NEW ISSUE – BOOK ENTRY ONLY

RATINGS:
Standard & Poor's: "AAA"
Moody's: "Aa2"
(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 Series 2012 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2012 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2012 Bonds. See "TAX MATTERS."

$420,585,000
SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
SALES TAX REVENUE BONDS (LIMITED TAX BONDS)
2012 SERIES A

Dated: Date of Delivery **Due as shown on inside cover**

The San Diego County Regional Transportation Commission (the "Commission") will issue the Bonds described herein (the "Series 2012 Bonds") pursuant to an Indenture, dated as of March 1, 2008 (as amended and supplemented, including 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, and a Fourth Supplemental Indenture, dated as of June 1, 2012, the "Indenture"), between the Commission and U.S. Bank National Association, as trustee.

The Series 2012 Bonds are limited obligations of the Commission payable from the receipts of 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 SERIES 2012 BONDS" herein.

Proceeds from the sale of the Series 2012 Bonds will be used by the Commission to: (i) finance, refinance and/or reimburse the Commission for its prior payment of the Costs of the Project, as defined herein, (ii) refund a portion of the Series 2008 Bonds (as defined herein) and terminate a corresponding portion of the interest rate swaps relating to the Series 2008 Bonds, and (iii) pay the costs of issuing the Series 2012 Bonds. See "FINANCING PLAN" and "ESTIMATED SOURCES AND USES OF FUNDS."

The Series 2012 Bonds will be dated their date of delivery. The principal amounts, interest rates, maturity dates, and other information relating to the Series 2012 Bonds are summarized on the inside cover page hereof. The Commission will pay interest on the Series 2012 Bonds on April 1 and October 1 of each year, commencing on October 1, 2012. Investors may purchase the Series 2012 Bonds in book-entry form only. See APPENDIX E – "BOOK-ENTRY ONLY SYSTEM."

The Series 2012 Bonds are subject to optional and mandatory sinking fund redemption by the Commission prior to maturity as described herein. See "THE SERIES 2012 BONDS - Redemption."

THE SERIES 2012 BONDS 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 GENERAL FUND OF THE COMMISSION IS NOT LIABLE, AND THE CREDIT OR TAXING POWER (OTHER THAN AS DESCRIBED IN THE INDENTURE) OF THE COMMISSION IS NOT PLEDGED, FOR THE PAYMENT OF THE SERIES 2012 BONDS, THEIR INTEREST, OR ANY PREMIUM DUE UPON REDEMPTION OF THE SERIES 2012 BONDS. THE SERIES 2012 BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE COMMISSION OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE SALES TAX REVENUES AND CERTAIN OTHER FUNDS PLEDGED UNDER THE 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 Series 2012 Bonds 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 Fulbright & Jaworski L.L.P., Disclosure Counsel to the Commission, and for the Underwriters by their counsel, Nixon Peabody LLP. It is expected that the Series 2012 Bonds will be available for delivery through the book-entry facilities of The Depository Trust Company on or about June 14, 2012.

Barclays

J.P. Morgan **Goldman, Sachs & Co.**
Morgan Stanley **BofA Merrill Lynch**

Dated: May 23, 2012

$420,585,000
SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
SALES TAX REVENUE BONDS (LIMITED TAX BONDS)
2012 SERIES A

Maturity (April 1)	Principal Amount	Interest Rate	Yield	CUSIP No. (Base 797400)*
2013	$18,060,000	2.00%	0.14%	GL6
2014	5,000,000	2.00	0.30	GM4
2014	9,490,000	3.00	0.30	HM3
2015	14,870,000	4.00	0.47	GN2
2016	15,470,000	5.00	0.62	GP7
2017	16,240,000	5.00	0.84	GQ5
2018	5,000,000	4.00	1.12	GR3
2018	12,055,000	5.00	1.12	HJ0
2019	5,000,000	4.00	1.41	GS1
2019	12,855,000	5.00	1.41	HK7
2020	5,000,000	4.00	1.70	GT9
2020	13,700,000	5.00	1.70	HL5
2021	19,970,000	5.00	1.92	GU6
2022	20,965,000	5.00	2.08	GV4
2023	3,525,000+	5.00	2.32	GW2
2024	3,790,000+	5.00	2.50	GX0
2025	3,795,000+	5.00	2.62	GY8
2026	3,830,000+	5.00	2.70	GZ5
2027	4,495,000+	5.00	2.78	HA9
2028	4,310,000+	5.00	2.87	HB7
2029	4,465,000+	5.00	2.95	HC5
2030	4,650,000+	5.00	3.03	HD3
2031	5,475,000+	5.00	3.10	HE1
2032	5,780,000+	5.00	3.15	HF8
2033	5,840,000+	5.00	3.21	HP6
2034	6,240,000+	5.00	3.28	HQ4
2035	6,400,000+	5.00	3.35	HR2
2036	6,610,000+	5.00	3.41	HS0
2037	6,875,000+	5.00	3.46	HT8
2038	6,895,000+	5.00	3.50	HU5

$56,555,000+ 5.00% Term Bonds Due April 1, 2042 Yield: 3.54% CUSIP No. 797400HG6

$50,000,000 4.125% Term Bonds Due April 1, 2048 Yield: 4.125% CUSIP No. 797400HH4

$57,380,000+ 5.00% Term Bonds Due April 1, 2048 Yield: 3.72% CUSIP No. 797400HN1

+ Priced to the April 1, 2022 call date.

* 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 Financial Advisor or the Commission is responsible for the selection or correctness of the CUSIP numbers set forth herein.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2012 Bonds 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"), the Underwriters 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 Series 2012 Bonds.

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 Series 2012 Bonds 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 INDENTURE – Definitions."

In connection with the offering of the Series 2012 Bonds, the Underwriters may overallot or effect transactions which stabilize or maintain the market prices of such Series 2012 Bonds 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 Series 2012 Bonds 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.

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.

EARLY ACTION PROJECTS

February 2012

TransNet

www.KeepSanDiegoMoving.com

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
   Transit: Escondido-Sorrento Valley
5. **I-805:**
   HOV/Express Lanes
   Transit: Otay-Downtown
   Transit: Otay-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:**
   Transit: Downtown-SDSU
10. **Goods Movement:**
    South Line rail upgrades
    SR 905
11. **SR 94 / SR 125:**
    South to East Connector

SANDAG

San Diego County Regional Transportation Commission

BOARD MEMBERS

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FIRST VICE-CHAIR: Hon. Jack Dale
SECOND VICE-CHAIR: Hon. Jim Janney

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(A) Hon. Ann Kulchin, Mayor Pro Tem
(A) Hon. Farrah Douglas, Councilmember

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Hon. Cheryl Cox, Mayor
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(A) Hon. Pam Slater-Price, Supervisor
Hon. Bill Horn, Supervisor
(A) Hon. Dianne Jacob, Supervisor

IMPERIAL COUNTY
(Advisory Member)
Hon. John Renison, Supervisor, District 1
(A) Mark Baza, Executive Director, Imperial County Transportation Commission

CALIFORNIA DEPARTMENT OF TRANSPORTATION
(Advisory Member)
Malcolm Dougherty, Acting Director
(A) Laurie Berman, District 11 Director

METROPOLITAN TRANSIT SYSTEM
(Advisory Member)
Harry Mathis, Chairman
(A) Hon. Al Ovrom

NORTH COUNTY TRANSIT DISTRICT
(Advisory Member)
Hon. Chris Orlando, Chairman
(A) Hon. Dave Roberts
(A) Hon. Mark Packard

UNITED STATES DEPARTMENT OF DEFENSE
(Advisory Member)
CAPT Clifford Maurer, USN, CEC, Southwest Division Naval Facilities Engineering Command
(A) CAPT Allan Stratman, USN, CEC, Southwest Division Naval Facilities Engineering Command

SAN DIEGO UNIFIED PORT DISTRICT
(Advisory Member)
Lou Smith, Chairman
(A) Lee Burdick, Commissioner

SAN DIEGO COUNTY WATER AUTHORITY
(Advisory Member)
Javier Saunders, Director
(A) John Linden, Director

SOUTHERN CALIFORNIA TRIBAL CHAIRMEN'S ASSOCIATION
(Advisory Member)
Hon. Edwin 'Thorpe' Romero, Barona Band of Mission Indians
Hon. Allen Lawson, Chairman, San Pasqual Band of Diegueño Indians
(A) Hon. Robert Smith, Pala Band of Mission Indians

MEXICO (CONSUL GENERAL OF MEXICO)
(Advisory Member)
Hon. Remedios Gómez-Arnau, Cónsul General of Mexico
(A) Hon. Fernando Vargas B., Deputy Cónsul General of Mexico

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

MANAGEMENT

EXECUTIVE DIRECTOR
Gary L. Gallegos

CHIEF DEPUTY EXECUTIVE DIRECTOR
Renée Wasmund

GENERAL COUNSEL
John F. Kirk

DIRECTOR OF MOBILITY MANAGEMENT AND PROJECT IMPLEMENTATION
Jim Linthicum

ACTING DIRECTOR OF FINANCE
Leslie Campbell

DIRECTOR OF LAND USE AND TRANSPORTATION PLANNING
Charles "Muggs" Stoll

CHIEF ECONOMIST
Marney P. Cox

***TransNet* AND LEGISLATIVE AFFAIRS PROGRAM DIRECTOR**
Kim Kawada

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Los Angeles, California

TRUSTEE
U.S. Bank National Association
Los Angeles, California

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OFFICIAL STATEMENT

$420,585,000
SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
SALES TAX REVENUE BONDS (LIMITED TAX BONDS)
2012 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 Sales Tax Revenue Bonds (Limited Tax Bonds), 2012 Series A (the "Series 2012 Bonds") in the aggregate principal amount of $420,585,000. 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 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 Series 2012 Bonds will be issued and secured 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, and a Fourth Supplemental Indenture, dated as of June 1, 2012 and, as so supplemented and as further supplemented from time to time pursuant to its terms, is referred to herein as the "Indenture."

The Commission's debt issuing capacity and authority are separate and distinct from both the City of San Diego (the "City") and the County of San Diego (the "County").

Security for the Series 2012 Bonds

The Series 2012 Bonds are limited obligations of the Commission secured by a 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 State Board of Equalization (the "BOE") in connection with the collection and disbursement of the Sales Tax. 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 Series 2012 Bonds are further secured by a pledge of certain amounts held by the Trustee under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Pledge of Sales Tax Revenues."

Application of Series 2012 Bond Proceeds

The Commission will apply the proceeds of the Series 2012 Bonds to: (i) finance, refinance and/or reimburse the Commission for its prior payment of the Costs of the Project (as defined below), (ii) refund a portion of the Series 2008 Bonds (as defined herein) and to terminate a corresponding portion of the interest rate swaps relating to the Series 2008 Bonds, and (iii) pay the costs of issuing the Series 2012 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "FINANCING PLAN." No debt service reserve will be funded for the Series 2012 Bonds.

The Commission and SANDAG

The San Diego Association of Governments ("SANDAG") is designated under state legislation as responsible for the implementation of the original *TransNet* (1987) and the *TransNet* Extension (2004) Ordinances. The SANDAG Board of Directors, acting as the Board of Commissioners of the San Diego County Regional Transportation Commission (the "Commission") is authorized, acting by motion, resolution or ordinance and in accordance with the bylaws, and all rules and regulations of SANDAG, to enter into contracts, including 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. The Commission is authorized to receive sales tax revenues after deduction of required State Board of Equalization 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.

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. Neither SANDAG nor the Commission operates public transit services. MTS and NCTD operate such services within the County. The liabilities of SANDAG are not liabilities of the Commission. See "SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION."

Additional Bonds and Parity Obligations

The Commission has issued the Series 2008 Bonds, the Series 2010 Bonds and intends to issue the Series 2012 Bonds, all as defined herein. Such Bonds and any additional bonds hereafter authorized by, and at any time Outstanding under, the Indenture are referred to collectively herein as "Bonds." The Commission may issue additional Bonds and may issue or incur other obligations secured in whole or in part by a pledge of Sales Tax Revenues on a parity with the Bonds and the regularly scheduled payments on the Initial Swaps (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 Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Additional Bonds and Parity Obligations" and APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Issuance of Additional Bonds and Other Obligations." The Commission has issued Commercial Paper Notes on a basis subordinate to the Bonds and regularly scheduled payments on the Initial Swaps and the Basis Swap Overlays, as described herein. See "OUTSTANDING OBLIGATIONS."

Amendment to Indenture

Pursuant to the Fourth Supplemental Indenture relating to the Series 2012 Bonds, the coverage requirement for the issuance of a Series of additional Bonds will be increased from 1.3 times to 2.0 times upon delivery of certain required consents. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Amendment to Indenture Regarding Issuance of Additional Bonds."

DESCRIPTION OF THE SERIES 2012 BONDS

General

The Series 2012 Bonds are being issued by the Commission pursuant to the Indenture and the Act. The Series 2012 Bonds will be dated their date of delivery and will mature on the dates and in the amounts, and will bear interest at the rates, shown on the inside cover page of this Official Statement. Interest on the Series 2012 Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Commission will issue the Series 2012 Bonds as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Commission will pay interest on the Series 2012 Bonds on April 1 and October 1 of each year, commencing on October 1, 2012 (each an "Interest Payment Date").

The Series 2012 Bonds 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 Series 2012 Bonds. Investors may purchase Series 2012 Bonds in book-entry form only. Beneficial Owners of the Series 2012 Bonds will not receive physical certificates representing their ownership interest in the Series 2012 Bonds purchased. Payments of principal of and interest on the Series 2012 Bonds will be made to DTC, and DTC will distribute such payments to its Direct Participants. Disbursement of such payments to Beneficial Owners of the Series 2012 Bonds is the responsibility of DTC's Direct and Indirect Participants and not the Commission. See APPENDIX E – "BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption. The Series 2012 Bonds maturing on and after April 1, 2023 are subject to redemption prior to their respective stated maturities, at the option of the Commission, from any source of available funds, on any date on or after April 1, 2022, as a whole, or in part by such maturity or maturities as may be specified by Request of the Commission (and by lot within a maturity), at a Redemption Price equal to 100% of the aggregate principal amount thereof, plus interest accrued thereon to the date fixed for redemption, without premium.

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

Mandatory Redemption of 2012 Bonds. The Series 2012 Bonds maturing on April 1, 2042 are Term Bonds and are subject to mandatory redemption from Mandatory Sinking Account Payments for such Series 2012 Bonds, on each date a Mandatory Sinking Account Payment for such Series 2012 Bonds is due, and in the principal amount equal to the Mandatory Sinking Account Payment due on such date at a Redemption Price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

Mandatory Sinking Account Payments for Series 2012 Bonds maturing on April 1, 2042 shall be due in such amounts and on such dates as follows:

Redemption Date (April 1)	Mandatory Sinking Account Payment
2039	$13,120,000
2040	13,775,000
2041	14,470,000
2042*	15,190,000

* Maturity.

The Series 2012 Bonds maturing on April 1, 2048 are Term Bonds and are subject to mandatory redemption from Mandatory Sinking Account Payments for such Series 2012 Bonds, on each date a Mandatory Sinking Account Payment for such Series 2012 Bonds is due, and in the principal amount equal to the Mandatory Sinking Account Payment due on such date at a Redemption Price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

Mandatory Sinking Account Payments for Series 2012 Bonds maturing on April 1, 2048 bearing interest at a rate of 4.125% per annum shall be due in such amounts and on such dates as follows:

Redemption Date (April 1)	Mandatory Sinking Account Payment
2043	$7,515,000
2044	7,825,000
2045	8,145,000
2046	8,485,000
2047	8,830,000
2048*	9,200,000

* Final Maturity.

Mandatory Sinking Account Payments for Series 2012 Bonds maturing on April 1, 2048 bearing interest at a rate of 5.00% per annum shall be due in such amounts and on such dates as follows:

Redemption Date (April 1)	Mandatory Sinking Account Payment
2043	$8,435,000
2044	8,855,000
2045	9,300,000
2046	9,760,000
2047	10,260,000
2048*	10,770,000

* Final Maturity.

Selection of Series 2012 Bonds for Mandatory Sinking Account Redemption. If less than all Series 2012 Bonds maturing by their terms on any one date are to be redeemed at any one time with Mandatory Sinking Account Payments, the Trustee shall select the Series 2012 Bonds of such maturity date to be redeemed by lot, and the Trustee shall promptly notify the Commission in writing of the numbers of the Series 2012 Bonds so selected for redemption. For purposes of such selection, Series 2012 Bonds shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed.

General Redemption Provisions

Notice of Redemption. Each notice of redemption of Series 2012 Bonds shall be mailed by the Trustee, not less than twenty (20) nor more than ninety (90) days prior to the redemption date, to each Holder of Series 2012 Bonds and each of the Repositories. A copy of such notice shall also be provided to each of the Notice Parties with respect to the Series 2012 Bonds. Notice of redemption to the Holders of Series 2012 Bonds, the Repositories and the applicable Notice Parties shall be given by first class mail. Each notice of redemption shall state the date of such notice, the date of issue of the Series 2012 Bonds, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity, the distinctive certificate numbers of the Series 2012 Bonds of such maturity, if any, to be redeemed and, in the case of Series 2012 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Series 2012 Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Series 2012 Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Series 2012 Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. Neither the Commission nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Series 2012 Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Commission nor the Trustee shall be liable for any inaccuracy in such CUSIP numbers.

Conditional Notice of Redemption; Rescission. With respect to any notice of optional redemption of Series 2012 Bonds, unless, upon the giving of such notice, such Series 2012 Bonds shall be deemed to have been paid pursuant to the terms of the Indenture, such notice is to state that such redemption will be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, such Series 2012 Bonds to be redeemed, and that if such amounts shall not have been so received said notice will be of no force and effect and the Commission will not be required to redeem such Series 2012 Bonds. In the event that such notice of redemption contains such a condition and such amounts are not so received, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice to the Holders to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the manner in which the notice of redemption was given. The Commission may, at its option, on or prior to the date fixed for redemption in any notice of redemption, rescind and cancel such notice of redemption by Written Request of the Commission to the Trustee, and the Trustee is to mail notice of such cancellation to the recipients of the notice of redemption.

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

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS

Pledge of Sales Tax Revenues

The Bonds are limited obligations of the Commission and are payable as to principal and interest exclusively from Revenues, consisting of Sales Tax Revenues and Swap Revenues, and from all amounts, including proceeds of the Bonds, held in the funds and accounts established under the Indenture (other than amounts held in the Rebate Fund, any Letter of Credit Account and any Purchase Fund established for Bonds subject to purchase), subject to certain provisions of the Indenture. "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 BOE for costs and expenses for its services in connection with the Sales Tax. See "THE SALES TAX."

The Commission's Sales Tax Revenue Bonds (Limited Tax Bonds) (Taxable Build America Bonds) 2010 Series A (the "2010 Series A Bonds") were issued as "Build America Bonds." The Commission expects to pay a portion of the interest on the 2010 Series A Bonds from Subsidy Payments pledged thereto under the Indenture. The Commission covenants in the Indenture to comply with all of the conditions to the receipt of the Subsidy Payments and the Indenture provides that the Commission will cause the Subsidy Payments to be sent to the Trustee for deposit to the Interest Fund. See "OUTSTANDING OBLIGATIONS – Sales Tax Revenue Bonds - *Series 2010 Bonds*" and "RISK FACTORS – Loss of Subsidy Payments."

The Indenture provides that the pledge of Revenues for the payment of the Bonds, and any debt or other obligations of the Commission payable from Sales Tax Revenues on a parity with the Bonds (such debt or other obligations being hereinafter referred to as "Parity Obligations"), will constitute a first lien on and security interest in the Revenues and such other amounts and will immediately attach thereto and will be effective, binding and enforceable from and after initial delivery by the Trustee of the Bonds or Parity Obligations, without the need for any physical delivery, recordation, filing or further act.

THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE, THE COUNTY OR ANY POLITICAL SUBDIVISION OF THE STATE 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 GENERAL FUND OF THE COMMISSION IS NOT LIABLE, AND THE CREDIT OR TAXING POWER (OTHER THAN AS DESCRIBED IN THE INDENTURE) 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 SALES TAX REVENUES AND CERTAIN OTHER FUNDS PLEDGED UNDER THE INDENTURE.

Revenue Fund; Allocation of Sales Tax Revenues

As long as any Bonds are Outstanding or any Parity Obligations remain unpaid, the Commission has assigned the Sales Tax Revenues to the Trustee and shall cause the BOE to transmit the same directly to the Trustee each month, net of the BOE administrative fee which is deducted quarterly. The Trustee will forthwith deposit all Sales Tax Revenues in the Revenue Fund, maintained and held in trust by the Trustee, when and as such Sales Tax Revenues are received by the Trustee. See APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of Sales Tax Revenues." The Sales Tax Revenues are to be received and held in trust by the Trustee for the benefit of the Holders of the Bonds and Parity Obligations and will be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture. Investment income on amounts held by the Trustee (other than amounts held in the Interest Fund, the Series 2008 Bonds Reserve Fund to the extent of any deficiency therein, the Rebate Fund, a Letter of Credit Account or any Purchase Fund or Project Fund or for which particular instructions are provided) will also be deposited in the Revenue Fund.

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

1. Interest Fund. The Indenture requires the Trustee to make monthly deposits in the Interest Fund in an amount equal to (a) one-sixth of the aggregate semiannual amount of interest becoming due and payable on Outstanding fixed interest rate bonds during the next ensuing six-months until the requisite semiannual amount of interest on all such bonds is on deposit, provided that the amounts set aside in such fund with respect to such Series of Bonds shall be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on the first Interest Payment Date with respect to such fixed interest rate Series of Bonds, plus (b) the aggregate amount of interest to accrue during that month on Outstanding Variable Rate Indebtedness calculated, if the actual rate of interest is not known, at the interest rate specified by the Commission, or if the Commission has not specified an interest rate, at the maximum interest rate borne by such Variable Rate Indebtedness during the month prior to the month of deposit plus one percent (1%); subject to such adjustments as are provided pursuant to the provisions of the Indenture. See APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of Sales Tax Revenues." All Subsidy Payments received with respect to the 2010 Series A Bonds and all Swap Revenues received with respect to the Interest Rate Swap Agreements that are Parity Obligations are to be deposited in the Interest Fund and credited toward the above-described deposits.

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

aggregate of the Mandatory Sinking Account Payments to be paid during the next 12-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts shall have been created and for which annual mandatory redemption is required from such Sinking Accounts; provided, that if the Commission certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be set aside towards such principal to be so refunded or paid.

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

No deposit need be made into the Principal Fund so long as there is in such fund (i) moneys sufficient to pay the Bond Obligations of all Serial Bonds then Outstanding and maturing by their terms within the next twelve (12) months plus (ii) the aggregate of all Mandatory Sinking Account Payments required to be made in such 12-month period, but less any amounts deposited into the Principal Fund during such 12-month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such 12-month period; provided that if the Commission certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be on deposit with respect to such principal payments. See APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of Sales Tax Revenues."

3. Bond Reserve Funds. The Indenture also requires the Trustee to make deposits to any of the Bond Reserve Funds established pursuant to the provisions of the Indenture as soon as possible in each month in which any deficiency in any Bond Reserve Fund occurs, until the balance in such Bond Reserve Fund is at least equal to the applicable Bond Reserve Requirement. See APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of Sales Tax Revenues."

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

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

owing in such month or the following month by the Commission in connection with Subordinate Obligations.

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

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

No Bond Reserve Fund for the Series 2012 Bonds

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

Issuance of Additional Series of Bonds

The Commission may by Supplemental Indenture establish one or more Series of Bonds payable from Sales Tax Revenues and secured by the pledge made under the Indenture equally and ratably with the Series 2008 Bonds, the Series 2010 Bonds and the Series 2012 Bonds, but only upon compliance by the Commission with certain provisions of the Indenture. Some applicable provisions of the Indenture are described below:

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

(b) If the Supplemental Indenture providing for the issuance of such Series of additional Bonds requires either (i) the establishment of a Bond Reserve Fund to provide additional security for such Series of Bonds or (ii) that the balance on deposit in an existing Bond Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of Bonds of such Series, to an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds and all other Bonds secured by such Bond Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds, the supplemental indenture providing for the issuance of such additional Series of Bonds shall require deposit of the amount necessary. Said deposit may be made from the proceeds of the sale of Bonds of such Series or from other funds of the 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 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 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 Bonds will become outstanding was equal to at least 1.3 times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued. For purposes of calculating Maximum Annual Debt Service, principal and interest payments on Obligations are excluded to the extent such payments are to be paid from Revenues then held on deposit by the Trustee or from other amounts on deposit, including Investment Securities and interest to be payable thereon, with the Trustee or other fiduciary in escrow specifically therefor and interest payments are excluded to the extent that such interest payments are to be paid from the proceeds of Obligations, including Investment Securities and interest to be payable thereon, held by the Trustee or other fiduciary as capitalized interest specifically to pay such interest or from pledged Subsidy Payments the Commission expects to receive.

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

Amendment to Indenture Regarding Issuance of Additional Bonds

Pursuant to the Fourth Supplemental Indenture, the reference to "1.3 times" in paragraph (c) above will be changed to "2.0 times" on the date which is the later of: (i) the date of execution and delivery of the Fourth Supplemental Indenture, and (ii) the date on which the Commission and the Trustee receive consents to such amendment from each Credit Provider, each Liquidity Provider, each Counterparty and the provider of the liquidity facility for the Subordinate Commercial Paper Notes.

Parity Obligations

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

Refunding Bonds

Refunding Bonds may be authorized and issued by the Commission without compliance with the provisions of the Indenture summarized above under paragraph (c) of the caption "*Issuance of Additional Series of Bonds*," provided, that the Trustee shall have been provided with a Certificate of the Commission to the effect that the Commission has determined one of the following: (i) that Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding prior to the issuance of such Refunding Bonds, or (ii) that the Commission expects a reduction in Debt Service on all Bonds Outstanding and all Parity Obligations outstanding to result from the refunding to be effected with the proceeds of such Refunding Bonds.

Subordinate Obligations

Except to the extent restricted by the Indenture, the Commission may issue or incur obligations ("Subordinate Obligations") payable out of Sales Tax Revenues on a basis junior and subordinate to the payment of the principal, interest and reserve fund requirements for the Bonds and Parity Obligations, as the same become due and payable and at the times and in the manner as required by the Indenture or as required by the instrument pursuant to which such Parity Obligations were issued or incurred, as applicable. The Commission's outstanding Subordinate Obligations currently consist of the Subordinate

Commercial Paper Notes in the authorized amount of $100,000,000 and the credit facility for the Subordinate Commercial Paper Notes. Any termination payments under the Commission's Initial Swaps and fees and expenses due under the 2008 Liquidity Facilities (as defined herein) are payable from Sales Tax Revenues on a basis subordinate to the Subordinate Obligations.

FINANCING PLAN

The Commission will apply the proceeds of the Series 2012 Bonds to: (i) finance, refinance and/or reimburse the Commission for its prior payment of the Costs of the Project, (ii) refund a portion of the Series 2008 Bonds (as defined herein) and terminate a corresponding portion of the interest rate swaps relating to the Series 2008 Bonds, and (iii) pay the costs of issuing the Series 2012 Bonds.

The Refunding and Partial Swap Terminations

The Commission has called for redemption and plans to redeem on June 14, 2012 $151.5 million aggregate principal amount of Series 2008 Bonds with a portion of the proceeds of the Series 2012 Bonds. Such redeemed amount will be allocated to the mandatory sinking fund payments of the Series 2008 Bonds scheduled to occur on or before April 1, 2022. A corresponding notional amount of the Initial Swaps will be terminated with the termination payment payable by the Commission funded from proceeds of the Series 2012 Bonds.

Based on certain assumptions as to interest rates, liquidity fees and other expenses related to the Series 2008 Bonds, the Commission has determined that the debt service on the Series 2012 Bonds attributable to the redemption and swap terminations does not exceed the projected debt service, swap payments and expenses relating to the Series 2008 Bonds being redeemed and portion of Initial Swaps being terminated.

