pursuant to this First Supplement which, as evidenced by a verification report, upon which the Trustee may conclusively rely, from an independent certified public accountant, a firm of independent certified public accountants or other independent consulting firm, are not required for the payment or redemption of 2018 Short-Term Notes not theretofore surrendered for such payment or redemption.

SECTION 23.02 **Discharge of Liability on 2018 Short-Term Notes.** All liability of the Commission in respect of any Outstanding 2018 Short-Term Note may cease, terminate and be completely discharged as provided in, and subject to the terms of, Section 10.02 of the Indenture.

SECTION 23.03 **Deposit of Money or Securities.** Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust money or securities in the necessary amount to pay or redeem any 2018 Short-Term Notes, the money or securities so to be shall be deposited and held pursuant to the terms of Section 10.03 of the Indenture:

SECTION 23.04 **Payment of 2018 Short-Term Notes After Discharge of First Supplement.** Any moneys held by the Trustee in trust for the payment of the principal, Redemption Price, or interest on any 2018 Short-Term Note, including any interest earnings thereon, shall be held or transferred pursuant to the terms of Section 10.04 of the Indenture.

ARTICLE XXIV

MISCELLANEOUS

SECTION 24.01 **Best Efforts to Draw on TIFIA Loan Agreement, Issue Indenture Bonds or Obtain Other Financing.** Unless the 2018 Short-Term Notes have been previously paid or defeased pursuant to the provisions of Article XXIII of this First Supplement, the Commission hereby agrees to use its best efforts, on or before the Maturity Date, to draw on the TIFIA Loan Agreement or to the extent sufficient funds are not available or eligible thereunder to issue Indenture Bonds (as defined in the Bond Indenture) or Notes or Parity Debt, or to otherwise obtain financing, at any interest rate not to exceed the Maximum Interest Rate (as defined in the Bond Indenture) and subject to the terms of the Bond Indenture and this Indenture, in order to provide funds sufficient to pay the principal of the 2018 Short-Term Notes on the Maturity Date. [The proceeds of such draw on the TIFIA Loan Agreement, Indenture Bonds or other financing are hereby pledged to pay the principal of the 2018 Short-Term Notes.] [SUBJECT TO TAX REVIEW.]

SECTION 24.02 **Terms of the 2018 Short-Term Notes Subject to the Indenture.** Except as in this First Supplement expressly provided, every term and condition contained in the Indenture shall apply to this First Supplement and to the 2018 Short-Term Notes with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this First Supplement.

This First Supplement and all the terms and provisions herein contained shall form part of the Indenture as fully and with the same effect as if all such terms and provisions had been set forth in the Indenture. The Indenture is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby.

SECTION 24.03 **Severability.** If any covenant, agreement or provision, or any portion thereof, contained in this First Supplement, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of this First Supplement, and the application of any such covenant, agreement or provision, or portion thereof, to other Persons or circumstances, shall be deemed severable and shall not be affected thereby, and this First Supplement and the 2018 Short-Term Notes issued pursuant hereto shall remain valid, and the Holders of the 2018 Short-Term Notes shall retain all valid rights and benefits accorded to them under this Indenture, the Law, and the Constitution and statutes of the State.

SECTION 24.04 **Parties Interested Herein.** Nothing in this First Supplement expressed or implied is intended or shall be construed to confer upon, or to give to,

any person or entity, other than the Commission, the Trustee and the Holders of the 2018 Short-Term Notes, any right, remedy or claim under or by reason of this First Supplement or any covenant, condition or stipulation hereof; and all the covenants, stipulations, promises and agreements in this First Supplement contained by and on behalf of the Commission shall be for the sole and exclusive benefit of the Commission, the Trustee and the Holders of the 2018 Short-Term Notes.

SECTION 24.05 **Headings Not Binding**. The headings in this First Supplement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this First Supplement.

SECTION 24.06 **Notice Addresses**. Except as otherwise provided herein, it shall be sufficient service or giving of notice, request, complaint, demand or other paper if the same shall be duly mailed by registered or certified mail, postage prepaid, or given by electronic means of communication, addressed to the Notice Address for the appropriate party or parties as provided in Exhibit B hereto. Any such entity by notice given hereunder may designate any different addresses to which subsequent notices, certificates or other communications shall be sent, but no notice directed to any one such entity shall be thereby required to be sent to more than two addresses.

SECTION 24.07 **Notices to Rating Agencies**. The Trustee shall provide notice to the rating agencies listed in Exhibit B hereto of the following events with respect to the 2018 Short-Term Notes:

- (1) Change in Trustee;
- (2) Amendments to the Indenture; and
- (3) Defeasance of any 2018 Short-Term Notes.

SECTION 24.08 **Indenture to Remain in Effect**. Save and except as amended and supplemented by this First Supplement, the Indenture shall remain in full force and effect.

SECTION 24.09 **Effective Date of First Supplement**. This First Supplement shall take effect upon its execution and delivery.

SECTION 24.10 **Execution in Counterparts**. This First Supplement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

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

SAN DIEGO COUNTY REGIONAL
TRANSPORTATION COMMISSION

Chair of the Board of Directors

(Seal)

ATTEST:

Secretary

Approved as to Form:

By: _____
General Counsel

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

EXHIBIT A

FORM OF 2018 SHORT-TERM NOTE

No. R-_____ \$ _____

**SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
SUBORDINATE SALES TAX REVENUE SHORT-TERM NOTE
(LIMITED TAX BOND)
2018 SERIES A**

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ISSUE DATE</u>	<u>CUSIP</u>
____%	[April] 1, 20[___]	April [___], 2018	797400____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION, a public entity duly organized and existing under the laws of the State of California (the "Commission"), for value received, hereby promises to pay (but solely from Revenues as hereinafter referred to) in lawful money of the United States of America, to the registered Holder or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount specified above, together with interest thereon from the Issue Date set forth above until the principal hereof shall have been paid, at the Interest Rate set forth above payable on each April 1 and October 1, commencing October 1, 2018 (each, an "Interest Payment Date"). The principal of and premium, if any, on this Bond are payable to the registered Holder hereof upon presentation and surrender of this Note at the Corporate Trust Office, in St. Paul, Minnesota or at such other Corporate Trust Office hereinafter designated for the presentation place of Bonds for payment, of U.S. Bank National Association, as trustee (together with any successor as trustee under the hereinafter defined Indenture, the "Trustee"). Interest on this Note shall be paid by check drawn upon the Trustee and mailed on the applicable Interest Payment Date to the registered Holder hereof as of the close of business on the Record Date at such registered Holder's address as it appears on the Bond Register. As used herein, "Record Date" means the fifteenth (15th) day (whether or not a Business Day) of the month preceding the month in which such Interest Payment Date occurs.

This Note is one of a duly authorized issue of San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Short-Term Notes (Limited Tax Bonds) (the "Bonds" or "Notes") of the series and designation indicated above and is a Current Interest Bond. Said authorized issue of Notes is not limited in aggregate principal amount, except as otherwise provided in the Indenture (as hereinafter defined), and consists or may consist of one or more Series of varying denominations, dates, maturities, interest rates and other provisions, as in the Indenture provided, all issued or to be issued pursuant to the provisions of the San Diego County Regional Transportation Commission Act constituting Chapter 2 of Division 12.7 of the California Public Utilities Code (the "Act"), and Chapter 6 of Part 1 of Division 2 of Title 5 of the California

Government Code, as referenced in said Act (collectively, and together with the Act, the “Law”), and the Subordinate Indenture, as amended and supplemented, including by a First Supplement thereto, dated as of April 1, 2018 (the “Indenture”), between the Commission and the Trustee, authorizing the issuance of the San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Short-Term Notes (Limited Tax Bonds), 2018 Series A (the “2018 Short-Term Notes”). Capitalized terms used herein and not otherwise defined shall have the meaning given such terms in the Indenture.

THIS BOND IS A LIMITED TAX BOND OBLIGATION OF THE COMMISSION PAYABLE SOLELY FROM REVENUES AS DEFINED AND PROVIDED IN THE INDENTURE AND CERTAIN OTHER FUNDS PLEDGED UNDER THE INDENTURE AND THE COMMISSION IS NOT OBLIGATED TO PAY THIS BOND EXCEPT FROM REVENUES AND THOSE CERTAIN OTHER FUNDS PLEDGED UNDER THE INDENTURE. THIS BOND DOES NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA (THE “STATE”) OR ANY POLITICAL SUBDIVISION OF THE STATE OTHER THAN THE COMMISSION, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE STATE OR OF ANY POLITICAL SUBDIVISION OF THE STATE. THE CREDIT OR TAXING POWER (OTHER THAN AS DESCRIBED HEREIN) OF THE COMMISSION IS NOT PLEDGED, FOR THE PAYMENT OF THE BONDS, THEIR INTEREST, OR ANY PREMIUM DUE UPON REDEMPTION OF THE BONDS. THE BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE COMMISSION OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE REVENUES AND CERTAIN OTHER FUNDS PLEDGED UNDER THE INDENTURE.

Reference is hereby made to the Indenture and to the Law for a description of the terms on which the Notes (including the 2018 Short-Term Notes) are issued and to be issued, the provisions with regard to the nature and extent of the pledge of certain proceeds derived by the Commission from the retail transactions and use tax levied pursuant to the Law (as more particularly defined in the Indenture, the “Revenues”) and the rights of the registered owners of the Notes (including the 2018 Short-Term Notes); and all the terms of the Indenture and the Law are hereby incorporated herein and constitute a contract between the Commission and the registered owners from time to time of this Note, and to all the provisions thereof the registered owner of this Note, by such owners’ acceptance hereof, consents and agrees. Additional Notes may be issued, and indebtedness may be incurred, on a parity with the 2018 Short-Term Notes but only subject to the conditions and limitations contained in the Indenture.

The Notes (including the 2018 Short-Term Notes) and the interest thereon (to the extent set forth in the Indenture), together with any Parity Obligations heretofore or hereafter issued by the Commission, and the interest thereon, are payable from, and are secured by a charge and lien on the Revenues. All of the Notes (including the 2018 Short-Term Notes) and Parity Obligations are equally secured by a pledge of, and charge and lien upon, all of the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of the Notes (including the 2018 Short-Term Notes); but nevertheless out of Revenues certain amounts may be applied for other purposes as provided in the Indenture.

[The 2018 Short-Term Notes shall not be subject to redemption prior to their stated maturity.]

This Note is transferable or exchangeable for other authorized denominations by the registered owner hereof, in person or by its attorney duly authorized in writing, at the Corporate Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Note. Upon such transfer a new fully registered Note or Notes without coupons, of authorized denomination or denominations, of the same Series, tenor and interest rate for the same aggregate principal amount will be issued to the transferee in exchange herefor.

The Commission, the Trustee and any paying agent may deem and treat the registered owner hereof as the absolute owner hereof for all purposes, and the Commission, the Trustee and any paying agent shall not be affected by any notice to the contrary.

The rights and obligations of the Commission and of the holders and registered owners of the Notes (including the 2018 Short-Term Notes) may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Indenture, which provide, in certain circumstances, for modifications and amendments without the consent of or notice to the registered owners of Notes (including the 2018 Short-Term Notes).

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

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

IN WITNESS WHEREOF, SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION has caused this Note to be executed in its name and on its behalf by the manual or facsimile signature of its duly authorized representatives all as of the Issue Date set forth above.

SAN DIEGO COUNTY REGIONAL
TRANSPORTATION COMMISSION

By: _____
Chair of the Board of Directors

Attest:

Chief Deputy Executive Director

DRAFT

[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the 2018 Short-Term Notes described in the within-mentioned Indenture and registered on the date set forth below.

Dated: _____.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Authorized Signatory

DRAFT

[FORM OF ASSIGNMENT]

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

(Please Print or Type Name and Address of Assignee)

PLEASE INSERT SOCIAL SECURITY OR OTHER
TAX IDENTIFICATION NUMBER OF ASSIGNEE

the within Note and all rights thereunder, and hereby irrevocably constitutes and appoint

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

Dated:

Signature:

(Signature of Assignor)

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

SIGNATURE GUARANTEED:

Notice: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

[DTC LEGEND]

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

DRAFT

EXHIBIT B

NOTICE ADDRESSES

To the Commission:

San Diego County Regional Transportation Commission
401 B Street, Suite 800
San Diego, CA 92101
Attention: Director of Finance
Telephone: (619) 699-6931
Fax: (619) 699-4890

To the Trustee:

U.S. Bank National Association
633 W. Fifth Street, 24th Floor
Los Angeles, CA 90071
Attention: Global Corporate Trust Services
Telephone: (213) 615-6023

To the Rating Agencies:

[S&P Global Ratings
55 Water Street, 38th Floor
New York, New York 10041
Telephone No.: 212-438-2000
Facsimile No.: 212-438-2157
pubfin_structured@standardandpoors.com

Fitch Ratings
One State Street Plaza
New York, New York 10004]

\$[_____]]
**SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
SUBORDINATE SALES TAX REVENUE
SHORT-TERM NOTES (LIMITED TAX BONDS)
2018 SERIES A**

NOTE PURCHASE AGREEMENT

April [], 2018

San Diego County Regional Transportation Commission
401 B Street, Suite 800
San Diego, California 92101

Ladies and Gentlemen:

Citigroup Global Markets Inc. (the “Representative”), acting on behalf of itself and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Bank, National Association (collectively the “Underwriters”), hereby offers to enter into this Note Purchase Agreement with the San Diego County Regional Transportation Commission (the “Commission”), which, upon the Commission’s acceptance hereof, will be binding upon the Commission and the Underwriters. This offer is made subject to the written acceptance of this Note Purchase Agreement by the Commission and the delivery of such acceptance to the Representative or its attorney at or prior to 6:00 p.m., Pacific time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriters upon notice delivered to the Commission at any time prior to the acceptance hereof by the Commission.

The Representative represents and warrants to the Commission that it has been duly authorized to enter into this Note Purchase Agreement and to act hereunder by and on behalf of the Underwriters.

1. Definitions. All capitalized terms not defined herein shall have the meanings ascribed to them in the Indenture, as defined below. Unless a different meaning clearly appears from the context, the following words and terms shall have the following meanings, respectively:

“Business Day” shall mean any day other than a Saturday, Sunday or legal holiday in the State or in New York, New York or a day on which either the Trustee or the Commission is legally authorized to close.

