



AGENDA

Sacramento Transportation Authority Sacramento Abandoned Vehicle Service Authority (SAVSA)

700 H Street, Suite 1450 • Sacramento, California • 95814

THURSDAY

OCTOBER 10, 2019

1:30 PM — 3:00 PM

Members: Larry Carr, Sue Frost, Garrett Gatewood, Eric Guerra, Steve Hansen, Jeff Harris, Kerri Howell, Patrick Hume, Patrick Kennedy, Rich Lozano, Steve Miller, Don Nottoli, Susan Peters (Chair), Jay Schenirer, Phil Serna, Darren Suen (Vice-Chair)

Alternates: Nick Avdis, Steven Detrick, Mike Kozlowski, Porsche Middleton, Paul Sandhu, Donald Terry

This meeting of the Sacramento Transportation Authority is cablecast live on Metro Cable 14, the local government affairs channel on the Comcast, Consolidated Communications, and AT&T U-Verse cable systems. The meeting is closed-captioned and webcast at www.sacmetro.cable.tv. Today's meeting will replay this Saturday at 2:00 p.m. and Sunday at 9:00 a.m. on Channel 14. Please check your local listings for more information.

Members of the audience wishing to address the Board may sign up electronically at the Kiosk located in the back of the room. Please speak into the microphone when addressing the Board, and state your name for the record.

The Governing Boards of the Sacramento Transportation Authority and the Sacramento Abandoned Vehicle Service Authority (SAVSA) meet concurrently.

CALL TO ORDER / ROLL CALL / PLEDGE OF ALLEGIANCE

COMMENT ITEMS

1. Comments from the public regarding matters not on the agenda
2. Executive Director's Report

Norman Hom

CONSENT ITEMS

3. Action Summary: September 12, 2019 STA Governing Board Meeting ◀
4. Sacramento County Transportation Mitigation Fee Program (SCTMFP)
FY 2018/19 Annual Report

Norman Hom

Timothy Jones

Continued on back side →

AGENDA

Sacramento Transportation Authority
Sacramento Abandoned Vehicle Service Authority

October 10, 2019

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SEPARATE ITEMS

- | | |
|--|---|
| 5. Measure A Performance Audit Report | <i>Joan Borucki, ITOC Chair</i> |
| 6. Series 2014A Bonds Mode Change and Ancillary Services ◀ | <i>Timothy Jones
Peter Shellenberger, PFM</i> |
| 7. Comments of Authority Members | <i>All</i> |

◀ *Denotes items that require Board action*

**** Please Note ****

**The next step in the
Expenditure Plan development process
has been postponed to the
November 14, 2019
STA Governing Board meeting**

Staff reports and associated materials are available online at www.sacta.org. For assistance with agenda packets, please contact our office at (916) 323-0080 or info@sacta.org. For questions regarding the agenda or any of the agenda items, please contact Norman Hom at (916) 323-0080 or norm@sacta.org.



OCTOBER 10, 2019

AGENDA ITEM # 2

EXECUTIVE DIRECTOR'S REPORT

Action Requested: Receive and File

Prepared By: Norman Hom, Executive Director

Measure A

Measure A Total FY 2017/18 and FY 2018/19 Revenues. We finally have Measure A sales tax figures from the California Department of Fee and Tax Administration that correctly show what was received in Fiscal Years 2017/18 and 2018/19.

Budget-to-Actual Measure A Sales Tax Revenues

Fiscal Year	Budget	Actual	Difference
2017/18	\$122.66 million	\$122.09 million	-0.47%
2018/19	\$129.37 million	\$129.46 million	+0.07%

Providing accurate revenue forecasts that the Board, our Measure A recipient agencies, and the public can rely on is a very important focus for us and coming this close to hitting our projections is something our staff is proud of.

Credit Rating. STA's AA+ credit rating was recently reaffirmed by Fitch. AA+ is the second highest rating a debt issuer can receive. It is eight rankings above the cutoff that separates investment grade debt from high-yield, or non-investment grade debt. The AA+ rating signifies that STA has strong financial backing and cash reserves and that the risk of default for investors or policyholders is low.

We are awaiting Standard & Poor's (S&P) determination but expect to be rated AA+ by them as well.

FAA Aviation Fuel Tax Policy. Since the last report, there is no news to report regarding the Federal Aviation Administration (FAA) policy change that reinterpreted the application of non-excise taxes on aviation fuel. U.S. Representative Grace Napolitano's HR 2939, The State and Local General Sales Tax Protection Act, which would overturn the 2014 FAA policy change, is still in the early stages of the legislative process and is waiting for consideration by the Subcommittee on Aviation.

The Self-Help Counties Coalition (SHCC), of which the STA is a member, has invited California Department of Finance Director, Keely Bosler, to its Focus on the Future conference on November 18 to continue collaborating on this important issue.

Independent Taxpayer Oversight Committee

The Measure A Independent Taxpayer Oversight Committee (ITOC) has completed its first performance audit of the Measure A program and ITOC Chair Joan Borucki will present the report today in Item 5.

The public is welcome and encouraged to attend ITOC meetings. Please check www.sacitoc.org for meetings dates, times, and locations

Senate Bill (SB) 1

California Senator Jim Beall's Senate Bill (SB) 277 which, in its final form would distribute 85 percent of Local Partnership Program (LPP) funds by formula among medium- and large-size counties, including Sacramento, was placed on the Governor's desk September 18. The Governor has until October 13 to sign or veto it. If it becomes law, STA can look forward to receiving a stable and predictable flow of about \$5.5 million a year in LPP funds to allocate for locally-important projects.