The Project

The Project consists of the *TransNet* Early Action Program (the "*TransNet* EAP") (depicted in the map on page i of this Official Statement) and includes various highway and transit improvements in the Interstates 5, 15, and 805 corridors; completion of the State Route 52 and 76 projects; implementation of the Mid-Coast Corridor, SuperLoop, and Mid-City Rapid Transit projects; trolley vehicle and station upgrades along the Blue and Orange Lines; and double tracking improvements in the coastal rail corridor.

The Commission may use some or all of the Series 2012 Bond proceeds on other projects, as permitted by applicable law.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of proceeds of the Series 2012 Bonds are shown below:

Estimated Sources of Funds:	
Principal Amount of Series 2012 Bonds	$420,585,000
Net Premium	55,876,982
Total	$476,461,982
Estimated Uses of Funds:	
Deposit to Project Fund	$300,000,000
Deposit to Redemption Fund(1)	151,500,000
Swap Termination Payments(1)	22,569,606
Costs of Issuance(2)	2,392,376
Total	$476,461,982

(1) Accrued interest on the Initial Swaps (as defined herein) and the refunded portion of the Series 2008 Bonds will be paid by the Commission from Sales Tax Revenues and not from proceeds of the Series 2012 Bonds.
(2) Includes Underwriters' discount, rating agency, financial advisory, legal and Trustee fees, printing costs and other miscellaneous expenses.

OUTSTANDING OBLIGATIONS

Sales Tax Revenue Obligations

Series 2008 Bonds. On March 27, 2008, the Commission issued its 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 are secured by a pledge of Sales Tax Revenues on a parity with the Series 2010 Bonds and the Series 2012 Bonds, defined below, and are currently Outstanding in the aggregate principal amount of $533,800,000. Series 2008 Bonds in the aggregate principal amount of $151,500,000 will be refunded with a portion of the proceeds of the Series 2012 Bonds. See "FINANCING PLAN – The Refunding and Partial Swap Terminations." The Series 2008 Bonds are variable rate demand obligations and currently bear interest at a weekly interest rate. The Commission has entered into certain Initial Swaps in connection with the Series 2008 Bonds pursuant to which the Commission pays fixed rates. The final maturity date for the Series 2008 Bonds is April 1, 2038. See "OUTSTANDING OBLIGATIONS – Interest Rate Swap Agreements" and "– Liquidity Facilities."

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 to provide for a reserve fund for the 2008 Reserve Fund Eligible Bonds. 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 the Series 2010 Bonds, and does not intend to designate the Series 2012 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) and its $11,040,000 Sales Tax Revenue Bonds (Limited Tax Bonds), 2010 Series B (collectively, the "Series 2010 Bonds"). The Series 2010 Bonds are secured by a pledge of Sales Tax Revenues on a parity with the Series 2008

Bonds and the Series 2012 Bonds and are currently Outstanding in the aggregate principal amount of $348,980,000. The Series 2010 Bonds have a final maturity date of April 1, 2048.

The 2010 Series A Bonds were issued as "Build America Bonds." The amount of any subsidy payments to be received in connection with the 2010 Series A Bonds (the "Subsidy Payments") are subject to legislative changes by the United States Congress. Further, Subsidy Payments will only be paid if the 2010 Series A Bonds continue to qualify as Build America Bonds. If the Commission does not receive the Subsidy Payments, the Commission has pledged Sales Tax Revenues to pay debt service on the 2010 Series A Bonds. See "RISK FACTORS – Loss of Subsidy Payments."

Subordinate Commercial Paper Notes. 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. A portion of the proceeds of the issuance of the Series 2008 Bonds (described in the following paragraph) were used to retire all Subordinate Commercial Paper Notes outstanding at the time of the issuance of the Series 2008 Bonds. A portion of the Series 2010 Bonds were also used to retire Subordinate Commercial Paper Notes. Since the issuance of the Series 2008 Bonds, the Commission has issued additional Subordinate Commercial Paper Notes. As of May 1, 2012, $33,821,000 in aggregate principal amount of Subordinate Commercial Paper Notes was outstanding.

Under a Memorandum of Understanding, dated as of June 1, 2008 (the "Certificate Purchase MOU"), by and between the Commission (referred to therein as SANDAG) 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 will bear interest at a rate equal to the weighted average interest rate on the Subordinate Commercial Paper Notes and will be subject to a new amortization schedule of approximately level principal payments through September 1, 2034.

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 Bonds.

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 circumstances, 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 Bonds, any Parity Obligations and other Subordinate Obligations, including the Subordinate Commercial Paper Notes. Series 2008 Bonds in the aggregate principal amount of $151,500,000 will be refunded with a portion of the proceeds of the Series 2012 Bonds and a corresponding portion of the Initial Swaps associated with such Series 2008 Bonds will be terminated. See "FINANCING PLAN – The Refunding and Partial Swap Terminations." As of May 4, 2012, if the Initial Swaps were terminated in full, the Commission would owe a termination payment of approximately $127,000,000.

The names of 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:

Name of Counterparty	Fixed Rate	Floating Rate
Bank of America, N.A.	3.4100%	65% of USD One-Month LIBOR
Goldman Sachs Mitsui Marine Derivative Products, L.P.	3.8165%	65% of USD One-Month LIBOR until April 1, 2018; USD SIFMA Swap Index thereafter
Bank of America, N.A.	3.8165%	65% of USD One-Month LIBOR until April 1, 2018; USD SIFMA Swap Index thereafter

Basis Rate Swap Overlays. In March 2009, the Commission entered into two Securities Industry and Financial Markets Association ("SIFMA") versus London Interbank Offered Rate ("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 percent of 3-month LIBOR on the first day of each month, commencing on May 1, 2018, for the last 20 years of two of the Initial Swaps. 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 a parity basis with the 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 May 4, 2012, if the Basis Rate Swap Overlays were terminated in full, the Commission would be owed approximately $16,000,000. 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 Bonds, any Parity Obligations and Subordinate Obligations, including the Subordinate Commercial Paper Notes.

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 Fourth Amendment to Standby Bond Purchase Agreement, dated as of March 1, 2012 (as amended, the "JPMorgan Liquidity Facility"). The JPMorgan Liquidity Facility will expire on March 24, 2014, 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 by and among Mizuho Corporate Bank, Ltd., acting through its New York Branch, the Commission and the Trustee (the "Mizuho Liquidity Facility"). The Mizuho Liquidity Facility will expire on September 26, 2014, 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 California State Teachers' Retirement System, State Street Bank and Trust Company, the Commission and the Trustee (the "CalSTRS/State Street Liquidity Facility" and, together with the JPMorgan Liquidity

Facility and the Mizuho Liquidity Facility, the "2008 Liquidity Facilities"). The CalSTRS/State Street Liquidity Facility will expire on September 28, 2015, 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 – "No Acceleration Provisions Except for Liquidity Facility Bonds," "– Parity with Variable Rate Bonds" and "– Limitations of the 2008 Liquidity Facilities."

Future Financings

The Commission anticipates issuing additional Bonds from time to time, in addition to the outstanding Series 2008 Bonds, the Series 2010 Bonds and the Series 2012 Bonds, to fund transportation projects authorized under the Expenditure Plan. Furthermore, the Commission is authorized to issue up to $100,000,000 of Subordinate Commercial Paper Notes.

The principal amount of additional Bonds or other financing instruments to be subsequently issued by the Commission and the timing of any such issuance or issuances will be determined by the Commission based on a variety of factors including the costs and timing of design and construction of the transportation projects to be financed and the resources then available. The issuance of additional Bonds is subject to the requirements of the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS—Additional Bonds and Parity Obligations."

The following table shows the annual debt service requirements with respect to the Series 2008 Bonds, the Series 2010 Bonds and the Series 2012 Bonds.

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DEBT SERVICE SCHEDULE

Fiscal Year			Series 2012 Bonds		Combined Net Annual
Ending June 30	Series 2008 Bonds[(1)]	Series 2010 Bonds[(2)]	Principal	Interest	Debt Service
2012	$27,485,966	$ 14,000,101	--	--	$ 41,486,067
2013	14,808,663	14,003,301	$ 18,060,000	$ 15,475,239	62,347,203
2014	14,808,663	13,995,901	14,490,000	19,050,250	62,344,814
2015	14,808,663	14,002,301	14,870,000	18,665,550	62,346,514
2016	14,808,663	13,997,501	15,470,000	18,070,750	62,346,914
2017	14,808,663	13,996,901	16,240,000	17,297,250	62,342,814
2018	14,808,663	13,995,301	17,055,000	16,485,250	62,344,214
2019	14,808,663	13,997,701	17,855,000	15,682,500	62,343,864
2020	14,808,663	13,998,901	18,700,000	14,839,750	62,347,314
2021	14,808,663	13,613,901	19,970,000	13,954,750	62,347,314
2022	14,808,663	13,613,101	20,965,000	12,956,250	62,343,014
2023	33,294,552	13,616,701	3,525,000	11,908,000	62,344,253
2024	33,206,205	13,614,501	3,790,000	11,731,750	62,342,456
2025	33,393,932	13,616,151	3,795,000	11,542,250	62,347,333
2026	33,548,529	13,613,151	3,830,000	11,352,500	62,344,180
2027	33,073,679	13,614,151	4,495,000	11,161,000	62,343,830
2028	33,482,264	13,613,951	4,310,000	10,936,250	62,342,465
2029	33,548,517	13,612,951	4,465,000	10,720,750	62,347,218
2030	33,581,642	13,616,151	4,650,000	10,497,500	62,345,293
2031	33,581,637	13,023,351	5,475,000	10,265,000	62,344,988
2032	33,548,504	13,023,351	5,780,000	9,991,250	62,343,105
2033	33,780,401	13,023,351	5,840,000	9,702,250	62,346,002
2034	33,669,966	13,023,351	6,240,000	9,410,250	62,343,567
2035	33,824,562	13,023,351	6,400,000	9,098,250	62,346,163
2036	33,934,986	13,023,351	6,610,000	8,778,250	62,346,587
2037	34,001,238	13,023,351	6,875,000	8,447,750	62,347,339
2038	34,321,478	13,023,351	6,895,000	8,104,000	62,343,829
2039	--	41,463,351	13,120,000	7,759,250	62,342,601
2040	--	41,465,644	13,775,000	7,103,250	62,343,894
2041	--	41,460,865	14,470,000	6,414,500	62,345,365
2042	--	41,462,669	15,190,000	5,691,000	62,343,669
2043	--	41,464,137	15,950,000	4,931,500	62,345,637
2044	--	41,463,538	16,680,000	4,199,756	62,343,294
2045	--	41,464,143	17,445,000	3,434,225	62,343,368
2046	--	41,464,033	18,245,000	2,633,244	62,342,277
2047	--	41,461,285	19,090,000	1,795,238	62,346,523
2048	--	41,458,978	19,970,000	918,000	62,346,978
Totals (rounded)	$713,364,684	$780,948,091	$420,585,000	$371,004,502	$2,285,902,277

(1) Interest on the Series 2008 Bonds is calculated based on the fixed interest rates payable by the Commission to the swap counterparties pursuant to the Initial Swaps; the fixed interest rates payable under the Initial Swaps range from 3.41% to 3.8165%. Reflects application of a portion of the proceeds of the Series 2012 Bonds to refund $151.5 million in aggregate principal amount of the Series 2008 Bonds and terminate a portion of the Initial Swaps associated with such refunded Series 2008 Bonds. See "FINANCING PLAN – The Refunding and Partial Swap Terminations."
(2) Net of Subsidy Payments (as defined hereafter).

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 San Diego 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.

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. Supplementing these voting members are advisory representatives from Imperial County, the U.S. Department of Defense, Caltrans, San Diego Unified Port District, Metropolitan Transit System, 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, programming, project implementation, and construction of transit projects in the region. 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 ("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. 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.

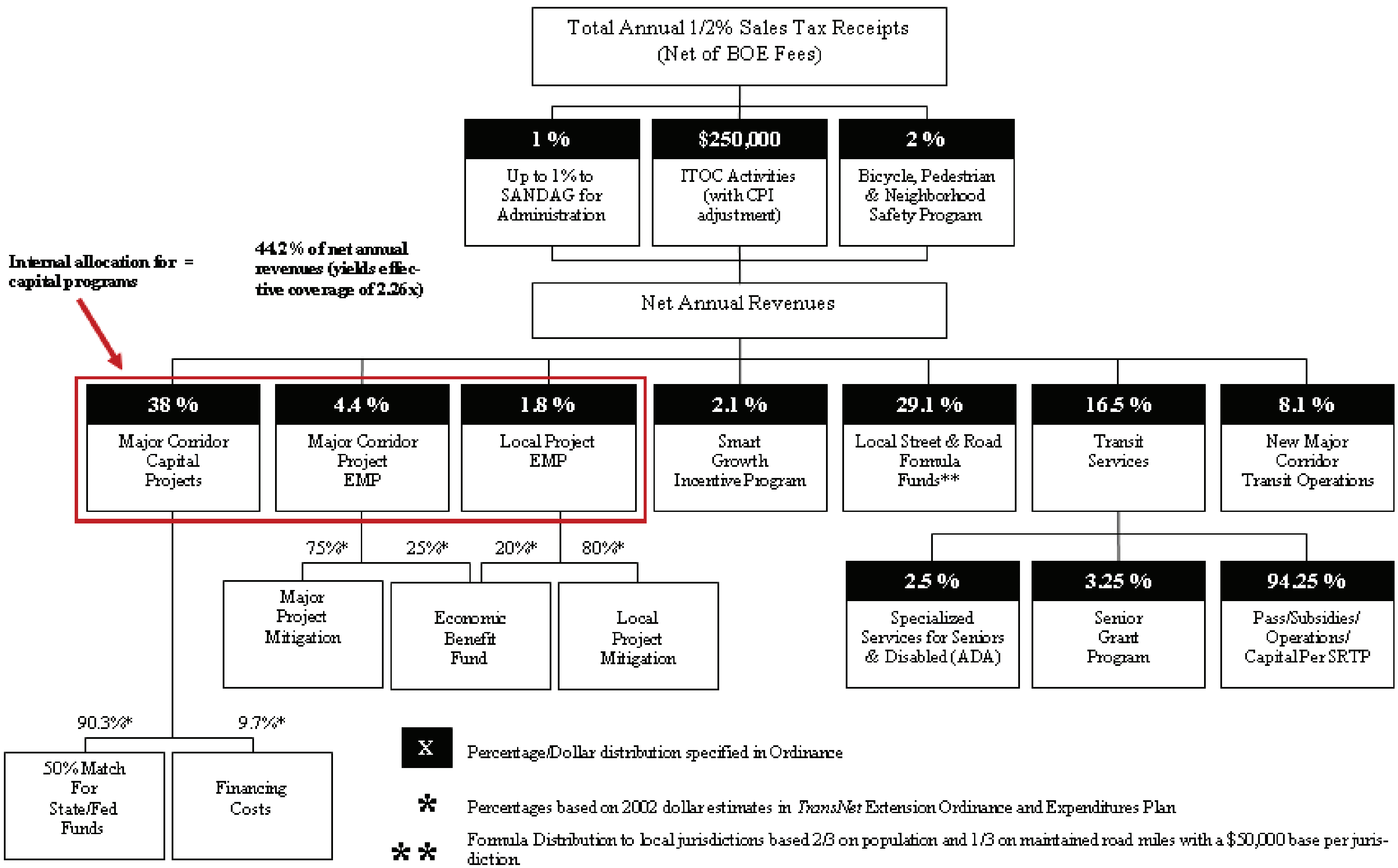
The Expenditure Plan

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 Ordinance specifies that Sales Tax Revenues are to be distributed according to the following diagram.

TransNet Extension

www.KeepSanDiegoMoving.com

Ordinance Allocation of Funds- FY 2009 to FY 2048



SANDAG

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 on page i of this Official Statement) includes various highway and transit improvements in the Interstates 5, 15, and 805 corridors; completion of the State Route 52 and 76 projects; implementation of the Mid-Coast Corridor, SuperLoop, and Mid-City Rapid Transit projects; 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.

The current distribution of funds in the 2011 *TransNet* Plan of Finance assumes $1.85 billion (28%) in federal funds, $1.77 billion (27%) in State funds, $269 million (4%) in local funds and $2.7 billion (41%) in *TransNet* bond and sales tax proceeds. Overall, the *TransNet* funds leverage the program with 59% of program funds from other sources.

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 recent years and in response to economic conditions where costs have dropped even more than sales tax collections, the Board has accelerated projects to take advantage of a construction bid environment that has continued to offer 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.

On November 18, 2011, the Commission unanimously approved the "2011 TransNet Plan of Finance," which includes a "robust" scenario to advance several *TransNet* projects to construction and prepare the next "shelf" of *TransNet* projects for future funding. The 2011 *TransNet* Plan of Finance provided for the use of *TransNet* funds for SANDAG's acquisition of the State Route 125 (SR 125) toll road (the "Southbay Expressway"). See "SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION – Recent Developments – SANDAG Acquisition of Southbay Expressway Toll Concession."

As a guiding principle, the Commission's primary borrowing is focused on three capital programs: (1) Major Corridor Capital Projects; (2) Major Corridor Environmental Mitigation Program ("EMP"); and (3) Local Project EMP, which comprise 44.2 percent of allocated funds from the 2004 Sales Tax Extension Ordinance as shown on the diagram on the preceding page. 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.

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.

Gary L. Gallegos, Executive Director. Mr. Gallegos serves as SANDAG's chief executive officer and the secretary of the Board of Directors of both SANDAG and the Commission. He is responsible for the overall management of SANDAG and the Commission, including execution of its operational policies and procedures, approved budget, and all personnel decisions. Mr. Gallegos was appointed by the SANDAG Board of Directors to his present position in 2001. Prior to joining SANDAG, Mr. Gallegos held the position of District Director for Caltrans District 11, encompassing San Diego and Imperial Counties. Mr. Gallegos holds a B.S. degree in Civil Engineering from the University of New Mexico and is a registered civil engineer.

Renée Wasmund, Chief Deputy Executive Director. Ms. Wasmund's major responsibilities include managing the ongoing operations of SANDAG, as well as overseeing the operations of the Administration, Finance, Land Use and Transportation Planning, Mobility Management and Project Implementation, and Technical Services Departments. Ms. Wasmund also works with other local, regional, State, and federal agencies on regional planning, programming and implementation issues and works with local, State and federal elected officials to implement public policy. Ms. Wasmund transferred to SANDAG from MTS in 2003 as a result of the consolidation of certain regional transportation functions into SANDAG. Before being named Chief Deputy Executive Director, Ms. Wasmund served as the Director of Finance for SANDAG and the Commission. She was at MTS for 13 years, serving as the Director of Finance and Administration for ten of those years. Ms. Wasmund is a graduate of the University of Central Florida and is a Certified Public Accountant.

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.

Leslie Campbell, Acting Director of Finance. Leslie Campbell retired from SANDAG in 2008 and in April 2012 was appointed as the Acting Director of Finance, to serve while SANDAG recruits for the Director of Finance position. The Director of Finance serves as the Chief Financial Officer and directs all financial and programming functions for SANDAG and the Commission. Prior to her retirement, Ms. Campbell was the Director of Administration at SANDAG. Previously, Ms. Campbell worked for Caltrans where she was Deputy Director for Administration at the Caltrans San Diego office and also held various budget management positions at the Caltrans Headquarters office in Sacramento. Prior to her service with Caltrans, Ms. Campbell also worked for 17 years in the California Attorney General's Office/ Department of Justice for a combined total of over 36 years in state and local public service. Ms. Campbell holds a degree in Social Sciences from the University of San Francisco School of Management.

Jim Linthicum, Director of Mobility Management and Project Implementation. Mr. Linthicum is directly responsible for the implementation of all *TransNet* and capital improvement 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.

Marney P. Cox, Chief Economist. Mr. Cox specializes in regional economies and works with a team of professionals to produce SANDAG's regional growth forecasts. These forecasts are adopted by each jurisdiction in the San Diego region and used widely for planning purposes. Mr. Cox's additional responsibilities include maintaining the San Diego region's Economic Prosperity Strategy, performing financial and risk analysis for transportation and other public infrastructure projects, and evaluating the fiscal consequences of alternative regional growth management policies. Mr. Cox joined SANDAG in 1979 as a Research Analyst responsible for SANDAG econometric and statistical growth allocation models and served as Municipal Finance Specialist and Senior Regional Planner before being promoted to his current position in 1986. Mr. Cox holds both graduate and undergraduate degrees in economics from San Diego State University, with an emphasis in public finance, urban economics and econometrics.

Kim Kawada, *TransNet* and Legislative Affairs Program Director. Ms. Kawada manages and directs the operations of the SANDAG *TransNet* program and federal and State legislative affairs, and oversees the Board of Directors and Policy Advisory Committee agendas. She has been involved in a number of significant transportation and planning initiatives in the San Diego region. She spearheaded the development of several of the agency's Regional Transportation Plans. She also worked with local, state, and federal officials to launch the first-ever high occupancy toll lanes that charge solo drivers a fee to use carpool lanes. She was responsible for the team that developed the first Regional Comprehensive Plan, a long-range planning framework for the San Diego region. She has worked at SANDAG for 17 years and previously worked for the City of Laguna Niguel. She is a graduate of Brown University with a Bachelor of Arts in American History.

Recent Developments – SANDAG Acquisition of Southbay Expressway Toll Concession

The Southbay Expressway is a 9.3-mile, four-lane toll road located near the City of Chula Vista in the southeastern portion of the County, originally constructed and operated by a private owner/operator under a Development Franchise Agreement (the "DFA") with the California Department of Transportation ("Caltrans"). On December 22, 2011, SANDAG acquired the private owner/operator's rights and assumed the obligations under the DFA to operate, maintain, and collect tolls on the Southbay Expressway. The purchase price that SANDAG paid for the rights under the Southbay Expressway DFA was approximately $341.5 million. The components of the purchase price consisted of approximately $247.5 million borrowed from the Commission and evidenced by a promissory note made by SANDAG (the "*TransNet* Note"), the assumption of an existing Transportation Infrastructure Finance and

Innovation Act loan funded by the U.S. Department of Transportation ("DOT") in the principal amount of approximately $92.5 million (the "TIFIA Loan") and the issuance to DOT of a subordinate promissory note in the principal amount of approximately $1.5 million (the "Series D Note"). The Commission used proceeds of its 2010 Series A Bonds to make the loan to SANDAG evidenced by the *TransNet* Note.

The Commission recently amended the Expenditure Plan to remove approximately $192 million of funding for two reversible high-occupancy vehicle lanes on Interstate 805 north of SR 54 and to replace such projects with an equivalent amount of funding for SANDAG's acquisition of the Southbay Expressway. The swap of the Interstate 805 high-occupancy vehicle lanes with the Southbay Expressway reflected in this Expenditure Plan amendment caused the principal amount of the *TransNet* Note to be decreased to approximately $55 million. By its terms, SANDAG will repay amounts owed to the Commission under the *TransNet* Note solely from toll revenues generated by the Southbay Expressway, on a subordinate basis after the payment of operations and maintenance costs and debt service on the TIFIA Loan. Debt service on the Series D Note is subordinate to the *TransNet* Note and is not payable until the *TransNet* Note is paid in full and other SANDAG capital reserves are fully funded.

Toll revenues collected from users of the Southbay Expressway will be the sole source of funds to satisfy SANDAG's obligations under its franchise agreement with Caltrans, the TIFIA Loan, the *TransNet* Note and the Series D Note, including the payment of operations, maintenance and debt service costs. No Sales Tax Revenues, other than amounts pledged to pay debt service on the 2010 Series A Bonds, are or will be pledged to secure or used to make payments with respect to the Southbay Expressway. SANDAG's acquisition of the rights and assumption of the obligations relating the Southbay Expressway will not have a material adverse effect on the Commission's ability to pay debt service on the Bonds, including the Series 2012 Bonds.

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 BOE. The BOE, 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 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 thereafter to the Commission. The fee charged by the BOE is determined by the BOE pursuant to statute. The fee charged by the BOE to the Commission for collection of the Sales Tax for Fiscal Year 2011 was $2,501,240 and to date for Fiscal Year 2012 is $1,830,600. The fee that the BOE 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 Sales Tax is imposed in addition to a seven and one quarter percent sales and use tax levied statewide by the State. 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 following table shows the Sales Tax remitted to the Commission during the Fiscal Years ended June 30, 1990 through June 30, 2011.

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SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
HISTORICAL SALES TAX REVENUES

Fiscal Year Ended June 30	Sales Tax Revenues[1]	% Change From Prior Fiscal Year
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	247,924,394	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

(1) Cash basis, net of BOE administrative fee.
(2) Reflects, in part, effect of increase in BOE administration fee in 1994.
Source: San Diego County Regional Transportation Commission.

Annual Sales Tax Revenues received for the Fiscal Year ended June 30, 2011 totaled $221,304,014. The amount of such annual Sales Tax Revenues is 3.55 times Maximum Annual Debt Service on the Series 2008 Bonds, the Series 2010 Bonds (net of the Subsidy Payments) and the Series 2012 Bonds, based on the debt service shown in the table "PROJECTED DEBT SERVICE SCHEDULE" herein.

Following declines in Sales Tax Revenues which began in Fiscal Year 2008, the first increase in Sales Tax Revenues occurred in Fiscal Year 2011, when Sales Tax Revenues grew 8.4 percent over the prior Fiscal Year. Although there can be no assurances that Sales Tax Revenues will continue to increase, this positive trend has continued into the third quarter of Fiscal Year 2012. The following table shows the Sales Tax remitted to the Commission during the quarters indicated for the Fiscal Year ended June 30, 2011 and the Fiscal Year ending June 30, 2012.

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
HISTORICAL QUARTERLY SALES TAX REVENUES

Fiscal Year Quarter	Sales Tax Revenues[1]	% Change from Prior Year's Fiscal Quarter
First Quarter 2011	$54,023,173	7.8%
Second Quarter 2011	56,480,414	8.3
Third Quarter 2011	55,429,535	8.0
Fourth Quarter 2011	55,370,892	9.4
First Quarter 2012	57,520,522	6.5
Second Quarter 2012	60,119,497	6.4
Third Quarter 2012	60,082,307	8.4

(1) Cash basis, net of BOE administrative fee.
(2) Ended March 31, 2012.

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% sales and use tax levied statewide by the State. Governor Brown has proposed a ballot measure increasing the State sales and use tax by 0.25% for the next four years. This ballot measure will be considered by the voters of the State in November 2012. The Commission is unable to predict whether such ballot measure will be successful. Further, 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 Series 2012 Bonds.

Sales and Use Tax	Tax Rate	Effective Date	Termination Date
City of El Cajon Service Preservation Transactions and Use Tax	0.50%	04/01/09	03/31/29
City of El Cajon Public Safety Facilities Transactions and Use Tax	0.50	04/01/05	03/31/15
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	09/30/16
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* (November 1, 2011), California State Board of Equalization.

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 (California Government Code Section 53600 *et seq*.) 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, certain bankers acceptances, certain corporate commercial paper of prime quality, certificates of deposit, certain medium term corporate notes, certain shares of beneficial interest in diversified management companies (mutual funds), the State's local agency investment fund, the San Diego County local agency investment fund, certain collateralized repurchase agreements, and other securities authorized under State law as appropriate for public fund investments and not specifically prohibited by the investment policy. The investment policy (which is subject to change in the future) does not allow investment in reverse repurchase agreements, financial futures, option contracts, mortgage interest strips, inverse floaters or securities lending or any investment that fails to meet the credit or portfolio limits of the investment policy at the time of investment.

Funds held by the Trustee under the Indenture are invested in Investment Securities (as defined in Appendix C) by the Trustee in accordance with instructions from the 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 mutual funds and a single mutual fund than the investment policy would otherwise permit).

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

The value of the various investments in the portfolio will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Further, such values may vary based on credit quality, ratings, or other factors. Therefore, there can be no assurance that the values of the various investments in the portfolio will not vary significantly from the values described below. Further, the values specified in the following tables were based upon estimates of market values provided to the Commission by a third party as of March 31, 2012. Accordingly, there can be no assurance that if these securities had been sold on March 31, 2012, 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 March 31, 2012, the average maturity of the Commission's portfolio was 493 days, with an average yield of approximately 0.60%.