“Closing Date” shall have the meaning given such term in Section 7 hereof.

“Closing Time” shall mean the time at which payment for and delivery of the Series 2018A Notes shall occur, as established pursuant to Section 7 hereof.

“Continuing Disclosure Agreement” shall mean the Continuing Disclosure Agreement dated April [], 2018.

“County” shall mean the County of San Diego, California.

“End Date” shall have the meaning set forth in Section 2 hereof.

“Indenture” shall mean the Second Amended and Restated Subordinate Indenture, dated as of April 1, 2018, between the Commission and the Trustee, as amended or supplemented, including as supplemented by the Third Supplemental Indenture.

“Legal Documents” shall mean the Indenture, the Continuing Disclosure Agreement and the Tax Certificate.

“Note Purchase Agreement” shall mean this Note Purchase Agreement.

“Note Resolution” shall mean Resolution No. RTC-2018-[_] adopted by the Commission on March [_], 2018.

“Official Statement” shall mean the Official Statement of the Commission, dated April [_], 2018, relating to the Series 2018A Notes, together with the cover page thereof and all appendices, exhibits, amendments and supplements thereto.

“Preliminary Official Statement” shall mean the Preliminary Official Statement of the Commission, dated March [_], 2018, relating to the Series 2018A Notes, together with the cover page thereof and all appendices, exhibits, amendments and supplements thereto.

“Rule 15c2-12” shall mean Rule 15c2-12 of the Securities and Exchange Commission, promulgated under the Securities Exchange Act of 1934, as amended.

“Sales Tax” shall mean the 1/2 of 1% retail transactions and use tax imposed by the Commission and approved by the electors of the County at an election held November 3, 1987 and extended by the electors of the County at an election held November 2, 2004.

“Series 2018A Notes” shall mean \$[___] aggregate principal amount of San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Short-Term Notes (Limited Tax Bonds) 2018 Series A.

“State” shall mean the State of California.

“Tax Certificate” shall mean the Tax Certificate of the Commission dated the Closing Date.

“Third Supplemental Indenture” shall mean the Third Supplemental Indenture, dated as of April 1, 2018, between the Commission and U.S. Bank National Association, as Trustee, as amended or supplemented.

“TIFIA Lender” shall mean the U.S. Department of Transportation acting by and through the Executive Director of the Build America Bureau.

“TIFIA Loan Agreement” shall mean the loan agreement, dated as of June 27, 2017, between the Commission and the TIFIA Lender, pursuant to which the TIFIA Lender has agreed to extend credit to the Commission in an amount not to exceed \$537,484,439.

2. Use and Preparation of Official Statement; Continuing Disclosure Agreement. The Commission has heretofore delivered to the Underwriters copies of the Preliminary Official Statement, which the Commission has deemed final as of its date, except for the omission of such information as is permitted to be omitted in accordance with paragraph (b)(1) of Rule 15c2-12. The Commission shall prepare and deliver to the Underwriters, as promptly as practicable, but in no event later than seven (7) business days from the date hereof and at least two (2) business days prior to the Closing Date, whichever occurs first, a final Official Statement, with such changes and amendments as may be agreed to by the Representative, in such quantities as the Underwriters may reasonably request in order to comply with paragraph (b)(4) of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board (the “MSRB”). The Commission hereby ratifies, confirms and approves the use and distribution by the Underwriters prior to the date hereof of the Preliminary Official Statement and hereby authorizes the Underwriters to use and distribute the Official Statement and all information contained therein in connection with the public offering and sale of the Series 2018A Notes. The Representative agrees to promptly file a copy of the Official Statement, including any supplements prepared by the Commission, with the MSRB on its Electronic Municipal Markets Access (“EMMA”) system. The Commission shall deliver sufficient copies of the Official Statement to enable the Underwriters to distribute a single copy to any potential customer of the Underwriters requesting an Official Statement during the time period beginning when the Official Statement becomes available and ending on a date referred to herein as the “End Date,” which is the date when the Official Statement becomes available through EMMA, but in no event less than 25 days after the end of the underwriting period (as defined in Rule 15c2-12). On the Closing Date the Commission may assume that the end of the underwriting period has occurred unless otherwise informed in writing by the Underwriters. In any event, the Underwriters shall promptly notify the Commission of the end of the underwriting period.

The Commission will undertake pursuant to a Continuing Disclosure Agreement, to be dated as of the date of issuance of the Series 2018A Notes, to provide certain annual financial and operating information and certain material event notices. A description of this undertaking is set forth in the Official Statement.

3. Purchase and Sale of the Series 2018A Notes. Upon the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriters hereby agree to purchase from the Commission the Series 2018A Notes for offering to the public, and the Commission hereby agrees to sell to the Underwriters, all (but not less than all) of the \$[_____] aggregate principal amount of the Series 2018A Notes at an aggregate purchase price of \$[_____] (the “Purchase Price”), representing the aggregate principal amount of the Series 2018A Notes, plus original issue premium of \$[_____] , less an underwriters’ discount of \$[_____].

4. The Series 2018A Notes. The principal amounts, maturity dates, interest rates and prices with respect to the Series 2018A Notes shall be as described in the Official Statement and in Appendix A hereto.

5. Public Offering of the Series 2018A Notes. Except as otherwise disclosed and agreed to by the Commission, the Underwriters agree to make a bona fide public offering of the Series 2018A Notes at the initial public offering price or prices set forth on the inside cover page of the Official Statement and in Appendix A hereto; provided, however, the Underwriters reserve the right to change the offering prices as the Underwriters deem necessary or desirable, in their sole discretion, in connection with the marketing of the Series 2018A Notes, and to sell the Series 2018A Notes to certain dealers (including dealers depositing the Series 2018A Notes into investment trusts) and others at prices lower than the initial offering prices set forth in the Official Statement. A “bona fide public offering” shall include an offering to institutional investors or registered investment companies, regardless of the number of such investors to which the Series 2018A Notes are sold. The Representative shall provide to the Commission on the Closing Date a certificate substantially in the form of Appendix B hereto stating that the Underwriters made a bona fide public offering of the Series 2018A Notes at the initial public offering price or prices set forth on the inside cover page of the Official Statement and in Appendix A hereto.

6. Use of Documents. The Commission hereby authorizes the Underwriters to use, in connection with the public offering and sale of the Series 2018A Notes, this Note Purchase Agreement, the Preliminary Official Statement, the Official Statement and the Legal Documents, and the information contained herein and therein.

7. Closing. The Closing Time shall be no later than 10:00 a.m., Pacific time, on April [], 2018, or at such other time or on such later date as shall have been mutually agreed upon by the Commission and the Representative (the “Closing Date”). At the Closing Time, the Commission will deliver or cause to be delivered the Series 2018A Notes to the Underwriters through The Depository Trust Company (“DTC”) in definitive or temporary form, duly executed by the Commission, together with the other documents hereinafter mentioned; and the Underwriters will accept such delivery and pay the Purchase Price in immediately available funds to the Trustee.

The Series 2018A Notes will be registered in the name of “Cede & Co.” as nominee of DTC. It is anticipated that CUSIP identification numbers will be printed on the Series 2018A Notes, but neither the failure to print such numbers on the Series 2018A Notes nor any error with respect thereto shall constitute a cause for failure or refusal by the Underwriters to accept delivery of the Series 2018A Notes in accordance with the terms of this Note Purchase Agreement.

Delivery of the Series 2018A Notes will be made through the book-entry system of DTC, and all other actions to be taken at the Closing Time, including the delivery of the items set forth in Section 9 hereof, shall take place at the offices of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, or at such other place as shall have been mutually agreed upon by the Commission and the Representative.

8. Representations, Warranties and Agreements of the Commission. The Commission hereby represents, warrants and agrees with the Underwriters that:

(a) The Commission has been duly created and is validly existing under the laws of the State and has the power to issue the Series 2018A Notes pursuant to the Act, the Note Resolution and the Legal Documents.

(b) The Commission has full legal right, power and authority under the Constitution and the laws of the State to cause the collection of the Sales Tax, to adopt the Note Resolution, to enter into the Legal Documents, the TIFIA Loan Agreement and this Note Purchase Agreement, and to sell, issue and deliver the Series 2018A Notes to the Underwriters as provided herein; the Commission has full legal right, power and authority to perform its obligations under the Note Resolution, the Series 2018A Notes, the Legal Documents, the TIFIA Loan Agreement and this Note Purchase Agreement, and to carry out and consummate the transactions contemplated thereby and hereby and by the Official Statement; except as described in the Preliminary Official Statement and the Official Statement, the Commission has complied with, or will at the Closing Time be in compliance with, in all respects material to this transaction, the Constitution, the Act, the Ordinance and laws of the State, and the terms of the Note Resolution, the Series 2018A Notes, the Legal Documents, the TIFIA Loan Agreement and this Note Purchase Agreement.

(c) Except as described in the Preliminary Official Statement and the Official Statement, by all necessary official action, the Commission has duly adopted the Ordinance, which was approved by a majority of the voters in the County on November 3, 1987 and extended by more than a two-thirds vote of the voters in the County voting on such extension on November 2, 2004.

(d) By all necessary official action, the Commission has duly adopted the Note Resolution, has duly authorized the preparation and distribution of the Preliminary Official Statement and the preparation, execution and delivery of the Official Statement, has duly authorized and approved the execution and delivery of, and the performance of its obligations under, the Series 2018A Notes, this Note Purchase Agreement, the TIFIA Loan Agreement and the Legal Documents, and the consummation by it of all other transactions contemplated by this Note Purchase Agreement, the Note Resolution, the TIFIA Loan Agreement and the Legal Documents. When executed and delivered by their respective parties, the Legal Documents and this Note Purchase Agreement (assuming due authorization, execution and delivery by and enforceability against the other parties thereto) will be in full force and effect and each will constitute legal, valid and binding agreements or obligations of the Commission, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State.

(e) The Series 2018A Notes, when issued, authenticated and delivered in accordance with the Note Resolution and the Indenture, and sold to the Underwriters as provided herein, will constitute legal, valid and binding obligations of the Commission, enforceable in

accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State, and will be entitled to the benefits of the laws of the State, the Indenture and the Note Resolution.

(f) All consents, approvals, authorizations, orders, licenses or permits of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter, that are required for the due authorization by, or that would constitute a condition precedent to or the absence of which would materially adversely affect the issuance, delivery or sale of the Series 2018A Notes and the execution, delivery of and performance of the Legal Documents and the TIFIA Loan Agreement by the Commission have been duly obtained (except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Series 2018A Notes, as to which no representation is made).

(g) Except as described in the Preliminary Official Statement and the Official Statement, the Commission is not in any material respect in breach of or default under any constitutional provision, law or administrative regulation of the State or of the United States or any agency or instrumentality of either or any judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Commission is a party or to which the Commission or any of its property or assets is otherwise subject (including, without limitation, the Note Resolution, the TIFIA Loan Agreement and the Legal Documents), and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument; and the adoption of the Note Resolution, the issuance, delivery and sale of the Series 2018A Notes and the execution and delivery of this Note Purchase Agreement, the TIFIA Loan Agreement and the Legal Documents and compliance with the Commission's obligations therein and herein will not in any material respect conflict with, violate or result in a breach of or constitute a default under, any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, agreement, mortgage, lease or other instrument to which the Commission is a party or to which the Commission or any of its property or assets is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Commission or under the terms of any such law, regulation or instruments, except as provided by the Note Resolution, the TIFIA Loan Agreement and the Legal Documents.

(h) As of the date hereof, no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, government agency, public board or body, is pending or, to the best of the Commission's knowledge, threatened against the Commission: (i) in any way affecting the existence of the Commission or in any way challenging the respective powers of the several offices or the titles of the officials of the Commission to such offices; (ii) affecting or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of any of the Series 2018A Notes, the application of the proceeds of the sale of the Series 2018A Notes, the proceedings authorizing and approving the Sales Tax, the levy or collection of the Sales Tax; (iii) in any way

contesting or affecting, as to the Commission, the validity or enforceability of the Act, the proceedings authorizing the Sales Tax, the Note Resolution, the Series 2018A Notes, the Legal Documents, the TIFIA Loan Agreement or this Note Purchase Agreement; (iv) in any way contesting the powers of the Commission or its authority with respect to issuance or delivery of the Series 2018A Notes, the adoption of the Note Resolution, or the execution and delivery of the Legal Documents, the TIFIA Loan Agreement or this Note Purchase Agreement, or contesting the power or authority to levy the Sales Tax; (v) contesting the exclusion from gross income of interest on the Series 2018A Notes for federal income tax purposes; (vi) in any way contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any supplement or amendment thereto; or (vii) in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby or that might materially adversely affect the ability of the Commission to perform and satisfy its obligations under this Note Purchase Agreement, the Legal Documents, the TIFIA Loan Agreement or the Series 2018A Notes; nor to the best of the Commission's knowledge is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the Act, the proceedings authorizing the Sales Tax, the Note Resolution, the Legal Documents, the TIFIA Loan Agreement or this Note Purchase Agreement or the performance by the Commission of its obligations thereunder, or the authorization, execution, delivery or performance by the Commission of the Series 2018A Notes, the Note Resolution, the Legal Documents, the TIFIA Loan Agreement or this Note Purchase Agreement.

(i) Between the date hereof and the Closing Time, the Commission will not, without the prior written consent of the Representative, offer or issue in any material amount any bonds, notes or other obligations for borrowed money, or in any material amount incur any material liabilities, direct or contingent, except in the course of normal business operations of the Commission or relating to the Project or except for such borrowings as may be described in or contemplated by the Preliminary Official Statement and the Official Statement.

(j) The Commission will furnish such information, execute such instruments, and take such other action in cooperation with and at the expense of the Underwriters as the Underwriters may reasonably request in order (i) to qualify the Series 2018A Notes for sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriters may designate and (ii) to determine the eligibility of the Series 2018A Notes for investment under the laws of such states and other jurisdictions; and the Commission will use commercially reasonable efforts to continue such qualification in effect so long as required for distribution of the Series 2018A Notes; provided, however, that in no event shall the Commission be required to take any action which would subject itself to service of process in any jurisdiction in which it is not already so subject, and will provide prompt written notice to the Underwriters of receipt by the Commission of any written notification with regard to the suspension of the qualification of the Series 2018A Notes for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose.