SacMetro Freeway Service Patrol (FSP)

On September 12, 2019, staff issued Request for Bids for SacMetro FSP Zones 1, 2, and 7. The following bids were received on September 25:

Zone 1 – State Highway 99 between Grant Line Road and Exposition Blvd

Bidder	Tow Truck/Hour	Service Truck/Hour
Stanislaus Towing	\$175.98	\$140.82
Sierra Hart Auto Center	\$88.50	\$63.50

Zone 2 – Business/Interstate 80 between Exposition Blvd and Riverside Avenue

Bidder	Tow Truck/Hour	Service Truck/Hour
All American Towing & Transport	\$175.00	\$150.00

Zone 7 – Interstate 80 between Jefferson Blvd and Richards Blvd in Yolo County

Bidder	Tow Truck/Hour	Service Truck/Hour
Sierra Hart Auto Center	\$88.50	\$63.50

Sierra Hart Auto Center was awarded contracts as low bidder for Zones 1 and 7.

Only one bid was received for Zone 2 but was rejected due to costs. Staff negotiated the hourly rates with the bidder, All American Towing & Transport, and a contract awarded at \$135/hour for tow trucks and \$95/hour for service trucks.

Service under the new contracts is anticipated to begin in early 2020.



OCTOBER 10, 2019

AGENDA ITEM # 3

ACTION SUMMARY: SEPTEMBER 12 STA GOVERNING BOARD MEETING

Action Requested: Approve

Key Staff: Norman Hom, Executive Director

Recommendation

Approve the attached Action Summary of the September 12, 2019 meeting of the STA Governing Board.

Attachment



ACTION SUMMARY
SACRAMENTO TRANSPORTATION AUTHORITY
SACRAMENTO ABANDONED VEHICLE SERVICE AUTHORITY
700 "H" STREET - SUITE 1450
SACRAMENTO, CALIFORNIA 95814

THURSDAY **September 12, 2019** **1:30 PM**

MEMBERS: LARRY CARR, SUE FROST, GARRETT GATEWOOD, ERIC GUERRA,
STEVE HANSEN, JEFF HARRIS, KERRI HOWELL, PATRICK HUME,
PATRICK KENNEDY, RICH LOZANO, STEVE MILLER, DON NOTTOLI,
JAY SCHENIRER, PHIL SERNA, DARREN SUEN, SUSAN PETERS (Chair)

(Members Carr and Schenirer were not present)

Alternates: Nick Avdis, Steven Detrick, Mike Kozlowski, Porsche Middleton, Paul Sandhu,
Donald Terry

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Assistive listening devices are available for use by the public. See the Clerk of the Board for information.

Members of the audience wishing to address the Board should complete a speaker identification form located at the back of the room and give it to the Clerk. Please speak into the microphones when addressing the Board, and state your name for the record.

The Governing Boards of the Sacramento Transportation Authority and the Sacramento Abandoned Vehicle Service Authority meet concurrently.

PLEDGE OF ALLEGIANCE

COMMENT ITEMS

1. Comments From The Public Regarding Matters Not On The Posted Agenda

1:34 PM Board Action: Jeffrey Tartaguila addressed the Board regarding a parcel tax to cover local transportation costs.

2. Executive Director's Report

1:35 PM Board Action: Executive Director Norman Hom provided updates regarding Measure A, Independent Taxpayers Oversight Committee (ITOC), Senate Bill (SB)1, SacMetro Freeway Service Patrol (FSP). Mr. Hom also discussed upcoming agendas items for future meetings.

CONSENT ITEMS

(Items 3 - 9)

1:41 PM Board Action: Kerri Howell/ Patrick Hume - Approved the Consent Matters Items, 3 through 9, as recommended.

AYES: Sue Frost, Garrett Gatewood, Eric Guerra, Steve Hansen, Jeff Harris, Kerri Howell, Patrick Hume, Patrick Kennedy, Rich Lozano, Steve Miller, Don Nottoli, Phil Serna, Darren Suen, Susan Peters

NOES: (None)

ABSTAIN: (None)

ABSENT: Larry Carr, Jay Schenirer

RECUSAL: (None)

(PER POLITICAL REFORM ACT (§ 18702.5.))

3. Action Summary: August 8, 2019 STA Governing Board Meeting

1:41 PM Board Action: Approved as recommended.

4. Sacramento Abandoned Vehicle Abatement Program FY 2018/19 4th Quarter Status Report

1:41 PM Board Action: Received and filed the report.

5. SacMetro Freeway Service Patrol Request For Bids, Zones 1, 2 and 7

1:41 PM Board Action: Approved as recommended.

6. FSP Field Supervision Contract (California Highway Patrol)

1:41 PM Board Action: Approved as recommended.

7. Measure A Fiscal Year 2018/19 Budget-To-Actual Report

1:41 PM Board Action: Received and filed the report.

8. Measure A FY 2018/19 4th Quarter Capital Projects Status Reports

1:41 PM Board Action: Received and filed the reports.

9. Measure A Annual Ongoing Programs Report

1:41 PM Board Action: Received and file the report.

SEPARATE ITEMS

10. Measure A Transportation Expenditure Plan Development

1:45 PM Board Action: Presentations were made. No Board action taken.

11. Comments Of Authority Members

2:11 PM Board Action: No comments were made.

CLOSED SESSION

12. California Government Code 54957(b)(1)

PUBLIC EMPLOYEE APPOINTMENT

Titles: Executive Director

2:23 PM Board Action: Closed session was held. Chair Susan Peters reconvened the meeting. Sacramento Transportation Authority General Counsel William Burke made the following report: Adopted Resolution No. **STA-19-0004** approving the appointment of Will Kempton as Executive Director, by unanimous vote of those members present.