INVESTMENT PORTFOLIO INFORMATION
as of March 31, 2012

Investments	Percent of Portfolio (Market Value)	Par Value	Market Value
Cash or Cash Equivalents	27.6%	$138,550,693	$138,550,693
State of California Local Agency Investment Fund	8.7	43,684,219	43,684,219
U.S. Agencies	46.0	227,659,000	230,686,117
Corporate Medium Term Notes	10.9	52,778,000	54,487,542
Municipal Bonds/Notes	0.3	1,425,000	1,568,911
Commercial Paper	6.5	32,900,000	32,900,000
TOTAL SECURITIES	100.0%	$496,996,912	$501,877,481

Source: The Commission.

RISK FACTORS

Economy of the County and the State

The Series 2012 Bonds are secured by a pledge of Sales Tax Revenues, which consist of the Sales Tax less an administrative fee paid to the BOE. 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 a material 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 Series 2012 Bonds. 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. Governor Brown has proposed a ballot measure increasing the State sales and use tax by 0.25% for the next four years. This ballot measure will be considered by the voters of the State in November 2012. The Commission is unable to predict whether such ballot measure will be successful. In addition, 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."

No Acceleration Provision Except for Liquidity Facility Bonds

The Indenture does not contain a provision allowing for the acceleration of the Series 2012 Bonds in the event of a default in the payment of principal of and interest on the Series 2012 Bonds when due. In the event of a default by the Commission, each Holder of a Series 2012 Bond will have the rights to exercise the remedies, subject to the limitations thereon, set forth in the Indenture. See APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE." The amortization period applicable to the Liquidity Facility Bonds, however, may be accelerated under certain circumstances. Liquidity Facility Bonds are Series 2008 Bonds tendered for purchase and not successfully remarketed, that are thereupon 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 (180^{th}) day following the date on which any Series 2008 Bond became a Liquidity Facility Bond. Liquidity Facility Bonds are payable on a parity with the Bonds.

Parity with Variable Rate Bonds

The Series 2008 Bonds are variable rate bonds issued on parity with the Series 2010 Bonds and the Series 2012 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. A portion of the Series 2008 Bonds may be refunded with a portion of the proceeds of the Series 2012 Bonds. See "FINANCING PLAN – The Refunding and Partial Swap Terminations."

Limitations of the 2008 Liquidity Facilities

The ability to obtain funds under a 2008 Liquidity Facility in accordance with its terms may be limited by federal or State law. Bankruptcy, conservatorship, receivership and similar laws governing financial institutions or any issuer of a 2008 Liquidity Facility may prevent or restrict payment under such 2008 Liquidity Facility. To the extent the short-term rating on any Series of the Series 2008 Bonds depends in any manner on the rating of the Liquidity Provider, the short-term ratings on such Series of Series 2008 Bonds could be downgraded or withdrawn if the Liquidity Provider were to be downgraded, placed on credit watch or have its ratings suspended or withdrawn or were to refuse to perform under its 2008 Liquidity Facility.

The obligation of the Liquidity Providers under each 2008 Liquidity Facility to purchase unremarketed Series 2008 Bonds of a Series is subject to the conditions and limitations set forth therein, and is also subject to all rights and defenses available to contracting parties generally. The 2008 Liquidity Facilities are not a guaranty to pay the purchase price of any Series of 2008 Bonds tendered for purchase. Each 2008 Liquidity Facility is a general contract, subject to certain conditions and limitations, and is not a letter of credit. Purchasers of any Series 2008 Bonds should consult their legal counsel for an explanation of the differences between a general contract and a letter of credit or guaranty. The following is included as a summary of selected differences and does not purport to be complete or definitive.

In general, a letter of credit is an independent, special contract by a bank to pay a third party such as a bond trustee holding the letter of credit for the benefit of owners of such bonds. Banks are required by law to honor their letters of credit except in specified circumstances. If a dispute were to develop between a bank and its borrower, except in limited circumstances, the dispute should not jeopardize payment under the letter of credit because (a) the letter of credit would be independent of the disputed contract between the borrower and the bank and (b) the beneficiary of the letter of credit (typically, the bond trustee) would have direct rights under the letter of credit. Although there are defenses to payment of letters of credit, such defenses are limited by law to specified circumstances.

In contrast, a standby bond purchase agreement, such as a 2008 Liquidity Facility, is merely a general contract. No law expressly requires performance of the contract, although the non-breaching party would be entitled to allowable damages if there were a breach of contract. Although the Trustee is authorized to draw funds in accordance with each 2008 Liquidity Facility, the related Liquidity Provider has no independent obligation to the Trustee. If a dispute were to develop, such Liquidity Provider will have all defenses allowed at law or in equity to their payment under or other performance of its 2008 Liquidity Facility, including but not limited to disputes (whether valid or not) regarding the authority of any party to enter into or perform under such 2008 Liquidity Facility. In general, the provider of a standby bond purchase agreement has more defenses against performance than the provider of a letter of credit.

A Liquidity Provider or the Commission may seek to have any future dispute resolved in court and appealed to final judgment before it performs under the applicable 2008 Liquidity Facility. Further, even if the Commission were to prevail against the Liquidity Provider, a court would not necessarily order the Liquidity Provider to perform under the applicable 2008 Liquidity Facility; it could instead award damages for breach of contract to the Commission. Any such award would not necessarily be in an amount sufficient to pay the purchase price of the applicable Series of Series 2008 Bonds.

Loss of Subsidy Payments

The 2010 Series A Bonds were issued as “Build America Bonds.” The amount of any subsidy payments to be received in connection with the 2010 Series A Bonds (the “Subsidy Payments”) are subject to legislative changes by the United States Congress. 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 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. If the Commission does not receive the Subsidy Payments, the Commission has pledged Sales Tax Revenues to pay debt service on the 2010 Series A Bonds.

Loss of Tax Exemption

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

Impact of Bankruptcy of the Commission

As a municipal entity, the Commission may be qualified to file a petition under Chapter 9 of the United States Bankruptcy Code ("Chapter 9") under certain circumstances. In a Chapter 9 bankruptcy, the pledge of Sales Tax Revenues to the Trustee for the benefit of owners of the Series 2012 Bonds will be enforceable only if a bankruptcy court determines that the Sales Tax Revenues are special revenues under Chapter 9 ("Special Revenues").

The results of Chapter 9 proceedings are difficult to predict. The fact that the Sales Tax was specifically levied to finance the projects described in the San Diego County Transportation Improvement Program *TransNet* Ordinance and Expenditure Plan (under this caption, the "Project") would support a determination that the Sales Tax Revenues constitute Special Revenues. However, if a bankruptcy court concludes that the Sales Tax is a general sales tax levied to finance the general purposes of the Commission as well as the Project, the court could rule that the Sales Tax Revenues do not constitute Special Revenues. If the Sales Tax Revenues are held not to be Special Revenues, the owners of the Series 2012 Bonds would no longer be entitled to any lien on the Sales Tax Revenues and may be treated as general unsecured creditors of the Commission.

If a bankruptcy court rules that the Sales Tax Revenues constitute Special Revenues, the court could further rule that the pledge is subordinate to the payment of necessary operating expenses of the Project. In order to make such a ruling, however, the court must first determine that the Sales Tax Revenues are "derived from" the Project. Such a determination does not appear to be supported by the facts and would involve the court holding that an indirect nexus is sufficient to find that sales taxes specifically levied to finance a transportation project are "derived from" the transportation system.

Proposition 218

On November 5, 1996, voters in the State approved an initiative known as the Right to Vote on Taxes Act ("Proposition 218"). Proposition 218 added Articles XIIIC and XIIID to the California Constitution. Article XIIIC requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, which is defined to include local or regional governmental agencies such as the Commission. In 2004, the Sales Tax Extension Ordinance received the approval of more than 2/3 of the voters as required by Article XIIIC. However, Article XIIIC 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 Series 2012 Bonds would violate the Impairment Clause of the United States Constitution and, accordingly, would be precluded. However, it is likely that the interpretation and application of Proposition 218 will ultimately be determined by the courts.

Further Initiatives

Proposition 218 was adopted as a measure that qualified for the ballot pursuant to 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 Series 2012 Bonds. 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 Series 2012 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2012 Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond Counsel observes such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or accrual or receipt of interest on the Series 2012 Bonds. A complete copy of the proposed form of the opinion of Bond Counsel is set forth in Appendix F.

To the extent the issue price of any maturity of the Series 2012 Bonds is less than the amount to be paid at maturity of such Series 2012 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2012 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the Series 2012 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2012 Bonds is the first price at which a substantial amount of such maturity of the Series 2012 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2012 Bonds accrues daily over the term to maturity of such Series 2012 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2012 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2012 Bonds. Beneficial owners of the Series 2012 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2012 Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Series 2012 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2012 Bonds is sold to the public.

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

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

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2012 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Series 2012 Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Series 2012 Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2012 Bonds. Prospective purchasers of the Series 2012 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2012 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the 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 Series 2012 Bonds ends with the issuance of the Series 2012 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Commission or the beneficial owners regarding the tax-exempt status of the Series 2012 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the 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 Commission legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2012 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2012 Bonds, and may cause the Commission or the beneficial owners to incur significant expense.

LEGAL MATTERS

The validity of the Series 2012 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the 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 Fulbright & Jaworski L.L.P., 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 Series 2012 Bonds.

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 Series 2012 Bonds remain Outstanding. Under the Continuing Disclosure Agreement, the Commission will covenant for the benefit of owners of the Series 2012 Bonds 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, 2012 (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 Series 2012 Bonds in complying with the Rule 15c2-12 (the "Rule") adopted by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The Commission has not failed in the previous five years to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of enumerated events. See APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

RATINGS

Standard & Poor's Ratings Services and Moody's Investors Service have assigned ratings on the Series 2012 Bonds of "AAA" and "Aa2," 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: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007; and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., 55 Water Street, New York, New York 10041. 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 Series 2012 Bonds.

UNDERWRITING

Purchase of the Series 2012 Bonds

The Commission has entered into a Bond Purchase Agreement (the "Purchase Agreement") with respect to the Series 2012 Bonds with Barclays Capital 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 Series 2012 Bonds for reoffering at a price of $474,806,723.76, which represents the aggregate principal amount of the Bonds, less an Underwriters' discount of $1,655,258.29, plus a net original issue premium of $55,876,982.05.

The Purchase Agreement provides that the Underwriters will purchase all of the Series 2012 Bonds if any are purchased. The Series 2012 Bonds 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 by changed from time to time by the Underwriters. The Underwriters agree to make a public offering of the Series 2012 Bonds. The Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series 2012 Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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.

Retail Brokerage Arrangements

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

Goldman, Sachs & Co., one of the Underwriters of the Series 2012 Bonds, has entered into a master dealer agreement (the "Master Dealer Agreement") with Incapital LLC ("Incapital") for the distribution of certain municipal securities offerings, including the Series 2012 Bonds, to Incapital's retail distribution network at the initial public offering prices. Pursuant to the Master Dealer Agreement, Incapital will purchase the Series 2012 Bonds from Goldman Sachs at the initial public offering price less a negotiated portion of the selling concession applicable to any Series 2012 Bonds that Incapital sells.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series 2012 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase Series 2012 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2012 Bonds that such firm sells.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Series 2012 Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2012 Bonds.

FINANCIAL ADVISOR

The Commission has retained Public Financial Management Inc., San Francisco, California, as financial advisor (the "Financial Advisor") in connection with the Series 2012 Bonds. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

RELATIONSHIP OF CERTAIN PARTIES

Goldman, Sachs & Co., Barclays Capital Inc. and J.P. Morgan Securities LLC are Underwriters of the Series 2012 Bonds and remarketing agents with respect to certain of the Series 2008 Bonds.

Goldman Sachs Mitsui Marine Derivative Products, L.P. ("Goldman Mitsui Marine") is a counterparty to an interest rate swap agreement with respect to the Series 2008 Bonds. The Goldman Sachs Group, L.P. is a partner of Goldman Mitsui Marine and is affiliated with Goldman, Sachs & Co.

Barclays Bank PLC is the counterparty to the Commission's two Basis Rate Swap Overlays. Barclays Bank and Barclays Capital Inc. are affiliated with Barclays PLC.

Merrill Lynch, Pierce, Fenner & Smith Incorporated is an Underwriter of the Series 2012 Bonds. Bank of America, N.A. is a swap counterparty and the Liquidity Provider for the Subordinate Commercial Paper Notes. Both are wholly owned subsidiaries of Bank of America Corporation.

JPMorgan Chase Bank, N.A. is the Liquidity Provider for the 2008 Series A Bonds and the 2008 Series B Bonds and is an affiliate of J.P. Morgan Securities LLC, an Underwriter of the Series 2012 Bonds.

FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS

Financial information relating to the Commission is included in the Commission's Audited Financial Statements for the Fiscal Year Ended June 30, 2011, 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 Mayer Hoffman McCann P.C., 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 Series 2012 Bonds. 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: /s/ Gary L. Gallegos
Executive Director

APPENDIX A

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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San Diego County
Regional Transportation Commission

Basic Financial Statements

2011

for the fiscal year ended
June 30, 2011

San Diego, CA

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION

(A Component Unit of the San Diego Association of Governments)

San Diego, California

Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Prepared by:

Finance Department

San Diego County Regional Transportation Commission
Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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www.sandag.org

December 27, 2011

Honorable Chair, and
Members of the Board of Directors
San Diego County Regional Transportation Commission

We are pleased to present the basic financial statements of the San Diego County Regional Transportation Commission (Commission), a component unit of the San Diego Association of Governments (SANDAG), for the fiscal year ending June 30, 2011. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Commission. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Commission. Also included herein, is other supplementary information. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

The basic financial statements are presented in two sections: Introductory and Financial. The Introductory section includes this letter of transmittal, a list of the SANDAG Board of Directors, a list of the SANDAG executive staff, and the SANDAG organizational chart. The Financial section consists of the independent auditors' report, management's discussion and analysis, basic financial statements, notes to the basic financial statements, required supplementary information, and supplementary information.

Mayer Hoffman McCann, P.C., have issued an unqualified ("clean") opinion on the Commission's financial statements for the year ending June 30, 2011.

Reporting Entity

SANDAG is the region's council of governments (COG). Local elected officials throughout the United States have joined together to form similar COGs to deal cooperatively with issues, which go beyond jurisdictional boundaries, such as transportation, growth management, environmental quality, and public facility needs. SANDAG is a statutorily created agency, codified in California State law. Voting among the agency's 18 cities and county government is based upon both membership and the population of each jurisdiction, providing for an equitable representation of the region's residents. The California Department of Transportation (Caltrans), the U.S. Department of Defense, the San Diego Unified Port District, San Diego Metropolitan Transit System (MTS), North County Transit District (NCTD), San Diego County Water Authority, Imperial County, the Southern California Tribal Chairmen's Association, and Mexico (Consulate General of Mexico) are nonvoting advisory members of SANDAG.

SANDAG traces its origins to the 1960s as local planners and decision-makers saw the need for coordinated efforts to solve a growing list of regional issues. In 1972, a Joint Powers Agreement was formalized among local governments, creating a COG, then known as the Comprehensive Planning Organization, with independent staffing and cooperative financing from the local members and project grants from state and federal agencies. In 1980, the name was changed from the Comprehensive Planning Organization to the San Diego Association of Governments to better reflect the agency's purpose. In 2003, Senate Bill 1703, as amended by Assembly Bill 361, called for the consolidation of all the roles and responsibilities of SANDAG with certain transit functions of Metropolitan Transit System (MTS) and North County Transit District (NCTD). SANDAG is now responsible for long-range transit planning, programming, project development, and construction of transit projects in the region. This structure is intended to streamline regional decision-making to improve the transportation system, protect open space and habitats, bolster our infrastructure, and sustain our quality of life. SANDAG's Board of Directors also serve as the Commission's Board of Directors.

The Commission is responsible for the implementation and administration of transportation improvement programs funded by the San Diego countywide half-percent sales tax. This tax became effective on April 1, 1988, as a result of the passage of Proposition A – The San Diego County Transportation Improvement Program. The Proposition A sales tax funds are used for highway, public transit, local street and road improvements, bicycle and pedestrian facilities, and administration. In November 2004, the voters of San Diego County extended the half-cent sales tax another 40 years to 2048. The extension of *TransNet* will help SANDAG continue to implement the region's transportation program as well as provide funding for bicycle, pedestrian, and neighborhood safety projects, major corridor capital projects, environmental mitigation projects, smart growth projects, local street and road projects, transit systems projects, and new major corridor transit operation projects. The 2004 Ordinance includes a mandate that an Independent Taxpayer Oversight Committee (ITOC) for *TransNet* be formed to provide an enhanced level of accountability for the expenditure of funds under the *TransNet* Expenditure Plan. The ITOC also will help ensure that all voter mandates are carried out as required and will develop recommendations for improvements to the financial integrity and performance of the program. The Commission is authorized to issue limited tax bonds payable from the sales tax receipts, the proceeds of which can be used to finance approved *TransNet* projects. The Commission has created a Plan of Finance (POF) for the *TransNet* Program. The POF is updated annually, a summary of the most recent POF is provided near the end of this report.

Geography

The San Diego region is nestled in the most southwest corner of the United States. It is a region filled with beautiful landscapes, a diversified economy, and an unmatched quality of life for its three million residents. About the size of the State of Connecticut, the region encompasses 4,255 square miles, extending 70 miles along the Pacific Coast from the international border to Orange County, and inland 75 miles to Imperial County. Riverside and Orange Counties form our region's northern boundary.

The topography of the region varies from broad coastal plains to fertile inland valleys and mountain ranges to the east, rising to an elevation of 6,500 feet. The 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 region. The climate is Mediterranean in the coastal and valley areas where most of the population and resources are located. Average annual rainfall on the coastal plain is approximately ten inches. The San Diego region also is one of the most biologically diverse areas in the nation.

Cultural and Educational Attractiveness

The San Diego region has matured as a center for culture and education. San Diegans now boast about their two Tony Award-winning theaters; The Globe Theatre and La Jolla Playhouse. In addition, with the San Diego Opera, the San Diego Symphony, and more than 90 museums for the enjoyment of both locals and visitors, the region has an abundance of cultural activities. Higher education is provided through numerous colleges and universities. The University of California, San Diego, is internationally recognized for excellence in higher education and scientific research.

San Diego State University is the oldest and largest higher education institution. The University of San Diego, a private institution, is a highly respected law school and the California State University, San Marcos is the region's fastest-growing college both in students and curricula.

The San Diego region continues to be a premier destination for visitors from all over the world. The region's warm climate, proximity to Mexico, and abundant facilities and attractions power the visitor industry. The region has hosted the 1988, 1998, and 2004 Super Bowls, and the 1998 World Series. The San Diego Convention Center's size, bayside location, and proximity to the popular Gaslamp district in Downtown San Diego enable the region to compete with Los Angeles and San Francisco in attracting the nation's largest conventions and trade shows. In addition, San Diego now has a baseball-only ballpark Downtown that is serving as another visitor magnet and is stimulating a billion dollar renaissance in the surrounding area.

Economic Summary and Outlook

Slow Growth

Although the Great Recession technically ended in July 2009, the level of economic growth since then has been slow when compared against past rebounds following a deep recession. Nationally, total nonfarm payroll employment declined by nearly 8.75 million jobs from December 2007 to February 2010 and has since increased by 2 million reducing the unemployment rate from 10.1 percent in October 2009 to 8.6 percent in November 2011. At the trough of the recession total payroll jobs were about the same level as recorded in January 2002.

The US economy approaches 2012 with improved momentum. With the oil price and Japan product supply stocks fading, Gross Domestic Product (GDP) growth has picked up from sub-1 percent at the start of 2011 to an estimated 3 percent growth expected in the last quarter of the year. Job growth is averaging 145,000 a month after November's (2011) gain of 120,000 and the unemployment rate has declined to 8.6 percent. The drop in the unemployment rate reflects greater job gains, but also a shrinking labor force. However, this pace of job creation is not sufficient to generate healthy income growth, which means consumer spending could likely slow next year. Additional economic headwinds expected to emerge early in 2012 include a gradual tightening in federal fiscal policy as spending from the 2009 stimulus plan steadily fades, and the chance that last year's payroll tax cut and extended unemployment insurance benefits are not renewed. Finally, Europe's economies are slowing, as they work through their own debt crisis, which could slow the level of international trade.

Locally, the San Diego economy has followed much the same path as the national economy, although direct comparisons are not possible because the local job numbers are not adjusted to reflect seasonal variations. The local labor market shed 103,300 payroll jobs between December 2007 and December 2009. At the trough, the local economy had lost 7.8 percent of its total jobs since the start of the recession, whereas the national economy shed 6.1 percent over the same time period. At the trough of the recession the aggregate number of local jobs was at about the same level as recorded in January 2001. The most recent local employment data that has been adjusted to remove reporting errors is through the end of 2010. On a year-over-year comparison basis as of December 2010, local employment has increased by 5,200 jobs a rise of nearly 0.5 percent.

Although the recession may be behind us technically, a majority of economists are forecasting a modest recovery over the next few years followed by a relatively slow expansion through 2015. In the near-term, GDP is expected to expand in the two to three percent range; levels that are historically low for a recovery from a deep recession. For example, following the deep 1981-1982 recession in which GDP shrunk by 2.9 percent from peak to trough, the economy bounced right back – growing 4.5 percent in 1983 and 7.2 percent in 1984. If the nation's GDP increases at the expected two to three percent per year, it would likely be 2015 or beyond before the unemployment rate falls to the prerecession level of about 5.5 percent.

California Budget Outlook

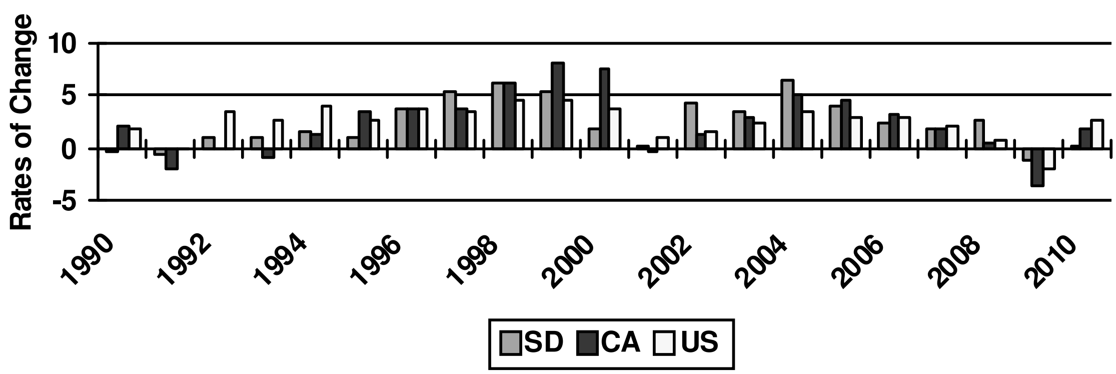
One of the most talked about and written about problems in California over the past few years has been the state's budget deficit. The performance of regional economies in the state, including San Diego's, is linked directly to the State of California's fiscal health. Consequently, the state's budget crisis is likely contributing to the slower rates of economic growth San Diego has recorded over the past few years. Since 2003, the state has faced budget shortfalls. Various steps have been taken to reduce the deficit, including refinancing the accumulated debt, taking advantage of lower interest rates, reforming the workers' compensation program, and raising the sales tax rate one percentage point. However, for the most part, the "closing the gap solutions" since 2003 have proven to be inadequate.

In May 2011, the State Legislative Analyst Office released an update on the state's fiscal outlook (The 2011-2012 Budget: Overview of the May Revision). In its May Budget Revision, the administration projects that the state's sizable budget gap for 2010–2011 and 2011–2012—estimated to be over $25 billion in January—has shrunk to $9.6 billion. The main reasons for the decline of the projected budget shortfall are (1) over $13 billion of expenditure cuts, fund shifts, and other measures approved by the Legislature, and (2) an estimated $6.6 billion improvement in state tax collections, mainly due to higher than expected personal income tax (PIT) collections. Unfortunately the positive economic trends that were starting to take hold at the end of last fiscal year (FY2011) did not build and continue into this fiscal year as expected. As a result the state is again facing mid-year budget adjustments; including expenditure cuts of between $2.0 billion to $4.0 billion. Despite the meaningful and significant gains the state has made in trimming its structural budget deficit over this past year, without an improving economy it will be difficult to make additional progress without further expenditure cuts or increase in taxes. The Governor is proposing to put a measure on the November 2012 ballot asking voters to approve an increase in taxes.

San Diego's Economy and Economic Outlook

Historically, the San Diego region has enjoyed strong economic growth, keeping up with, and at times outpacing the State of California and the nation (see Figure 1 below). According to the Department of Commerce's Bureau of Economic Analysis, the San Diego Region's Gross Regional Product (GRP), an estimate of the total value of goods and services produced in a region, for 2010, (the latest year available), was $171.5 billion measured in current dollars. After adjusting for the effects of inflation, the local GRP rose 0.21 percent during 2010, after declining 1.3 percent during 2009. Although the local economy did not contract as much as the state and nation during 2009, its growth rate during 2010 was behind both the state and nation.

Figure 1:
Rates of Change in Gross Products (2000 $)

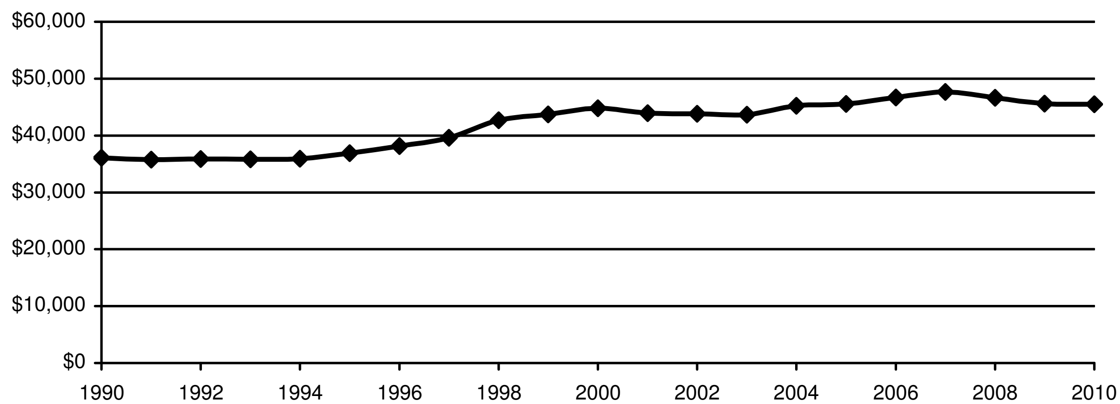


Over the longer term, the strength of the local economy is due, in part, to significant changes that took place during the second half of the decade in the 1990s. The San Diego region underwent a fundamental restructuring process after a period of recession in the early 1990s that increased economic diversity and strengthened local industry. A restructured local economy emerged from the recession, one better able to adapt and compete in the global marketplace. The economy is now centered on nationally and internationally competitive industries, and a growing recognition that our region must supply the linkages and infrastructure that support these industries. Today's leading sectors are no longer located solely in the defense and manufacturing industries. As a result, local economic policies have adapted and now focus on a broader range of sectors that drive the local economy – known as traded employment clusters. Traded employment clusters are the engines of economic activity, capable of setting the pace of economic growth, producing high-paying jobs, and producing a rising standard of living for the region. Traded employment clusters are groups of complementary, competing, and interrelated industries that drive wealth creation in a region, primarily through the export of goods and services. These traded clusters have led the local economic resurgence, and some of them contain many of our highest paying job opportunities that are part of the region's emerging growth technology businesses, including biotechnology, biomedical instruments, telecommunications, software, semiconductors and computer networks, defense manufacturing, and clean technology (previously called environmental technology).