(k) The Commission has the legal authority to apply and will apply, or cause to be applied, the proceeds from the sale of the Series 2018A Notes as provided in and subject to all of the terms and provisions of the Act, the Ordinance, the Note Resolution and the Indenture, and will not take or omit to take any action which action or omission will adversely affect the

exclusion from gross income for federal income tax purposes of the interest on the Series 2018A Notes.

(l) The Series 2018A Notes, when issued, will conform to the description thereof contained in the Preliminary Official Statement (other than the information as to principal amounts, interest rates, redemption provisions and other information subject to change) and the Official Statement under the captions “THE 2018 SHORT-TERM NOTES” and Appendix C — “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE”; the proceeds of the Series 2018A Notes, when issued, will be applied generally as described in the Preliminary Official Statement and the Official Statement under the captions “INTRODUCTION — Application of 2018 Short-Term Note Proceeds” and “FINANCING PLAN”; and the Note Resolution and the Indenture conform to the descriptions thereof contained in the Preliminary Official Statement and the Official Statement.

(m) The Preliminary Official Statement (other than information allowed to be omitted by Rule 15c2-12), as of its date and as of the date hereof, did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (excluding therefrom the information contained under the caption “UNDERWRITING” and all information concerning the book-entry system set forth under the caption “THE 2018 SHORT-TERM NOTES” and in Appendix E as to which no representations or warranties are made and the information in Appendix C, which is correct in all material respects).

(n) As of the date hereof, and (unless an event occurs of the nature described in paragraph (p) of this Section 8) at all times subsequent thereto, up to and including the Closing Time, the Official Statement (excluding therefrom the information under the caption “UNDERWRITING” and all information concerning the book-entry system set forth under the caption “THE 2018 SHORT-TERM NOTES” and in Appendix E as to which no representations or warranties are made and the information in Appendix C, which is correct in all material respects) did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements in the Official Statement, in the light of the circumstances under which they are made, not misleading.

(o) If the Official Statement is supplemented or amended pursuant to paragraph (p) of this Section 8, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the Closing Time, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(p) The Commission shall not amend or supplement the Official Statement without the prior written consent of the Representative, which shall not be unreasonably withheld. If between the date hereof and the Closing Time, any event shall occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements

therein, in the light of the circumstances under which they were made, not misleading, the Commission shall notify the Representative thereof, and if, in the opinion of the Representative, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Commission shall forthwith prepare and furnish (at the expense of the Commission) a reasonable number of copies of an amendment of or supplement to the Official Statement in form and substance satisfactory to the Representative.

(q) Except as described in the Preliminary Official Statement and the Official Statement, the Commission has not granted a lien on or made a pledge of the Revenues or any other funds pledged under the Indenture.

(r) The Commission is not in default in any material respect on any bond, note or other obligation for borrowed money or under any agreement under which any such obligation is outstanding, and at no time has defaulted in any material respect on any payment obligation with respect to such outstanding bonds, notes or other obligations for borrowed money.

(s) No event of default or potential default under the TIFIA Loan Agreement has occurred and is continuing. If, between the date hereof and the Closing Time, the Commission becomes aware or has any reason to believe that it will not satisfy the conditions precedent to disbursement under the TIFIA Loan Agreement or becomes aware of any other circumstances that would prevent disbursement under the TIFIA Loan Agreement, it will promptly notify the Representative in writing.

(t) The financial statements of, and other financial information regarding, the Commission in the Preliminary Official Statement and the Official Statement relating to the receipts, expenditures and cash balances of Revenues by the Commission as of June 30, 2017 fairly represent the receipts, expenditures and cash balances of such amounts and, insofar as presented, other funds of the Commission as of the dates and for the periods therein set forth. The financial statements of the Commission have been prepared in accordance with generally accepted accounting principles consistently applied. Except as disclosed in the Preliminary Official Statement and the Official Statement or otherwise disclosed in writing to the Representative, there has not been any materially adverse change in the financial condition of the Commission or in its operations since June 30, 2017 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(u) Prior to the Closing Time, the Commission will not take any action within or under its control, other than actions in the normal course of operation, that will cause any material adverse change in such financial position, results of operations or condition, financial or otherwise, of the Commission. The Commission shall not take or omit to take any action that would impair its ability to draw funds under the TIFIA Loan Agreement to pay the Series 2018A Notes.

(v) Upon the delivery of the Series 2018A Notes, the aggregate principal amount of Notes authorized to be issued under the Indenture, together with all outstanding Subordinate Obligations, will not in combination with all outstanding debt obligations of the

Commission exceed any limitation imposed by law or by the Indenture or by Section 132309(b) of the Public Utilities Code of the State of California.

(w) The sum of the principal of and interest on the Series 2018A Notes, together with all outstanding Parity Obligations, Subordinate Obligations and other outstanding debt obligations of the Commission, does not exceed the estimated proceeds of the retail transactions and use tax for the period for which the retail transactions and use tax is to be imposed by the Commission.

(x) Except as otherwise set forth in the Preliminary Official Statement and the Official Statement, the Commission has complied in all material respects during the previous five years with all previous undertakings required pursuant to Rule 15c2-12.

(y) Any certificate, signed by any official of the Commission authorized to do so in connection with the transactions described in this Note Purchase Agreement, shall be deemed a representation and warranty by the Commission to the Underwriters as to the statements made therein.

9. Conditions to the Underwriters' Obligations. The Representative has entered into this Note Purchase Agreement in reliance upon the representations, warranties and obligations of the Commission contained herein and upon the documents and instruments to be delivered at the Closing Time. Accordingly, the Underwriters' obligations under this Note Purchase Agreement shall be subject to the following conditions:

(a) The representations and warranties of the Commission contained herein shall be true and correct at the date hereof and true and correct at and as of the Closing Time, as if made at and as of the Closing Time and will be confirmed by a certificate or certificates of the appropriate Commission official or officials dated the Closing Date, and the Commission shall be in compliance with each of the agreements and covenants made by it in this Note Purchase Agreement;

(b) (i) At the Closing Time, the Act, the Note Resolution and the Legal Documents shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to by the Commission and the Representative, and (ii) the Commission shall perform or have performed all of its obligations required under or specified in the Act, the Note Resolution, the Legal Documents, this Note Purchase Agreement, the Preliminary Official Statement and the Official Statement to be performed at or prior to the Closing Time;

(c) As of the date hereof and at the Closing Time, all necessary official action of the Commission relating to this Note Purchase Agreement, the Legal Documents, the Preliminary Official Statement and the Official Statement shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect;

(d) Subsequent to the date hereof, up to and including the Closing Time, there shall not have occurred any change in or particularly affecting the Commission, the Act, the Ordinance, the Sales Tax, the Revenues, the TIFIA Loan Agreement or the Series 2018A Notes

as the foregoing matters are described in the Preliminary Official Statement and the Official Statement, which in the reasonable professional judgment of the Representative materially impairs the investment quality of the Series 2018A Notes;

(e) Subsequent to the date hereof, up to and including the Closing Time, the California Department of Tax and Fee Administration shall not have suspended or advised the suspension of the collection of the Sales Tax or the escrow of any proceeds thereof, and the General Counsel to the Commission shall not have advised the suspension of the collection of the Sales Tax or the escrow of any proceeds thereof other than as disclosed in the Preliminary Official Statement and the Official Statement;

(f) At or prior to the Closing Date, the Representative shall receive copies of each of the following documents:

(1) The Official Statement delivered in accordance with Section 2 hereof and each supplement or amendment, if any, executed on behalf of the Commission by its Executive Director.

(2) An approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, dated the Closing Date, as to the validity of the Series 2018A Notes, the exclusion of interest on the Series 2018A Notes from federal gross income and the exclusion of interest on the Series 2018A Notes from State income taxation, addressed to the Commission substantially in the form attached as Appendix F to the Official Statement, and a reliance letter with respect thereto addressed to the Underwriters.

(3) A supplemental opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, addressed to the Underwriters, to the effect that:

(i) The Note Purchase Agreement and the Continuing Disclosure Agreement each has been duly executed and delivered by the Commission and each is valid and binding upon the Commission, subject to laws relating to bankruptcy, insolvency, reorganization or creditors' rights generally, to the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State of California;

(ii) The statements contained in the Official Statement in the sections entitled "THE 2018 SHORT-TERM NOTES" (other than the information concerning DTC and the book-entry system), "SECURITY AND SOURCES OF PAYMENT FOR THE 2018 SHORT-TERM NOTES," "TAX MATTERS" and Appendix C — "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE," excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements expressly summarize certain provisions of the Indenture, the Series 2018A Notes, and the form and content of such counsel's opinion attached as Appendix F to the Preliminary Official Statement and the Official Statement, are accurate in all material respects; and

(iii) The Series 2018A Notes are not subject to the registration requirements of the Securities Act of 1933, as amended (the “1933 Act”) and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”).

(4) A letter, dated the Closing Date and addressed to the Commission and the Underwriters, from Norton Rose Fulbright US LLP, Disclosure Counsel, substantially in the form attached as Appendix C hereto.

(5) The opinion of Nixon Peabody LLP, Underwriters’ Counsel, addressed to the Underwriters, in form and substance acceptable to the Underwriters, covering such items as the Representative may request.

(6) The opinion of the General Counsel to the Commission, dated the Closing Date, addressed to the Underwriters and the Trustee, to the effect that:

(i) The Commission has been duly organized and is validly existing under the Constitution and laws of the State of California, and has all requisite power and authority thereunder: (a) to adopt the Note Resolution, and to enter into, execute, deliver and perform its covenants and agreements under the Legal Documents, the TIFIA Loan Agreement and the Note Purchase Agreement; (b) to approve and authorize the use and distribution of the Preliminary Official Statement and the use, execution and distribution of the Official Statement; (c) to issue, sell, execute and deliver the Series 2018A Notes; (d) to cause the Sales Tax to be levied and collected as described in the Preliminary Official Statement and the Official Statement; (e) to pledge the Revenues as contemplated by the Legal Documents; and (f) to carry on its activities as currently conducted;

(ii) The Commission has taken all actions required to be taken by it prior to the Closing Date material to the transactions contemplated by the documents mentioned in paragraph (i) above, and the Commission has duly authorized the execution and delivery of, and the due performance of its obligations under, the Note Purchase Agreement, the Legal Documents, the TIFIA Loan Agreement and the Series 2018A Notes;

(iii) the Note Resolution was duly adopted by at least a two-thirds vote of all the voting members of the Board of Directors of the Commission at a meeting of the governing body of the Commission which was called and held pursuant to law and with all required notices and in accordance with all applicable open meetings laws and at which a quorum was present and acting at the time of the adoption of the Note Resolution;

(iv) the adoption of the Note Resolution, the execution and delivery by the Commission of the Note Purchase Agreement, the Legal Documents, the TIFIA Loan Agreement and the Series 2018A Notes and the compliance with the provisions of the Note Purchase Agreement, the Legal Documents, the TIFIA Loan Agreement and the Series 2018A Notes, to the best

of such counsel's knowledge after due inquiry, do not and will not conflict with or violate in any material respect any California constitutional, statutory or regulatory provision, or, to the best of such counsel's knowledge after due inquiry, conflict with or constitute on the part of the Commission a material breach of or default under any agreement or instrument to which the Commission is a party or by which it is bound;

(v) the Series 2018A Notes, the Legal Documents, the TIFIA Loan Agreement and the Note Purchase Agreement constitute binding and legal obligations of the Commission and are enforceable according to the terms thereof, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights generally, and by the application of equitable principles if equitable remedies are sought, by the exercise of judicial discretion and the limitations on legal remedies against public entities in the State;

(vi) no litigation is pending with service of process completed or, to the best of such counsel's knowledge after due inquiry, threatened against the Commission in any court in any way affecting the titles of the officials of the Commission to their respective positions, or seeking to restrain or to enjoin the issuance, sale or delivery of the Series 2018A Notes, or the collection of revenues pledged or to be pledged to pay the principal of and interest on the Series 2018A Notes, or in any way contesting or affecting the validity or enforceability of the Series 2018A Notes, the Note Resolution, the Legal Documents, the TIFIA Loan Agreement or the Note Purchase Agreement, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the Commission or its authority with respect to the Series 2018A Notes, the Note Resolution, the Legal Documents, the TIFIA Loan Agreement or the Note Purchase Agreement, or questioning the existence of the Commission;

(vii) the information contained in the Preliminary Official Statement and the Official Statement under the captions "SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION" and "ABSENCE OF MATERIAL LITIGATION" does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(viii) to the best of such counsel's knowledge after due inquiry, no authorization, approval, consent or other order of the State or any local agency of the State, other than such authorizations, approvals and consents which have been obtained, is required for the valid authorization, execution and delivery by the Commission of the Legal Documents and the TIFIA Loan Agreement and the authorization and distribution of the Official Statement (provided that no opinion need be expressed as to any action required under state securities or Blue Sky laws in connection with the purchase of the Series 2018A Notes by the Underwriters); and

(ix) to the best of such counsel's knowledge after due inquiry, the Commission is not in breach of or default under any applicable law or administrative regulation of the State or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Commission is a party or is otherwise subject, which breach or default would materially adversely affect the Commission's ability to enter into or perform its obligations under the Legal Documents, the TIFIA Loan Agreement and the Note Purchase Agreement, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument and which would materially adversely affect the Commission's ability to enter into or perform its obligations under the Legal Documents, the TIFIA Loan Agreement and the Note Purchase Agreement.

(7) A certificate, dated the Closing Date and signed by such officials of the Commission as shall be satisfactory to the Representative, to the effect that (i) the representations, warranties and covenants of the Commission contained in the Note Purchase Agreement are true and correct in all material respects on and as of the Closing Time with the same effect as if made at the Closing Time; (ii) the Note Resolution is in full force and effect at the Closing Time and has not been amended, modified or supplemented, except as agreed to by the Commission and the Representative; (iii) the Commission has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Time; (iv) subsequent to the date of the Official Statement and on or prior to the date of such certificate, there has been no material adverse change in the condition (financial or otherwise) of the Commission, whether or not arising in the ordinary course of the Commission's operations, as described in the Official Statement; and (v) the Preliminary Official Statement, as of its date and as of the date of the Note Purchase Agreement, (excluding therefrom the information under the caption "UNDERWRITING," all information concerning the book-entry system set forth under the caption "THE 2018 SHORT-TERM NOTES" and in Appendix E, as to which no representations and warranties need be made, and the information in Appendix C, which is correct in all material respects), and the Official Statement, as of its date and as of the Closing Date, (excluding therefrom the information under the caption "UNDERWRITING," all information concerning the book-entry system set forth under the caption "THE 2018 SHORT-TERM NOTES" and in Appendix E, as to which no representations and warranties need be made, and the information in Appendix C, which is correct in all material respects), did not and does not contain any untrue statement of a material fact and neither omitted nor omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(8) The audited financial statements of the Commission relating to the receipts, expenditures and cash balances of Sales Tax Revenues by the Commission as of June 30, 2017 included in the Official Statement, certified by the Commission on the Closing Date as being correct and complete.