Adjourned at 2:24 p.m.

Respectfully Submitted,



Alma D. Muñoz, Clerk



OCTOBER 10, 2019

AGENDA ITEM # 4

**SACRAMENTO COUNTYWIDE TRANSPORTATION MITIGATION FEE PROGRAM (SCTMFP)
ANNUAL REPORT – FY 2019**

Action Requested: Receive and File

Key Staff: Timothy Jones, Chief Financial Officer

Background

The SCTMFP program was approved by voters in November 2004 as part of the Measure A sales tax program extension which will sunset in 2039. The program was developed to initiate a uniform transportation mitigation fee on all new development in Sacramento County and to assist in funding road and transit system improvements needed to accommodate projected growth and development. Under the Measure A Ordinance, each city receiving sales tax revenue was required to adopt a development financing mechanism consistent with program guidelines. Collection of the fees started in April 2009. Fee paying entities include the County of Sacramento, and the Cities of Sacramento, Galt, Elk Grove, Rancho Cordova, Folsom, Citrus Heights, and Isleton. The fees are required to be remitted to the Authority semi-annually within 60-days after each reporting period (June 30 and December 31).

The Ordinance provides guidelines for the use of these funds as summarized below:

- 35% Local streets capital improvements and rehabilitation
- 20% Public transit capital improvements and rehabilitation
- 20% Local interchange upgrades, safety projects, and congestion relief, including bus and carpool lanes
- 15% Smart Growth Incentive Program
- 10% Transportation project environmental mitigation
100%

Additionally, the Sacramento County Transportation Expenditure Plan 2009-2039 (Expenditure Plan) identifies the projects and funding amounts (based on the original program forecasts) designed to carry out the program.

The projects in the plan are slated for construction by the County and cities remitting fees, but also Caltrans, the Sacramento Regional Transit District (SRTD), and the Capital SouthEast Connector Authority. Therefore, some of the revenue generated by the County and cities paying the fees is destined for projects constructed by non-fee remitting agencies. For example, the expenditure plan identifies bus and carpool lanes on Highway 50 which are under construction by Caltrans, light rail construction and transit improvements overseen by SRTD, and the Capital

SouthEast Connector between Interstate 5 – Highway 99 administered by the Capital SouthEast Connector Authority.

Discussion

- Total revenues from program inception through June 30, 2019 were \$46.22 million, of which FY 2019 revenues were \$6.68 million. This amount is a 12.3% decrease from FY 2018 revenues.
- Total expenditures from program inception through June 30, 2019 were \$26.20 million, of which FY 2019 expenditures were \$9.58 million.

The attached summary provides complete revenue and expenditure data from program inception through June 30, 2019. Revenue collected to date was only about 10% of the program estimate included in the voter-approved expenditure plan - \$488 million. The City and County of Sacramento and Elk Grove remitted about 77% of the total revenue thus far - \$17.50 million, \$9.56 million, and \$8.63 million respectively. The City of Galt did not remit any fees in fiscal years 2011 and 2012 because there was not any fee generating development during that time. Isleton has not generated any fees during the life of the program because there has not been any new development subject to the fee; therefore, it is not included in the summary. The program fund balance, including accumulated interest, was \$20.97 million as of June 30, 2019.

Total expenditures were \$26.20 million. Only four of the seven agencies remitting fee revenue received reimbursements using this funding source. To date, the City of Sacramento submitted reimbursable claims of \$12.22 million, followed by the County of Sacramento at \$5.64 million, Rancho Cordova at \$2.42 million, and an immaterial amount to Citrus Heights. The reason that three agencies – Elk Grove, Galt, and Folsom – have not received any funding from this source so far is that each city constructed capital projects at a time when the Authority was paying claims with bond proceeds. When bond funding was exhausted, the Authority began using a mix of SCTMFP and pay-go money to pay claims – at which time the three agencies' capital projects were completed.

Attachment

**Sacramento Countywide Transportation Mitigation Fee Program (SCTMFP)
Program Summary Through June 30, 2019**

Entity	Sacramento	County	RC	EG	Galt	Folsom	CH	Caltrans	SRTD	CSCA	
<u>Revenue</u>											<u>Total</u>
FY 2009	\$140,644	\$75,381	\$92,800	\$51,729	\$784	\$388,909	\$1,452	\$0	\$0	\$0	\$751,700
FY 2010	774,416	540,256	259,378	539,123	32,697	160,098	15,989	-	-	-	2,321,958
FY 2011	549,987	476,898	204,379	860,663	-	235,420	7,091	-	-	-	2,334,437
FY 2012	587,824	864,400	302,467	990,421	-	151,321	60,930	-	-	-	2,957,362
FY 2013	871,942	925,576	378,345	588,839	17,152	372,038	22,491	-	-	-	3,176,382
FY 2014	601,826	768,585	360,591	665,916	629,402	504,350	9,872	-	-	-	3,540,542
FY 2015	1,628,337	901,922	352,981	835,144	246,253	563,908	95,594	-	-	-	4,624,139
FY 2016	1,330,694	1,053,408	428,758	920,723	127,781	387,388	114,898	-	-	-	4,363,650
FY 2017	4,433,942	1,709,179	708,906	408,227	188,900	309,544	89,477	-	-	-	7,848,174
FY 2018	3,871,298	1,009,173	400,807	1,434,011	52,510	833,234	20,720	-	-	-	7,621,753
FY 2019	2,707,448	1,233,164	471,078	1,338,725	80,266	782,022	71,335	-	-	-	6,684,037
Total	\$17,498,358	\$9,557,942	\$3,960,490	\$8,633,519	\$1,375,744	\$4,688,233	\$509,849	\$0	\$0	\$0	\$46,224,134
<u>Expenditures</u>											
FY 2009	-	-	-	-	-	-	-	-	-	-	-
FY 2010	-	-	-	-	-	-	-	-	-	-	-
FY 2011	-	-	-	-	-	-	-	-	-	-	-
FY 2012	371,690	382,219	-	-	-	-	59,275	-	-	-	813,184
FY 2013	-	-	-	-	-	-	-	-	-	-	-
FY 2014	1,471,903	1,084,917	-	-	-	-	-	-	-	-	2,556,820
FY 2015	-	-	-	-	-	-	6,676	-	-	-	6,676
FY 2016	-	-	-	-	-	-	-	-	-	-	-
FY 2017	8,578,391	1,872,358	666,782	-	-	-	-	-	-	-	11,117,531
FY 2018	1,076,989	614,425	434,878	-	-	-	-	-	-	-	2,126,292
FY 2019	716,073	1,689,048	1,322,520	-	-	-	-	1,193,987	-	4,659,492	9,581,120
Total	12,215,046	5,642,967	2,424,180	-	-	-	65,951	1,193,987	-	4,659,492	26,201,623
Fund Balance	\$5,283,311	\$3,914,975	\$1,536,310	\$8,633,519	\$1,375,744	\$4,688,233	\$443,899	(\$1,193,987)	\$0	(\$4,659,492)	\$20,022,511
										Interest program to date	946,921.79
										Fund balance June 30, 2019	\$20,969,433