The San Diego region has become a prominent example of an emerging "high-tech" economy in the nation. San Diego now exhibits characteristics which include decreased reliance on traditional durable goods manufacturing and increased reliance on knowledge-based and other wealth-generating activities. Because of the changing and volatile nature of both the state and national economies, traded clusters are likely to continue to be the leaders in economic growth. The region has many of the characteristics and opportunities necessary for these important clusters to succeed: excellent education and training facilities, world class research institutes, mild climate, coastal location, innovative culture, and an increasingly skilled labor force. All of these factors help create synergy between companies and provide the labor and skills necessary for traded clusters to prosper.

Today, business services, skilled trades, research and development, and highly technical sectors (all embodied in the region's traded employment clusters) have become the driving forces behind economic development and provide an opportunity to increase our standard of living, as measured by real per capita income. As Figure 2 shows, local standard of living grew quickly following the end of the local downturn in 1994 and the surge in high-tech employment growth that leveled off in 2000. Job growth since 2000 has been sufficient to keep the region's unemployment rate low (through 2007), however, the growth has not been well balanced between high- and low-paying jobs, and far more jobs are being created that are low-paying resulting in a much different trend for the standard of living since 2000. Between 1994 and 2000, the local standard of living, measured by the growth in real per capita income, increased 24.7 percent. Between 2000 and 2007, the growth rate slowed to 6.4 percent before falling during the last three years; reducing the 2000 to 2010 increase to 1.5 percent. Over the last 19 years, between 1990 and 2010, real per capita income increased 26.0 percent, from $36,100 in 1990 to $45,480 in 2010 (figures in constant 2009 dollars).

Figure 2
San Diego Real per Capita Income 1990 – 2010 (2009 $)

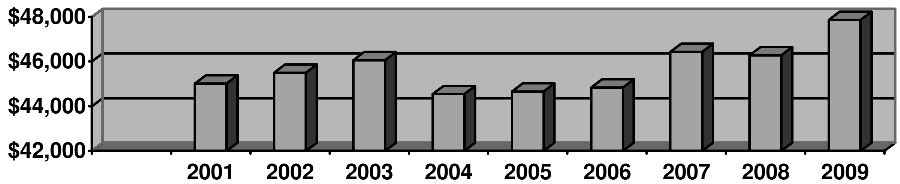


Source: Bureau of Economic Analysis, U.S. Census Bureau 1990-2007; compiled by SANDAG.

Employment and Wages

The latest employment data available from the state's Employment Development Department is for October 2011, and shows that 1.427 million San Diego residents were employed, down 73,400 payroll jobs since the start of the recession in December 2007. Since July 2010 the region has been experiencing net job growth on a year-over-year comparison basis. On this basis, since October 2010 the region has added an additional 24,000 jobs, a rise of 1.7 percent. Nearly 90 percent of the job growth over the last 12 months is concentrated in three sectors, Professional Services (8,700 jobs), Educational and Health Services (6,000 jobs), and Leisure and Hospitality (6,400 jobs). On the downside, construction continues to experience the most job losses, falling by 1,400 jobs over the past year. To date the data does not show much weakness in government, which will likely be corrected when the Employment Development

Figure 4:
Average Wage per Worker
San Diego Region (2009$)



Department performs its annual adjustments in about March 2012. Other sectors, such as Financial Activities and Wholesale Trade are growing modestly or have stopped contracting and are holding their own. Figure 3 below shows what has happened with job growth over a longer period, comparing the average annual employment levels during 2002 and 2010.

Figure 3
Industry and Total Employment, 2002-2010
San Diego Region

Major Industry	**2002**	**2010**	**Change 2002-2010**
Construction	76,400	55,500	-27.4%
Manufacturing	112,300	92,400	-17.7%
Trade, Transportation, Utilities	208,600	196,700	-5.7%
Information	37,700	25,200	-33.2%
Financial Activities	75,000	67,100	-10.5%
Professional Business Services	201,700	208,200	3.2%
Education & Health Services	119,700	147,100	22.9%
Leisure & Hospitality	133,800	154,800	15.7%
Other Services	45,600	47,200	3.5%
Government	219,700	226,000	2.9%
Total Industry Employment	**1,230,500**	**1,220,200**	**-.8%**

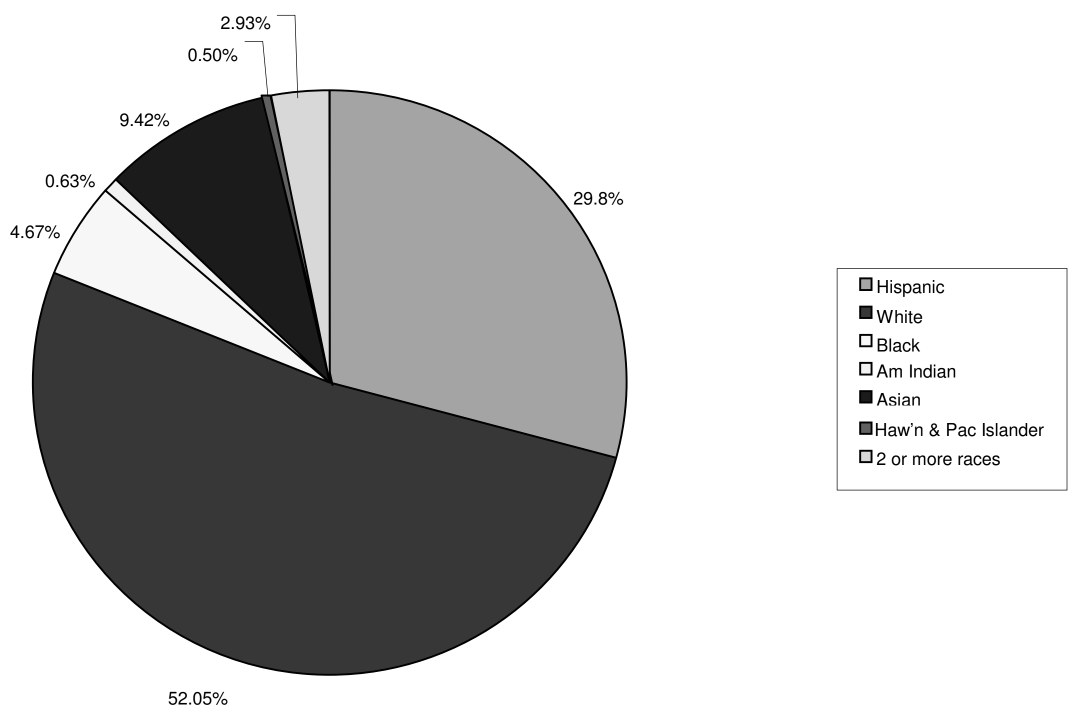
Source: State of California, Employment Development Department, Industry Employment and Labor Force, March 2010 benchmark; totals exclude approximately 168,300 self-employed, 10,000 farm, and 400 mining jobs

The latest wage data for the San Diego region is 2009. As shown in Figure 4, the average wage per employee in current 2009 dollars for the San Diego region is $47,800. After some weakness between 2004 through 2006, the real average wage per worker in the region began to increase, rising 6.7 percent between 2006 and 2009. The increase during 2009 is due, in part, to a decline in the consumer price index, which would help raise the real wages above the previous year's level.

Demographics

According to California State Department of Finance's Population and Housing Estimates for January 1, 2011, the San Diego region is home to more than 3.12 million people and approximately 1.4 million jobs. The latest race and ethnicity data available from the state, displayed in Figure 5, show the majority of the population is non-Hispanic White (52 percent), however, the Hispanic population has been growing rapidly, increasing by nearly 150,000 people from 2000 to 2007, and representing nearly 30 percent of the total population in 2008. Of the 2008 total population, 4.67 percent identify themselves as non-Hispanic Blacks, and the remaining 13 percent of the population identify themselves as non-Hispanic Asian, Native Hawaiian and Pacific Islander, American Indian, or Multi-race. The median household income in the region is estimated to be slightly more than $63,200 (in current 2009 dollars), with the median age at 34.2 years old.

Figure 5
Population by Race and Ethnicity



Venture Capital

The high-tech sectors driving the region's economic prosperity rely, in part, on venture capital funds to help them perform research to produce leading edge technologies. San Diego continues to be a favored area for venture capital investment, according to *PricewaterhouseCoopers* quarterly *MoneyTree* survey. In comparison with multicounty and multistate regions, San Diego County posted the ninth highest dollar volume of venture capital investments during the first three quarters of 2010, receiving $0.568 billion. This is about equal to 2010 and one-half the level received during 2008, placing the region in the position to receive less than $1.0 billion for the fifth time out of the previous 12 years. Since 1995, the first year *PricewaterhouseCoopers* began publishing the *MoneyTree* report, the region has received more than

$16.2 billion in venture capital investments, with more than 47 percent going to biotechnology companies.

International Trade

The total dollar value of international trade moving through the San Diego customs district reached $48.6 billion during 2010. Imports represent nearly 67 percent of the total, with exports accounting for the remaining 33 percent. The value of traded goods moving through the region expanded rapidly after the North American Trade Agreement between the United States, Canada, and Mexico passed, rising 134 percent between 1994 and 2000. The rate of growth slowed after September 11, 2001, due to a significant increase in security at all ports of entry. Trade activity picked up between 2003 and 2007, rising nearly 52 percent. More recently, trade slowed during 2008 and 2009 and began to rise again during 2010. Although 2010 recorded an increase, the total value of goods moving through the region is still down 10.2 percent from the peak year 2007. As the national and local economies recover from the effects of the Great Recession, the volume of trade is expected to pick back up, outstripping the overall expected rate of economic growth.

Expanding trade under the North American Free Trade Agreement (NAFTA) and the Maquiladora industry in the San Diego/Baja California border region largely account for the San Diego region's success in international trade. By providing for a freer exchange of goods with Mexico (and Canada), NAFTA has had significant beneficial impacts on the local economy, during 2008 $5.7, billion or 36 percent of the goods were exported to NAFTA countries. Mexico is San Diego's principal trading partner, and the ongoing implementation of NAFTA's provisions over the next several years is expected to further enhance trade between the two regions.

In 2008, the San Diego customs district was the nation's 17th largest export market, exporting $15.9 billion in goods, representing 10 percent of California's merchandise exports. The San Diego region's largest export destination continues to be Mexico, accounting for more than 30 percent or $4.67 billion of the $15.98 billion exported goods shipped through the San Diego customs district during 2008. The U.S. Department of Commerce reports that the largest export commodity categories include miscellaneous manufacturing ($3.9 billion), electronic products ($3.2 billion), nonelectrical machinery ($2.9 billion), chemicals ($1.4 billion), and transportation equipment ($0.9 billion).

Although Mexico remains San Diego's largest trading partner, the amount of trade with other areas has been changing rapidly. The past several years have recorded changes in the list of San Diego's top trading partners. During 2008, in addition to Mexico, the region's top trading partners include: Israel, Canada, India, Japan, Hong Kong, and the United Kingdom.

Real Estate

The slowdown in the housing market has dominated the economic news in San Diego since early 2006. After more than doubling to nearly $520,000 between January 2000 and April 2006, the median price for a single-family home in San Diego fell nearly 42 percent by May 2009 and has since begun to show signs of stabilizing. According to the S&P Case–Shiller Home Price Index, the median priced home in San Diego rose nearly 12.5 percent from May 2009 through May 2010, but has since slipped falling more than 7.3 percent through September 2011, the latest information available.

The number of new housing unit permits authorized in the region has declined steadily from a peak of 18,314 units in 2003 to 2,946 units in 2009, a decline of nearly 85 percent. During 2010, housing unit authorizations rebounded to 3,494 units and through October 2011, the number of new units permitted is 4,389. During the home price boom time period there had been a shift in the type of units sold, away from single-family units towards multifamily units. In fact, some of the decline in the median price discussed above has been a shift in sales away from the more expensive single-family units and towards the less expensive attached/condominium units. During 2002, nearly 25 percent of the homes sold were attached units; this proportion has been above 60 percent since 2004, peaking during 2006 at 69 percent. However, this shift has started to go back in the other direction, since 2009 about 60 percent of the permits issued were for single-family units.

Retail Sales

Consumer expenditures nationwide contracted significantly during 2008 and 2009, as consumers moved away from consumption, paid down debt, increased their savings, and reduced spending supported by equity in their assets. It is normal for consumers to spend less during a recession, but the size of the contraction this time was unusually large, causing some economists to speculate that consumers may hesitate or not return to their past spending habits once the recession ends. There are three reasons cited for this abrupt change; first is the amount of consumer debt outstanding, second is the loss in wealth from falling home and stock prices, and third, the expectation that the recovery from the recession will be slow by historical standards keeping the unemployment rate high for a protracted period of time. These concerns seem to be playing out, for example, the decline in the rate of growth in GDP during the summer of 2010 to below 2 percent and then a similar episode of slow growth in GDP that occurred during the first three quarters of 2011. The economy again seems to be picking up momentum as the end of 2011 approaches, and there is a general consensus that the economy may be expanding at a 3 percent clip as we enter the New Year. However, some concern over the strength of the national economy has been expressed by the Federal Reserve. Subsequently, the Federal Reserve has initiated a program to lower long-term interest (operation twist) and there seems to be some congressional recognition and support for maintaining the payroll tax deduction approved last year, and to retain the extended time period for collecting unemployment benefits. In addition to these domestic issues, the European Union is struggling to get its own financial crisis under control.

Locally, the Commissions sales tax receipts declined over the three year period (fiscal years 2008-2010) falling 17.4 percent. Although not all of the problems brought on by the Great Recession are behind us, there are some recent encouraging signs locally. Sales tax receipts received by the Commission have increased during FY 2011, the first time in the past four years, rising 8.2 percent. One of the sectors, new auto sales, hit hardest during the recession has been one of the best performers during the recent turnaround. In light of these encouraging trends in the local economy, we are projecting about 4 percent growth in sales tax receipts during FY 2012; slower than what was recorded during FY 2011 due to the number of challenges identified above that are expected to keep growth modest over the coming year.

TransNet Plan of Finance Update

The *TransNet* Plan of Finance (POF) is updated as necessary, but at least on an annual basis as part of the overall SANDAG budgeting process. The updated POF is reviewed by the ITOC and SANDAG's Transportation Committee, and approved by the full SANDAG Board of Directors. The most recent POF was approved by the SANDAG Board of Directors on November 18, 2011. This update of the *TransNet* POF focused on the major changes in the last year and emphasized the adjustments in recent costs and revenues and their effects on the long-term financial projections for the program. In addition, the POF also focused on the near term effects of the acquisition of the State Route 125 (SR 125) Toll Road, as well as updated costs for the Mid-Coast Corridor Trolley Extension and Blue and Orange Line Trolley Improvement projects. The POF update confirmed that the action taken in the past two years to keep all of the active *TransNet* projects on their current schedules can be maintained with very similar results. While the downturn in sales tax receipts in fiscal years 2008, 2009, and 2010 is cause for concern, the decrease in construction costs over the past several years has resulted in a counter-balancing development that has helped to maintain the balance of the POF and points to the advantages of completing projects sooner rather than later. The POF approved by the Board of Directors allows for continued progress on the *TransNet* Early Action Program as well as provide funding for the SR 125 Toll Road acquisition.

Financial Highlights

TransNet sales tax collections increased by $17,112,266, or 8.38 percent, over the prior fiscal year.

Through the use of timely and prudent debt financing, the Commission was able to provide the financial resources necessary to fund the programmed projects and accumulate a Sales Tax Projects Fund restricted fund balance for future project expenditures of $403.6 million.

This past year alone, the Commission funded approximately $1.1 million in bicycle facilities, $34.5 million in public transit projects and operations, and $33.3 million in local street and road improvements. In addition, the Commission funded projects of approximately $110.2 million in major corridors (Interstate 5 [I-5], I-15, I-805, State Route [SR] 52, SR 76, and the Blue and Orange Line Trolley Improvement projects); and approximately $22.3 million of the environmental mitigation program. In total, $204.7 million in public transportation infrastructure improvements were funded this past year.

Acknowledgments

The preparation of this report was accomplished with the cooperation of SANDAG's management, financial staff, and SANDAG's independent auditors, Mayer Hoffman McCann P.C. We express our appreciation to the staff members and the auditors who contributed to the preparation of this report.

Respectfully submitted,

LAUREN WARREM
Director of Finance

MARNEY COX
Chief Economist

LWA/LKO/kca

BOARD OF DIRECTORS
AS OF JUNE 30, 2011

The 18 cities and county government are SANDAG serving as the forum for regional decision-making. SANDAG builds consensus; plans, engineers, and builds public transit; makes strategic plans; obtains and allocates resources; and provides information on a broad range of topics pertinent to the region's quality of life.

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Cónsul General of Mexico
Hon. Martha E. Rosas,
Deputy Cónsul General of Mexico

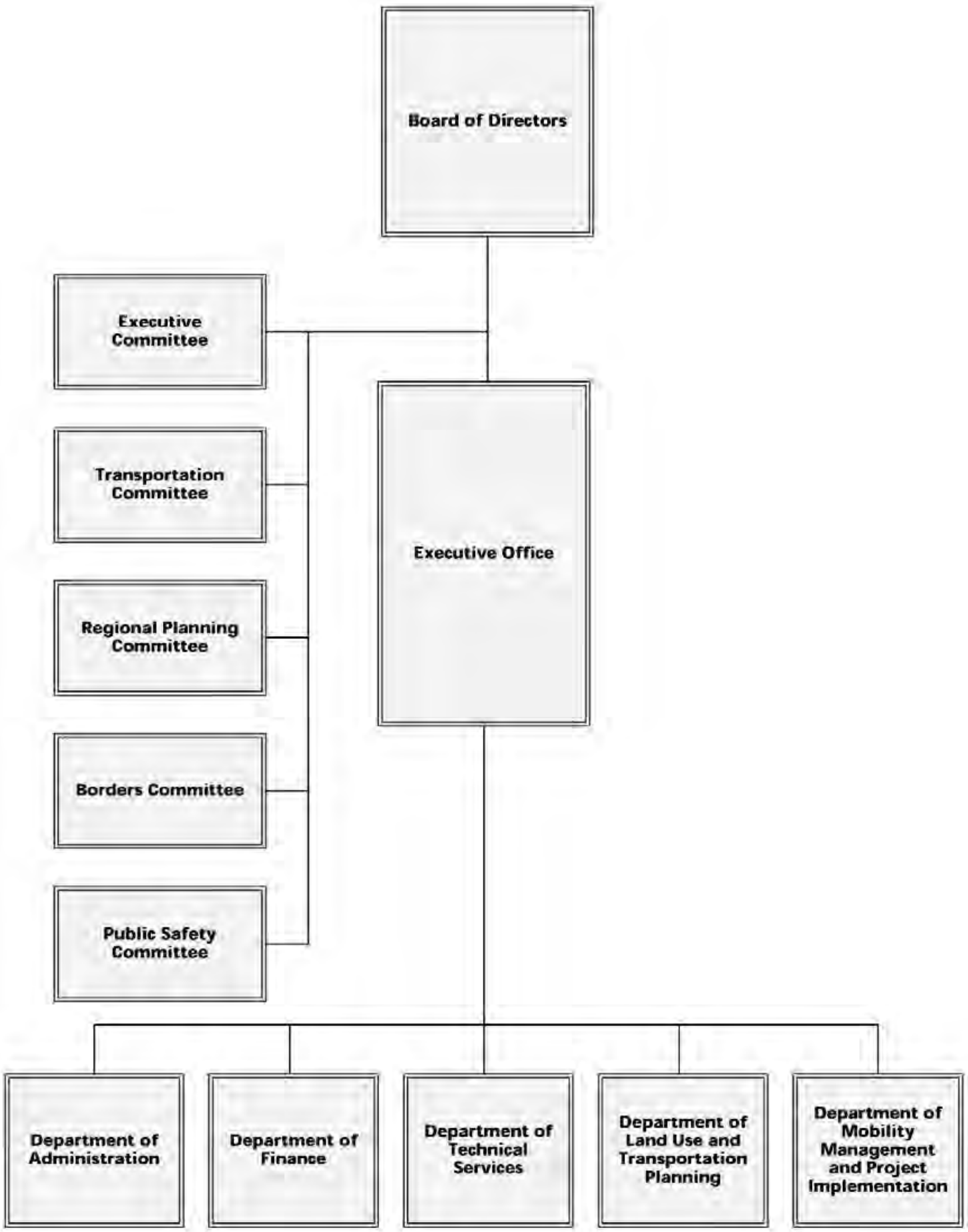
SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION
(A Component Unit of the San Diego Association of Governments)

SANDAG Executive Staff

As of June 30, 2011

Executive Director	Gary L. Gallegos
Chief Deputy Executive Director	Renée Wasmund
General Counsel	Julie Wiley
Director of Administration	Laura Coté
Director of Finance	Lauren Warrem
Director of Land Use and Transportation Planning	Charles "Muggs" Stoll
Director of Mobility Management and Project Implementation	Jim Linthicum
Director of Technical Services	Kurt Kroninger
Director of Communications	Colleen Windsor
Director of *TransNet* and Legislative Affairs Program	Kim Kawada
Chief Economist	Marney Cox
Principal Planner	Dan Martin

San Diego Association of Governments
Organization Chart



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Honorable Chair and Members of the Board of Directors
San Diego County Regional Transportation Commission
San Diego, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the San Diego County Regional Transportation Commission (Commission), a component unit of the San Diego Association of Governments (SANDAG), as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Commission, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with generally accepted accounting principles in the United States of America.

As described further in note 1 to the financial statements, the accompanying financial statements reflect certain changes in the reporting of fund types and fund balance classifications for governmental funds due to the implementation of GASB Statement No. 54.

The information identified in the accompanying table of contents as *management's discussion and analysis and required supplementary information* are not a required part of the financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires with management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Chair and Members of the Board of Directors
San Diego County Regional Transportation Commission
San Diego, California

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the introductory section.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2011, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
December 27, 2011

Management's Discussion and Analysis

This section of the San Diego County Regional Transportation Commission's (Commission) basic financial statements presents the analysis of the Commission's financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

- The liabilities of the Commission exceeded its assets at the close of the most recent fiscal year, resulting in a current year net assets deficit of $86,274,100. A significant factor related to the net assets deficit is the issuance of $950,000,000 in bonds issued in fiscal years 2008 and 2011.

- The Commission's total net assets decreased in the current fiscal year by $6,388,336. The decrease is mostly due to *TransNet* program payments to agency recipients utilizing proceeds from the bond issuances and debt service payments.

- As of the close of the current fiscal year, the Commission's governmental funds reported combined ending fund balances of $817,606,449, an increase of $319,610,237 in comparison with the prior year. The total balance is restricted for purposes related to the *TransNet* Extension Ordinance.

- The Commission's total debt increased by $330,775,741 due to the issuance of $350,000,000 of bonds in fiscal year 2011, offset by bond principal and commercial payment repayment.

- In February 2009, the GASB issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* GASB 54 addresses issues related to how fund balance is being reported by shifting the focus of reporting from the availability of fund resources for budgeting to the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The Commission adopted GASB Statement 53 in fiscal year 2011.

Overview of the Financial Statements

The management's discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Commission's finances in a manner similar to a private sector business.

The *statement of net assets* includes all of the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *statement of activities* presents information to show changes in the Commission's net assets during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Both funds of the Commission are governmental-type funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Commission maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the sales tax projects special revenue fund (special revenue fund) and the commercial paper and sales tax revenue bonds debt-service fund (debt-service fund), both of which are considered to be major funds. The Commission does not have any other funds considered to be nonmajor governmental funds.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements**.**

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Commission, liabilities exceeded assets at the close of the most recent fiscal year, resulting in a current year deficit of $86,274,100 for total net assets, as shown in Table 1.

Table 1
Net Assets
Governmental Activities

	2011	2010
Current and other assets	$ 887,091,401	$ 585,452,000
Restricted assets	62,293,228	56,754,181
Total assets	949,384,629	642,206,181
Current liabilities	84,997,737	102,165,145
Restricted liabilities	34,197,251	34,238,800
Noncurrent liabilities	916,463,741	585,688,000
Total liabilities	1,035,658,729	722,091,945
Net Assets		
Restricted	28,095,977	22,515,381
Unrestricted (deficit)	(114,370,077)	(102,401,145)
Total net assets (deficit)	$ (86,274,100)	$ (79,885,764)

A significant factor contributing to the net assets deficit of $86,274,100 is $950,463,741 of outstanding long-term debt of the Commission included in the Statement of Net Assets, which is offset by related balances of cash and investments from the debt proceeds of approximately $394,000,000 at June 30, 2011, due from other governments for debt proceeds passed through to another government, net of principal retirement for a balance of $27,144,250 and approximately $374,000,000 of cash and investments related to *TransNet* balances not yet requested by recipient agencies. The restricted liabilities are not available for spending as the long-term debt payable will be used to pay down outstanding commercial paper notes, which were issued to buy the North County Transit District (NCTD) Certificates of Participation (COP) investment. The restricted deposit payable is a NCTD deposit for commercial paper interest payments related to the COPs. Restricted net assets include $26,892,891 of resources restricted by the *TransNet* Ordinance that must be used for upcoming debt-service payments on the outstanding sales tax revenue bonds, and $1,203,086 of resources subject to externally imposed restrictions that must be used for environmental mitigation projects (EMP).

Governmental activities. Governmental Activities decreased the Commission's net assets by $6,388,336 during fiscal year 2011, as shown in Table 2.

Table 2
Change in Net Assets
Governmental Activities

	2011	2010
Revenues:		
Program revenues:		
Operating contributions	$ 2,781,759	$ 91,664
General revenues:		
Sales tax	223,939,663	208,504,753
Investment earnings	14,301,094	9,785,172
Total revenues	241,022,516	218,381,589
Expenses:		
General government	2,035,283	1,997,922
Bicycle facilities	1,146,136	1,006,807
Independent Taxpayer Oversight Committee	85,510	126,063
Major corridor capital projects	110,766,113	127,632,511
Major corridor environmental mitigation	22,224,499	19,388,696
Local project environmental mitigation	33,793	1,913
Local street improvements	33,306,399	27,477,959
Smart growth	934,697	875,303
New major corridor transit operations	1,630,633	2,180,492
Transit system improvements	35,848,596	54,038,344
Interest on long-term debt	39,399,193	28,261,556
Total expenses	247,410,852	262,987,566
Change in net assets	(6,388,336)	(44,605,977)
Net assets (deficit) - beginning of year	(79,885,764)	(35,279,787)
Net assets (deficit) - end of year	$ (86,274,100)	$ (79,885,764)

- General revenues increased $19,950,832, which is 9.1 percent more than the prior year. The increase is due to an increase in sales tax revenue and investment earnings. Sales tax figures presented in Table 2 above reflect a total increase by $15,434,910, which is due to an increase in sales tax revenue received in fiscal year 2011 over fiscal year 2010. Investment earnings increased by $4,515,922, or 46.2 percent primarily due to the change in fair value of the derivative instruments of $9,647,317, offset by lower interest earned on investments due to lower available yields in fiscal year 2011. Program revenues increased $2,690,095, which is primarily due to the federal subsidy received for the new 2010 BABs issuances first interest payment made on April 1, 2011.

- *TransNet* expenses decreased $15,576,714, or 5.9 percent, which is primarily due to a decrease of $16,866,398 in payments for major corridor payments and $18,189,748 in transit system improvement payments offset by increases of $2,835,803 for major corridor environmental mitigation payments, $5,828,440 for local street improvement payments and $11,137,637 in long-term debt interest payments. The significant decrease in major corridor projects is primarily due to the $43,500,000 payment to purchase trolley low floor vehicles in fiscal year 2010 offset with several increases in fiscal year 2011 activity such as with the I-15 managed lanes and Mira Mesa Transit Center projects. Bond proceeds are used as the revenue source for both major corridor and EMP expenditures. Interest payments on long-term debt increased by $11,137,637, which is primarily due to interest payments due on the

$600,000,000 revenue bonds which were issued in March 2008 and the new $350,000,000 revenue bonds issued in November 2010. The significant increase in local streets and road improvements is based on recipient requests of *TransNet* funds for eligible expenses, which were higher in fiscal year 2011 in relation to fiscal year 2010. Transit services decreased due to a $10.8 million expense for the Mission Valley East project and a $10.1 million expense to the San Diego Metropolitan Transit System (MTS) for operating purposes in fiscal year 2010.