(9) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee, satisfactory in form and substance to the Representative, to the effect that:

(i) the Trustee is a national banking association organized and existing under and by virtue of the laws of the United States of America, having the full power and being qualified to enter into and perform its duties under the Indenture;

(ii) the Trustee is duly authorized to enter into, has duly executed and delivered the Legal Documents to which the Trustee is a party and has duly authenticated and delivered the Series 2018A Notes;

(iii) the execution and delivery of the Legal Documents to which the Trustee is a party and compliance with the provisions on the Trustee's part contained therein, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Trustee is a party or is otherwise subject (except that no representation, warranty or agreement is made with respect to any federal or state securities or Blue Sky laws or regulations), nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the lien created by the Indenture under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Indenture;

(iv) the Trustee has not been served with any action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, nor is any such action, to the best of such official's knowledge after reasonable investigation, threatened against the Trustee affecting the existence of the Trustee, or the titles of its officers to their respective offices, or in any way contesting or affecting the validity or enforceability of the Legal Documents to which the Trustee is a party, or contesting the powers of the Trustee or its authority to enter into, adopt or perform its obligations under any of the foregoing, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Legal Documents to which the Trustee is a party; and

(v) the Trustee will apply the proceeds from the Series 2018A Notes as provided in the Indenture.

(10) A certified copy of the general resolution or other documentation of the Trustee authorizing the execution and delivery of the Legal Documents to which the Trustee is a party.

(11) The opinion of counsel of the Trustee, dated the Closing Date, addressed to the Commission and the Underwriters, to the effect that:

(i) the Trustee is a national banking association duly organized, validly existing and in good standing under the laws of the United States having full power and authority and being qualified to enter into, accept and administer the trust created under the Legal Documents to which it is a party and to enter into such Legal Documents;

(ii) the Legal Documents to which it is a party have been duly authorized, executed and delivered by the Trustee and constitute the valid and binding obligations of the Trustee enforceable against the Trustee in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought;

(iii) the execution, delivery and performance of the Legal Documents will not conflict with or cause a default under any law, ruling, agreement, administrative regulation or other instrument by which the Trustee is bound;

(iv) all authorizations and approvals required by law and the articles of association and bylaws of the Trustee in order for the Trustee to execute and deliver and perform its obligations under the Legal Documents to which it is a party have been obtained; and

(v) no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, is pending or threatened in any way affecting the existence of the Trustee or the titles of its directors or officers to their respective offices, or seeking to restrain or enjoin the issuance, sale or delivery of the Series 2018A Notes or the application of proceeds thereof in accordance with the Legal Documents to which it is a party, or in any way contesting or affecting the Series 2018A Notes or the Legal Documents to which it is a party.

(12) Evidence of signature authority and incumbency of the Trustee.

(13) A certified copy of the proceedings relating to authorization and approval of the Sales Tax.

(14) A copy of the executed Agreement for State Administration of Transactions and Use Tax, between the Commission and the California [State Board of Equalization], [Department of Tax and Fee Administration] including all amendments thereto.

(15) A certified copy of the Note Resolution.

- (16) Fully executed copies of each of the Legal Documents.
- (17) Evidence of required filings with the California Debt and Investment Advisory Commission.
- (18) A copy of the Blue Sky Survey with respect to the Series 2018A Notes.
- (19) A Tax Certificate of the Commission, in form satisfactory to Bond Counsel, signed by such officials of the Commission as shall be satisfactory to the Representative.
- (20) Evidence as of the Closing Date satisfactory to the Representative that the Series 2018A Notes have received a rating of “[_____]” from Fitch Ratings and “[_____]” from S&P Global Ratings (or such other equivalent rating as Fitch Ratings and S&P Global Ratings shall issue), and that such ratings have not been revoked or downgraded.
- (21) Two transcripts of all proceedings relating to the authorization and issuance of the Series 2018A Notes, which may be in digital form (or a commitment to so provide).
- (22) A certified copy of the executed TIFIA Loan Agreement and any amendments thereto.
- (23) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Representative, Underwriters’ Counsel or Bond Counsel may reasonably request to evidence compliance by the Commission with legal requirements, the truth and accuracy, as of the Closing Time, of the representations of the Commission herein contained and of the Official Statement and the due performance or satisfaction by the Commission at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Commission.

10. Termination.

(a) If the Commission shall be unable to satisfy the conditions of the Underwriters’ obligations contained in this Note Purchase Agreement or if the Underwriters’ obligations shall be terminated for any reason permitted by this Note Purchase Agreement, this Note Purchase Agreement may be cancelled by the Representative at, or at any time prior to, the Closing Time. Notice of such cancellation shall be given to the Commission in writing, or by telephone or telegraph confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the Commission hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriters may be waived by the Representative at its sole discretion.

(b) The Underwriters shall also have the right, prior to the Closing Time, to cancel their obligations to purchase the Series 2018A Notes, by written notice to the Commission, if between the date hereof and the Closing Time:

(i) any event occurs or information becomes known, which, in the reasonable professional judgment of the Representative, makes untrue any statement of a material fact set forth in the Official Statement or results in an omission to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading and, in either such event, (A) the Commission refuses to permit the Official Statement to be supplemented to supply such statement or information in a manner satisfactory to the Representative or (B) the effect of the Official Statement as so supplemented is, in the judgment of the Representative, to materially adversely affect the market price or marketability of the Series 2018A Notes or the ability of the Underwriters to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Series 2018A Notes; or

(ii) the marketability for the Series 2018A Notes or the market prices of the Series 2018A Notes or the ability of the Underwriters to enforce contracts for the sale of the Series 2018A Notes shall have been materially and adversely affected, in the reasonable professional judgment of the Representative, by:

(A) an amendment to the Constitution of the United States or the State of California shall have been passed or legislation shall have been passed by either chamber of the Congress of the United States or the legislature of any state having jurisdiction of the subject matter or legislation pending in the Congress of the United States shall have been amended or legislation shall have been recommended to the Congress of the United States or to any state having jurisdiction of the subject matter or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation shall have been proposed for consideration by either such Committee by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee or by the staff of the joint Committee on Taxation of the Congress of the United States, or legislation shall have been favorably reported for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States or of the State of California or the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been made or any other release or announcement shall have been made by the Treasury Department of the United States, the Internal Revenue Service or other federal or State of California authority, with respect to federal or State of California taxation upon revenues or other income of the general character to be derived by the Commission or upon interest received on

obligations of the general character of the Series 2018A Notes which, in the reasonable judgment of the Representative, is likely to have the purpose or effect, directly or, indirectly, of adversely affecting the tax status of the Commission, its property or income, its securities (including the Series 2018A Notes) or the interest thereon, or any tax exemption granted or authorized by State of California legislation; or

(B) legislation shall have been introduced or passed by either chamber of the Congress or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or an order, stop order, ruling, regulation (final, temporary or proposed) or official statement issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter shall have been made or issued to the effect that obligations of the general character of the Series 2018A Notes are not exempt from registration under the 1933 Act, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939; or

(C) the declaration of war or engagement in or escalation of military hostilities by the United States or the occurrence of any other national emergency or calamity or terrorism affecting the operation of the government of the United States, or the financial, political or economic conditions affecting the United States or the Commission, including, without limitation, a downgrade of the sovereign debt rating of the United States by any major credit rating agency or payment default on United States Treasury obligations or a default with respect to the debt obligations of, or the institution of proceedings under any federal bankruptcy laws by or against any state of the United States or any city, county or other political subdivision located in the United States having a population of over 1,000,000; or

(D) the declaration of a general banking moratorium by federal, New York or California authorities or a major financial crisis, a material disruption in commercial banking or securities settlement or clearance services, the general suspension of trading on any national securities exchange, the establishment of minimum or maximum prices on any national securities exchange; or

(E) an order, decree or injunction of any court of competent jurisdiction, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Series 2018A Notes, or the issuance, offering or sale of the Series 2018A Notes, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect; or

(F) any material adverse change in the affairs or financial condition of the Commission, except for changes which the Official Statement disclosures are expected to occur; or

(iii) additional material restrictions not in force or being enforced as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which, in the reasonable professional judgment of the Representative, materially and adversely affect the marketability or market price for the Series 2018A Notes or the ability of the Underwriters to enforce contracts for the sale of the Series 2018A Notes, or there is a material increase in restrictions now in force with respect to the extension of credit by or the charge to the net capital requirements of underwriters or broker-dealers which, in the reasonable professional judgment of the Representative, materially and adversely affect the marketability or market price for the Series 2018A Notes or the ability of the Underwriters to enforce contracts for the sale of the Series 2018A Notes; or

(iv) any litigation shall be instituted or be pending at the Closing Time to restrain or enjoin the issuance, sale or delivery of the Series 2018A Notes, or in any way contesting or affecting any authority for or the validity of the proceedings authorizing and approving the Sales Tax or the rates, levy or collection thereof, the issuance, sale or delivery of Series 2018A Notes, the Act, the Ordinance, the Note Resolution, the Legal Documents, the TIFIA Loan Agreement or the existence or powers of the Commission with respect to its obligations under the Legal Documents, the TIFIA Loan Agreement or the Series 2018A Notes; or

(v) there shall have occurred any downgrading or published negative credit watch or similar published information from a rating agency that as of the date hereof has published, or has been asked to furnish, an unenhanced long-term rating on the Commission's senior lien debt obligations or subordinate lien debt obligations, including the Series 2018A Notes, which action reflects a change or possible change in the ratings accorded to such obligations, including the Series 2018A Notes; or

(vi) there shall have occurred (1) any event of default or potential default under the TIFIA Loan Agreement, or (2) any event that in the reasonable judgment of the Representative could limit the ability of the Commission to receive disbursements under the TIFIA Loan Agreement.

If the Underwriters terminate their obligation to purchase the Series 2018A Notes because any of the conditions specified in Section 6, Section 9 or this Section 10 shall not have been fulfilled at or before the Closing Time, such termination shall not result in any liability on the part of the Representative.

11. Conditions to Obligations of the Commission. The performance by the Commission of its obligations is conditioned upon (i) the performance by the Underwriters of

their obligations hereunder and (ii) receipt by the Commission and the Underwriters of opinions addressed to the Underwriters and certificates being delivered at the Closing Time by persons and entities other than the Commission.

12. Amendment of Official Statement. For a period beginning on the date hereof and continuing until the End Date, (a) the Commission will not adopt any amendment of, or supplement to, the Official Statement to which the Representative shall object in writing or that shall be disapproved by the Underwriters' Counsel and (b) if any event relating to or affecting the Commission shall occur as a result of which it is necessary, in the opinion of Underwriters' Counsel, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser of the Series 2018A Notes, the Commission will forthwith prepare and furnish to the Underwriters a reasonable number of copies of an amendment of, or supplement to, the Official Statement (in form and substance satisfactory to Underwriters' Counsel) that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser of the Series 2018A Notes, not misleading.

13. Indemnification. The Commission (a "Commission Indemnifying Party") shall indemnify and hold harmless, to the extent permitted by law, the Underwriters and their respective directors, officers, employees and agents and each person who controls the Underwriters within the meaning of Section 15 of the 1933 Act (any such person being therein sometimes called a "Commission Indemnified Party"), against any and all losses, claims, damages or liabilities, joint or several, to which such Commission Indemnified Party may become subject under any statute or at law or in equity or otherwise, and shall promptly reimburse any such Commission Indemnified Party for any reasonable legal or other expenses incurred by it in connection with investigating any claims against it and defending any actions, but only to the extent that such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement of a material fact contained in the Preliminary Official Statement or the Official Statement under the captions "THE 2018 SHORT-TERM NOTES," "SECURITY AND SOURCES OF PAYMENT FOR THE 2018 SHORT-TERM NOTES," "JUNIOR SUBORDINATE TIFIA LOAN," "SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION," "THE SALES TAX," "FINANCING PLAN," "COMMISSION INVESTMENT PORTFOLIO," and "ABSENCE OF MATERIAL LITIGATION" or any amendment or supplement thereof, or the omission to state therein a material fact necessary to make the statements therein in light of the circumstances under which they were made not misleading. This indemnity agreement shall not be construed as a limitation on any other liability which the Commission may otherwise have to any Commission Indemnified Party, provided that in no event shall the Commission be obligated for double indemnification.

The Underwriters (collectively, an "Underwriter Indemnifying Party") shall indemnify and hold harmless, to the extent permitted by law, the Commission and its directors, officers, members, employees and agents and each person who controls the Commission within the meaning of Section 15 of the 1933 Act (any such person being therein sometimes called an "Underwriter Indemnified Party"), against any and all losses, claims, damages or liabilities, joint

or several, to which such Underwriter Indemnified Party may become subject under any statute or at law or in equity or otherwise, and shall promptly reimburse any such Underwriter Indemnified Party for any reasonable legal or other expenses incurred by it in connection with investigating any claims against it and defending any actions, but only to the extent that such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement of a material fact contained in the Preliminary Official Statement or the Official Statement under the caption “UNDERWRITING” or any amendment or supplement thereof, or the omission to state therein a material fact necessary to make the statements therein in light of the circumstances under which they were made not misleading. This indemnity agreement shall not be construed as a limitation on any other liability which the Underwriters may otherwise have to any Underwriter Indemnified Party, provided that in no event shall the Underwriters be obligated for double indemnification.