OCTOBER 10, 2019

AGENDA ITEM # 5

MEASURE A PERFORMANCE AUDIT REPORT - PROGRAM INCEPTION THROUGH JUNE 30, 2018

Action Requested: Receive and File

Presenter: Joan Borucki, ITOC Chair

Background

Under the Measure A Ordinance (Ordinance), Exhibit B requires the Independent Taxpayer Oversight Committee (ITOC) to *“supervise periodic performance audits which shall be performed in accordance with Generally Accepted Auditing Standards and Government Auditing Standards issued by the Comptroller General of the United States and based on performance standards adopted by the Authority Board for each program or project funded in whole or in part with sales tax funds.”* Additionally, *“the ITOC shall, under the competitive procurement rules of the Authority and with the active involvement of the Executive Director, select a professional auditor to conduct the performance audit of expenditures of all sales tax funds and report findings based on the audit to the Authority and to the public.”*

Discussion

During the April 11, 2019 Board meeting, the ITOC proposed 13 performance audit objectives for the Board’s input. There were no recommended changes. Subsequently, the ITOC recommended performance standards designed to test the audit objectives during the Board’s May 9, 2019 meeting at which time they were adopted. Together, the audit objectives and performance standards served as the basis for the ensuing work to be performed by the independent audit firm.

Additionally, during the May Board meeting, the ITOC recommended hiring Crowe LLP (Crowe) to complete the performance audit. The Authority selected Crowe under the competitive procurement rules established in state law and the Authority’s procurement policies to perform its annual financial audit. Because Crowe has performed well for those services at a competitive price, the ITOC recommended and the Board approved a fixed fee contract in the amount of \$70,000. The audit was conducted over the summer and completed on the schedule promised.

Today marks a yearlong effort to complete the first Measure A performance audit. The audit scope spanned nine years – from program inception through June 30, 2018. Joan Borucki, ITOC Chair, will summarize the key elements of the audit report.

Attachment

SACRAMENTO TRANSPORTATION AUTHORITY

**MEASURE A SALES TAX PROGRAM
PERFORMANCE AUDIT**

June 30, 2018

SACRAMENTO TRANSPORTATION AUTHORITY

MEASURE A SALES TAX PROGRAM
PERFORMANCE AUDIT
June 30, 2018

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OBJECTIVES, PERFORMANCE STANDARD, PROCEDURES PERFORMED AND CONCLUSIONS	8
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INDEPENDENT AUDITOR'S REPORT

To the Independent Taxpayer Oversight
Committee and Governing Board of
Sacramento Transportation Authority
Sacramento, California

We have conducted a performance audit of Sacramento Transportation Authority's (the "Authority" or "STA") compliance with specific elements of the Measure A Ordinance No. STA 04-01 (the "Ordinance") for the period of April 1, 2009 to June 30, 2018.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives as developed by the Independent Taxpayer Oversight Committee ("ITOC") listed on pages 8 through 19 of this report which includes determining the compliance with specific performance criteria set forth in the Ordinance. Management is responsible for Sacramento Transportation Authority's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of the Authority to determine the audit procedures that are appropriate for the purpose of providing a conclusion on the Authority's compliance with the requirements of the Ordinance but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express any assurance on the internal control.

The results of our tests indicated that, in all significant respects, Sacramento Transportation Authority met the objectives listed on pages 8 through 19 and is in compliance with the requirements set forth in the Ordinance.



Crowe LLP

Sacramento, California
October 3, 2019

SACRAMENTO TRANSPORTATION AUTHORITY
MEASURE A SALES TAX PROGRAM
BACKGROUND INFORMATION

The Sacramento Transportation Authority (STA) was created in 1988 to administer a half-cent sales tax program in Sacramento County which voters approved in November 1988. The 20-year program started in April 1989 and sunsetted in March 2009. Funds collected during the term of the initial program were expended on projects to relieve traffic congestion, improve air quality, construct new and repair existing highways, local streets and roads, expand public transit, and increase public safety by providing essential countywide transportation improvements.