Financial Analysis of the Government's Funds

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Both of the Commission's funds are governmental funds, the focus of which is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements.

As of the end of the fiscal year, the Commission's governmental funds reported combined ending fund balances of $817,606,449, an increase of $319,610,237 from the prior year, all of which is restricted.

The San Diego County Regional Transportation Commission sales tax projects special revenue fund (special revenue fund) had a fund balance of $380,945,586, all of which was restricted. The fund balance of the special revenue fund during the current fiscal year increased by $96,165,625. Key factors contributing to this increase are as follows:

- Total revenues exceeded *TransNet* payments to recipient agencies by $18,980,751 for the current fiscal year, reflecting the increase of sales tax revenues.

- Interfund transfers of $77,184,874 occurred, which is primarily due to transfers with the Commission's debt-service fund for principal and interest payments. The bond proceeds transfers in of $128,410,259 are reduced by sales tax receipts transfers out of $51,225,385 that are transferred to the debt-service fund for payment of debt principal and interest.

The San Diego County Regional Transportation Commission commercial paper and sales tax revenue bonds debt-service fund (debt-service fund) had a fund balance of $436,660,863, all of which was restricted. The fund balance of the debt-service fund during the current fiscal year increased by $223,444,612, and key factors for this increase are as follows:

- Expenditures in the current year exceeded revenues by $50,219,882 due to principal retirement of bonds and commercial paper and interest and other charges for the fiscal years 2008 and 2011 bond issuances, offset with the receipt of federal subsidy revenue for the 2010 BABs interest payment.

- Interfund transfers of $77,184,874 occurred, which is primarily due to transfers with the Commission's special revenue fund as noted in the San Diego County Regional Transportation Commission sales tax projects special revenue fund above.

Debt Administration

Long-term debt. At the end of the current fiscal year, the Commission had total debt outstanding of $950,463,741, which is comprised of $576,680,000 of tax-exempt sales tax revenue bonds, $338,960,000 of Build America Bonds (BABs), net premium on the 2010 tax-exempt bonds of $823,741, and $34,000,000 of outstanding commercial paper notes. The Commission's total debt increased by $330,775,741, which is due to issuance of $338,960,000 of BABs and $11,040,000 of sales tax revenue bonds including net premium of $823,741, offset by bond principal repayments of $12,160,000 and $7,888,000 in net commercial paper issued/retired.

Additional information on the Commission's long-term debt can be found in Note 7 in the accompanying notes to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

- Actual cash basis sales tax collections have increased in 14 of the last 17 years of collections, with decreases occurring in fiscal years 2008, 2009, and 2010. The sales tax estimate was revised upward during fiscal year 2011 to a 6 percent increase over fiscal year 2010 actual receipts, due to an increase in sales tax receipts during the first two quarters of fiscal year 2011 that were greater than expected. Actual sales tax receipts in fiscal year 2011 outperformed revised estimates, with an increase of 8.4 percent over fiscal year 2010. An increase of 4 percent is projected for fiscal year 2012. Actual receipts during the first two quarters of fiscal year 2012 are 6.5 percent.

- The Commission is expecting disbursements of $12.86 million in principal expenditures and approximately $20 million to $21 million, net of BABs subsidy, in interest expenditures related to the 2008 variable rate revenue bonds and the 2010 revenue bonds in fiscal year 2011. Commercial paper is expected to be paid down by $1,100,000 in fiscal year 2012. The commercial paper paid down will be funded by North County Transit District (NCTD).

Requests for Information

This financial report was designed to provide a general overview of the Commission's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, San Diego County Regional Transportation Commission, 401 B Street, Suite 800, San Diego, CA 92101, (619) 699-1900, or emailed to the Director of Finance at pio@sandag.org.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

San Diego County Regional Transportation Commission

Statement of Net Assets

June 30, 2011

	Primary Government Governmental Activities
ASSETS	
Cash and investments	$ 748,439,522
Interest receivable	1,839,979
Due from other governments	69,694,051
Deferred outflow of resources	63,027,300
Deferred charges, net	4,090,549
Restricted assets:	
Cash and investments restricted for debt-service	61,090,142
Cash and investments restricted for environmental mitigation	1,203,086
Total assets	949,384,629
LIABILITIES	
Accounts payable	780,995
Due to SANDAG	36,306,015
Due to other governments	219,004
Accrued interest payable	7,243,194
Derivative instrument - swap liability	40,448,529
Liabilities payable from restricted assets:	
Deposits payable	197,251
Long-term debt payable - due within one year	34,000,000
Noncurrent liabilities:	
Long-term debt payable - due within one year	12,860,000
Long-term debt payable - due in more than one year	903,603,741
Total liabilities	1,035,658,729
NET ASSETS	
Restricted for:	
Debt-service	26,892,891
Environmental mitigation	1,203,086
Unrestricted (deficit) (Note 8)	(114,370,077)
Total net assets (deficit)	$ (86,274,100)

See accompanying Notes to the Basic Financial Statements.

San Diego County Regional Transportation Commission

Statement of Activities

For the year ended June 30, 2011

Functions	Expenses	Program Revenues Operating Contributions	Net (Expenses) and Changes in Net Assets Governmental Activities
Primary government:			
Governmental activities:			
General government	$ 2,035,283	$ -	$ (2,035,283)
Bicycle facilities	1,146,136	-	(1,146,136)
Independent Taxpayer Oversight Committee	85,510	-	(85,510)
Major corridor capital projects	110,766,113	35,168	(110,730,945)
Major corridor environmental mitigation	22,224,499	-	(22,224,499)
Local project environmental mitigation	33,793	-	(33,793)
Local street improvements	33,306,399	-	(33,306,399)
Smart growth	934,697	-	(934,697)
New major corridor transit operations	1,630,633	-	(1,630,633)
Transit system improvements	35,848,596	-	(35,848,596)
Interest on long-term debt	39,399,193	2,746,591	(36,652,602)
Total governmental activities	247,410,852	2,781,759	(244,629,093)
Total primary government	247,410,852	2,781,759	(244,629,093)
General revenues:			
Sales tax			223,939,663
Investment earnings			14,301,094
Total general revenues			238,240,757
Change in net assets			(6,388,336)
Net assets (deficit) - beginning of year			(79,885,764)
Net assets (deficit) - end of year			$ (86,274,100)

See accompanying Notes to the Basic Financial Statements.

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

San Diego County Regional Transportation Commission
Balance Sheet
Governmental Funds
June 30, 2011

	Major Funds		
	Sales Tax Projects Special Revenue	Commercial Paper and Sales Tax Revenue Bonds Debt Service	Total Governmental Funds
ASSETS			
Cash and investments	$ 373,639,382	$ 374,800,140	$ 748,439,522
Interest receivable	872,147	967,832	1,839,979
Due from other governments	42,536,985	27,144,250	69,681,235
Cash and investments - restricted	1,203,086	61,090,142	62,293,228
Total assets	$ 418,251,600	$ 464,002,364	$ 882,253,964
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 780,995	$ -	$ 780,995
Due to SANDAG	36,306,015	-	36,306,015
Due to other governments	219,004	-	219,004
Deferred revenue	-	27,144,250	27,144,250
Liabilities payable from restricted assets	-	197,251	197,251
Total liabilities	37,306,014	27,341,501	64,647,515
Fund Balances:			
Restricted for:			
Debt-service	-	61,090,142	61,090,142
Environmental mitigation	1,203,086	-	1,203,086
TransNet- eligible projects	379,742,500	375,570,721	755,313,221
Total fund balances	380,945,586	436,660,863	817,606,449
Total liabilities and fund balances	$ 418,251,600	$ 464,002,364	$ 882,253,964

See accompanying Notes to the Basic Financial Statements.

San Diego County Regional Transportation Commission

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets

June 30, 2011

Total Fund Balances - Total Governmental Funds	$ 817,606,449
Amounts reported for governmental activities in the statement of net assets are different because:	
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	31,247,615
Derivative instruments are not reported in the funds but must be reported in the statement of net assets.	22,578,771
Long-term liabilities, including debt payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(957,706,935)
Net Assets (Deficit) of Governmental Activities	$ (86,274,100)

See accompanying Notes to the Basic Financial Statements.

San Diego County Regional Transportation Commission

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2011

	Major Funds		
	Sales Tax Projects Special Revenue	Commercial Paper and Sales Tax Revenue Bonds Debt Service	Total Governmental Funds
REVENUES:			
Sales tax	$ 223,939,663	$ -	$ 223,939,663
Investment earnings	3,017,579	1,623,382	4,640,961
Debt repayments from other governments	-	1,430,353	1,430,353
Federal funds	-	2,746,591	2,746,591
Other revenues	35,168	-	35,168
Total revenues	226,992,410	5,800,326	232,792,736
EXPENDITURES:			
Current:			
General government	2,035,283	-	2,035,283
Bicycle facilities	1,146,136	-	1,146,136
Independent Taxpayer Oversight Committee	85,510	-	85,510
Major corridor capital projects	110,766,113	-	110,766,113
Major corridor environmental mitigation	22,224,499	-	22,224,499
Local project environmental mitigation	33,793	-	33,793
Local street improvements	33,306,399	-	33,306,399
Smart growth	934,697	-	934,697
New major corridor transit operations	1,630,633	-	1,630,633
Transit system improvements	35,848,596	-	35,848,596
Debt service:			
Principal retirement	-	20,048,000	20,048,000
Debt issuance costs	-	2,864,732	2,864,732
Interest and other charges	-	33,107,476	33,107,476
Total expenditures	208,011,659	56,020,208	264,031,867
REVENUES OVER (UNDER) EXPENDITURES	18,980,751	(50,219,882)	(31,239,131)
OTHER FINANCING SOURCES (USES):			
Transfers in	128,410,259	51,225,385	179,635,644
Transfers out	(51,225,385)	(128,410,259)	(179,635,644)
Bonds issued	-	350,000,000	350,000,000
Premium on bonds issued	-	849,368	849,368
Total other financing sources (uses)	77,184,874	273,664,494	350,849,368
Change in fund balances	96,165,625	223,444,612	319,610,237
FUND BALANCES:			
Beginning of year	284,779,961	213,216,251	497,996,212
End of year	$ 380,945,586	$ 436,660,863	$ 817,606,449

See accompanying Notes to the Basic Financial Satements.

San Diego County Regional Transportation Commission
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities
For the year ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	$ 319,610,237
Amounts reported for governmental activities in the statement of activities are different because:	
Interest revenues in the government-wide statement of activities that do not provide current financial resources are not reported as interest revenues in the funds.	9,660,133
The issuance of long-term debt (e.g., bonds, commercial paper) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(329,434,593)
Interest expense reported in the government-wide statement of activities does not require the use of current financial resources and, therefore is not reported as an expenditure in governmental funds.	(6,224,113)
Change in Net Assets of Governmental Activities	$ (6,388,336)

See accompanying Notes to the Basic Financial Statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the San Diego County Regional Transportation Commission (Commission) have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body of establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

A. Reporting entity

The Commission is the agency established for the purpose of, and is responsible for, the implementation and administration of transportation improvement programs funded by the San Diego countywide one-half percent sales tax effective April 1, 1988, through 2008, as a result of the passage of Proposition A – The San Diego County Transportation Improvement Program. On November 2, 2004, the voters of San Diego County voted to extend the current one-half percent sales tax for 40 more years to 2048.

The Commission and the San Diego Association of Governments (SANDAG) share the same Board of Directors. SANDAG was formed as the comprehensive planning organization under a Joint Powers Agreement dated September 10, 1972. The Joint Powers Agreement was amended on November 5, 1980, to change the agency's name to SANDAG. The member agencies of SANDAG include 18 incorporated cities from the San Diego region and the County of San Diego, California.

On January 1, 2003, state legislation (Senate Bill 1703) was enacted that changed 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 Commission is a blended component unit of SANDAG because a common Board of Directors is shared and SANDAG is financially accountable for the Commission.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the Commission. The statement of activities demonstrates the direct expenses associated with governmental activities that are clearly identifiable with this specific function. Taxes and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. All funds are considered major individual governmental funds and are therefore reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Amounts reported as program revenues include operating contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include sales taxes and other general revenues not restricted to specific programs.

Interfund balances and transfers have been eliminated in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (generally 180 days after year-end) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. All other revenues are considered to be measurable and available only when cash is received by the Commission.

The Commission reports the following major governmental funds:

> The *sales tax projects special revenue fund* accounts for the activities and resources received pursuant to the countywide one-half percent local sales tax. These revenues are passed through to other governmental agencies to be spent in accordance with the *TransNet* ordinances, spent by the Commission in accordance with the *TransNet* ordinances, or transferred to the Commission's debt-service fund to make principal and interest payments on the long-term debt revenue bonds and commercial paper.
>
> The *commercial paper and sales tax revenue bonds debt-service fund* accounts for the resources accumulated and payments made for principal and interest on the long-term debt revenue bonds and commercial paper. Revenues are derived from interest earned on the investments accumulated for the payment of principal and interest on the revenue bonds and commercial paper.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private sector guidance.

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance.

Due to the implementation of GASB No. 54, which was adopted by the Commission in fiscal year 2011, the components of the fund balances of governmental funds now reflect the component classifications described below.

Fund balances are reported in the fund statements in the following classifications:

Nonspendable Fund Balance

Nonspendable Fund Balance – this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

Spendable Fund Balance

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Board action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

Committed Fund Balance – this includes amounts that can be used only for the specific purposes determined by a formal action of the Board. It includes legislation (Board action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the Board action limiting the use of the funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. The Commission considers a resolution, an ordinance, or a minutes action to constitute a formal action of the Board of Directors for the purposes of establishing committed fund balance.

Assigned Fund Balance – this includes amounts that are designated or expressed by the Board, but does not require a formal action like a resolution or ordinance. The Board may delegate the ability of an employee or committee to assign uses of specific funds, for specific purposes. Such delegation of authority has not yet been granted to persons or bodies other than the Board.

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

It is the Commission's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the Board.

D. Cash and investments

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits, money market accounts and funds, and short-term investments with original maturities of three months or less from the date of acquisition.

The Commission's investment policies are consistent with SANDAG's policies and in accordance with California Government Code Section 53601. The Commission is authorized to invest in the following:

- Treasury obligations
- Federal agencies and U.S. government-sponsored enterprises
- State obligations
- Local agency obligations
- Repurchase agreements
- Bankers' acceptances
- Commercial paper
- Medium-term notes
- Negotiable and nonnegotiable certificates of deposit
- State of California's local agency investment fund
- San Diego County Treasurer's pooled investment fund
- Savings/money market accounts
- California asset management program
- Money market funds
- Mortgage and asset-backed obligations

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value.

The Commission participates in an investment pool managed by the State of California, titled local agency investment fund (LAIF), which has invested 5.01 percent of the pool funds in medium-term and short-term structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk and to change in interest rates. The reported value of the pool is the same as the fair value of the pool shares. The fair value of LAIF was calculated by applying a factor of 1.001576470 to total investments held by LAIF. LAIF is classified under investments.

The Commission is a voluntary participant in the California Asset Management Program (CAMP), which is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. In accordance with Section 53601(p) of the California Government Code, CAMP's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601. The Commission reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2011, fair value approximated cost and had an average maturity of 52 days.

The Commission also participates in the San Diego County Treasurer's Pooled Money Fund which is administered by the Treasurer-Tax Collector's Office. The fair value of Commission's investment in the pool is reported at amounts based upon the Commission's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). Earnings realized on investments based on amortized cost are distributed to Investment Pool participants. Section 27013 of the California Government Code authorizes the Treasurer's Office to deduct administrative fees related to investments. The net realized earnings on investments are apportioned to the Investment Pool participants quarterly, based on the participants' average daily balances. The County's annual financial report for the Pool can be obtained from the Treasurer-Tax Collector at 1600 Pacific Highway, Room 162, San Diego, California, 92101 and can also be accessed at http:// www.sdtreastax.com.

In accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3), the Commission adheres to certain disclosure requirements, if applicable for deposit and investment risk. These requirements are specified for the following areas:

- Interest rate risk
- Credit risk
  - Overall
  - Custodial credit risk
  - Concentration of credit risk
- Foreign currency risk

E. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

F. Restricted assets

Certain resources set aside for repayment of revenue bonds are classified as restricted assets. Their use is limited by applicable bond covenants and therefore are maintained in a separate bank account. The accounts are used to segregate resources accumulated for debt-service principal and interest payments.

Other resources of the Commission set aside as restricted assets are for NCTD Certificates of Participation which are classified as restricted assets because they are maintained in separate bank accounts held by a trustee and their use is limited to paying down the equivalent amount of commercial paper. Certain environmental mitigation funds are classified as restricted because they are maintained in separate bank accounts held by a trustee and the endowment set-aside portion may not be used and any interest earnings may only be used for certain project costs.

G. Long-term liabilities

In the government-wide financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities of the statements of net assets. Debt premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Debt payable is reported net of the applicable bond premium or discount. Debt issuance costs are reported as deferred charges and amortized using the straight-line method over the term of the related debt.

H. Other financing sources and uses

In the fund financial statements, issuance of debt, including commercial paper and bonds, premium on bonds issued, and transfers in are reported as other financing sources. Transfers out are reported as other financing uses.

I. Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the related, reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Budgetary information

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the Commission sales tax projects special revenue fund and commercial paper and sales tax revenue bonds debt-service fund.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balances and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that, “other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.” The details of this $31,247,615 difference are as follows:

Discount on bonds issued	$ 2,746,626
Debt issuance costs	1,343,923
Deferred revenue	27,157,066
Net adjustment to increase net changes in fund balances - governmental funds to arrive at changes in net assets - governmental activities	$ 31,247,615

Another element of that reconciliation states that, "derivative instruments are not reported in the funds but must be reported in the statement of net assets." The details of this $22,578,771 difference are as follows:

Deferred outflow of resources	$ 63,027,300
Derivative instrument - swap liability	(40,448,529)
Net adjustment to increase net changes in fund balances - governmental funds to arrive at changes in net assets - governmental activities	$ 22,578,771

Another element of that reconciliation states that, "long-term liabilities, including debt payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this $(957,706,935) difference are as follows:

Accrued interest payable - revenue bonds	$ (7,232,619)
Accrued interest payable - commercial paper	(10,575)
Bond premium	(823,741)
Commercial paper payable	(34,000,000)
Bonds payable	(915,640,000)
Net adjustment to reduce net changes in fund balances - governmental funds to arrive at changes in net assets - governmental activities	$ (957,706,935)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that, "interest revenues in the government-wide statement of activities that do not provide current financial resources are not reported as interest revenues in the funds." The details of this $9,660,133 difference are as follows:

Accrued interest revenue - commercial paper	$ 12,816
Derivative instrument - investment revenue	9,647,317
Net adjustment to increase net changes in fund balances - governmental funds to arrive at changes in net assets - governmental activities	$ 9,660,133

Another element of that reconciliation explains that, "the issuance of long-term debt (e.g., bonds, commercial paper) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this $(329,434,593) difference are as follows:

Bond principal retirement	$ 12,160,000
Debt repayments from other governments	(1,430,353)
Commercial paper paydowns	7,888,000
Bonds issued	(350,000,000)
Premium on bonds issued	(849,368)
Discount on bonds issued	2,292,501
Bond issuance costs	572,231
Amortization expense on deferred call premium on early retirement of debt	25,627
Amortization expense on deferred discount on bonds issued	(54,917)
Amortization expense on deferred debt issuance costs	(38,314)
Net adjustment to increase net changes in fund balances - governmental funds to arrive at changes in net assets - governmental activities	$ (329,434,593)

Another element of that reconciliation states that, "interest expense reported in the government-wide statement of activities does not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds." The details of this $(6,224,113) difference are as follows:

Change in interest expense - bonds	$ (6,213,538)
Accrued interest expense - commercial paper	(10,575)
Net adjustment to increase net changes in fund balances - governmental funds to arrive at changes in net assets - governmental activities	$ (6,224,113)

3. CASH AND INVESTMENTS

A summary of cash and investments at June 30, 2011, was as follows:

Classification	Fair Value
Cash and investments	$ 748,439,522
Cash and investments - restricted for debt-service	61,090,142
Cash and investments - restricted for environmental mitigation	1,203,086
Total cash and investments	$ 810,732,750

Cash, cash equivalents, and investments consisted as follows on June 30, 2011:

	Fair Value	Weighted Average Maturity (Days)	NRSRO Rating
Cash and cash equivalents:			
Cash - demand deposits	$ 1,168	1	Not rated
Cash equivalents - U.S. Agencies	15,507,831	50	AAA
Cash equivalents - Certificates of Participation (NCTD)	34,000,000	7	Aa3
Cash equivalents - money market accounts and funds	19,189,235	48	AAAm
Total cash and cash equivalents	68,698,234	41	
Investments:			
State of California Local Agency Investment Fund	48,958,547	185	Not rated
California Asset Management Program	209,703,390	52	AAAm
San Diego County Treasurer's Pooled Money Fund	96,830,717	425	AAAf/S1
U.S. Agencies	336,169,068	526	AAA
Corporate Medium Notes	50,372,794	815	A-AAA
Total investments	742,034,516	398	
Total cash, cash equivalents, and investments	$ 810,732,750		

At year end, the Commission's carrying amount of deposits was $1,168, and the bank balance was $3,390. The bank balance was covered by federal depository insurance.

Swap investments

The Commission is invested in two forward contract pay-variable, receive-variable investment derivatives with notional amounts of $156,600,000 each. At the effective date of April 1, 2018, the Commission will make monthly variable payments to the counterparty based on the current Securities Industry and Financial Markets Association (SIFMA) Swap Index and receive variable payments based on 107.4 percent of three-month LIBOR. At June 30, 2011, these investment derivatives had a fair value of $22,578,771, and are not rated.

Other applicable risks (credit risk, interest rate risk, basis risk, termination risk, roll-over risk, etc.) associated with the Commission's derivative investments are described in Note 6.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from the rising interest rates, SANDAG's investment policy, which is adopted by the Commission, limits investments to a maximum maturity of five years or 1,825 days from purchase date. The total portfolio shall not exceed the Commission's anticipated liquidity needs for operations for the next six months. The Commission has $52,014,656 of callable step up U.S. Agency securities that are highly sensitive to interest rate changes. The Commission is in compliance with all maturity provisions of the investment policy. Subsequent to June 30, 2011, there have been downgrades in the ratings of several investments, including U.S. Agency securities, further described in Note 10, which are monitored by the Commission's staff and investment managers for compliance and are reported to the SANDAG Board of Directors on a quarterly basis.

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Commission is in compliance with all minimum rating requirements of the investment policy.

Concentration of credit risk

The portfolio is diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. Credit requirements listed in the investment policy apply at the time of purchase. In the event a security held by the Commission is subject to a credit rating change that brings it below the minimum credit ratings specified for purchase, the Director of Finance shall review the security. The course of action to be followed will then be decided by the Director of Finance and either the Executive Director or the Chief Deputy Executive Director on a case-by-case basis, considering such factors as the reason for the change, prognosis for recovery or further rate drops, and the market price of the security. Any credit rating changes below the minimum credit ratings specified for purchase will be reported to the Board of Directors with the next Quarterly Investment Report, along with the findings and any actions taken.

Custodial credit risk

The California Government Code requires California banks and savings and loan associations to secure the Commission's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Commission's name.

The market value of pledged securities must equal at least 110 percent of the Commission's cash deposits. California law also allows institutions to secure Commission deposits by pledging first trust deed mortgage notes having a value of 150 percent of the Commission's total cash deposits. The Commission may waive collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation. The Commission, however, has not waived the collateralization requirements.

4. RECEIVABLES

Receipts of funds from other governmental entities that are outstanding at year end are referred to as 'due from other governments'.

The 'due from other governments' were as follows:

Sales tax receivable	$ 42,524,722
Rental income receivable	12,263
Advance to County of San Diego for local street and road improvements	21,207,267
Advance to City of National City for local street and road improvements	2,787,335
Advance to City of Santee for local street and road improvements	3,149,648
Total due from other governments	$ 69,681,235

5. TRANSFERS

Transfers consisted of transactions related to sales tax receipts transferred to the debt-service fund for the payment of principal, interest, and other costs associated with long-term debt. In addition, transfers consisted of bond proceeds transferred from the debt-service fund to pay for project expenditures of the special revenue fund.

6. DERIVATIVE INSTRUMENTS

2008 interest rate swaps

Objective of the interest rate swaps. In 2005, the Commission entered into three forward interest rate swaps for $200 million each in order to hedge the interest rate risk associated with future variable-rate revenue bonds expected to be issued in 2008 by "locking in" a fixed interest rate. The intention of the Commission in entering into the swaps was to lock in a relatively low cost of funds on a substantial portion of the *TransNet* Early Action Program. The variable rate bonds were issued in March 2008.

Terms. The initial notional amounts of the swaps were $200 million each. The current notional amounts of the swaps are $188.7 million each. Under two of the swaps, the Commission pays the counterparties a fixed payment of 3.8165 percent and receives a variable payment based on 65 percent of one-month London Interbank Offered Rate (LIBOR) for 10 years. In the tenth year, the swaps will convert to the Securities Industry and Financial Markets Association (SIFMA) Municipal Bond Index for the remaining 20 years, paid monthly. Under the third swap, the Commission pays the counterparty a fixed payment of 3.41 percent and receives a variable payment based on 65 percent of LIBOR for the 30-year period. The notional amounts and maturity dates of the swaps match the notional amounts and the maturity dates of the bonds that were issued in 2008. The variable rates paid on the 2008 bonds are expected to match the variable rates received on the swaps over the term of the bonds and swaps.

Fair values. Because interest rates have declined since execution of the swaps, the swaps had a total negative fair value of $63,027,300 as of June 30, 2011. The Bank of America swaps had negative fair values of $22,493,348 and $20,266,976 (one swap was initially held by Bank of America and one swap transferred from Merrill Lynch to Bank of America due to the acquisition of Merrill Lynch by Bank of America); and the Goldman Sachs Mitsui Marine Derivative Products swap had a negative fair value of $20,266,976. The fair values of the derivatives were estimated by an independent third-party based on mid-market levels as of the close of business on June 30, 2011. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of the swaps.

Credit Risk. This is the risk that the counterparty will fail to perform under the terms of the agreement. As of June 30, 2011, the Commission was not exposed to credit risk on these swaps because they had negative fair values. However, should interest rates change and the fair values of the swaps become positive, the Commission would be exposed to credit risk in the amount of the swaps' fair values. Favorable credit ratings of the counterparties (Bank of America and Goldman Sachs Mitsui Marine Derivative Products) mitigate this risk. As of June 30, 2011, Bank of America was rated Aa3 by Moody's and A+ by Standard & Poor's and Goldman Sachs Mitsui Marine Derivative Products was rated Aa1 by Moody's and AAA by Standard and Poor's. There were no rating changes during the fiscal year. The ratings are monitored by staff on a weekly basis. In addition, the fair value of the swaps will be fully collateralized by the counterparty with cash or United States government securities if the counterparty's credit quality falls below a rating of Baa2 by Moody's or BBB by Standard & Poor's. Collateral would be posted with a third-party custodian.

Interest rate risk. This is the risk that changes in market interest rates will adversely affect the net payment on the swaps. The Commission is exposed to interest rate risk on its swaps when LIBOR decreases causing the Commission's net payment on the swaps to increase.

Basis risk. This is the risk of a mismatch between the variable rate received from the counterparty and the variable rate paid on the variable rate debt issued in 2008. The Commission is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the Commission pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the effective fixed rate on the debt will vary. Based on historical experience, the expectation is that the payments received under the agreements will approximate the expected bond payments over the 30-year term of the swaps. Due to the unprecedented market occurrences during the last few years, the Commission has been exposed to basis risk since the variable rate received from the counterparty, which is 65 percent of LIBOR, was less than the variable rate the Commission paid on the bonds. This difference for fiscal year 2011 was approximately negative $939,000 as compared to a negative of $637,000 in fiscal year 2010. As the market returns to a more normal state, this difference is expected to be reduced.