For purposes of this paragraph and the immediately succeeding paragraph, an “Indemnified Party” means a Commission Indemnified Party or an Underwriter Indemnified Party as the context dictates and an “Indemnifying Party” means a Commission Indemnifying Party or an Underwriter Indemnifying Party as the context dictates. An Indemnified Party shall, promptly after the receipt of notice of the commencement of any action against such Indemnified Party in respect of which indemnification may be sought against an Indemnifying Party, notify the Indemnifying Party in writing of the commencement thereof, but the omission to notify the Indemnifying Party of any such action shall not relieve the Indemnifying Party from any liability that it may have to such Indemnified Party otherwise than under the indemnity agreement contained herein. In case any such action shall be brought against an Indemnified Party and such Indemnified Party shall notify the Indemnifying Party of the commencement thereof, the Indemnifying Party may, or if so requested by such Indemnified Party shall, participate therein or assume the defense thereof, with counsel satisfactory to such Indemnified Party, and after notice from the Indemnifying Party to such Indemnified Party of an election so to assume the defense thereof, the Indemnifying Party will not be liable to such Indemnified Party under this paragraph for any legal or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof other than reasonable costs of investigation. If the Indemnifying Party shall not have employed counsel to have charge of the defense of any such action or if the Indemnified Party shall have reasonably concluded that there may be defenses available to it or them that are different from or additional to those available to the Indemnifying Party (in which case the Indemnifying Party shall not have the right to direct the defense of such action on behalf of such Indemnified Party), such Indemnified Party shall have the right to retain legal counsel of its own choosing and reasonable legal and other expenses incurred by such Indemnified Party shall be borne by the Indemnifying Party.

An Indemnifying Party shall not be liable for any settlement of any such action effected without its consent by any Indemnified Party, which consent shall not be unreasonably withheld, but if settled with the consent of the Indemnifying Party or if there be a final judgment for the plaintiff in any such action against the Indemnifying Party or any Indemnified Party, with or without the consent of the Indemnifying Party, the Indemnifying Party agrees to indemnify and hold harmless such Indemnified Party to the extent provided herein.

In order to provide for just and equitable contribution in circumstances in which indemnification hereunder is for any reason held to be unavailable from the Commission or the

Underwriters, to the extent permitted by law, the Commission and the Underwriters shall contribute to the aggregate losses, claims, damages and liabilities (including any investigation, legal and other expenses incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claims asserted, to which the Commission and the Underwriters may be subject) in such proportion so that the Underwriters are jointly and severally responsible for that portion represented by the percentage that the Underwriters' discount set forth in the Official Statement bears to the public offering price appearing thereon and the Commission is responsible for the balance; provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. In no case shall any Underwriter be responsible for any amount in excess of the purchase discount or fee applicable to the Series 2018A Notes purchased by the Underwriters hereunder. For purposes of this paragraph, each person, if any, who controls the Underwriters within the meaning of the 1933 Act shall have the same rights to contribution as the Underwriters. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties under this paragraph, notify such party or parties from whom contribution may be sought, but the omission so to notify shall not relieve that party or parties from whom contribution may be sought from any other obligation it or they may have hereunder or otherwise than under this paragraph. No party shall be liable for contribution with respect to any action or claim settled without its consent.

Nothing in this Section 13 shall relate to, have any effect on, or provide any obligation for or right to indemnification or contribution with respect to any action, expense, judgment, order, ruling, award or settlement in the litigation brought by the Commission against affiliates of the Underwriters alleging that the defendants conspired to suppress the U.S. dollar London Interbank Offered Rate.

14. Expenses.

(a) Whether or not the Series 2018A Notes are issued as contemplated by this Note Purchase Agreement, the Underwriters shall be under no obligation to pay and the Commission hereby agrees to pay any expenses incident to the performance of the Commission's obligations hereunder, including but not limited to the following: (i) the cost of preparation, printing, engraving, execution and delivery of the Series 2018A Notes; (ii) any fees charged by any rating agency for issuing the rating on the Series 2018A Notes; (iii) the cost of printing (and/or word processing and reproduction), distribution and delivery of the Preliminary Official Statement in electronic form and the Official Statement; (iv) the fees and disbursements of Bond Counsel, the Trustee (including its counsel's fees), any disclosure counsel, accountants, consultants and any financial advisor; (v) the fees of Digital Assurance Certification, L.L.C. for a continuing disclosure undertaking compliance review; and (vi) any out-of-pocket disbursements of the Commission. The Commission shall also pay for any expenses (included in the expense component of the Underwriters' discount) incurred by the Underwriters on behalf of the Commission's employees and representatives which are in connection with this Note Purchase Agreement, including, but not limited to, meals, transportation and lodging of those employees and representatives.

(b) Whether or not the Series 2018A Notes are issued as contemplated by this Note Purchase Agreement, the Underwriters shall pay (from the expense component of the Underwriters' discount) (i) any fees assessed upon the Underwriters with respect to the Series 2018A Notes by the MSRB or Financial Industry Resources Authority; (ii) all advertising expenses in connection with the public offering and distribution of the Series 2018A Notes (excluding any expenses of the Commission and its employees or agents); (iii) any fees payable to the California Debt and Investment Advisory Commission ("CDIAC"); and (iv) all other expenses incurred by them or any of them in connection with the public offering and distribution of the Series 2018A Notes, including the fees and disbursements of Underwriters' Counsel. The Underwriters are required to pay the fees to CDIAC in connection with the Series 2018A Note offering. The Commission acknowledges that it has had the opportunity, in consultation with such advisors as it may deem appropriate, if any, to evaluate and consider such fees. Notwithstanding that such fees are solely the legal obligation of the Underwriters, the Commission agrees to reimburse the Underwriters for such fees.

15. Establishment of Issue Price.

(a) The Representative, on behalf of the Underwriters, agrees to assist the Commission in establishing the issue price of the Series 2018A Notes and shall execute and deliver to the Commission at Closing an "issue price" or similar certificate substantially in the form attached hereto as Appendix B, together with the supporting pricing wires or equivalent communications, with modifications to such certificate as may be deemed appropriate or necessary, in the reasonable judgment of the Representative, the Commission and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Series 2018A Notes.

(b) [Except for the maturities forth in Schedule I attached hereto,] the Commission will treat the first price at which 10% of each maturity of the Series 2018A Notes (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test).

(c) [The Representative confirms that the Underwriters have offered the Series 2018A Notes to the public on or before the date of this Note Purchase Agreement at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the final official statement. Schedule I sets forth, as of the date of this Note Purchase Agreement, the maturities, if any, of the Series 2018A Notes for which the 10% test has not been satisfied and for which the Commission and the Representative, on behalf of the Underwriters, agree that (1) the Representative will retain all unsold Series 2018A Notes of each maturity for which the 10% test has not been satisfied and not allocate any such Series 2018A Notes to any other Underwriter and (2) the restrictions set forth in the next sentence shall apply, which will allow the Commission to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Series 2018A Notes, the Representative will] neither offer nor sell unsold Series 2018A Notes of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- i. the close of the fifth (5th) business day after the sale date; or
- ii. the date on which the Underwriters have sold at least 10% of that maturity of the Series 2018A Notes to the public at a price that is no higher than the initial offering price to the public.

The Representative shall promptly advise the Commission or the Commission's municipal advisor when the Underwriters have sold 10% of that maturity of the Series 2018A Notes to the public at [a price] that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The Commission acknowledges that, in making the representation set forth in this subsection, the Representative will rely on (i) the agreement of each Underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Series 2018A Notes to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Series 2018A Notes to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The Commission further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the hold the offering price rule and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its agreement regarding the hold-the-offering-price rule as applicable to the Series 2018A Notes.]

(d) The Representative confirms that:

- i. any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the Representative is a party) relating to the initial sale of the Series 2018A Notes to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Series 2018A Notes of each maturity allotted to it until it is notified by the Representative that either the 10% test has been satisfied as to the Series 2018A Notes of that maturity or all Series 2018A Notes of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative and as set forth in the related pricing wires, and

- ii. any agreement among underwriters relating to the initial sale of the Series 2018A Notes to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Series 2018A Notes to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Series 2018A Notes of each maturity allotted to it until it is notified by the Representative or the Underwriter that either the 10% test has been satisfied as to the Series 2018A Notes of that maturity or all Series 2018A Notes of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative or the Underwriter and as set forth in the related pricing wires.

(e) The Underwriters acknowledge that sales of any Series 2018A Notes to any person that is a related party to an Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

- i. “public” means any person other than an underwriter or a related party,
- ii. “underwriter” means (A) any person that agrees pursuant to a written contract with the Commission (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2018A Notes to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Series 2018A Notes to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2018A Notes to the public),
- iii. a purchaser of any of the Series 2018A Notes is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

- iv. “sale date” means the date of execution of this Note Purchase Agreement by all parties.

16. Notices. Any notice or other communication to be given under this Note Purchase Agreement (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing, if to the Commission, addressed to:

San Diego County Regional Transportation Commission
401 B Street, Suite 800
San Diego, California 92101
Attention: Chief Deputy Executive Director

or if to the Representative or the Underwriters, addressed to:

Citigroup Global Markets Inc.
444 South Flower Street
Los Angeles, CA 90071
Attention: Chris Mukai, Managing Director

17. Parties in Interest; Survival of Representations and Warranties. This Note Purchase Agreement when accepted by the Commission in writing as heretofore specified shall constitute the entire agreement between the Commission and the Underwriters and is made solely for the benefit of the Commission and the Underwriters (including the successors or assigns of the Underwriters). No other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the Commission in this Note Purchase Agreement or in any certificate delivered pursuant hereto shall survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the Underwriters, (b) delivery to and payment by the Underwriters for the Series 2018A Notes hereunder and (c) any termination of this Note Purchase Agreement.

18. Execution in Counterparts. This Note Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

19. No Advisory or Fiduciary Role. The Commission acknowledges and agrees that: (i) the primary role of the Underwriters, is to purchase securities, for resale to investors, in an arm’s-length commercial transaction between the Commission and the Underwriters and that the Underwriters have financial and other interests that differ from those of the Commission; (ii) the Underwriters are not acting as a municipal advisor, financial advisor, or fiduciary to the Commission and have not assumed any advisory or fiduciary responsibility to the Commission with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters have provided other services or are currently providing other services to the Commission on other matters); and (iii) the Commission has consulted its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate. If the Commission would like a

municipal advisor in this transaction that has legal fiduciary duties to the Commission, then the Commission is free to engage a municipal advisor to serve in that capacity.

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20. Applicable Law. This Note Purchase Agreement shall be interpreted, governed and enforced in accordance with the laws of the State of California.

CITIGROUP GLOBAL MARKETS INC.
MERRILL LYNCH, PIERCE, FENNER &
SMITH INCORPORATED
WELLS FARGO BANK, NATIONAL
ASSOCIATION

By CITIGROUP GLOBAL MARKETS INC.,
as Representative

By: _____
Authorized Officer

The foregoing is hereby agreed to and
accepted as of the date first above written:

SAN DIEGO COUNTY REGIONAL
TRANSPORTATION COMMISSION

By: _____
Authorized Officer

SCHEDULE I

SERIES 2018A NOTES THAT MET 10% TEST

<u>Maturity (April 1)</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>	<u>Price (%)</u>
	\$	%	%	%

*

SERIES 2018A NOTES THAT DID NOT MEET 10% TEST

<u>Maturity (April 1)</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>	<u>Price (%)</u>
	\$	%	%	%

*

* Priced to par call on ___ 1, 20__.

APPENDIX A

MATURITY SCHEDULE

\$_[]

**SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
SUBORDINATE SALES TAX REVENUE
SHORT-TERM NOTES (LIMITED TAX BONDS)
2018 SERIES A**

<u>Maturity (April 1)</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>	<u>Price (%)</u>
	\$	%	%	%

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*

* Priced to par call on ___ 1, 20__.

APPENDIX B

CERTIFICATE OF THE REPRESENTATIVE REGARDING OFFERING PRICES

This certificate is furnished by Citigroup Global Markets Inc., as representative (the "Representative") of the underwriters (the "Underwriters") listed in the Note Purchase Agreement, dated April [], 2018 (the "Note Purchase Agreement"), among the Underwriters and the San Diego County Regional Transportation Commission for the sale of the \$[] aggregate principal amount of San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Short-Term Notes (Limited Tax Bonds) 2018 Series A (the "Notes").

Certain information furnished in this certificate has been derived from other purchasers, bond houses and brokers and has not been independently verified by us. We have relied (without any independent investigation or verification) on trades reported to the Municipal Securities Rulemaking Board via its EMMA portal for all information regarding trades to which neither the Representative nor the syndicate account were a party. We make no representations as to the accuracy of any information reported on the EMMA portal.

THE UNDERSIGNED HEREBY CERTIFY AS FOLLOWS:

1. The undersigned is authorized to execute this certificate on behalf of the Representative.

2. On April [], 2018 (the "Sale Date"), the Underwriters did make a bona fide public offering of all of the Notes at the prices set forth in Schedule 1 attached to this certificate (the "Initial Offering Prices") to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriter or wholesalers)

3. ***Sale of the General Rule Maturities.*** As of the date of this Certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule 1.

4. ***Initial Offering Price of the Hold-the-Offering-Price-Maturities.***

(a) The Underwriters offered the Hold-the-Offering-Price Maturities to the Public for purchase at the Initial Offering Prices on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Notes is attached to this Certificate as Schedule 2.

(b) As set forth in the Note Purchase Agreement for the Notes, the Representative has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the unsold Notes of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) unsold Notes of the Hold-the-Offering-Price Maturities shall be retained by the Representative and not allocated to any of the other Underwriters. Pursuant to such agreement, the Representative has not offered or sold any unsold

Notes of any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Notes during the Holding Period.

5. *Defined Terms.*

(a) *General Rule Maturities* means those Maturities of the Notes listed in Schedule 1 hereto as the “General Rule Maturities.”

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Notes listed in Schedule 1 hereto as the “Hold-the-Offering-Price Maturities.”

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriters have sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Issuer* means the San Diego County Regional Transportation Commission.

(e) *Maturity* means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party (as such terms are defined below) to an Underwriter.

(g) A purchaser of any of the Notes is a *Related Party* to any Underwriter if the Underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

6. The San Diego County Regional Transportation Commission may rely on the foregoing representations in making its certification as to issue price of the Notes under the

Code, and Orrick, Herrington & Sutcliffe LLP, as Bond Counsel, may rely on the foregoing representations in rendering their opinion that the interest on the Notes is excluded from gross income for federal income tax purposes; provided, however, that nothing herein represents our interpretation of any laws, and in particular, regulations under section 148 of the Internal Revenue Code.