In November 2004, voters approved a 30-year extension to the half-cent sales tax program (Measure A). The program extension began in April 2009 and will sunset in March 2039. Measure A is projected to generate from \$4 to 5 billion for transportation improvements throughout the Sacramento region. The current program, has provided monthly formula driven revenue allocations (on-going) for transit operations and maintenance, road maintenance, safety and congestion relief programs, pedestrian and bicycle facilities, air quality improvement programs, senior and disabled transportation services, and American River Parkway improvements and maintenance. In addition, Measure A provides funding for 33 capital improvement projects and mitigation programs (capital projects) identified in the Sacramento County Transportation Expenditure Plan 2009-2039 (Expenditure Plan) approved by voters. Measure A provides this funding to the State and local agencies listed below.

- City of Citrus Heights
- City of Elk Grove
- City of Folsom
- City of Galt
- City of Isleton
- City of Rancho Cordova
- City of Sacramento
- County of Sacramento
- Sacramento Metropolitan Air Quality Management District
- Paratransit
- Capital SouthEast Connector
- Sacramento Regional Transit (Regional Transit)
- California Department of Transportation (Caltrans)

About the time Measure A started in 2009, the nation was nearing the end of a significant recession that impacted every federal, state, and local jurisdiction in profound ways. In particular, consumer spending had declined. As a result, sales tax revenue started declining in fiscal year 2007 and did not reach its pre-recession level until fiscal year 2016. However, sales tax revenue has increased on average 4.9% since program inception through June 30, 2018 – the scope of this performance audit.

In addition to sales tax revenue, Measure A generates fees from the Sacramento Countywide Transportation Mitigation Fee Program (SCTMFP) which also began in April 2009. Each local agency participating in Measure A collects mitigation fees for certain new construction and remits those funds to STA. These funds are used to finance the capital improvement projects and mitigation programs identified in the expenditures plan.

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
MEASURE A SALES TAX PROGRAM
BACKGROUND INFORMATION

Collectively, Measure A revenues from sales tax and SCTMFP fees from the inception of Measure A through the year ended June 30, 2018, totaled, approximately \$950 million as reported and summarized in STA's Comprehensive Annual Financial Report (CAFR) by fiscal year in the following table:

Fiscal Year	STA Sales Tax Revenue	STA Sales Tax Revenue Growth Rate	SCTMFP Fees	SCTMCP Fees Growth Rate
2009-10	\$ 81,413,982	-	\$ 3,073,658	-
2010-11	87,299,421	7.2%	2,334,437	(24.1)%
2011-12	92,239,996	5.7%	2,957,362	26.7%
2012-13	97,390,177	5.6%	3,176,382	7.4%
2013-14	100,063,237	2.7%	3,540,542	11.5%
2014-15	105,564,247	5.5%	4,624,139	30.6%
2015-16	110,707,633	4.9%	4,363,650	(5.6)%
2016-17	116,877,996	5.6%	7,858,175	80.1%
2017-18	119,187,748	2.0%	7,621,753	(3.0)%
Total/Average	\$ 910,744,437	4.9%	\$ 39,550,098	15.4%

As shown in the table above, sales tax revenue has grown steadily since program inception. Although the growth rate varied year over year, it averaged 4.9% since program inception. Using actual sales tax receipts through June 30, 2018 and the forecast amounts, the program is expected to generate about \$4.7 billion which is consistent with the sales tax revenue estimate in the Expenditure Plan. All sales tax revenue is allocated by formula as directed by the Expenditure Plan. Each month, STA allocates Measure A funds to each local agency for Measure A programs and uses identified in the Expenditure Plan.

In contrast to sales tax revenue, SCTMFP fee revenue has proven to be volatile. As the table above documents, the growth rate has varied from a reduction of 24.1% to growth of 80%. Using data from program inception through June 30, 2018, the growth rate averaged 15.4%. The long-term forecast for the SCTMFP fee program indicates it might generate approximately \$215 million using a projected 3.0% growth rate from fiscal year June 30, 2018 through the end of the Measure A program. This amount is half the amount included in the Measure A Expenditure Plan totaling \$488 million. As noted above, SCTMFP fee revenue is subject to significant volatility year over year which means the long term forecast is also subject to significant volatility.

In addition to sales tax and fee revenues, STA issued \$183 million in bonds in 2006 and 2007 in anticipation of the sales tax revenue collections beginning in April 2009. In the Sacramento region there were projects ready for construction funding, so debt was issued to advance them. These bonds were paid off in fall 2009 when \$318 million in new bonds were issued – partly to pay off the previously issued bonds and to provide additional funding for shovel-ready projects. In July 2012, \$53 million in additional bonds were issued, but payments toward the principal have reduced the outstanding balance to \$46.3 million with payoff planned in fiscal year 2028. Principal payments on the remaining debt will begin in fiscal year 2029 with payoff planned for the end of the program in fiscal year 2039. The table below represents all outstanding debt at June 30, 2018.

Bond Series	Amount Outstanding at June 20, 2018	Interest Rate	Fiscal of Final Bond Maturity
2009C	\$ 106,100,000	Variable	2039
2012	46,315,000	Fixed	2028
2014A *	106,100,000	Variable	2039
2015A **	106,100,000	Variable	2039
Total	\$ 364,615,000		

* 2009A Series refunded by 2014A Series

**2009B Series refunded by 2015A Series

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
MEASURE A SALES TAX PROGRAM
BACKGROUND INFORMATION

Issuing debt is a vital element of financing capital projects identified in the Expenditure Plan. The Authority regularly works with its capital program partners to determine how much funding is needed and when to determine if enough cash will be available when necessary. In cases where cash on hand will be insufficient, the Authority works with its financial advisory team to determine how much debt to issue. As noted in the previous table this effort has led to several issuances over the course of the program.