Termination risk and termination payments. This is the risk that the transaction is terminated in a market dictating a termination payment by the Commission. The Commission can terminate the swap at the fair value by providing notice to the counterparty, while the counterparty may only terminate the swap upon certain termination events under the terms of the agreement. The Commission or the counterparties may terminate the swap if the other party fails to perform under the terms of the contracts, such as the failure to make swap payments. If the swap is terminated, the variable rate bonds would no longer be hedged. Given the negative fair value of June 30, 2011, the Commission was not in a favorable termination position relative to the market.

Rollover risk. This is the risk that maturity of the hedging derivative instruments is shorter than the maturity of the associated debt leaving the Commission unprotected in the future. When these swaps terminate, or in the case of a termination option, if the counterparty exercises its option, the Commission will be re-exposed to the risks being hedged by the swaps. The Commission is exposed to rollover risk on the swaps only in the event of a failure to perform under the terms of the contracts by the Commission or counterparty.

Reset rates paid and received by the Commission. The weekly variable interest rates paid on the 2008 bonds by the Commission to the bondholders for the period July 1, 2010, through June 30, 2011, ranged from 0.06 percent to 0.33 percent for Barclays Bank, 0.05 percent to 0.34 percent for Goldman, Sachs & Co., 0.24 percent to 2.25 percent for J.P. Morgan Securities, Inc., and 0.24 percent to 2.50 percent for EJ De La Rosa. The higher rates experienced for J.P. Morgan Securities (2.25 percent) and EJ De La Rosa (2.50 percent), are due to the liquidity facility provider, Dexia Credit Local Bank (Dexia). As of June 30, 2011, Dexia provided liquidity for J.P. Morgan Securities and EJ De La Rosa, or one-half of the variable rate program. Dexia liquidity was performing poorly due to the market perception of Dexia's significant exposure to Greek sovereign debt. The Commission replaced Dexia with new liquidity facility providers on September 28, 2011, through a competitive procurement process further described in Note 10.

Fixed rates paid by the Commission to the swap provider counterparties were 3.41 percent to Bank of America for one of the swaps, 3.8165 percent to Bank of America for another one of the swaps, and 3.8165 percent to Goldman Sachs Mitsui Marine Derivative Products. Sixty-five percent (65 percent) of LIBOR received by the Commission from the swap provider counterparties ranged from 0.12417 percent to 0.22466 percent during the same time period.

Actual debt-service requirements versus the projected debt-service on the swap transaction. For the fiscal year ending June 30, 2011, Bank of America actual debt service was $7,072,899 versus projected debt service of $6,534,413 for one of the swaps, and was $7,414,023 versus projected debt service of $7,313,368 for the other Bank of America swap; and Goldman Sachs Mitsui Marine Derivative Products actual debt service was $7,613,137 versus projected debt service of $7,313,368 for its swap. In total, actual debt service was $22,100,059 versus projected debt service of $21,161,149, which resulted in an excess of variable rate payments made on the bonds as compared to the variable rate payments received from the swap counterparties in the amount of $938,910 for fiscal year 2011. Over the life of the swaps from the issuance of the bonds through June 30, 2011, the cumulative excess of variable rate payments made on the bonds as compared to the variable rate payments received from the swap counterparties is $3,419,636. This means that the net variable rates the Commission is paying on the 2008 bonds is more than the variable rate the Commission is receiving, and these rates were originally intended to offset and net to zero. Regardless, the debt program remains cost effective and has saved the Commission more than $17 million in comparison to issuing fixed rate bonds.

The total net cost of the program includes the liquidity facilities with Dexia and JP Morgan. The Dexia Standby Bond Purchase Agreement (SBPA) had a cost of 22.5 basis points. The JP Morgan SBPA originally carried a cost for the initial one-year term of 20 basis points. At the time of renewals each year in March, beginning in March 2009, the financial market has improved but has still been experiencing a significant credit crunch. As a result, the renewal fee was 105 basis points for another one-year term through March 2010. A second renewal in March 2010 subsequently lowered the renewal fees to 74 basis points through March 2011. A third renewal in March 2011 once again lowered the renewal fees to 59 basis points for another year through March 2012. The Commission continues to explore opportunities to lower the cost of the liquidity facility and will again pursue competitive options nearing the renewal term of March 2012.

2018 basis rate swaps overlay to the 2008 interest rate swaps

Objective of the basis rate swaps. In March 2009, the Commission entered into a SIFMA versus LIBOR floating-to-floating or "basis" swap. The combination of the Basis Swaps and the existing 2008 Interest Rate Swaps effectively amended the existing swaps without having to change the existing floating-to-fixed interest rate swaps. This overlay allowed the Commission to bid out the new transaction to a group of potential counterparties without changing the existing 2008 Interest Rate Swaps. The Commission entered into a new transaction with Barclays Bank PLC to overlay the terms under two of the 2008 Interest Rate Swaps, with an expected benefit to the Commission of a substantial reduction in the cost of debt after 2018.

Terms. The initial notional amounts of the swaps are $156.6 million each. Under two of the 2008 Interest Rate Swaps, the Commission pays the counterparties a fixed payment of 3.8165 percent and receives 65 percent of LIBOR (through April 2018) and thereafter receives the SIFMA index. The 2018 Basis Rate Swaps overlay these two 2008 Interest Rate Swaps with a payment of the SIFMA index and a receipt of 107.4 percent of LIBOR for the last 20 years of the swap (April 2018 to April 2038).

Fair values. The swaps had a total combined positive fair value of $22,578,771 as of June 30, 2011. The fair values of the derivatives were estimated by an independent third-party based on mid-market levels as of the close of business on June 30, 2011. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of the swaps.

Credit risk. This is the risk that the counterparty will fail to perform under the terms of the agreements. As of June 30, 2011, the Commission was exposed to credit risk on these swaps in the amount of $22,578,771, which is the fair value of the derivatives. However, should interest rates change and the fair value of the swaps become negative, the Commission would not be exposed to any credit risk. The favorable credit rating of the counterparty mitigates this risk. As of June 30, 2011, the swap counterparty, Barclays Bank PLC, was rated Aa3 by Moody’s and AA- by Standard & Poor’s.

Interest rate risk. This is the risk that changes in market interest rates will adversely affect the net payment on the swaps. The Commission is exposed to interest rate risk on its swaps when LIBOR decreases causing the Commission’s net payment on the swaps to increase.

Basis risk. This is the risk of a mismatch between the variable rate received from the counterparty and the variable rate paid on the variable rate debt issued in 2008. The Commission is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the Commission pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the effective fixed rate on the debt will vary. Based on current and historical experience, staff expects the overlay of the SIFMA to LIBOR Basis Rate Swaps to significantly reduce the costs of financing after 2018, assuming a return to normal, or even near to normal trading relationships.

Termination risk and termination payments. This is the risk that the transaction is terminated in a market dictating a termination payment by the Commission. The Commission can terminate a swap at the fair market value by providing notice to the counterparty, while the counterparty may only terminate the swap upon certain termination events under the terms of the agreement. Given the positive fair value at June 30, 2011, the Commission was in a favorable termination position relative to the market.

SANDAG Board Policy No. 032: The San Diego County Regional Transportation Commission Interest Rate Swap Policy requires a contingency plan to either replace the swaps or fund the termination payments, if any, in the event one or more outstanding swaps are terminated. Should a swap be terminated, the excellent credit rating of SANDAG would allow it to assign the swap to another counterparty. Alternatively, if a swap is terminated and it has a negative fair value, the Commission could use *TransNet* sales tax receipts to fund the termination payment.

7. LONG-TERM DEBT

The following is a summary of long-term debt for the year ended June 30, 2011:

	Balance July 1, 2010	Debt Issued	Debt Retired	Balance June 30, 2011
Sales Tax Revenue Bonds:				
2008 Series ABCD Tax-Exempt	$ 577,800,000	$ -	$ (11,700,000)	$ 566,100,000
2010 Series A Build America Bonds	-	338,960,000	-	338,960,000
2010 Series B Tax-Exempt	-	11,040,000	(460,000)	10,580,000
Premium	-	849,368	(25,627)	823,741
Commercial Paper Notes	41,888,000	-	(7,888,000)	34,000,000
Total long-term debt	$ 619,688,000	$ 350,849,368	$ (20,073,627)	$ 950,463,741

	Classification			
	Noncurrent Liabilities		Restricted Liabilities	
	Due Within One Year	Due in More Than One Year	Due Within One Year	Total
Sales Tax Revenue Bonds:				
2008 Series ABCD Tax-Exempt	$ 12,300,000	$ 553,800,000	$ -	$ 566,100,000
2010 Series A Build America Bonds	-	338,960,000	-	338,960,000
2010 Series B Tax-Exempt	560,000	10,020,000	-	10,580,000
Unamortized Premium	-	823,741	-	823,741
Commercial Paper Notes	-	-	34,000,000	34,000,000
Total long-term debt	$ 12,860,000	$ 903,603,741	$ 34,000,000	$ 950,463,741

On June 30, 2011, long-term debt consists of 2008 variable rate tax-exempt revenue bonds, 2010 fixed rate Build America Bonds (BABs), and 2010 fixed rate tax-exempt revenue bonds issued by the Commission that are collateralized by a pledge of the revenues from a one-half percent sales tax imposed within the County of San Diego. Long-term debt also consists of commercial paper notes issued by the Commission. The notes are payable from and secured by a pledge of the retail transactions and use tax subordinate to the pledge of such retail transactions and use tax which secures limited tax bonds issued or to be issued. Proceeds from long-term debt are to be used primarily to fund certain transportation projects in the San Diego County region.

As maturity of commercial paper notes is 270 days or less, the commercial paper notes are classified as due within one year.

The 2008 Series ABCD bonds

In March 2008, the Commission issued $600,000,000 of variable rate bonds to fund some of the major projects identified in the *TransNet* reauthorization (approved by voters in November 2004) under the *TransNet* Early Action Program.

The principal requirements to maturity for the 2008 Series ABCD bonds are as follows:

Maturity (April 1)	Principal Amount	Interest on Debt	Hedging Derivatives, Net	Total Interest
2012	$ 12,300,000	$ 20,522,261	$ 19,954,555	$ 40,476,816
2013	12,600,000	20,071,193	19,515,963	39,587,156
2014	13,200,000	19,606,455	19,064,082	38,670,537
2015	13,800,000	19,119,848	18,590,935	37,710,783
2016	14,400,000	18,611,370	18,096,524	36,707,894
2017 - 2021	79,500,000	84,787,256	82,441,790	167,229,046
2022 - 2026	96,900,000	68,926,039	67,019,340	135,945,379
2027 - 2031	116,700,000	49,718,711	48,343,345	98,062,056
2032 - 2036	141,600,000	26,462,700	25,730,663	52,193,363
2037 - 2038	65,100,000	2,993,456	2,910,649	5,904,105
Total	$ 566,100,000	$ 330,819,289	$ 321,667,846	$ 652,487,135

The bonds bear interest at a variable rate, which is reset weekly. See Note 6 for the annual reset rate ranges for each remarketing agent. The above table incorporates the net receipts/payments of the hedging derivative instruments that are associated with this debt. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. Refer to Note 6 for additional information regarding the derivative instruments associated with the debt of the Commission.

The 2010 Series A and B bonds

On November 10, 2010, the Commission issued $350,000,000 Series 2010 A and B fixed rate bonds to finance the Commission's continued implementation of the *TransNet* program, principally consisting of transportation facility and public infrastructure improvements within the County of San Diego, to retire $7,316,000 in outstanding commercial paper notes, and to pay the costs of issuing the Series 2010 Bonds. The Series A Build America Bonds (BABs) totaled $338,960,000 and carry a fixed interest rate of 5.911 percent (net interest rate of 3.89 percent after deducting the BABs 35 percent federal subsidy) with a maturity date of April 1, 2048. The Series B Tax-Exempt bonds totaled $11,040,000 with a fixed interest rate of 3.14 percent, based on an interest rate range of 2.00 – 5.00 percent and a maturity date of April 1, 2030.

The principal requirements to maturity for the 2010 Series A bonds, net of the federal subsidy, are as follows:

Maturity (April 1, Oct 1)	Principal Amount	Interest Amount
2012	$ -	$ 13,023,352
2013	-	13,023,352
2014	-	13,023,352
2015	-	13,023,352
2016	-	13,023,352
2017 - 2021	-	65,116,758
2022- 2026	-	65,116,758
2027 - 2031	-	65,116,758
2032 - 2036	-	65,116,758
2037 - 2041	88,640,000	61,796,564
2042 - 2046	171,945,000	35,373,522
2047 - 2048	78,375,000	4,545,263
Total	$ 338,960,000	$ 427,299,141

The principal requirements to maturity for the 2010 Series B bonds are as follows:

Maturity (April 1, Oct 1)	Principal Amount	Interest Amount
2012	$ 560,000	$ 416,750
2013	580,000	399,950
2014	590,000	382,550
2015	620,000	358,950
2016	640,000	334,150
2017 - 2021	3,220,000	1,265,950
2022- 2026	2,225,000	731,850
2027 - 2030	2,145,000	218,800
Total	$ 10,580,000	$ 4,108,950

Commercial paper notes

The Commission currently has a $100,000,000 tax-exempt commercial paper program available (Series B). Under the Credit Agreement relating to the Series B Notes, dated November 9, 2005, the commercial paper is available through 2048, which is the end of the *TransNet* Extension Ordinance period.

During the fiscal year, the maximum outstanding balance was $41,888,000. As of June 30, 2011, there was $34,000,000 outstanding. Interest rates during the current year have varied from 0.27 percent to 2.5 percent, with maturities from 1 day to 69 days. Interest rates on outstanding amounts at

June 30, 2011, are 2.0 percent, with maturities from 7 days to 14 days. The higher rates experienced were due to the liquidity facility provider, Dexia Credit Local Bank (Dexia), which was performing poorly due to the market perception of Dexia's significant exposure to Greek sovereign debt. The Commission replaced Dexia with new liquidity facility providers on September 28, 2011, through a competitive procurement process further described in Note 10.

The scheduled principal requirements to maturity for the Series B commercial paper are as follows:

Scheduled Repayment	Principal Amount	Interest Amount
2012	$ 1,100,000	$ 66,609
2013	1,125,000	64,488
2014	1,200,000	62,346
2015	1,225,000	60,031
2016	1,275,000	57,681
2017 - 2021	6,325,000	251,450
2022 - 2026	6,850,000	189,001
2027 - 2031	7,900,000	119,032
2032 - 2035	7,000,000	38,172
Total	$ 34,000,000	$ 908,810

8. UNRESTRICTED NET ASSETS (DEFICIT)

The unrestricted net assets deficit of $86,274,100 results primarily from the issuance of the $950,000,000 revenue bonds in fiscal years 2008 and 2011 for transportation related capital projects, primarily major corridor and environmental mitigation. The Commission plans to repay the bonds with future sales tax revenue which is dedicated for transportation projects. See Note 7 on long-term debt for further information.

9. RISK MANAGEMENT

Insurance coverage is maintained for the Commission by SANDAG. See SANDAG's Comprehensive Annual Financial Report for further details.

10. SUBSEQUENT EVENTS

A. Near the end of fiscal year 2011, the Commission experienced significantly higher interest rates for one-half of the 2008 variable rate revenue bonds (2008 Series C and D) and the commercial paper program because of credit-related events beyond the Commission's control with respect to Dexia, the provider of the underlying liquidity facilities. Variable rate bonds and commercial paper require liquidity from a third-party bank, or liquidity provider, which provides for the payment of the purchase price of the variable rate bonds and commercial paper to make funds available if the remarketing agents/dealers are unable to find new buyers for the securities. Following a competitive procurement process, the following liquidity providers replaced Dexia, effective September 28, 2011.

- Series C Bonds – Standby Bond Purchase Agreement: Mizuho Corporate Bank, Ltd. for a period of three years at 40 basis points
- Series D Bonds – Standby Bond Purchase Agreement: State Street Bank and Trust Company/California State Teachers Retirement System for a period of four years at 55 basis points
- Commercial Paper – Credit Agreement: Bank of America, N.A. for a period of one year at 47 basis points

Subsequent to the replacement of Dexia and through December 15, 2011, the 2008 Series C and D bonds have been trading favorably, ranging between 0.08 percent and 0.16 percent, at or below the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA). The commercial paper program is also trading favorably, ranging between 0.18 percent and 0.25 percent with maturities from 28 days to 33 days.

B. On December 21, 2011, SANDAG acquired the toll road franchise lease for State Route 125 (SR 125) and other assets from South Bay Expressway, LLC (SBX) for $341,445,850 financed through a loan from the Commission ($254,068,974), while the U.S. Department of Transportation's Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program remained a secured creditor ($94,183,509 in the form of the TIFIA loan and $1,445,850 in the form of the Series D Note). The Commission loan was funded using *TransNet* bond proceeds from the 2008 and 2010 issuances ($250,686,491) and sales tax revenue ($3,382,483 to cover initial operating and maintenance costs for the toll road) in the form of a Promissory Note between SANDAG and the Commission, expected to be repaid with toll revenues by 2042, at an annual rate of 4.25 percent interest. The Promissory Note is a permitted subordinated debt under the *TransNet* Master Trust Indenture. The Promissory Note requires that the proceeds of the Promissory Note only be used for costs associated with the SR 125 toll road franchise.

C. On November 29, 2011, Standard & Poor's (S&P) downgraded several banks, some of which are counterparties or liquidity providers for the Commission's bonds or commercial paper. While financial entities like Bank of America, Citi, and Goldman Sachs, continue to have their long-term ratings downgraded, most currently find themselves in the single-A category. The short-term ratings for many bank holding or parent companies have been downgraded from A-1 to A-2 (previously rated A-1+). This is consistent with Moody's downgrades from Prime-1 to Prime-2 earlier this year.

The Commission's bonds do not trade on the value of the holding/parent company ratings; rather the Variable Rate Demand Bonds (VRDBs) trade under the liquidity facilities supported by the primary subsidiary banks (e.g., Bank of America N.A). These subsidiary banks have all maintained their A-1 short-term ratings which have had no negative impact since the downgrade and have kept the Commission's bond trading levels on the VRDBs intact.

Short-term ratings for the Commission's liquidity partners are as follows: Bank of America N.A.: A-1 (no change), JPMorgan Chase Bank N.A: A-1 (from A-1+), Mizuho Corporate Bank LTD: A-1 (no change), and State Street Bank and Trust Co: A-1+ (no change).

REQUIRED SUPPLEMENTARY INFORMATION

San Diego County Regional Transportation Commission

Sales Tax Projects Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the year ended June 30, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES:				
Sales tax	$ 203,528,339	$ 216,443,252	$ 223,939,663	$ 7,496,411
Investment earnings	5,700,000	5,700,000	3,017,579	(2,682,421)
Other revenues	-	-	35,168	35,168
Total revenues	209,228,339	222,143,252	226,992,410	4,849,158
EXPENDITURES:				
Current:				
General government	2,035,283	2,164,433	2,035,283	129,150
Bicycle facilities	4,070,567	4,328,865	1,146,136	3,182,729
Independent Taxpayer Oversight Committee	341,892	341,892	85,510	256,382
Major corridor capital projects	74,890,627	79,651,064	110,766,113	(31,115,049)
Major corridor environmental mitigation	8,671,546	9,222,755	22,224,499	(13,001,744)
Local project environmental mitigation	3,547,451	3,772,945	33,793	3,739,152
Local street improvements	57,350,454	60,995,946	33,306,399	27,689,547
Smart growth	4,138,693	4,401,769	934,697	3,467,072
New major corridor transit operations	15,963,528	16,978,253	1,630,633	15,347,620
Transit system improvements	32,518,298	34,585,330	35,848,596	(1,263,266)
Total expenditures	203,528,339	216,443,252	208,011,659	8,431,593
REVENUES OVER (UNDER) EXPENDITURES	5,700,000	5,700,000	18,980,751	13,280,751
OTHER FINANCING SOURCES (USES):				
Transfers in	83,562,173	88,873,819	128,410,259	(39,536,440)
Transfers out	(32,897,039)	(32,897,039)	(51,225,385)	18,328,346
Total other financing sources (uses)	50,665,134	55,976,780	77,184,874	(21,208,094)
Net change in fund balances	56,365,134	61,676,780	96,165,625	34,488,845
FUND BALANCES:				
Beginning of year	284,779,961	284,779,961	284,779,961	-
End of year	$ 341,145,095	$ 346,456,741	$ 380,945,586	$ 34,488,845

See accompanying Notes to Required Supplementary Information.

San Diego County Regional Transportation Commission
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2011

1. Budgetary information

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the Commission sales tax projects special revenue fund (special revenue fund). The special revenue fund has a legally adopted annual program budget based on expected sales tax revenue receipts.

After the annual budget is adopted, the Board of Directors can legally amend the budget at any time during the fiscal year to incorporate changes in expected sales tax revenues.

Transfers consisted of transactions related to sales tax receipts transferred to the debt-service fund for the payment of principal, interest, and other costs associated with long-term debt. In addition, transfers consisted of transactions using bond proceeds transferred from the debt-service fund to project expenditures of the special revenue fund.

2. Additional appropriations or amendments

Amendments were made to the special revenue fund to reflect a reduction in expected sales tax revenue, as approved by the Board of Directors.

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SUPPLEMENTARY INFORMATION

San Diego County Regional Transportation Commission

Commercial Paper and Sales Tax Revenue Bonds Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the year ended June 30, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES:				
Investment earnings	$ -	$ -	$ 1,623,382	$ 1,623,382
Debt repayments from other governments	-	-	1,430,353	1,430,353
Federal funds	-	2,746,591	2,746,591	-
Total revenues	-	2,746,591	5,800,326	3,053,735
EXPENDITURES:				
Current:				
Debt service:				
Principal retirement	11,700,000	19,476,000	20,048,000	(572,000)
Debt issuance costs	-	2,882,501	2,864,732	17,769
Interest and other charges	21,197,039	26,464,682	33,107,476	(6,642,794)
Total expenditures	32,897,039	48,823,183	56,020,208	(7,197,025)
REVENUES OVER (UNDER) EXPENDITURES	(32,897,039)	(46,076,592)	(50,219,882)	(4,143,290)
OTHER FINANCING SOURCES (USES):				
Transfers in	32,897,039	32,897,039	51,225,385	(18,328,346)
Transfers out	(83,562,173)	(96,235,819)	(128,410,259)	32,174,440
Bonds issued	-	350,000,000	350,000,000	-
Premium on bonds issued	-	849,368	849,368	-
Total other financing sources (uses)	(50,665,134)	(63,338,780)	273,664,494	(337,003,274)
Net change in fund balances	(83,562,173)	(109,415,372)	223,444,612	332,859,984
FUND BALANCES:				
Beginning of year	213,216,251	213,216,251	213,216,251	-
End of year	$ 129,654,078	$ 103,800,879	$ 436,660,863	$ 332,859,984

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To the Honorable Chair and Members of the Board of Directors
San Diego County Regional Transportation Commission
San Diego, California

REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the basic financial statements of the San Diego County Regional Transportation Commission (Commission), a component unit of the San Diego Association of Governments (SANDAG) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all the deficiencies in the internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Honorable Chair and Members of the Board of Directors
San Diego County Regional Transportation Commission
San Diego, California

This report is intended solely for the information and use of the Commission's Board of Directors, management, and others within the Commission and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Mayer Hoffman McCann P.C.

Irvine, California
December 27, 2011

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 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 high technology, manufacturing, tourism, agriculture, government and the largest uniformed military presence in the nation.

PETCO Park, located in the City of San Diego, provides a 42,000 fixed seat baseball stadium for the San Diego Padres. PETCO Park is located in a 26-block neighborhood that contains existing and proposed hotels, office space, retail and housing units within walking distance from the San Diego Convention Center and the Gaslamp Quarter. The baseball stadium also is within walking distance of a San Diego Trolley station and nearby parking facilities.

The San Diego Convention Center includes 2.6 million total gross square feet and plans are in progress to expand the Convention Center into the nearby bayfront area. Preliminary estimates from the San Diego Convention Center Corporation indicate that the Convention Center generated approximately $1.4 Billion in calendar year 2011 in total economic impact (direct and indirect spending).

The County is also growing as a major center for culture and education. Over 30 recognized art organizations, including the San Diego Opera, 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 five two-year colleges and six four-year colleges and universities.

In addition to the City of San Diego, 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 planted in avocados and tomatoes, 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. In the 1990s the population of the County grew at a greater rate than that of either the State or the nation. The County population as of January 2011 was estimated to be approximately 3,118,876, making it the second largest County by population in California. As of July 1, 2011, the U.S. Census Bureau ranked San Diego County the seventeenth largest Metropolitan Statistical Area in the United States. The 2011 population increased 0.77% from 2010. By the year 2020, 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 2002 to 2011.

POPULATION*
(In Thousands)

Year	San Diego County	Percent Change	State of California	Percent Change	United States	Percent Change
2002	2,890	1.44%	35,064	1.84%	287,985	1.01%
2003	2,927	1.28	35,653	1.68	290,850	0.99
2004	2,954	0.92	36,199	1.53	293,657	0.97
2005	2,967	0.44	36,677	1.32	296,410	0.94
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)	308,745	0.57
2011	3,119	0.77	37,511	0.77	311,592	0.92

* For 1996-1999, 2001-2009 and 2011, population statistics are as of January 1. For 2000 and 2010, population statistics are as of April 1.
Source: California State Department of Finance for 1996-1999, 2001-2009 and 2011; U.S. Department of Commerce, Bureau of Census, for 2000 and 2010.

Employment

The County's total labor force, the number of persons who work or are available for work, during December 2011 was approximately 1,586,000. The number of employed civilian workers in the labor force for the same month was approximately 1,445,100. 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 2006 through 2010. The last column of the table indicates the civilian labor force, employment and unemployment rates for the County, the State of California and the nation through December 2011.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT*
ANNUAL AVERAGES 2006-2011
By Place of Residence
(In Thousands)

	2006	2007	2008	2009	2010	2011**
County of San Diego						
Labor Force	1,499.9	1,518.3	1,547.3	1,554.1	1,558.2	1,586.0
Employment	1,440.4	1,449.5	1,455.1	1,404.5	1,393.9	1,445.1
Unemployment Rate	4.0%	4.5%	6.0%	9.6%	10.5%	8.9%
State of California						
Labor Force	17,901.9	17,970.8	18,251.6	18,250.2	18,280.4	18,172.2
Employment	17,029.3	17,011.0	16,938.3	16,163.9	16,051.2	16,185.1
Unemployment Rate	4.9%	5.3%	7.2%	11.4%	12.2%	10.9%
United States						
Labor Force	151,428.0	153,124.0	154,287.0	154,142.0	154,767.0	153,887.0
Employment	144,427.0	146,047	145,362.0	139,877.0	139,882.0	140,790.0
Unemployment Rate	4.6%	4.6%	5.8%	9.3%	9.6%	8.5%

Sources: County and State Data – California Employment Development Department; National Data – U.S. Department of Labor, Bureau of Labor Statistics.
* Data not seasonally adjusted; March 2010 benchmark.
**As of December 2011.

The following table sets forth the annual average employment within the County by employment sector for 2006 through 2011. Industry employment in the County has decreased by a total of 49,700 jobs since 2007. The largest growth industries were: education and health services; leisure and hospitality; and government. During the years profiled (2006 to 2011), these industries gained a total of 47,800 jobs. The largest growth occurred in education and health services (32,900 jobs).