Dated: April [], 2018

CITIGROUP GLOBAL MARKETS INC.,
as Representative

By: _____
Authorized Signatory

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Schedule 1

\$[_____]

**SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
SUBORDINATE SALES TAX REVENUE
SHORT-TERM NOTES (LIMITED TAX BONDS)
2018 SERIES A**

“General Rule Maturities”

<u>Maturity (April 1)</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>	<u>Price (%)</u>
	\$	%	%	%

*

“Hold-the-Offering-Price Maturities”

<u>Maturity (April 1)</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>	<u>Price (%)</u>
	\$	%	%	%

*

* Priced to par call on ____ 1, 20__.

Schedule 2

Pricing Wire

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APPENDIX C

FORM OF LETTER OF DISCLOSURE COUNSEL

[Closing Date]

San Diego County Regional Transportation Commission
401 B Street, Suite 800
San Diego, California 92101

Citigroup Global Markets Inc.,
as Representative
444 South Flower Street, 27th Floor
Los Angeles, California 90071

Re: \$[_____] San Diego County Regional Transportation Commission Subordinate
Sales Tax Revenue Short-Term Notes (Limited Tax Bonds) 2018 Series A

Ladies and Gentlemen:

We have acted as Disclosure Counsel to the San Diego County Regional Transportation Commission (the “Commission”) in connection with the issuance by the Commission of its Subordinate Sales Tax Revenue Short-Term Notes (Limited Tax Bonds) 2018 Series A in the aggregate principal amount of \$[_____] (the “Notes”). The Notes were issued pursuant to the Amended and Restated Subordinate Indenture, dated as of November 1, 2005, as amended and supplemented, including by a Third Supplemental Indenture, dated as of April 1, 2018 (collectively, the “Indenture”), each between the Commission and U.S. Bank National Association, as trustee. The Notes are more fully described in the Official Statement of the Commission, dated April [], 2018 (the “Official Statement”). This opinion is delivered to you pursuant to Section 9(f)(4) of the Note Purchase Agreement, dated April [], 2018 (the “Note Purchase Agreement”), by and between the Commission and Citigroup Global Markets Inc., acting on behalf of itself and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Bank, National Association (collectively, the “Underwriters”). Capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Note Purchase Agreement.

In rendering this opinion, we have reviewed the Indenture and such records, documents, certificates and opinions, and made such other investigations of law and fact as we have deemed necessary or appropriate.

This opinion is limited to matters governed by the federal securities law of the United States, and we assume no responsibility with respect to the applicability or effect of the laws of any other jurisdiction.

In our capacity as Disclosure Counsel to the Commission, we have rendered certain legal advice and assistance in connection with the preparation of the Preliminary Official Statement of the Commission, dated March [], 2018 (the “Preliminary Official Statement”), and the Official Statement. Rendering such assistance involved, among other things, discussions and inquiries concerning various legal matters, review of certain records, documents and proceedings, and participation in meetings and telephone conferences with, among others, representatives of the Commission, PFM Financial Advisors LLC, Inc., the Commission’s financial advisor, Bond Counsel, Citigroup Global Markets Inc., as representative of the Underwriters, and counsel to the Underwriters, at which meetings and conferences the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. On the basis of the information made available to us in the course of the foregoing (but without having undertaken to determine or verify independently, or assuming any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement), no facts have come to the attention of the personnel directly involved in rendering legal advice and assistance in connection with the preparation of the Preliminary Official Statement and the Official Statement that causes them to believe that (a) the Preliminary Official Statement as of its date and as of the date of the Note Purchase Agreement contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading (except for any information relating to The Depository Trust Company, Cede & Co., the book-entry system, forecasts, projections, estimates, assumptions and expressions of opinions and the other financial and statistical data included therein, and information in Appendices A, E and F thereof, as to all of which we express no view, and except for such information as is permitted to be excluded from the Preliminary Official Statement pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, including but not limited to information as to pricing, yield, interest rate, maturity, amortization, redemption provisions, underwriters’ compensation and the CUSIP numbers), or (b) the Official Statement as of its date or as of the date hereof contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except for any information relating to The Depository Trust Company, Cede & Co., the book-entry system, the CUSIP numbers, forecasts, projections, estimates, assumptions and expressions of opinions and the other financial and statistical data included therein, and information in Appendices A, E and F thereof, as to all of which we express no view).

During the period from the date of the Preliminary Official Statement to the date of this opinion, except for our review of the certificates and opinions regarding the Preliminary Official Statement and the Official Statement delivered on the date hereof, we have not undertaken any procedures or taken any actions which were intended or likely to elicit information concerning the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement.

We are furnishing this opinion to you, solely for your benefit. This opinion is rendered in connection with the transaction described herein, and may not be relied upon by you for any other purpose. This opinion shall not extend to, and may not be used, circulated, quoted, referred to, or relied upon by, any other person, firm, corporation or other entity without our prior written consent. The delivery of this opinion shall not create any attorney-client relationship between our firm and the addressees hereof, other than the Commission. Our engagement with respect to this matter terminates upon the delivery of this opinion to you at the time of the remarketing relating to the Notes, and we have no obligation to update this opinion.

Respectfully submitted,

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by the San Diego County Regional Transportation Commission (the “Commission”) and Digital Assurance Certification LLC, as dissemination agent (the “Dissemination Agent”), in connection with the issuance of \$_____ San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Short-Term Notes (Limited Tax Bonds), 2018 Series A (the “2018 Short-Term Notes”). The 2018 Short-Term Notes are being issued pursuant to the Subordinate Indenture, dated as of April 1, 2018 (amending and restating the Subordinate Indenture, dated as of August 1, 1991, as amended and restated by the Amended and Restated Subordinate Indenture, dated as of November 1, 2005, as further supplemented and amended), as supplemented and amended by the First Supplement to the Subordinate Indenture, dated as of April 1, 2018 (collectively, the “Subordinate Indenture”), between the Commission and U.S. Bank National Association, as trustee. Pursuant to the Indenture, the Commission and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Commission for the benefit of the Beneficial Owners of the 2018 Short-Term Notes and in order to assist the Participating Underwriter in complying with the Rule (as defined herein).

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

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

“Audited Financial Statements” means the audited financial results of the Commission for the applicable Fiscal Year.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2018 Short-Term Notes (including persons holding 2018 Short-Term Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2018 Short-Term Notes for federal income tax purposes.

“Business Day” shall mean a day other than (a) Saturday or Sunday, (b) a day on which banking institutions in the city in which the Principal Office of the Trustee is located are authorized or required by law to be closed, and (c) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed.

“Disclosure Representative” shall mean the designee of the Commission designated to act as the Disclosure Representative, or such other person as the Commission shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” means an entity selected and retained by the Commission, or any successor thereto selected by the Commission. The initial Dissemination Agent shall be Digital Assurance Certification LLC.

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

“Listed Events” shall mean any of the events listed in Section 5(a) and (b) of this Disclosure Agreement.

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

“Participating Underwriter” shall mean any original underwriter of the 2018 Short-Term Notes required to comply with the Rule in connection with offering of the 2018 Short-Term Notes.

“Repository” shall mean, until otherwise designated by the SEC, EMMA.

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

“State” shall mean the State of California.

“SEC” shall mean the Securities and Exchange Commission.

Section 3. Provision of Annual Reports.

(a) The Commission shall, or shall cause the Dissemination Agent to, not later than two hundred ten (210) days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2018, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement. If the Commission’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

(b) Not later than one Business Day prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the Commission shall provide the Annual Report to the Dissemination Agent (if other than the Commission). The Commission shall provide, or cause the preparer of the Annual Report to provide, a written certificate with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished to it hereunder. The Dissemination Agent may conclusively rely upon such certification and shall have no duty or obligation to review such Annual Report.

(c) If the Commission is unable to provide to the Repository an Annual Report by the date required in subsection (a), the Commission shall send, or shall cause the Dissemination Agent to send, a notice to the Repository or to the MSRB, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine the electronic filing address of, and then-current procedures for submitting Annual Reports to, the MSRB each year prior to the date for providing the Annual Report; and

(ii) file a report with the Commission certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Agreement, and stating the date it was provided.

Section 4. Content of Annual Reports. The Commission Annual Report shall contain or include by reference the following:

(a) The Audited Financial Statements of the Commission for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Audited Financial Statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, dated _____, 2018 relating to the 2018 Short-Term Notes (the "Official Statement") and the Audited Financial Statements shall be filed in the same manner as the Annual Report when such Audited Financial Statements become available.

(b) The outstanding principal amount of the 2018 Short-Term Notes, if there have been any unscheduled redemptions, retirements or defeasances, and the debt service on any additional parity bonds, notes or other obligations issued, in each case during the prior Fiscal Year.

(c) The amount of Sales Tax Revenues (as such term is defined in the Official Statement) received as of the most recently ended Fiscal Year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Commission or related public entities, which have been submitted to the Repository or the SEC. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Commission shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Commission shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2018 Short-Term Notes in a timely manner not more than ten (10) Business Days after the event:

- (1) principal and interest payment delinquencies;
- (2) defeasances;
- (3) tender offers;
- (4) rating changes;
- (5) adverse tax opinions or the issuance by the Internal Revenue Service of a proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax- status of the 2018 Short-Term Notes or other material events affecting the tax status of the 2018 Short-Term Notes;
- (6) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (7) unscheduled draws on credit enhancements reflecting financial difficulties;
- (8) substitution of credit or liquidity providers or their failure to perform; or
- (9) bankruptcy, insolvency, receivership or similar proceedings.

For these purposes, any event described in the immediately preceding paragraph (9) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Commission in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Commission, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Commission.

(b) Pursuant to the provisions of this Section 5, the Commission shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2018 Short-Term Notes, if material:

- (1) consummation of a merger, consolidation or acquisition involving the Commission or the sale of all or substantially all of the assets of the obligated persons, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
- (2) appointment of a successor or additional trustee or the change of the name of a trustee;
- (3) non-payment related defaults;
- (4) modifications to the rights of Owners;
- (5) optional, unscheduled or contingent bond calls; or
- (6) release, substitution or sale of property securing repayment of the 2018 Short-Term Notes.

(c) Whenever the Commission obtains knowledge of the occurrence of a Listed Event, described in subsection (b) of this Section 5, the Commission shall as soon as possible determine if such event would be material under applicable Federal securities law.

(d) If the Commission determines that knowledge of the occurrence of a Listed Event described in subsection (b) of this Section 5 would be material under applicable federal securities law, the Commission shall, in a timely manner not more than ten (10) Business Days after its occurrence, notify the Dissemination Agent in writing and instruct the Dissemination Agent to report the occurrence to the Repository in a timely manner not more than ten (10) Business Days after occurrence of the Listed Event.

(e) If the Dissemination Agent has been instructed by the Commission to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB.

Section 6. Filings with the MSRB. All information, operating data, financial statements, notices and other documents provided to the MSRB in accordance with this Disclosure Agreement shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Commission's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of

all of the 2018 Short-Term Notes. If such termination occurs prior to the final maturity of the 2018 Short-Term Notes, the Commission shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

Section 8. Dissemination Agent. The Commission may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty (30) days written notice to the Commission.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Commission may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Commission from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Commission chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Commission shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Commission to comply with any provision of this Disclosure Agreement, any Owner or Beneficial Owner of the 2018 Short-Term Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Commission to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Commission or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Commission agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Commission for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Commission, the Trustee, the Holders, or any other party. The obligations of the Commission under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2018 Short-Term Notes.

Section 13. Notices. Any notices or communications herein required or permitted to be given shall be in writing and shall be delivered in such manner and to such addresses as are specified in the Indenture.

Section 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Commission, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the 2018 Short-Term Notes, and shall create no rights in any other person or entity.

Date: _____, 2018

SAN DIEGO COUNTY REGIONAL
TRANSPORTATION COMMISSION

By: _____
Chief Deputy Executive Director

DIGITAL ASSURANCE CERTIFICATION LLC
as Dissemination Agent

By: _____
Authorized Representative

DRAFT

Exhibit A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: San Diego County Regional Transportation Commission (the “Commission”)

Name of Issue: \$_____ San Diego County Regional Transportation Commission
Subordinate Sales Tax Revenue Short-Term Notes (Limited Tax Bonds), 2018
Series A

Date of Issuance: _____, 2018

NOTICE IS HEREBY GIVEN that the Commission has not provided an Annual Report with respect to the above-captioned 2018 Short-Term Notes as required by the Subordinate Indenture, dated as of April 1, 2018 (amending and restating the Subordinate Indenture, dated as of August 1, 1991, as amended and restated by the Amended and Restated Subordinate Indenture, dated as of November 1, 2005, as further supplemented and amended), as supplemented and amended by the First Supplement to the Subordinate Indenture, dated as of April 1, 2018 (collectively, the “Subordinate Indenture”), between the Commission and U.S. Bank National Association, as trustee thereunder. [The Commission anticipates that the Annual Report will be filed by [date].]