It is important to issue debt in amounts that can be spent in three years or less to avoid paying interest on unused funds. Accounting standards require that agencies demonstrate they have done so. In the Authorities case, it hires a third party that performs analysis to confirm compliance with the accounting standard and other regulations. The summary on page 17 of this report summarizes the timing of debt issuance and related use of those funds to demonstrate its compliance with the standards.

All local agencies with capital projects in the planning phase or under construction are required to report the status of those projects on a quarterly basis. This information is remitted to STA staff then reviewed by the Independent Taxpayer Oversight Committee (ITOC) and the Governing Board of the Sacramento Transportation Authority (Governing Board). The process is dynamic since the reports may generate questions that staff are directed to follow-up on. Occasionally, staff from local agencies building the projects represent them before the ITOC and Governing Board to provide a forum for more in-depth conversations.

There are 33 specific capital projects identified in the Expenditure Plan. Since some projects include multiple jurisdictions or phases, the total project count for planning and funding purposes is 54. As of June 30, 2018, there were 13 projects that were completed including the Folsom Bridge Crossing, and the Grant Line, Sheldon, Watt Avenue, and Cosumnes Boulevard Interchanges. In addition, there were 18 projects that are in progress. As of June 30, 2018, the following table summarizes the status of each project in the approved Expenditure Plan:

Completed:

<u>Project</u>	<u>Sub-Project</u>	<u>Jurisdiction</u>	<u>Measure A Funding Status</u>	<u>Construction Status</u>
Antelope Road: Watt Ave. to Auburn Blvd.	Roseville Rd. to I-80	City of Citrus Heights	Complete	Complete
Bradshaw Road: Grant Line to Folsom Blvd.	Calvine Rd. to Florin Rd.	County of Sacramento	Complete	Complete
Cosumnes Blvd./I-5 Interchange Upgrade		City of Sacramento	Complete	Complete
Cosumnes River Blvd.: I-5 to Franklin Blvd.	Freeport Blvd. to Franklin Blvd.	City of Sacramento	Complete	Complete
Folsom Bridge Crossing		City of Folsom	Complete	Complete
Galt/SR 99 Interchange Upgrade		City of Galt	Complete	Complete
Grant Line Rd./SR99 Interchange Upgrade		City of Elk Grove	Complete	Complete
Greenback Lane: I-80 to Folsom/Auburn Road	West City Limit to Fair Oaks Blvd.	City of Citrus Heights	Complete	Complete
I-5/I-80 Interchange Upgrade		Caltrans	Complete	Complete
I-80 Bus/Carpool Lanes: Elk Grove to I-80		Caltrans	Complete	Complete
Sheldon Rd./SR 99 Interchange Upgrade		City of Elk Grove	Complete	Complete
Sunrise Blvd.: Placer Co Line to Grant Line	Oak Ave. to Antelope Rd.	City of Citrus Heights	Complete	Complete
Watt Ave./SR 50 Interchange Upgrade		County of Sacramento	Complete	Complete

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
MEASURE A SALES TAX PROGRAM
BACKGROUND INFORMATION

In Progress:

<u>Project</u>	<u>Sub-Project</u>	<u>Jurisdiction</u>	Measure A <u>Funding Status</u>	<u>Construction Status</u>
Downtown Sacramento Intermodal Station		City of Sacramento	Partial	In Progress
Folsom Blvd.: 65th to Sunrise	Watt Ave. to Bradshaw Rd.	County of Sacramento	Partial	In Progress
Folsom Blvd.: 65th to Sunrise	Bradshaw Rd. to Sunrise Blvd.	City of Rancho Cordova	Partial	In Progress
Greenback Lane: I-80 to Folsom/Auburn Road	Fair Oaks Blvd. to Main Ave. Phase 1	County of Sacramento	Partial	In Progress
Hazel Ave.: Placer County to Folsom Blvd.	US 50 to Madison Ave.	County of Sacramento	Partial	In Progress
Hazel Ave.: Placer County to Folsom Blvd.	US 50 to Folsom Blvd.	County of Sacramento	Partial	In Progress
I-5 Bus/Carpool Lanes Elk Grove to I-80		Caltrans	Partial	In Progress
I-5/SR 99/Hwy. 50 Connector		Regional	Partial	In Progress
DNA LRT Extension		Regional Transit	Partial	In Progress
Meadowview Rd to Cosumnes River College LRT Extension		Regional Transit	Partial	In Progress
LRT I-80 Corridor Improvements		Regional Transit	Partial	In Progress
Madison Ave.: Watt Ave. to Greenback Ln.	Sunrise Blvd. to Hazel Ave.	County of Sacramento	Partial	In Progress
Richards Blvd/I-5 Interchange		City of Sacramento	Partial	In Progress
South Watt/Elk Grove-Florin Rd.: Folsom Blvd. to Elk Grove Blvd.	Folsom Blvd. to Calvin Rd. Phase 1	County of Sacramento	Partial	In Progress
SR 50 Bus/Carpool Lanes: Sunrise to Downtown Sacramento		Caltrans	Partial	In Progress
Sunrise Blvd.: Placer Co Line to Grant Line	Jackson Rd. to Grant Line Rd.	County of Sacramento	Partial	In Progress
Sunrise Blvd.: Placer Co Line to Grant Line	Gold Country Blvd. to Jackson Rd.	City of Rancho Cordova	Partial	In Progress
Watt Ave.: Antelope to Capital City Freeway	Antelope Rd. to Capital City Freeway	County of Sacramento	Partial	In Progress

Not Started:

<u>Project</u>	<u>Sub-Project</u>	<u>Jurisdiction</u>	Measure A <u>Funding Status</u>	<u>Construction Status</u>
Antelope Road: Watt Ave. to Auburn Blvd.	Watt Ave. to Roseville Rd.	County of Sacramento	None	Not Started
Antelope Road: Watt Ave. to Auburn Blvd.	I-80 to Auburn Rd.	City of Citrus Heights	None	Not Started
Arden Way: ITS Improvements Del Paso to Fair Oaks Blvd.	Ethan Way to Fair Oaks Blvd.	County of Sacramento	None	Not Started
Arden Way: ITS Improvements Del Paso to Fair Oaks Blvd.	Del Paso Blvd. to Ethan Way	City of Sacramento	None	Not Started
Bradshaw Road: Grant Line to Folsom Blvd.	Calvine Rd. to Old Placerville Rd.	County of Sacramento	None	Not Started
Bradshaw Road: Grant Line to Folsom Blvd.	Grant Line Rd. to Calvin Rd.	City of Elk Grove	None	Not Started
Bruceville Road: Sheldon to Cosumnes River Blvd.	Sheldon Rd. to Cosumnes River Blvd.	City of Sacramento	None	Not Started

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
 MEASURE A SALES TAX PROGRAM
 BACKGROUND INFORMATION

Not Started: (continued)

<u>Project</u>	<u>Sub-Project</u>	<u>Jurisdiction</u>	<u>Measure A Funding Status</u>	<u>Construction Status</u>
Bus/Carpool ramp Connection SR 50 to SR 99		Caltrans	None	Not Started
Elk Grove Blvd.: Big Horn to Waterman	Calvine Rd. to Elk Grove Blvd.	City of Elk Grove	None	Not Started
Elk Grove Blvd.: Big Horn to Waterman	Big Horn Blvd. to Waterman Rd.	City of Elk Grove	None	Not Started
Folsom Blvd.: 65th to Sunrise	65th St. to Watt Ave.	City of Sacramento	None	Not Started
Greenback Lane: I-80 to Folsom/Auburn Road	Fair Oaks Blvd. to Main Ave. Phase 2	County of Sacramento	None	Not Started
Greenback Lane: I-80 to Folsom/Auburn Road	I-80 to Manzanita Ave.	County of Sacramento	None	Not Started
Hazel Ave.: Placer County to Folsom Blvd.	Madison Ave. to Placer County Line	County of Sacramento	None	Not Started
Madison Ave.: Watt Ave. to Greenback Ln.	Hazel Ave. to Greenback Lane	County of Sacramento	None	Not Started
Madison Ave.: Watt Ave. to Greenback Ln.	Watt Ave. to Sunrise Blvd.	County of Sacramento	None	Not Started
Implement Regional Rail commuter service		Regional	None	Not Started
Sheldon Rd: Bruceville to Bradshaw	Bruceville Rd. to Bradshaw Rd.	City of Elk Grove	None	Not Started
South Watt/Elk Grove-Florin Rd.: Folsom Blvd. to Elk Grove Blvd.	Folsom Blvd. to Calvine Rd. Phase 2	County of Sacramento	None	Not Started
SR 50 and I-5 Ramp Widenings		Caltrans	None	Not Started
Sunrise Blvd.: Placer Co Line to Grant Line	Madison Ave. to Gold Country Blvd.	County of Sacramento	None	Not Started
Sunrise Blvd.: Placer Co Line to Grant Line	Greenback Lane to Oak Ave.	City of Citrus Heights	None	Not Started
Sunrise Blvd.: Placer Co Line to Grant Line	Antelope Rd. to City Limit	City of Citrus Heights	None	Not Started

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
MEASURE A SALES TAX PROGRAM
SCOPE

The performance audit covers the period of April 1, 2009 (the effective date of the Measure A Ordinance No. STA 04-01, *An Ordinance Providing for the Continuation of a One-Half of One Percent Retail Transactions and Use Tax* by the Sacramento Transportation Authority for Local Transportation Purposes (the "Ordinance")), through June 30, 2018.

SACRAMENTO TRANSPORTATION AUTHORITY
 MEASURE A SALES TAX PROGRAM
 OBJECTIVES, PERFORMANCE STANDARD, PROCEDURES PERFORMED AND CONCLUSIONS

1. MEASURE A DISTRIBUTION

Objective: Determine if the distribution of on-going and capital project Measure A funding is in accordance with the voter-approved Expenditure Plan and the Ordinance.

Performance Standard: The Ordinance – Exhibit A

Procedures Performed:

On-going Distribution – We selected 60 of 864 on-going distributions comprising a total value of \$18.4 million disbursed by STA for testing. We tested compliance with the Ordinance by verifying the actual distribution agreed to the calculated distribution. We obtained supporting details ensuring the distribution was made within a timely manner.

Capital Project Distribution – We selected all capital project areas contained in the Ordinance. These capital project areas included:

- Local Arterial Program
- Transit Capital Improvement Program
 - Rail Transit Improvements
 - Construct Downtown Sacramento Intermodal Station
- Freeway Safety and Congestion Relief Program
 - Regional Bus/Carpool Lanes Connectors/Extensions
 - Local Freeway Interchange Congestive Relief Updates

We tested compliance with the Ordinance by comparing program expenditure subtotals for each capital project from the inception of Measure A to June 30, 2018 to the total proposed allocation in the Expenditure Plan and verified program expenditures did not exceed capital project allocations.