SAN DIEGO COUNTY
LABOR FORCE AND INDUSTRY EMPLOYMENT
ANNUAL AVERAGES
2006 – 2011*

Employment Sector	2006	2007	2008	2009	2010	2011*
Total, All Industries	1,312,500	1,319,700	1,309,300	1,240,900	1,229,800	1,270,000
Agriculture	10,900	10,900	10,500	9,500	9,700	9,000
Natural Resources & Mining	500	400	400	400	400	400
Construction	92,600	87,000	76,100	61,100	55,500	54,000
Manufacturing	103,900	102,500	102,800	95,400	92,400	91,400
Trade, Transportation & Utilities	222,000	222,300	215,900	199,600	196,700	206,800
Wholesale Trade	45,100	45,500	44,900	40,6700	39,200	41,500
Retail Trade	148,300	148,100	142,000	131,600	130,000	136,900
Transportation, Warehousing & Utilities	28,700	28,800	29,000	27,400	27,500	28,400
Information	31,700	31,300	31,400	28,200	25,200	25,200
Financial Activities	83,700	80,300	75,200	69,800	67,100	68,000
Finance & Insurance	53,200	50,200	46,100	43,300	41,400	42,700
Real Estate, Rental & Leasing	30,500	30,100	29,200	26,500	25,700	25,300
Professional & Business Services	219,200	223,200	222,300	206,800	208,000	221,200
Education & Health Services	125,100	129,500	137,300	144,300	147,100	158,000
Leisure & Hospitality	156,500	161,800	164,000	154,800	154,600	160,600
Other Services	48,400	48,300	48,400	46,800	47,200	46,900
Government	217,700	222,400	225,100	224,500	226,000	228,500

Source: California Employment Development Department.
* As of December 2011.

Regional Economy

The table below sets forth the County's Gross Metropolitan Product, which is an estimate of the value for all goods and services produced in the region, from 2002 through 2011.

COUNTY OF SAN DIEGO
GROSS METROPOLITAN PRODUCT
2002-2011

		Annual Percent Change	
Year	Gross Metropolitan Product (In Billions)	Current Dollars San Diego	Constant Dollars* San Diego
2002	$123.2	7.7%	5.3%
2003	130.9	6.3	3.9
2004	141.5	8.1	5.2
2005	151.6	7.1	3.9
2006	159.8	5.4	2.2
2007	167.1	4.5	1.7
2008	172.4	3.2	1.4
2009	171.5	(0.5)	(2.4)
2010	176.0	2.6	1.9
2011[(1)]	182.6	3.8	2.1

Sources: 2001-2009 Data - Bureau of Economic Analysis; U.S. Department of Commerce; 2010-2011 Data – National University System Institute for Policy Research; reflects data as of August 2011
* Adjusted using the GMP/GSP/GDP Implicit Price Deflator.
(1) Forecast.

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 U.S. Department of Defense contributed about $18.2 billion to the local economy during 2009, through wages paid to the uniformed military and civilian personnel, and for equipment and services purchased from local businesses. The military presence in the County is anticipated to remain relatively stable and may increase due to the consolidation of military operations and facilities from elsewhere in California, the West, and throughout the United States.

Building Activity

Annual total building permit valuation and the annual unit total of new residential permits from 2007 through 2011 are shown in the following table.

COUNTY OF SAN DIEGO
BUILDING PERMIT ACTIVITY
2007 – 2011
($ in Thousands)

	2007	2008	2009	2010	2011
Valuation:					
Residential	$1,852,381	$1,339,204	$464,005	$ 974,490	$1,304,642
Non-Residential	1,416,823	1,061,841	344,084	658,867	1,072,381
Total	$3,269,204	$2,401,045	$808,089	$1,633,357	$2,377,023
New Housing Units:					
Single Family	3,503	2,347	936	2,254	2,252
Multiple Family	3,942	2,806	742	1,092	2,968
Total	7,445	5,153	1,678	3,346	5,220

Source: Construction Industry Research Board.

Commercial Activity

Consumer spending for 2010 resulted in approximately $41.6 billion in taxable sales in the County. The following table sets forth information regarding taxable sales in the County for the years 2006 through 2010.

COUNTY OF SAN DIEGO
TAXABLE SALES
2006 – 2010
(In Thousands)

Type of Business	2006	2007	2008	2009	2010
Apparel Stores	$ 1,909,011	$ 2,034,512	$ 2,205,568	$ 2,560,683	$ 2,769,897
General Merchandise	5,594,621	5,673,538	5,305,252	4,254,037	4,381,526
Specialty Stores[1]	4,926,656	-	-	-	-
Food Stores	1,928,274	1,994,237	1,868,466	1,934,812	1,943,969
Food and Drinking Places	4,521,392	4,784,500	4,869,497	4,717,292	4,873,578
Home Furnishings/Appliances	1,511,389	1,420,933	1,590,329	2,024,448	2,101,996
Building Materials	3,331,161	2,768,385	2,183,006	1,841,740	1,945,310
Automotive	9,819,932	6,321,987	5,010,084	4,196,256	4,486,375
Service Stations[2]	-	3,755,121	4,154,465	3,153,090	3,663,149
All Other Retail Stores	1,076,631	5,285,332	4,529,006	1,405,774	1,384,,312
Business and Personal Services	2,302,057	2,298,265	2,255,309	[3]	[3]
All Other Outlets	10,914,390	11,149,178	11,358,155	11,770,139	12,148,147
TOTAL ALL OUTLETS	$47,835,514	$47,485,988	$45,329,136	$39,728,657	$41,623,636

Source: California State Board of Equalization, Taxable Sales in California.
[1] After 2006, data for the Specialty Stores Group was included in the category for All Other Retail Stores.
[2] After 2006, Service Stations became a separate category and were not included in the Automotive Category.
[3] After 2008, category for Business and Personal Services was discontinued.

Personal Income

The following table summarizes the median household income for the County, the State, and the United States between 2006 and 2010. In 2010, the median household income for the County of San Diego was $63,069.

MEDIAN HOUSEHOLD INCOME[1]
2006 through 2010[2]

Year	San Diego County	California	United States
2005	$56,335	$53,629	$46,242
2006	59,591	56,645	48,451
2007	61,794	59,948	50,740
2008	63,026	61,021	52,029
2009	60,231	58,931	50,221
2010	63,069	60,883	51,914

Source: U.S. Census Bureau – Economic Characteristics – America Community Survey.
(1) Estimated in inflation-adjusted dollars.
(2) Data for 2011 is not currently available.

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 points north. 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, served by 18 passenger carriers and six 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 transit in the metropolitan area is provided by the Metropolitan Transit System ("MTS") and North County Transit District. The San Diego Trolley, developed by MTS beginning in 1979, has been expanded. A total of 17.6 miles were added to the original 108 miles; construction was completed in 1990.

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'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 a high level of visitor and convention business each year. Contributing to the growth of visitor business has been 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.

San Diego's visitor industry is a major sector of the region's economy. Visitor revenues in San Diego County reached approximately $6.708 billion in 2010, according to an estimate by the San Diego Convention and Visitors Bureau, an increase of approximately 1.7% from the prior year. The County hosted 64 conventions and trade shows during 2010, attended by approximately 543,931 delegates. Additional visitors pass through the San Ysidro Port of Entry, the busiest border crossing in the world with more than nearly 42 million crossings during 2010 between San Diego and Tijuana, Mexico.

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.

Community colleges in California 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. There are five community college districts in the County with students at eleven campuses and numerous 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.

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APPENDIX C

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture, dated as of March 1, 2008, between the San Diego County Regional Transportation Commission (the "Commission") and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented and amended by the First Supplemental Indenture, dated as of March 1, 2008, the Second Supplemental Indenture, dated as of July 1, 2008, the Third Supplemental Indenture, dated as of October 1, 2010 and the Fourth Supplemental Indenture, dated as of June 1, 2012 (hereinafter collectively referred to as the "Indenture"), each between the Commission and the Trustee. Such summary is not intended to be complete or definitive, is supplemental to the summary of other provisions of the Indenture contained elsewhere in this Official Statement, and is qualified in its entirety by reference to the full terms of the Indenture. All capitalized terms used and not otherwise defined in this Official Statement shall have the meanings assigned to such terms in the Indenture.

Definitions

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

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

Act means the 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, as now in effect and as it may from time to time hereafter be amended or supplemented.

Alternate Credit Enhancement means, with respect to a Series of Bonds, any Insurance, letter of credit, line of credit, surety bond or other instrument, if any, which secures or guarantees the payment of principal of and interest on a Series of Bonds, issued by an insurance company, commercial bank, pension fund or other financial institution, and delivered or made available to the Trustee, as a replacement or substitution for any Credit Enhancement then in effect.

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

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

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

Authorized Denominations means, with respect to the 2012 Series A Bonds, $5,000 and any integral multiple thereof.

Authorized Representative means the Chair of the Board of Directors, the Executive Director, the Chief Deputy Executive Director, the Director of Finance, the Finance Manager, or any other person designated to act on behalf of the Commission by a written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Commission by an Authorized Representative.

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

Board means the Board of Directors of the Commission.

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

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

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

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

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

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

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

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

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

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

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

Corporate Trust Office or **corporate trust office** means the corporate trust office of the Trustee at U.S. Bank National Association, 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 from time to time.

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

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

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

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

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

Credit Provider means, with respect to a Series of Bonds, the Insurer, commercial bank or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Credit Enhancement then in effect with respect to such Series of Bonds.

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

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

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

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

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

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

(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 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; and (g) other obligations approved by the Rating Agencies for defeasance escrows rated in the highest Rating Category.

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

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

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

Event of Default means any of the events of default specified in the Indenture. See "—Events of Default and Remedies—Events of Default."

Excluded Principal Payments means each payment of principal of Bonds or Parity Obligations which the Commission determines (in the Certificate of the Commission) that the Commission intends to pay with moneys that are not Sales Tax Revenues (such as commercial paper, balloon indebtedness or bond anticipation notes) but from future debt obligations of the Commission, grants 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 Bonds or the obligation of the Commission to pay such payments from Sales Tax Revenues or amounts on deposit in the Bond Reserve Fund, if any. No payment of principal of Bonds may be determined to be an Excluded Principal Payment unless it is due on or prior to the Tax Expiration Date.

Expiration (and other forms of "expire") means, when used with respect to a 2008 Liquidity Facility or Credit Enhancement, the expiration of such 2008 Liquidity Facility or Credit Enhancement in accordance with its terms.

Favorable Opinion of Bond Counsel means, with respect to any action requiring such an opinion, an Opinion of Bond Counsel to the effect that such action will not, in and of itself, adversely affect the Tax-Exempt status of interest on the Bonds or such portion thereof as shall be affected thereby.

Fees and Expenses Fund means the fund by that name established pursuant to the Indenture.

First Supplemental Indenture means the First Supplemental Indenture, dated as of March 1, 2008, between the Commission and the Trustee, as amended and supplemented from time to time.

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

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

Fourth Supplemental Indenture means the Fourth Supplemental Indenture, dated as of June 1, 2012, between the Commission and the Trustee, as amended and supplemented from time to time.

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

Indenture means the Indenture, dated as of March 1, 2008, 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 of the Indenture.

Initial Swaps means the following Interest Rate Swap Agreements:

a. ISDA Master Agreement, dated as of November 22, 2005, between Bank of America, N.A. ("BofA") and the Commission, as supplemented by the Schedule, dated as of November 22, 2005 and the confirmation of a transaction entered into on November 22, 2005 between BofA and the Commission;

b. ISDA Master Agreement, dated as of November 22, 2005, between Goldman Sachs Mitsui Marine Derivative Products, L.P. ("Goldman") and the Commission, as supplemented by the Schedule, dated as of November 22, 2005 and the confirmation of a transaction entered into on November 29, 2005 between Goldman and the Commission; and

c. ISDA Master Agreement, dated as of November 22, 2005, between BofA (as successor to Merrill Lynch Capital Services, Inc. ("MLCS")) and the Commission, as supplemented by the Schedule, dated as of November 22, 2005 and the confirmation of a transaction entered into on November 22, 2005 between BofA (as successor to MLCS) and the Commission.

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

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

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

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

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

Investment Securities means the following:

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

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

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

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

(5) obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing;

provided that at the time of their purchase such obligations are rated in either of the two highest long-term or highest short-term Rating Categories by both Moody's and Standard & Poor's;

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

(7) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by both Moody's and Standard & Poor's in their respective highest short-term Rating Categories, or, if the term of such indebtedness is longer than three (3) years, rated by both Moody's and Standard & Poor's in one of their respective two highest long-term Rating Categories, for comparable types of debt obligations;

(8) demand or time deposits or certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee), provided that such certificates of deposit shall be purchased directly from such a bank, trust company or national banking association and shall be either (a) continuously and fully insured by the Federal Deposit Insurance Corporation, or (b) continuously and fully secured by such securities and obligations as are described above in clauses (1) through (5), inclusive, which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit, and the bank, trust company or national banking association issuing each such certificate of deposit required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be an amount equal to the principal amount of each such certificate of deposit and the Trustee shall be entitled to rely on each such undertaking;

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

(10) variable rate obligations required to be redeemed or purchased by the obligor or its agent or designee upon demand of the holder thereof secured as to such redemption or purchase requirement by a liquidity agreement with a corporation and as to the payment of interest and principal either upon maturity or redemption (other than upon demand by the holder thereof) thereof by an unconditional credit facility of a corporation, provided that the variable rate

obligations themselves are rated in the highest Rating Category for its short-term rating, if any, and in either of the two highest Rating Categories for its long-term rating, if any, by both Moody's and Standard & Poor's, and that the corporations providing the liquidity agreement and credit facility have, at the date of acquisition of the variable rate obligation by the Trustee, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations rated in either of the two highest long-term Rating Categories by both Moody's and Standard & Poor's;

(11) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee) having a minimum permanent capital of one hundred million dollars ($100,000,000) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities and obligations described in clauses (1), (2), (3) or (4) above, which shall have a market value (exclusive of accrued interest and valued at least monthly) at least equal to 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;

(12) any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clauses (1), (2), (3), (4), (5) and (11) of this definition of Investment Securities and any money market fund, the entire investments of which are limited to investments described in clauses (1), (2), (3), (4), (5) and (11) of this definition of Investment Securities; provided that as used in this clause (12) and clause (13) investments will be deemed to satisfy the requirements of clause (11) if they meet the requirements set forth in clause (11) ending with the words "clauses (1), (2), (3) or (4) above" and without regard to the remainder of such clause (11);

(13) any investment agreement with a financial institution or insurance company which: (a) has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated in either of the two highest long-term Rating Categories by both Moody's and Standard & Poor's; or (b) is fully secured by obligations described in items (1), (2), (3) or (4) of the definition of Investment Securities which are (A) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to the principal amount of the investment, (B) held by the Trustee or other custodian acceptable to the Trustee, (C) subject to a perfected first lien in the Trustee, and (D) free and clear from all third party liens;

(14) shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (1) through (13) of this definition of Investment Securities and which companies have either the highest rating by both Moody's and Standard & Poor's or have an investment advisor registered with the Securities and Exchange 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;

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

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

(17) the pooled investment fund of the County of San 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;

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

(19) Any other forms of investments, including repurchase agreements, approved in writing by each Credit Provider then providing Credit Enhancement for a Series of Bonds.

Law means the Act, 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 the Act, and Articles 10 and 11 of Chapter 3 of Part 1 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 Credit Account means an account by that name established to hold funds that are drawn on Credit Enhancement provided in the form of a letter of credit and that are to be applied to pay the principal of or interest on a Series of Bonds, which account shall be established pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

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

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

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

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

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

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

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

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

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

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.

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

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

One Month USD LIBOR Rate means the rate for deposits in U.S. dollars for a one-month maturity that appears on Reuters Screen LIBOR01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m., London time, on the date of determination of such rate, except that, if such rate does not appear on such page on such date, the One Month USD LIBOR Rate means a rate determined on the basis of the rates at which deposits in U.S. dollars for a one-month maturity and in a principal amount of at least U.S. $1,000,000 are offered at approximately 11:00 a.m., London time, on such date, to prime banks in the London interbank market by three major banks in the London interbank market (herein referred to as the "Reference Banks") selected by the Trustee (provided, however, that the Trustee may appoint an agent to identify such Reference Banks). The Trustee or its agent is to request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the One Month LIBOR Rate will be the arithmetic mean of such quotations. If fewer than two quotations are provided, the One Month LIBOR Rate will be the arithmetic mean of the rates quoted by three (if three quotations are not provided, two or one, as applicable) major banks in New York City, selected by the Trustee or its agent, at approximately 11:00 a.m., New York City time, on such date for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. $1,000,000 having a one-month maturity. If none of the banks in New York City selected by the Trustee or its agent is then quoting rates for such loans, then the One Month LIBOR Rate for the ensuing interest period will mean the One Month LIBOR Rate most recently in effect.

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

Ordinance means, collectively, the 1987 Ordinance and the Sales Tax Extension Ordinance, and any amendments or extensions thereto, together with any future ordinance that is adopted pursuant to the Act from time to time and that is designated as an "Ordinance" under the Indenture pursuant to a Supplemental Indenture, as such future ordinance may be amended or extended pursuant to the Act from time to time.

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

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

Participating Underwriter means any of the original underwriters of a Series of Bonds required to comply with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission, under the Securities Exchange Act of 1934, as the same may be amended from time to time.

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

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

Principal Office means, with respect to the Trustee, the corporate trust office of the Trustee at 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 from time to time, and means, with respect to a Credit Provider or a Liquidity Provider, the office designated as such in writing by such party in a notice delivered to the Trustee and the Authority.

Project means transportation facility and public infrastructure improvements within the County of San Diego permitted by the Ordinance and the Act, including, but not limited to, transportation and service improvements for highways, rail transit services, bus services, local streets and roads, bicycle and pedestrian facilities, community infrastructure to support smart growth development, environmental mitigation and enhancement projects, and the payment of all costs incidental to or connected with the accomplishment of such purposes, including, without limitation, costs of land acquisition, 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 the construction period and for a period of not to exceed twelve months after completion of construction, and expenses for all proceedings for the authorization, issuance and sale of Bonds.

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

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

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

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

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

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

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

Record Date means (a) for any Interest Payment Date in respect of any Daily Rate Period, Weekly Rate Period, Commercial Paper Rate Period or Index Rate Period, the Business Day next preceding such Interest Payment Date; (b) for any Interest Payment Date in respect of any Term Rate Period or Fixed Rat Period, the fifteenth (15^{th}) day (whether or not a Business Day) of the month preceding the month in which such Interest Payment Date occurs; and (c) for any Interest Payment Date in respect of any Auction Period, the Business Day immediately preceding the Interest Payment Date; and, with respect to any other Series of Bonds, shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Redemption Date means the date fixed for redemption of Bonds of a Series subject to redemption in any notice of redemption given in accordance with the terms of the Indenture.

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

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

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

Reserve Facility means any insurance policy, letter of credit or surety bond issued by a Reserve Facility Provider, meeting the requirements set forth in the Indenture described below under the caption "Funding and Application of Bond Reserve Funds," and delivered to the Trustee in satisfaction of all or a portion of the Bond Reserve Requirement applicable to one or more Series of Bonds.

Reserve Facility Provider means any issuer of a Reserve Facility.

Revenue Fund means the Revenue Fund established pursuant to the Indenture.

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

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

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 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 Act and the Ordinance after deducting amounts payable by the Commission to the State Board of Equalization for costs and expenses for its services in connection with the retail transactions and use taxes collected pursuant to the Act.

Second Supplemental Indenture means the Second Supplemental Indenture, dated as of July 1, 2008, between the Commission and the Trustee, as amended and supplemented from time to time.

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

Semi-Annual Interest Payment Date means April 1 and October 1.

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

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

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.

Sinking Account means an account by that name established in the Principal Fund for the payment of Term Bonds.

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

State means the State of California.

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

Subordinate Commercial Paper Notes means the San Diego County Regional Transportation Commission Subordinate Sales Tax Revenue Commercial Paper Notes (Limited Tax Bonds) authorized by, and at any time Outstanding pursuant to, the Subordinate Indenture.

Subordinate Indenture means the Amended and Restated Subordinate Indenture, dated as of November 1, 2005, between the Commission and U.S. Bank National Association, as trustee, as supplemented and amended from time to time pursuant to its terms.

Subordinate Obligations means the Subordinate Commercial Paper Notes, any other obligations of the Commission that constitute "Parity Debt" under and as defined in the Subordinate Indenture, and any other obligations of the Commission issued or incurred in accordance with the provisions of the Indenture described in paragraph (D) under the caption "Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity Obligations; Subordinate Obligations" set forth below.

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

Subordinate Trustee means U.S. Bank National Association, as trustee under the Subordinate Indenture, and its successors and assigns.

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 a Series of 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 Indenture means any indenture duly executed and delivered, supplementing, modifying or amending the Indenture, but only if and to the extent that such supplemental indenture is authorized specifically under the Indenture.

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

Tax-Exempt means, with respect to interest on any obligations of a state or local government, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

Tax-Exempt Securities means bonds, notes or other securities the interest on which is Tax-Exempt.

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 Act and the Ordinance.

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.

Third Supplemental Indenture means the Third Supplemental Indenture, dated as of October 1, 2010, between the Commission and the Trustee, as amended and supplemented from time to time.

Trustee means 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, or its successor, as Trustee as provided in the Indenture.

2008 Bonds means the 2008 Series A Bonds, 2008 Series B Bonds, 2008 Series C Bonds and 2008 Series D Bonds, authorized by, and at any time Outstanding pursuant to, the Indenture.

2008 Bonds Reserve Fund means the fund by that name established pursuant to the provisions of the Indenture.

2008 Bonds Reserve Requirement means, as of any date of calculation, an amount equal to the least of (i) ten percent (10%) of the principal amount of the 2008 Reserve Fund Eligible Bonds (or if the amount of original issue discount or original issue premium applicable to the 2008 Reserve Fund Eligible Bonds exceeds two percent (2%), ten percent (10%) of the issue price of the 2008 Reserve Fund Eligible Bonds), (ii) one hundred twenty-five percent (125%) of average Annual Debt Service on the Outstanding 2008 Reserve Fund Eligible Bonds, and (iii) fifty percent (50%) of Maximum Annual Debt Service on the Outstanding 2008 Reserve Fund Eligible Bonds.

2008 Reserve Fund Eligible Bonds means the 2008 Bonds and any other Series of additional Bonds or Refunding Bonds or portions thereof (in each case, payable on a parity with the 2008 Bonds from, and secured as to payment on a parity with the 2008 Bonds by, the Revenues and other funds described in the Indenture) issued and designated, by a Supplemental Indenture adopted by the Commission, to be secured by and entitled to the pledge and benefit of the 2008 Bonds Reserve Fund; provided, that no Bond or Series of Bonds shall hereafter be so designated unless, upon the issuance of such Bond or Series of Bonds and after giving effect to such issuance, the amount then on deposit in the 2008 Bonds Reserve Fund will at least equal the 2008 Bonds Reserve Requirement.

2010 Series A Bonds shall mean the San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2010 Series A (Taxable Build America Bonds), authorized by the Indenture.

2010 Series B Bonds shall mean the San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2010 Series B (Tax-Exempt Bonds), authorized by the Indenture.

2012 Project Fund means the 2012 Project Fund established pursuant to the Indenture.

2012 Refunded Bonds means the outstanding Bonds of the Commission to be refunded with a portion of the proceeds of the 2012 Series A Bonds.

2012 Series A Bonds shall mean the San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2012 Series A, authorized by the Indenture.

Pledge of Revenues; Revenue Fund

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

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

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

As additional security for the payment of all amounts owing on the Bonds, there are irrevocably pledged to the Trustee all Subsidy Payments received with respect to the 2010 Series A Bonds, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. Such Subsidy Payments shall immediately be subject to such pledge, and such pledge shall constitute a first lien on and security interest in such collateral which shall immediately attach to the collateral and be effective, binding and enforceable against the Commission and all others asserting the rights therein, to the extent set forth, and in accordance with, the Indenture irrespective of whether those parties have notice of such pledge and without the need for any physical delivery, recordation, filing or further act. The pledge of Subsidy Payments with respect to the 2010 Series A Bonds made in the Indenture will be irrevocable until all of the Bonds are no longer Outstanding and no amounts are owed in connection with the Bonds. The Commission will cause the Subsidy Payments with respect to the 2010 Series A Bonds to be sent directly to the Trustee, and the Trustee will deposit the Subsidy Payments, when received, to the Interest Fund.

The Bonds are limited obligations of the Commission and are payable as to both principal and interest, and any premium upon redemption thereof, exclusively from the Sales Tax Revenues and other funds pledged under the Indenture.

Allocation of Sales Tax Revenues

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

Interest Fund. Following receipt of the Sales Tax Revenues in each month, the Trustee shall set aside in the Interest Fund as soon as practicable in such month an amount equal to (a) one-sixth of the aggregate half-yearly amount of interest becoming due and payable on the Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness which shall be governed by subparagraph (b) below) during the next ensuing six (6) months (excluding any interest for which there are moneys deposited in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay such interest during said next ensuing six (6) months), until the requisite half-yearly amount of interest on all such Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness which shall be governed by subparagraph (b) below) is on deposit in such fund; provided that, from the date of delivery of a Series of Current Interest Bonds until the first Interest Payment Date with respect to such Series of Bonds, the amounts set aside in such fund with respect to such Series of Bonds shall be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on said Interest Payment Date with respect to such Series of Bonds, plus (b) the aggregate amount of interest to accrue during that month on Outstanding Variable Rate Indebtedness, calculated, if the actual rate of interest is not known, at the interest rate specified in writing by the Commission, or if the Commission shall not have specified an interest rate in writing, calculated at the maximum interest rate borne by such Variable Rate Indebtedness during the month prior to the month of deposit plus one percent (1%) (provided, however, that the amount of such deposit into the Interest Fund for any month may be reduced by the amount by which the deposit in the prior month exceeded the actual amount of interest accrued and paid during that month on said Outstanding Variable Rate Indebtedness and provided further that the amount of such deposit into the Interest Fund for any month shall be increased by the amount by which the deposit in the prior month was less than the actual amount of interest accruing during that month on said Outstanding Variable Rate Indebtedness). No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest to become due and payable on the Interest Payment Dates falling within the next six (6) months upon all of the Bonds issued under the Indenture and then Outstanding and on April 1 and October 1 of each year any excess amounts in the Interest Fund not needed to pay interest on such date (and not held to pay interest on Bonds having Interest Payment Dates other than April 1 and October 1) shall be transferred to the Commission (but excluding, in each case, any moneys on deposit in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Dates). All Subsidy Payments received with respect to the 2010 Series A Bonds and all Swap Revenues received with respect to the Interest Rate Swap Agreements that are Parity Obligations shall be deposited in the Interest Fund and credited to the above-required deposits.

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

In the event that the Sales Tax Revenues shall not be sufficient to make the required deposits so that moneys in the Principal Fund on any principal or mandatory redemption date are equal to the amount of Bond Obligation to become due and payable on the Outstanding Serial Bonds of all Series plus the Bond Obligation amount of and redemption premium on the Outstanding Term Bonds required to be redeemed or paid at maturity on such date, then such moneys shall be applied on a Proportionate Basis and in such proportion as said Serial Bonds and said Term Bonds shall bear to each other, after first deducting for such purposes from said Term Bonds any of said Term Bonds required to be redeemed annually as shall have been redeemed or purchased during the preceding 12-month period and any of said Term Bonds required to be redeemed semiannually as shall have been redeemed or purchased during the six-month period ending on such date or the immediately preceding six month period. In the event that the Sales Tax Revenues shall not be sufficient to pay in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts, then payments into all such Sinking Accounts shall be made on a Proportionate Basis, in the same proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account during the then current 12-month period bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts during such 12-month period.

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

Bond Reserve Fund. Upon the occurrence of any deficiency in any Bond Reserve Fund, the Trustee shall make such deposit to such Bond Reserve Fund as is required pursuant to the provisions of the Indenture described below under the caption "Funding and Application of Bond Reserve Funds," each such deposit to be made as soon as possible in each month, until the balance therein is at least equal to the applicable Bond Reserve Requirement.

Subordinate Obligations Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Subordinate Obligations Fund." As long as any Subordinate Obligations remain unpaid, any Revenues remaining in the Revenue Fund, after the transfers to the Interest Fund, the Principal Fund and the Bond Reserve Funds described above have been made, shall be transferred on the same Business Day to the Subordinate Trustee. After the Subordinate Trustee has made the required deposit of Revenues under the Subordinate Indenture, the Subordinate Trustee shall transfer any remaining Revenues back to the Trustee.

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

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

If five (5) days prior to any principal payment date, Interest Payment Date or mandatory redemption date the amounts on deposit in the Revenue Fund, the Interest Fund, the Principal Fund, including the Sinking Accounts therein, and, as and to the extent applicable, any Bond Reserve Fund established in connection with a Series of Bonds with respect to the payments to be made on such upcoming date are insufficient to make such payments, the Trustee 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 covenants and agrees to transfer to the Trustee from any Sales Tax Revenues in its possession the amount of such deficiency on or prior to the principal, interest or mandatory redemption date referenced in such notice.