Dated: _____, 20__

Digital Assurance Certification LLC,
as Dissemination Agent

cc: San Diego County Regional Transportation Commission

**CATALOGUE OF OUTSTANDING (BLANK) AND BRACKETED ITEMS BY
DOCUMENT IN PRELIMINARY OFFICIAL STATEMENT**

**SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
SUBORDINATE SALES TAX REVENUE
SHORT-TERM NOTES (LIMITED TAX BONDS), 2018 SERIES A**

PRELIMINARY OFFICIAL STATEMENT (draft dated February 14, 2018)			
<u>Page</u>	<u>Outstanding Items</u>	<u>Responsible Parties</u>	<u>Expected Availability</u>
Cover	Date of Preliminary Official Statement	Financial Advisor/ Underwriters/ Commission	Bond Pricing
Cover	Ratings	Underwriter/Rating Agencies	Prior to Pricing
Cover	Final Par Amount of Bonds	Underwriter and Commission	Bond Pricing
Cover	Date of Bonds Delivery	Bond Counsel	Bond Pricing
Maturity Schedule	Maturity Schedule/Par Amount of Bonds/Term Bond(s)/CUSIPs	Underwriters	Bond Pricing
1	Final Par Amount of Bonds	Underwriter and Commission	Bond Pricing
3	Maturity Date	Underwriters	Bond Pricing
4-5	Redemption Terms	Underwriters	Bond Pricing
8	Issuance of Additional Obligations	Bond Counsel/Disclosure Counsel	Prior to Posting Preliminary Official Statement
10-11	Issuance of Additional Subordinate Obligations	Financial Advisor/ Underwriters/ Commission	Prior to Posting Preliminary Official Statement
11	Series 2008 Bonds Reserve Fund	Financial Advisor	Prior to Posting Preliminary Official Statement
13	Initial Swap termination value	Financial Advisor and Commission	Prior to Posting Preliminary Official Statement
13	Basis Rate Swap Overlays termination value	Financial Advisor and Commission	Prior to Posting Preliminary Official Statement
14	CP Notes Outstanding Amount	Financial Advisor and Commission	Prior to Posting the Preliminary Official Statement
15	Disbursement Date	Financial Advisor and Commission	Prior to Posting the Preliminary Official Statement
21	Estimated Sources and Uses of Funds	Financial Advisor/ Underwriters	Bond Pricing

**PRELIMINARY OFFICIAL STATEMENT
(draft dated February 14, 2018)**

<u>Page</u>	<u>Outstanding Items</u>	<u>Responsible Parties</u>	<u>Expected Availability</u>
22	Debt Service Schedule (Revision)	Financial Advisor/ Underwriters	Prior to Posting Preliminary Official Statement for Outstanding Bonds and Bond Pricing for the new Bonds
25	Future Financings	Financial Advisor and Commission	Prior to Posting Preliminary Official Statement
33	Maturity Date	Financial Advisor/ Underwriters	Pricing
39	Ratings	Underwriter/Rating Agencies	Prior to Pricing
39	Purchase Price	Underwriter and Commission	Bond Pricing
39	Underwriters' Discount	Underwriter and Commission	Bond Pricing
A-1	Audited Financial Statements	Commission	Prior to Posting Preliminary Official Statement
C-1	Definitions and Summary of Certain Provisions of the Indenture	Disclosure Counsel	Prior to Posting Preliminary Official Statement
D-1	Continuing Disclosure Agreement (See below)	Commission	Prior to Posting Preliminary Official Statement
F-1	Proposed Form of Opinion of Bond Counsel	Bond Counsel	Prior to Posting Preliminary Official Statement

CONTINUING DISCLOSURE AGREEMENT between SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION and U.S. BANK

<u>Page</u>	<u>Outstanding Items</u>	<u>Responsible Parties</u>	<u>Expected Availability</u>
1	Par Amount of Bonds	Underwriter and Commission	Bond Pricing
3	Date of Official Statement	Underwriter and Commission	Bond Pricing
6	Date/Signatures	Commission/DAC/ Trustee	Bond Pricing
A-1	Par Amount of Bonds	Underwriter and Commission	Bond Pricing
A-1	Date of Issuance	Bond Counsel	Bond Pricing

**CATALOGUE OF OUTSTANDING BLANK AND BRACKETED ITEMS
BY DOCUMENT**

**SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
SUBORDINATE SALES TAX REVENUE SHORT-TERM NOTES
(LIMITED TAX BONDS)
2018 SERIES A**

RESOLUTION of SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION (draft dated February 13, 2018)			
<u>Section/Page</u>	<u>Outstanding Items</u>	<u>Responsible Party</u>	<u>Expected Availability</u>
Page 1	Resolution No.	SANDAG	Upon Board Action
Page 5	Latest maturity date, not-to-exceed interest rate, not-to-exceed per annum true interest cost	Financial Advisor	Prior to Board Action
Page 6	Not-to-exceed Underwriters' discount, not-to-exceed costs of issuance	Financial Advisor	Prior to Board Action
Page 9	Date, Signatures, Votes and Seal	SANDAG	Upon Board Action
Secretary's Certificate	Secretary Name, Signatures, Votes, Seal and Date	SANDAG	Pre-Closing
A-1	Good faith estimates of true interest cost, costs of issuance, amount of proceeds to be received	Financial Advisor	Prior to Board Action
A-2	Good faith estimate of total payment amount	Financial Advisor	Prior to Board Action

SUBORDINATE INDENTURE between SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION and U.S. BANK NATIONAL ASSOCIATION, as Trustee (draft dated February 13, 2018)			
<u>Section / Page</u>	<u>Outstanding Items</u>	<u>Responsible Party</u>	<u>Expected Availability</u>
Recitals/3	Effective Date of the Subordinate Indenture	Bond Counsel	Note Pricing
1.02 / 12	Interest Rate Swap Agreement Definition	Financial Advisor	Prior to Posting Preliminary Official Statement
1.02 / 12-16	Investment Securities Definition	Financial Advisor	Prior to Posting Preliminary Official Statement
3.03(c) / 34	Additional Notes or Parity Debt Test multiplier	Financial Advisor/Commission	Prior to Posting Preliminary Official Statement
11.17 / 67	Effective Date of the Subordinate Indenture	Bond Counsel	Note Pricing
Page 68	Signatures and Seal	Commission/Trustee/Bond Counsel	Pre-closing

**SUBORDINATE INDENTURE between SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION and U.S. BANK NATIONAL ASSOCIATION, as Trustee
(draft dated February 13, 2018)**

<u>Section / Page</u>	<u>Outstanding Items</u>	<u>Responsible Party</u>	<u>Expected Availability</u>
Attachment I	Date and Signature	MUFG Union Bank, N.A./ Bond Counsel	Pre-Closing
Exhibit A / A-1 through A-4	Principal Amount, Note Number, Registered Owner, Date of Issue, Maturity Date, Interest Rate, Interest Amount, signatures, seal, authentication, etc.	N/A	These are not intended to be filled in or resolved. The Exhibit is a Form of the Commercial Paper, Series B Note.
Exhibit B / B-1 through B-4	Series Designation, Principal Sum, signatures, authentication, form of assignment, etc.	N/A	These are not intended to be filled in or resolved. The Exhibit is a Form of the Commercial Paper, Master Note.

**FIRST SUPPLEMENT TO THE SUBORDINATE INDENTURE between SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION and U.S. BANK NATIONAL ASSOCIATION, as Trustee
(draft dated February 13, 2018)**

<u>Section / Page</u>	<u>Outstanding Items</u>	<u>Responsible Party</u>	<u>Expected Availability</u>
16.02 / 4	Maturity Date	Financial Advisor/Underwriters	Note Pricing
16.02 / 4	Mid-Coast Project Definition	Commission	Prior to Posting Preliminary Official Statement
18.01 / 7	Aggregate Principal Amount	Financial Advisor/ Underwriters/ Commission	Note Pricing
18.02 / 7	Application of Proceeds to Indenture Accounts	Financial Advisor/ Underwriters	Note Pricing
18.04 / 8	Aggregate Principal Amount and Maturity Schedule	Financial Advisor/Underwriters	Note Pricing
18.05 / 9-10	Optional Redemption Terms	Commission/Bond Counsel	Prior to Posting Preliminary Official Statement
18.05 / 9	Optional Redemption Date	Underwriters	Note Pricing
24.01 / 24	Terms of Best Efforts Covenant	Bond Counsel	Prior to Posting Preliminary Official Statement
Page 26	Signatures and Seal	Commission/Trustee/Bond Counsel	Pre-closing

FIRST SUPPLEMENT TO THE SUBORDINATE INDENTURE between SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION and U.S. BANK NATIONAL ASSOCIATION, as Trustee
(draft dated February 13, 2018)

<i>Section / Page</i>	<i>Outstanding Items</i>	<i>Responsible Party</i>	<i>Expected Availability</i>
Exhibit A / A-1 through A-7	Note Number, Principal Amount, Interest Rate, Maturity Date, Issue Date, CUSIP, redemption terms, signatures, authentication, form of assignment, DTC legend, etc.	Bond Counsel	The Note Number, Principal Amount, Interest Rate, Maturity Date, Issue Date, CUSIP, redemption terms will be completed at Pre-Closing: Other items are not intended to be filled in or resolved. The Exhibit is a Form of the Note. The actual Note will be separate documents created prior to Closing.
B-1	Rating Agency(ies) selected	Financial Advisor/Commission	Prior to Posting Preliminary Official Statement

NOTE PURCHASE AGREEMENT between SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION and CITIGROUP GLOBAL MARKETS INC., on behalf of itself and as representative of the Underwriters
(draft dated February 12, 2018)

<i>Page</i>	<i>Outstanding Items</i>	<i>Responsible Parties</i>	<i>Expected Availability</i>
1	Par Amount of Short-Term Notes	Underwriters and Commission	Note Pricing
1	Date of Agreement	Underwriters and Commission	Note Pricing
1	Date of Continuing Disclosure Agreement	Disclosure Counsel	Note Pricing
2	Note Resolution Number and Date	Commission	Upon Board Action
2	Date of Official Statement	Disclosure Counsel	Note Pricing
2	Date of Preliminary Official Statement	Disclosure Counsel	Upon Posting of Preliminary Official Statement
2	Par Amount of Short-Term Notes	Underwriters and Commission	Note Pricing
3	Par Amount and Purchase Price of Short-Term Notes	Underwriters and Commission	Note Pricing
4	Closing Date	Underwriters and Commission	Note Pricing
16	Ratings	Financial Advisor and Commission	Prior to Note Pricing
24-25	Establishment of Issue Price	Underwriters and Commission	Note Pricing

**NOTE PURCHASE AGREEMENT between
SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION and CITIGROUP GLOBAL
MARKETS INC., on behalf of itself and as representative of the Underwriters
(draft dated February 12, 2018)**

<u>Page</u>	<u>Outstanding Items</u>	<u>Responsible Parties</u>	<u>Expected Availability</u>
S-1	All Signatories	Underwriters and Commission	Note Pricing
Schedule I	Principal Amounts, Maturities, Interest Rates, Prices and Yields for Notes that meet the 10% Test and Notes that do not meet the 10% Test	Underwriters and Commission	Note Pricing
A-1	Principal Amounts, Maturities, Interest Rates, Prices and Yields	Underwriters and Commission	Note Pricing
B-1	Date of Agreement, Par Amount of Short-Term Notes, Sale Date	Underwriters and Commission	Note Pricing
B-3	Signature and Date	Underwriters	Pre-Closing
B-4	Par Amount of Short-Term Notes	Underwriters and Commission	Note Pricing
B-4	Principal Amounts, Maturities, Interest Rates, Prices and Yields for Notes that meet the 10% Test and Notes that do not meet the 10% Test	Underwriters and Commission	Note Pricing
B-5	Pricing Wire	Underwriters	Note Pricing
C-1	Date of Opinion	Disclosure Counsel	Note Pricing
C-1	Par Amount of Short-Term Notes	Disclosure Counsel	Note Pricing
C-1	Date of Official Statement	Disclosure Counsel	Note Pricing
C-1	Date of Agreement	Disclosure Counsel	Note Pricing
C-2	Date of Preliminary Official Statement	Disclosure Counsel	Note Pricing
C-3	Signature	Disclosure Counsel	Pre-Closing

Below is the list of previous issuance costs for the following series of bonds:

- SANDAG 2016 issuance of \$325 million in tax-exempt bonds – cost of issuance was 0.34 percent of the issuance amount.
- SANDAG 2014 issuance of \$350 million in tax-exempt bonds – cost of issuance was 0.36 percent of the issuance amount.
- SANDAG 2012 issuance of \$420.6 million in tax-exempt bonds – cost of issuance was 0.55 percent of the issuance amount. The higher cost was attributed to the partial refunding of the 2008 variable-rate bonds.
- SANDAG 2010 issuance of \$350 million in Build America Bonds – cost of issuance was 0.81 percent of the issuance amount. The higher cost is attributed to the fact that Build America Bonds were a new product for the municipal market, targeting the taxable buyer market in addition to the traditional tax-exempt buyer market.



**TRANSPORTATION COMMITTEE
MARCH 16, 2018**

ACTION REQUESTED: RECOMMEND

**SAN DIEGO FORWARD: THE 2019-2050 REGIONAL PLAN –
DRAFT PERFORMANCE MEASURES**

File Number 3102000

Introduction

San Diego Forward: The Regional Plan (Regional Plan) is a federally and state-mandated document that presents the overall vision for how the San Diego region will grow through 2050, including all of the transportation-related investments that will be needed to support that vision. The Regional Plan is updated every four years and must be fiscally constrained, meaning the cost of projects and programs included must be supported by current revenue sources as well as reasonably expected new sources.

Recommendation

The Transportation Committee is asked to recommend that the Board of Directors approve the proposed performance measures for use in the development of San Diego Forward: The 2019-2050 Regional Plan.

In order for the Board of Directors to determine the final combination of projects to fulfill the vision of the Regional Plan, several scenarios are developed for evaluation and consideration. Once the scenarios are developed, performance measures are used to evaluate the various combinations. The performance measures help answer key questions in order to provide a "scorecard" that compares and contrasts how the different combinations of transportation projects help support innovative mobility and planning, a vibrant economy, and a healthy environment and communities in the San Diego region.

The Regional Planning and Transportation Committees discussed the initial draft performance measures at their February 2, 2018, meetings and provided input on additional areas for consideration. Based on the feedback provided, additional refinements to the draft performance measures have been proposed for consideration.

Discussion

Policy Advisory Committee Feedback

At their February 2, 2018 meetings, the Regional Planning and Transportation Committees provided feedback on a draft list of 12 performance measures which would be used to answer eight key questions in order to compare and evaluate various multimodal transportation scenarios. The Policy Advisory Committees also commented on a set of additional metrics which could be modeled and included in the 2019 Regional Plan in order to demonstrate how it helps to serve the transportation needs of the region.

Both Policy Advisory Committees noted the importance of measuring how the transportation system helps people get to jobs, school, and access other services efficiently and safely. Committee members appreciated that feedback was sought on the draft performance measures from working groups, stakeholders, and the public and felt the recommendations of the peer review were helpful in creating a shorter list of performance measures that could be used to help evaluate transportation scenarios. Specific comments from both Policy Advisory Committees are detailed below and proposed modifications are shown in Attachments 1 and 2.