Establishment and Application of Funds and Accounts

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

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

Principal Fund. All amounts in the Principal Fund shall be used and withdrawn by the Trustee solely for the purposes of paying the Bond Obligation of the Bonds when due and payable, except that all amounts in the Sinking Accounts shall be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds, as provided in the Indenture, or for reimbursing the Credit Provider for a drawing for such purposes made on Credit Enhancement provided in the form of an irrevocable, direct-pay letter of credit.

The Trustee shall establish and maintain within the Principal Fund a separate account for the Term Bonds of each Series and maturity, designated as the "_____ Sinking Account," inserting therein the Series and maturity designation of such Bonds. On or before the Business Day prior to any date upon which a Mandatory Sinking Account Payment is due, the Trustee shall transfer the amount of such Mandatory Sinking Account Payment (being the principal thereof, in the case of Current Interest Bonds, and the Accreted Value, in the case of Capital Appreciation Bonds) from the Principal Fund to the applicable Sinking Account. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of such Series and maturity for which such Sinking Account was established, in the manner provided in the Indenture or the Supplemental Indenture pursuant to which such Series of Bonds was created; provided that, at any time prior to giving such notice of such redemption, the Trustee shall, upon receipt of a Request of the Commission, apply moneys in such Sinking Account to the purchase of Term Bonds of such Series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as is directed by the Commission, except that the purchase price (excluding accrued interest, in the case of Current Interest Bonds) shall not exceed the principal amount or Accreted Value thereof. If, during the 12-month period (or six-month period with respect to Bonds having semi- annual Mandatory Sinking Account Payments) immediately preceding said Mandatory Sinking Account Payment date, the Trustee has purchased Term Bonds of such Series and maturity with moneys in such Sinking Account, or, during said period and prior to giving said notice of redemption, the Commission has deposited Term Bonds of such Series and maturity with the Trustee, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Term Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Term Bonds purchased or deposited pursuant to the provisions of the Indenture described herein shall be cancelled by the Trustee and destroyed by the Trustee and a certificate of destruction shall be delivered to the Commission by the Trustee. Any amounts remaining in a Sinking Account on April 1 of each year following the redemption as of such date of the Term Bonds for which such account was established shall be withdrawn by the Trustee and transferred as soon as practicable to the Commission to be used for any lawful purpose. All Term Bonds purchased from a Sinking Account or deposited by the Commission with the Trustee in a twelve month period ending March 31 (or in a six-month period ending March 31 or September 30 with respect to Bonds having semi-annual Mandatory Sinking Account Payments) and prior to the giving of notice by the Trustee for redemption from Mandatory Sinking Account Payments for such period shall be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Term Bonds, if any, occurring on the next April 1 or October 1, then as a credit against such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Commission. All Term Bonds redeemed by the Trustee from the Redemption Fund shall be credited to such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Commission.

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

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

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

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

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

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

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

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

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

Rebate Fund. Upon receipt of funds to be applied to the Rebate Requirement, the Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund. Within the Rebate Fund, the Trustee shall maintain such accounts as shall be necessary in order to comply with the terms and requirements of each Tax Certificate as directed in writing by the Commission. Subject to the transfer provisions provided in the Indenture, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the federal government of the United States of America, and neither the Trustee nor any Holder nor any other Person shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Indenture and by the applicable Tax Certificates. The Commission covenants to comply with the directions contained in each Tax Certificate and the Trustee 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).

Payment Provisions Applicable to Interest Rate Swap Agreements

The Initial Swaps have been entered into by the Commission with respect to the 2008 Bonds and the obligation of the Commission to make payments required under the Initial Swaps (excluding fees and expenses and termination payments under the Initial Swaps) constitutes a Parity Obligation under the Indenture and shall be payable from the Interest Fund. In the event the Commission shall enter into an Interest Rate Swap Agreement in connection with a Series of Bonds other than the Initial Swaps, the amounts received by the Commission, if any, pursuant to such Interest Rate Swap Agreement may be applied to the deposits required under the Indenture. If the Commission so designates in a Supplemental Indenture establishing the terms and provisions of such Series of Bonds (or if such Interest Rate Swap Agreement is entered into subsequent to the issuance of such Series of Bonds, if the Commission so designates in a Certificate of the Commission delivered to the Trustee concurrently with the execution of such Interest Rate Swap Agreement) amounts payable under such Interest Rate Swap Agreement (excluding termination payments and payments of fees and expenses incurred in connection with Interest Rate Swap Agreements which shall in all cases be payable from, and secured by, Sales Tax Revenues on a subordinate basis to Bonds, Parity Obligations and payment of principal of and interest on Subordinate Obligations) shall constitute Parity Obligations under the Indenture, and, in such event, the Commission shall pay or cause to be paid to the Trustee for deposit in the Interest Fund, at the times and in the manner provided in the Indenture, the amounts to be paid pursuant to such Interest Rate Swap Agreement, as if such amounts were additional interest due on the Series of Bonds to which such Interest Rate Swap Agreement relates, and the Trustee shall pay to the Counterparty to such Interest Rate Swap Agreement, to the extent required thereunder, from amounts deposited in the Interest Fund for the payment of interest on the Series of Bonds with respect to which such Interest Rate Swap Agreement was entered into.

Investment in Funds and Accounts

All moneys in any of the funds and accounts held by the Trustee and established pursuant to the Indenture shall be invested, as directed by the Commission, solely in Investment Securities, subject to the limitations set forth in the Indenture. If and to the extent the Trustee does not receive investment instructions from the Commission with respect to the moneys in the funds and accounts held by the

Trustee pursuant to the Indenture, such moneys shall be invested in Investment Securities described in clause (12) of the definition thereof and the Trustee shall thereupon request investment instructions from the Commission for such moneys.

Moneys in any Bond Reserve Fund shall be invested in Investment Securities available on demand for the purpose of payment of the Bonds to which such Bond Reserve Fund relates as provided in the Indenture. Moneys in the remaining funds and accounts shall be invested in Investment Securities maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Trustee.

Unless otherwise provided in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds: (i) all interest, profits and other income received from the investment of moneys in the Interest Fund representing accrued interest or capitalized interest shall be retained in the Interest Fund; (ii) all interest, profits and other income received from the investment of moneys in a Bond Reserve Fund shall be retained in such Bond Reserve Fund to the extent of any deficiency therein, and otherwise shall be transferred to the Revenue Fund; (iii) all interest, profits and other income received from the investment of moneys in a Costs of Issuance Fund shall be transferred to the Revenue Fund; (iv) all interest, profits and other income received from the investment of moneys in a Project Fund shall be retained in such Project Fund, unless the Commission shall direct that such earnings be transferred to the Rebate Fund; (v) all interest, profits and other income received from the investment of moneys in the Rebate Fund shall be retained in the Rebate Fund, except as otherwise provided in the Indenture; (vi) all interest, profits and other income received from the investment of moneys in any Purchase Fund shall be retained in such Purchase Fund; and (vii) all interest, profits and other income received from the investment of moneys in any other fund or account shall be transferred to the Revenue Fund.

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

The Trustee may commingle any of the funds or accounts established pursuant to the Indenture (except the Rebate Fund and any Purchase Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee under the Indenture shall be accounted for separately as required by the Indenture. The Trustee may act as principal or agent in the making or disposing of any investment and, with the prior written consent of the 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. The Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance with the provisions of the Indenture.

Issuance of Additional Bonds and Other Obligations

Issuance of Additional Bonds. The Commission may by Supplemental Indenture establish one or more additional Series of Bonds, payable from Sales Tax Revenues and secured by the pledge made under the Indenture equally and ratably with Bonds previously issued, and the Commission may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as shall be determined by the Commission, but only upon compliance by the Commission with the provisions of the Indenture described under this caption and described below under the caption “Proceedings for Issuance of Additional Bonds” and with any additional requirements set forth in said Supplemental Indenture and subject to the specific conditions set forth below, each of which is a condition precedent to the issuance of any such additional Series of Bonds.

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

(B) Subject to the provisions of the Indenture described above under the caption "Funding and Application of Bond Reserve Funds," in the event a Supplemental Indenture providing for the issuance of such Series shall require either (i) the establishment of a Bond Reserve Fund to provide additional security for such Series of Bonds or (ii) that the balance on deposit in an existing Bond Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of such Series, to an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds and all other Bonds secured by such Bond Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds, the Supplemental Indenture providing for the issuance of such additional Series of Bonds shall require deposit of the amount necessary. Said deposit shall be made as provided in the Supplemental Indenture providing for the issuance of such additional Series of Bonds and may be made from the proceeds of the sale of such Series of Bonds or from other funds of the Commission or from both such sources or may be made in the form of a Reserve Facility.

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

(D) The Commission shall place on file with the 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 Bonds will become Outstanding shall have been at least equal to 1.3 times Maximum Annual Debt Service, on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued, which Certificate shall also set forth the computations upon which such Certificate is based.

The reference to "1.3 times" in paragraph (D) above will be changed to "2.0 times" on the date which is the later of: (i) the date of execution and delivery of the Fourth Supplemental Indenture, and (ii) the date on which the Commission and the Trustee receive consents to such amendment from each Credit Provider, each Liquidity Provider, each Counterparty and the provider of the credit facility for the Subordinate Commercial Paper Notes. See Official Statement – "Amendment to Indenture Regarding Issuance of Additional Bonds".

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

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

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

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

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

(B) A Certificate of the Commission certifying: (i) that no Event of Default has occurred and is then continuing; and (ii) that the requirements of the Indenture described in paragraphs (B) and (C) under the caption "Issuance of Additional Bonds" have been satisfied by the Commission.

(C) A Certificate of the Commission certifying (on the basis of computations made no later than the date of sale of such Series of Bonds) that the requirement of the Indenture described in paragraph (D) under the caption "Issuance of Additional Bonds" is satisfied.

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

Issuance of Refunding Bonds. Refunding Bonds may be authorized and issued by the Commission without compliance with the provisions of the Indenture described in paragraph (D) above under the caption "Issuance of Additional Bonds" and in paragraph (C) above under the caption "Proceedings for Issuance of Additional Bonds;" provided that the Trustee shall have been provided with a Certificate of the Commission to the effect that the Commission has determined one of the following: (i) that Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding prior to the issuance of such Refunding Bonds, or (ii) that the Commission expects a reduction in Debt Service on all Bonds Outstanding and all Parity Obligations outstanding to result from the refunding to be effected with the proceeds of such Refunding Bonds. Such Refunding Bonds may be issued in an aggregate principal amount sufficient (together with any additional funds available or to become available) to provide funds for the payment of all or a portion of the following:

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

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

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

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

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

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

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

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

(2) A Certificate of the Commission certifying: (i) that Maximum Annual Debt Service on all Bonds and Parity Obligations which will be outstanding following the issuance of such Series of Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and Parity Obligations outstanding prior to the issuance of such Refunding Bonds or that the Commission expects a reduction in Debt Service on all Bonds Outstanding and all Parity Obligations outstanding to result from the refunding to be effected with the proceeds of such Refunding Bonds; and (ii) that the requirements of the Indenture described in paragraphs (A), (B), and (C) under the caption "Issuance of Additional Bonds" are satisfied.

(3) If any of the Bonds to be refunded are to be redeemed prior to their stated maturity dates, irrevocable instructions to the Trustee to give the applicable notice of redemption or a waiver of the notice of redemption signed by the Holders of all or the portion of the Bonds or Parity Obligations to be redeemed, or proof that such notice has been given by the 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 all of the Bonds and Parity Obligations proposed to be redeemed (whether canceled or uncanceled) with irrevocable instructions to the Trustee to cancel said Bonds or Parity Obligations so to be redeemed upon the exchange and delivery of said Refunding Bonds.

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

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

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

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

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

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

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

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

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

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

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

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

(3) Such Subordinate Obligations are being issued or incurred either (i) for purposes of refunding in compliance with the requirements for the issuance of Refunding Bonds described above under the caption "Issuance of Refunding Bonds" or (ii) the Commission shall deliver to the Trustee a Certificate of the Commission certifying that the lesser of (x) the amounts of Sales Tax Revenues for a period of twelve (12) consecutive months (selected by the Commission) during the eighteen (18) months immediately preceding the date on which such additional Series of Bonds will become Outstanding, or (y) the estimated Sales Tax Revenues for the Fiscal Year in which such Subordinate Obligations are to be issued or incurred, shall have been, or will be, as applicable, at least equal to 1.0 times Maximum Annual Debt Service, on all Series of Bonds and Parity Obligations then Outstanding and the additional Subordinate Obligations then proposed to be issued or incurred, which Certificate shall also set forth the computations upon which such Certificate is based; and

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

Notwithstanding the foregoing, Existing Notes may continue to be issued and outstanding from time to time under the Subordinate Indenture without complying with the foregoing provisions of (D).

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

(F) The Initial Swaps have been entered into by the Commission and the obligation of the Commission to make payments required under the Initial Swaps (excluding fees and expenses and termination payments under the Initial Swaps) constitutes a Parity Obligation under the Indenture. The obligation of the Commission to pay fees, expenses and termination payments under the Initial Swaps is secured by a lien and charge on the Sales Tax Revenues subordinate to the lien and charge upon the Sales Tax Revenues that secures the Bonds, Parity Obligations and payment of principal of and interest on Subordinate Obligations.

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

Certain Covenants of the Commission

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

Against Encumbrances. The Commission will not create or permit to exist any pledge, lien or charge upon any of the Sales Tax Revenues having priority over or having parity with the lien of the Bonds except only as permitted pursuant to the provisions of the Indenture described above under the caption "Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity Obligations; Subordinate Obligations".

Accounting Records and Financial Statements. 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 at reasonable hours and under reasonable circumstances.

The Commission will furnish the Trustee, with copies to each Credit Provider and each Liquidity Provider, within two hundred ten (210) days after the end of each Fiscal Year or as soon thereafter as they can practically be furnished, the financial statements of the Commission for such Fiscal Year, together with the report and opinion of an independent certified public accountant stating that the financial statements have been prepared in accordance with generally accepted accounting principles and that such accountant's examination of the financial statements was performed in accordance with generally accepted auditing standards and a Certificate of an Authorized Representative stating that no event which constitutes an Event of Default or which with the giving of notice or the passage of time or both would constitute an Event of Default has occurred and is continuing as of the end of such Fiscal Year, or specifying the nature of such event and the actions taken and proposed to be taken by the Commission to cure such default. Thereafter, a copy of such financial statements will be furnished to any Holder upon written request to the Commission, which copy of the financial statements may, at the sole discretion of the Commission, be provided by means of posting such financial statements on an internet site that provides access to the Holders.

Collection of Sales Tax Revenues. The Commission covenants and agrees that it has duly levied a retail transaction and use tax in accordance with the Act, 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 Bonds 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 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 Trustee. Said agreement will be continued in effect so long as any of any Bonds are Outstanding and shall not be amended, modified or altered without the written consent of the Trustee so long as any Bonds are Outstanding. The Commission will receive and hold in trust for (and remit immediately to) the Trustee any Sales Tax Revenues paid to the Commission by the State Board of Equalization.

Sales Tax Revenues received by the Trustee shall be transmitted to the Commission in accordance with the provisions of the Indenture described above under the caption "Allocation of Sales Tax Revenues"; provided that, during the continuance of an Event of Default, any Sales Tax Revenues received by the Trustee shall be applied as described below under the caption "Application of the Revenues and Other Funds After Default; No Acceleration".

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

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

Tax Covenants. The 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 Bonds under Section 103 of the Code; provided that, prior to the issuance of any Series of Bonds, the Commission may exclude the application of the covenants contained in this caption "Tax Covenant" and the caption "Rebate Fund" above to such Series of Bonds. The Commission has excluded the 2012 Series A Bonds from these covenants in accordance with the provisions of the Indenture. The Commission will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Commission, or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. To that end, the Commission will comply with all requirements of the Tax Certificate relating to each Series of the Bonds. In the event that at any time the Commission is of the opinion that for purposes of this caption "Tax Covenants" it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture, the 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 Bonds 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 Rebate Requirement with respect to each Series of Bonds at the times and in the amounts determined under and as described in the Tax Certificate executed and delivered in connection with such Series of Bonds.

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

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

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

Events of Default and Remedies

Events of Default. The following are Events of Default:

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

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

(C) if the Commission shall fail to observe or perform any covenant, condition, agreement or provision in the Indenture on its part to be observed or performed, other than as described in subsection (A) or (B) above, for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, has been given to the Commission by the Trustee or by any Credit Provider; except that, if such failure can be remedied but not within such sixty (60) day period and if the 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 payment default shall exist under any agreement governing any Parity Obligations and such default shall continue beyond the grace period, if any, provided for with respect to such default;

(E) if the 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 Sales Tax Revenues, and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control; or

(H) if the Legislature of the State shall repeal or amend all or any portion of the provisions of the Act relating to the retail transactions and use tax, being Sections 132301 to 132308, inclusive, of the Public Utilities Code of the State, unless the Commission has reasonably determined that said repeal or amendment does not materially and adversely affect the rights of Bondholders.

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

(1) to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds and Parity Obligations, including the costs and expenses of the Trustee and the Bondholders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Indenture;

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

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

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

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

Trustee to Represent Bondholders. The Trustee is irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, 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 Bondholders, the Trustee in its discretion may, and, with respect to any Series of Bonds for which a Credit Enhancement has been provided, upon the written request of the Credit Provider providing such Credit Enhancement, or if such Credit Provider is then failing to make a payment required pursuant to such Credit Enhancement, upon the written request of the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power in the Indenture granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Indenture, the 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 Sales Tax Revenues and other assets pledged under the Indenture, pending such proceedings; provided, however, that, with respect to any Series of Bonds for which a Credit Enhancement has been provided, the Trustee may only act with the consent of the Credit Provider providing such Credit Enhancement. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Indenture.

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

Limitation on Bondholders' Right to Sue. No Holder of any Bond 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 Bond, unless: (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default;

(2) the Holders of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted to the Trustee pursuant to the Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; provided, however, that the written consent of a Credit Provider providing a Credit Enhancement with respect to a Series of Bonds shall be required if the Credit Enhancement with respect to such Series of Bonds is in full force and effect and if the Credit Provider providing such Credit Enhancement is not then failing to make a payment as required in connection therewith.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Holders of Bonds, or to enforce any right under the Indenture, the Law or other applicable law with respect to the Bonds, except in the manner in the Indenture provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner in the Indenture provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Indenture.

Credit Provider Directs Remedies Upon Event of Default. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Credit Provider then providing Credit Enhancement for any Series of Bonds shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of the Bonds secured by such Credit Enhancement or granted to the Trustee for the benefit of the Holders of the Bonds secured by such Credit Enhancement, provided that the Credit Provider's consent shall not be required as otherwise provided in the Indenture if such Credit Provider is in default of any of its payment obligations as set forth in the Credit Enhancement provided by such Credit Provider.

Modification or Amendment of the Indenture

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

No such modification or amendment shall (a) extend the maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Bond so affected, or (b) reduce the aforesaid percentage of Bond Obligation the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture on such Revenues and other assets (in each case, except as expressly provided in the Indenture), without the consent of the Holders of all of the Bonds then

Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

The Indenture and the rights and obligations of the Commission, of the Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Commission and the Trustee may enter into without the consent of any Bondholders, but with the written consent of each Credit Provider then providing a Credit Enhancement for any Series of Bonds which shall be materially and adversely affected by such amendment, which consent shall not be unreasonably withheld; provided, however, that such written consent shall be required only if the Credit Enhancement provided by such Credit Provider is in full force and effect and if the Credit Provider is not then failing to make a payment as required in connection therewith, 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 the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Commission;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Defeasance

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

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

(B) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided pursuant to the provisions of the Indenture described below under the caption "Deposit of Money or Securities") to pay or redeem such Outstanding Bonds; or

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

If the Commission shall pay all Series for which any Bonds are Outstanding and also pay or cause to be paid all other sums payable under the Indenture by the 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 the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Sales Tax Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Commission under the 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 the Indenture which, as evidenced by a verification report, upon which the Trustee may conclusively rely, from an independent certified public accountant, a firm of independent certified public accountants or other independent consulting firm, are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided pursuant to the provisions of the Indenture described below under the caption "Deposit of Money or Securities") to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in the Indenture provided 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 Bond shall cease, terminate and be completely discharged, provided that the Holder thereof shall thereafter be entitled to the payment of the principal of and premium, if any, and interest on the Bonds, and the Commission shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment.

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

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

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

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

(B) Defeasance Securities the principal of and interest on which when due will, in the opinion of an independent certified public accountant, a firm of independent certified public accountants or other independent consulting firm delivered to the Trustee (as confirmed by a verification report upon which verification report the Trustee may conclusively rely), provide money sufficient to pay the principal or

Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Request of the Commission) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

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

Fourth Supplemental Indenture

General. Under the Fourth Supplemental Indenture, the Commission has authorized the 2012 Series A Bonds for the purpose of providing funds to refinance a portion of the 2008 Bonds and to pay Costs of the Project as provided in the Fourth Supplemental Indenture.

Amendments to Indenture. The reference to "1.3 times" in paragraph (D) under the caption "Issuance of Additional Bonds" will be changed to "2.0 times" on the date which is the later of: (i) the date of execution and delivery of the Fourth Supplemental Indenture, and (ii) the date on which the Commission and the Trustee receive consents to such amendment from each Credit Provider, each Liquidity Provider, each Counterparty and the provider of the credit facility for the Subordinate Commercial Paper Notes. See Official Statement – "Amendment to Indenture Regarding Issuance of Additional Bonds".

Effectiveness of Amendments. The amendments to the Indenture will become effective on the date which is the later of: (i) the date of execution and delivery of the Fourth Supplemental Indenture, and (ii) the date on which the Commission and the Trustee receive consents to such amendment from each Credit Provider, each Liquidity Provider, each Counterparty and the liquidity provider for the Commission's commercial paper notes are Subordinate Obligations.

Establishment of Funds and Accounts and Application Thereof

Funds and Accounts. The following funds and accounts are established under the Indenture in connection with the 2012 Series A Bonds:

(A) To ensure the proper application of such portion of proceeds from the sale of the 2012 Series A Bonds to be applied to pay Costs of the Project, there is established the 2012 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 2012 Series A Bonds to be applied to pay Costs of Issuance of the 2012 Series A Bonds, there is established the 2012 Costs of Issuance Account, such account to be established within the 2012 Project Fund and held by the Trustee.

2012 Project Fund. The Trustee will establish the 2012 Project Fund. The monies set aside and placed within the 2012 Project Fund and in the 2012 Project Fund itself will remain therein until from time to time expended for the purpose of paying the Costs of the Project with respect to the 2012 Series A Bonds and will not be used for any other purpose whatsoever.

(A) Before any payment from the 2012 Project Fund or any subaccount therein shall be made by the Trustee, the Commission will 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 and are presently due and payable and that each item thereof is a proper charge against the 2012 Project Fund, including the particular subaccount, if applicable, 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.

(B) When the Commission determines that the portion of the Project funded with the 2012 Series A Bonds has been completed, a Certificate of the Commission will 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 that are subject to dispute and for which a retention in the 2012 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 2012 Project Fund, less the amount of any such retention, and then to the Revenue Fund or, if so directed by the Commission, to the Rebate Fund.

2012 Costs of Issuance Account. The Trustee will establish the 2012 Costs of Issuance Account. All money on deposit in the 2012 Costs of Issuance Account will be applied solely for the payment of authorized Costs of Issuance. Before any payment from the 2012 Costs of Issuance Account or any subaccount therein is made by the Trustee, the Commission will 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, if applicable, the subaccount from which such payment is to be made; (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 2012 Costs of Issuance Account and has not been previously paid from said account.

Any amounts remaining in the 2012 Costs of Issuance Account one hundred eighty (180) days after the date of issuance of the 2012 Series A Bonds shall be transferred to the 2012 Project Fund.

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APPENDIX D

FORM OF 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 $420,585,000 San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2012 Series A (the "Bonds"). The Bonds are being issued pursuant to an Indenture, dated as of March 1, 2008, as supplemented and amended 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, and a Fourth Supplemental Indenture, dated as of June 1, 2012 (collectively, the "Indenture"), each between the Commission and U.S. Bank National Association, as trustee (the "Trustee"). Pursuant to Section 24.01 of 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 Bonds 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 Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"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 Trustee 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 Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, 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 Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean, until otherwise designated by the SEC, EMMA.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission 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, 2012, 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 fifteen (15) Business Days 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 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 and (if the Dissemination Agent is not the Trustee) the Trustee 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 May 23, 2012 relating to the Bonds (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 debt service schedule for the Bonds, if there have been any unscheduled redemptions, retirements or defeasances, and the debt service on any additional parity bonds 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 Bonds 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 Bonds or other material events affecting the tax status of the Bonds;

(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 Bonds, 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 Bonds.

(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 promptly 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 Bonds. If such termination occurs prior to the final maturity of the Bonds, 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 Bonds 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 and the Trustee 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 Bonds.

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 Bonds, and shall create no rights in any other person or entity.

Date: June 14, 2012

SAN DIEGO COUNTY REGIONAL
TRANSPORTATION COMMISSION

By: ________________________________
Renee Wasmund
Chief Deputy Executive Director

DIGITAL ASSURANCE CERTIFICATION LLC
as Dissemination Agent

By: ________________________________
Authorized Representative

Receipt Acknowledged By:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By:____________________________
Authorized Officer

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:	\$420,585,000 San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2012 Series A
Date of Issuance:	June 14, 2012

NOTICE IS HEREBY GIVEN that the Commission has not provided an Annual Report with respect to the above-captioned Bonds as required by the Indenture, dated as of March 1, 2008, as supplemented and amended 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, and a Fourth Supplemental Indenture, dated as of June 1, 2012, each by and between the Commission and U.S. Bank National Association, as trustee thereunder. [The Commission anticipates that the Annual Report will be filed by Digital Assurance Certification LLC.]

Dated: _______________

Digital Assurance Certification LLC,
as dissemination agent

cc: San Diego County Regional Transportation Commission

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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 Series 2012 Bonds 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 SERIES 2012 BONDS 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 SERIES 2012 BONDS, IF APPLICABLE; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT TO THE OWNERS OF THE SERIES 2012 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF SERIES 2012 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2012 Bonds. The Series 2012 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2012 Bond certificate will be issued for each maturity of the Series 2012 Bonds 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"). Standard & Poor's 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 Series 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2012 Bonds, except in the event that use of the book-entry system for the Series 2012 Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2012 Bonds documents. For example, Beneficial Owners of the Series 2012 Bonds may wish to ascertain that the nominee holding the Series 2012 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2012 Bonds 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 Series 2012 Bonds 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 Series 2012 Bonds 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 Series 2012 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from 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 Series 2012 Bonds 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 Series 2012 Bonds 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 Series 2012 Bonds or for an error or delay relating thereto.

DTC may discontinue providing its services as depository with respect to the Series 2012 Bonds 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, Series 2012 Bonds 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, Series 2012 Bonds 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 SERIES 2012 BONDS 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.

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APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Date of Delivery]

San Diego County Regional
Transportation Commission
San Diego, California

San Diego County Regional Transportation Commission
Sales Tax Revenue Bonds (Limited Tax Bonds)
2012 Series A

(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the San Diego County Regional Transportation Commission (the "Issuer") in connection with issuance of $420,585,000 aggregate principal amount of San Diego County Regional Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds), 2012 Series A (the "Bonds"), issued pursuant to an Indenture, dated as of March 1, 2008, as previously supplemented, and as supplemented by a Fourth Supplemental Indenture, dated as of June 1, 2012 (herein collectively referred to as the "Indenture"), between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against county transportation commissions in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, arbitration, judicial reference, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute the valid and binding limited obligations of the Issuer.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

SAN DIEGO COUNTY REGIONAL TRANSPORTATION COMMISSION • SALES TAX REVENUE BONDS (LIMITED TAX BONDS), 2012 SERIES A

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