Proposed Draft Performance Measure Modifications

- *Performance Measure 2a:* The Regional Planning Committee discussed the importance of being able to reach regional job centers, especially via transit. To help measure the percent of trips being made to regional job centers and neighborhoods, it is proposed that Performance Measure 2a be modified to include the percent of trips being made by walk, bike, transit, and carpool for each Urban Area Transit Strategy (UATS) district (in addition to regionwide). UATS districts are specified geographic districts which include a number of major job centers such as Downtown San Diego, Palomar Airport Road area, Sorrento Mesa, and University City/Golden Triangle. A map of the UATS districts is shown in Attachment 3.
- *Performance Measure 2b:* A request was made to include jurisdiction-level vehicle miles travelled (VMT) data to help local jurisdictions see how the 2019 Regional Plan helps to move them in the direction of their Climate Action Plan goals. Staff is exploring options for potentially including jurisdictional VMT data in addition to regional and per capita VMT data as part of measure 2b.
- *Performance Measure 4a:* A request was made to incorporate a request by the City of Lemon Grove to ensure that specific measures be used to assess equity of the Regional Plan. In response, Performance Measure 4a is proposed to be included now in the Social Equity Analysis described below.
- *Additional Performance Measure F:* Both Policy Advisory Committees noted the challenge that many residents face in securing affordable housing, especially in areas that are near jobs and public transit. Current modeling tools do not allow for the projection of specific housing unit costs or home ownership. Housing and transportation cost information will be compiled for the base year of the Regional Plan (2016) and can serve as information for the transportation network development process to highlight communities that currently are facing housing and transportation affordability challenges. Staff will be working to align this effort with the Regional Housing Needs Assessment process.
- *Additional Performance Measure G:* A request was made to change Performance Measure 5a to refer to “major transit stops”¹ instead of “high-frequency transit stops.”² In order to ensure that both major transit stops and high-frequency transit stops are evaluated; it is proposed to modify

¹ California Code Section 21064.3 defines major transit stops as a rail transit station, a ferry terminal served by either a bus or rail transit service, or the intersection of two or more major bus routes with a frequency of service interval of 15 minutes or less during the morning and afternoon peak commute periods.

² High-frequency transit stops are defined as transit service of 15 minute or more frequent service in the peak period, consistent with the definition of high-quality transit corridors in Senate Bill 375 (Steinberg, 2008).

measure G to refer to major transit stops, rather than all transit stops, when evaluating the percentage of population/employment within half a mile.

Additional Analysis

Throughout the Regional Plan development process, staff also evaluates whether the various scenarios meet the regional per capita greenhouse gas emissions reduction targets for cars and light trucks established by the California Air Resources Board per Senate Bill 375 (SB 375) (Steinberg, 2008). A Title VI analysis, which measures the comparative distributions of benefits and burdens of the transportation network scenarios to ensure there is no disproportionate impact on Social Equity Focused (SEF) populations, also will be performed. A subset of measures has been identified as a framework for the social equity analysis in which data will be produced comparing the three SEF populations against their respective 'non'-population (minority versus non-minority, low-income versus non-low income, and senior versus non-senior). These socio-economic characteristics can be forecasted, which is a critical element of defining the population to be analyzed.

SANDAG also has recently completed the development of an analytical tool for social equity analysis. The newly formed SANDAG 2019 Regional Plan Community-Based Organizations Working Group will review both the subset of performance measures as well as those available through the Social Equity Analysis Tool to provide recommendations on the highest quality set of performance measures to facilitate a robust social equity analysis. The analysis of these performance measures must show that both the alternative scenarios and the preferred transportation network do not result in a disproportionate burden for low-income populations or a disparate impact for minority populations.

Next Steps

At its March 2, 2018, meeting, the Regional Planning Committee recommended that the Board of Directors approve the draft performance measures for use in development of the 2019 Regional Plan. Pending recommendation from the Transportation Committee, the Board of Directors is anticipated to review the draft performance measures to approve for use in the 2019 Regional Plan development at its March 23, 2018, meeting.

CHARLES "MUGGS" STOLL

Director of Land Use and Transportation Planning

- Attachments:
1. Key Questions and Draft Performance Measures
 2. Additional Draft Performance Measures
 3. Urban Area Transit Strategy Map

Key Staff Contact: Rachel Kennedy, (619) 699-1929, rachel.kennedy@sandag.org

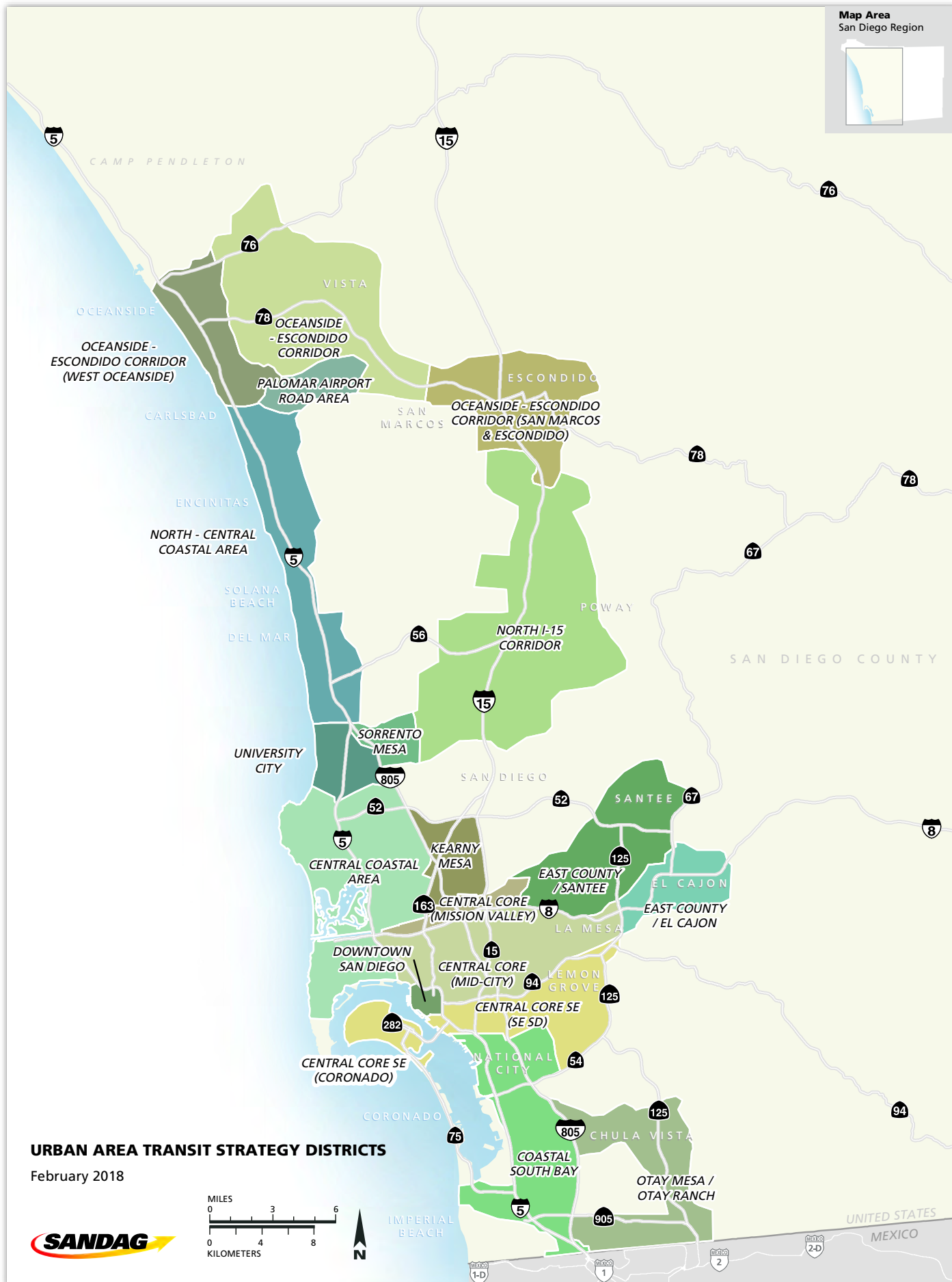
Key Questions and Draft Performance Measures

2019 Regional Plan Goals	Key Question	Draft 2019 Regional Plan Transportation Network Performance Measures	Proposed for Inclusion in Social Equity Analysis
Innovative Mobility and Planning	1. Is delay reduced?	1a. Daily vehicle delay per capita (minutes)	
	2. Are more people walking, biking, using transit, and sharing rides?	2a. Percent of trips by walk, bike, transit, and carpool (work trips and all trips) regionwide <u>and within Urban Area Transit Strategy (UATS) districts.</u>	
		2b. VMT (per capita, regionwide, <u>and by jurisdiction</u>)	
	3. Is the transportation system safer?	3a. Vehicular fatalities and serious injuries per capita	
3b. Non-motorized fatalities and non-motorized serious injuries per capita			
Vibrant Economy	4. Do the transportation investments help to improve the regional economy?	4a. Benefit/Cost Ratio of transportation investments	X
Healthy Environment and Communities	5. Does the transportation network support smart growth?	5a. Percentage of population/employment within 0.5-mile of high-frequency (≤ 15 min peak and midday) transit stops	X
		5b. Percentage of population/employment within 0.25-mile of a bike facility (Class I and II, cycletrack, and bike boulevard)	
	6. How does the transportation network support public health?	6a. Time engaged in transportation-related physical activity per capita (minutes)	X
	7. Is access to jobs and key destinations improving for all communities?	7a. Percent of population within 30 minutes jobs and higher education (via driving, transit) (total population, disadvantaged communities (seniors, low-income, and minority), and non-disadvantaged communities)	X
		7b. Percent of population within 15 minutes of goods and services (retail, medical, parks, and beaches) (via driving, transit) (total population, disadvantaged communities (seniors, low-income, and minority), and non-disadvantaged communities)	X
8. Are greenhouse gas emissions reduced?	8a. On-road CO2 emissions (pounds/day) (per capita and regionwide)		

The Social Equity analysis metrics include the total population, disadvantaged communities (seniors, low-income, and minority), and non-disadvantaged communities.

Additional Draft Performance Measures

2019 Regional Plan Goals	Draft 2019 Regional Plan Additional Performance Measures	Proposed for Inclusion in Social Equity Analysis
Innovative Mobility and Planning	A. Average peak-period travel time to work (drive alone, carpool, transit, bike, and walk) (minutes)	X
	B. Average travel times to/from tribal lands (minutes)	
	C. Average travel times to/from Mexico (minutes)	
	D. Average travel times to/from neighboring counties (Imperial, Orange, Riverside) (minutes)	
	E. Average travel times to/from military bases/installations (minutes)	
Vibrant Economy	F. Change in percent of income consumed by transportation costs	X
Healthy Environment and Communities	G. Percentage of population/employment within 0.5-mile of a <u>major</u> transit stop <u>per California Code section 21064.3.</u>	X
	H. Percent of population engaging in more than 20 minutes of daily transportation related physical activity	X





**TRANSPORTATION COMMITTEE
MARCH 16, 2018**

ACTION REQUESTED: DISCUSSION

ASSEMBLY BILL 805 PUBLIC TRANSIT REPORT

File Number 3321001

Introduction

Assembly Bill 805 (AB 805) (Gonzalez Fletcher) requires the SANDAG Board of Directors to provide a report, developed through the Transportation Committee, to the Legislature on or before July 1 of each year that outlines the region's public transit needs, transit funding criteria, recommended transit funding levels, additional work on public transit, and specifies the funds spent explicitly on public transportation. A draft outline and suggested contents to be included in the public transit report has been prepared in coordination with the Metropolitan Transit System (MTS) and North County Transit District (NCTD) for Transportation Committee discussion and input.

Discussion

Report Content

AB 805 calls for the public transit report to include five specific elements listed below. For each element, SANDAG has identified the sources of data that would be relied upon for content.

1. Public Transit Needs – The proposed content for this element would come from the following three sources and include both capital and operational needs.
 - a. The Revenue Constrained list of transit projects and programs included in San Diego Forward: The Regional Plan (Regional Plan). The Regional Plan is updated every four years and serves as the long-range plan of transportation projects and programs through 2050.
 - b. The list of current transit needs and gaps in the SANDAG Short-Range Transit Plan/Coordinated Public Transit - Human Services Transportation Plan (Coordinated Plan). This plan is updated every two years with new survey data and establishes a regional strategy to provide transportation to recognized transportation-disadvantaged groups.
 - c. Coordination with MTS, NCTD, and Caltrans on projects and programs that support public transit.
2. Transit Funding Criteria – The proposed content for this element would be the funding criteria used to prioritize transit projects in the Regional Plan. Additional criteria also would be drawn from SANDAG Board-approved MTS and NCTD Annual Budgets.

3. Recommended Transit Funding Levels – The proposed content for this element would include the following information:
 - a. Funding sources and projected funding amounts identified for public transit capital and operations in the Regional Plan.
 - b. Funding allocated for public transit projects and programs included in the Regional Transportation Improvement Program (RTIP). The RTIP covers five fiscal years and incrementally implements the Regional Plan.
 - c. Allocation of *TransNet* Senior Mini-Grants, Transportation Development Act funds, and other public transit sources in the Coordinated Plan.
 - d. Funding that is specifically identified for use to operate and maintain public transit services in the SANDAG Board-approved MTS and NCTD Annual Operations Budgets.
 - e. List of transit planning projects and associated funding levels included in the SANDAG Board-approved Overall Work Program and Program Budget.
4. Additional Work on Public Transit – Throughout the year, the Board of Directors, Transportation Committee, and the transit operators periodically amend the Overall Work Program and Program Budget to incorporate new funding sources and projects and take other actions to support public transit. This section of the report would include a compilation of these activities.
5. Funds Spent Explicitly on Public Transit – SANDAG and the transit agencies' budgets will be utilized to identify the specific amounts spent for transit (capital, operations, and maintenance) in the previous fiscal year.

Timeline

AB 805 requires that the public transit report be provided to the Legislature on or before July 1 of each year. To meet this requirement and compile necessary data, the public transit report is proposed to be based on data available from the most recent full fiscal year, which would be July 1, 2016, through June 30, 2017.

In order to meet the current AB 805 timeline requirement, the following schedule is proposed:

- March – Transportation Committee provides input on draft report outline and content
- April – Transportation Committee reviews draft report
- May – Transportation Committee reviews proposed final report for recommendation to the Board of Directors
- May/June – Board of Directors reviews report for approval to submit to Legislature

Next Steps

Based on Transportation Committee discussion and input on the report content, the draft report will be prepared and provided to the Transportation Committee for review.

CHARLES "MUGGS" STOLL

Director of Land Use and Transportation Planning

Key Staff Contact: Jennifer Williamson, (619) 699-1959, jennifer.williamson@sandag.org