	<u>From Measure A Expenditure Plan</u>			
	<u>Proposed Sales Tax Allocation</u>	<u>Proposed Developer Fee Allocation</u>	<u>Total Proposed Allocation</u>	<u>Program Expenditures Through June 30, 2018</u>
1. <u>Local Arterial Program</u>	\$ 235,000,000	\$ 171,000,000	\$ 406,000,000	\$ -
Antelope Road: Watt Ave. to Auburn Blvd.	-	-	-	1,088,744
Bradshaw Rd.: Grant Line Rd. to Folsom Blvd.	-	-	-	7,923,277
I5/SR99/SR50 Connector	-	-	-	24,467,879
Folsom Blvd: 65th St. to Sunrise Blvd.	-	-	-	6,447,003
Folsom Bridge Crossing	-	-	-	37,577,078
Greenback Ln.: I/80 to Auburn/Folsom Rd.	-	-	-	2,341,282
Hazel Ave.: Placer County to Folsom Blvd.	-	-	-	35,656,005
Madison Ave.: Watt Ave. to Greenback Ln.	-	-	-	1,870,868
South Watt Ave./Elk Grove-Florin Rd.,	-	-	-	142,741
Sunrise Blvd.: Placer Co. to Grant Line Rd.	-	-	-	12,875,174
Watt Ave.: Antelope - Capital City Freeway	-	-	-	261,761
	<u>\$ 235,000,000</u>	<u>\$ 171,000,000</u>	<u>\$ 406,000,000</u>	<u>\$ 130,651,812</u>

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
 MEASURE A SALES TAX PROGRAM
 OBJECTIVES, PERFORMANCE STANDARD, PROCEDURES PERFORMED AND CONCLUSIONS

1. MEASURE A DISTRIBUTION (Continued)

	<u>From Measure A Expenditure Plan</u>			Program Expenditures Through June 30, 2018
	<u>Proposed Sales Tax Allocation</u>	<u>Proposed Developer Fee Allocation</u>	<u>Total Proposed Allocation</u>	
2. <u>Transit Capital Improvement Program</u>	\$ -	\$ 98,000,000	\$ 98,000,000	\$ -
a. <u>Rail Transit Improvements</u>	118,000,000	-	118,000,000	-
Downtown to Airport (DNA) Light Rail Transit (LRT) Extension	-	-	-	36,641,716
LRT I-80 Corridor Improvements	-	-	-	247,200
Meadowview Rd to Cosumnes River College LRT Extension	-	-	-	16,493,730
Subtotal Rail Transit Improvements	<u>118,000,000</u>	<u>-</u>	<u>118,000,000</u>	<u>53,382,646</u>
b. <u>Construct Downtown Sacramento Intermodal Station</u>				
Sacramento Intermodal Station	<u>58,000,000</u>	<u>-</u>	<u>58,000,000</u>	<u>78,819,740</u>
Total Transit Capital Improvement Program	<u>\$ 176,000,000</u>	<u>\$ 98,000,000</u>	<u>\$ 274,000,000</u>	<u>\$ 132,202,386</u>
3. <u>Freeway Safety and Congestion Relief Program</u>	\$ -	\$ 98,000,000	\$ 98,000,000	\$ -
a. <u>Regional Bus/Carpool Lane Connectors/Extensions</u>	423,000,000	-	423,000,000	-
Hwy 50 Bus/Carpool Lanes Sunrise Blvd. to Downtown	-	-	-	46,723,236
I-5 Bus/Carpool Lanes Elk Grove to I-80	-	-	-	3,185,454
I-80 Bus/Carpool Lanes I-5 to Capital City Freeway	-	-	-	722,688
Subtotal Regional Bus/Carpool Lane Connectors/Extensions	<u>423,000,000</u>	<u>98,000,000</u>	<u>423,000,000</u>	<u>50,631,378</u>
b. <u>Local Freeway Interchange Congestion Relief Upgrades</u>	141,000,000	-	141,000,000	-
Central Galt/SR 99 Interchange Upgrades	-	-	-	9,966,000
Cosumnes Blvd/I-5 Interchange Upgrade	-	-	-	8,588,138
Grant Line Road/SR 99 Interchange Upgrade	-	-	-	37,229,290
I-5/I-80 Interchange Upgrade & Carpool Lane Connector	-	-	-	1,500,000
Richards Blvd/I-5 Interchange Upgrade	-	-	-	52,444
Sheldon Road/SR 99 Interchange Upgrade	-	-	-	8,291,743
Watt Ave/Hwy 50 Interchange Upgrade	-	-	-	11,835,390
Subtotal Local Freeway Interchange Congestion Relief Upgrades	<u>141,000,000</u>	<u>-</u>	<u>141,000,000</u>	<u>77,463,005</u>
Total Freeway Safety and Congestion Relief Program	<u>\$ 564,000,000</u>	<u>\$ 98,000,000</u>	<u>\$ 662,000,000</u>	<u>\$ 128,094,383</u>

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
MEASURE A SALES TAX PROGRAM
OBJECTIVES, PERFORMANCE STANDARD, PROCEDURES PERFORMED AND CONCLUSIONS

1. MEASURE A DISTRIBUTION (Continued)

Conclusions: The results of our test indicate in all significant respects that all on-going and capital project distributions complied with Ordinance and voter approved Expenditure Plan.

Objective: Determine if ongoing allocations are based on annually updated population and lane mile data in compliance with the Ordinance.

Performance Standard: the Ordinance – Exhibit A Sections IV A and B and Section X

Procedures Performed: From a population of nine fiscal years we selected three fiscal year allocations to test compliance with the Ordinance. The attributes tested included:

- Allocations were updated from prior year
- Calculations were supported by lane mile data from local agencies
- Calculations were materially mathematically accurate

Conclusions: The results of our test indicate that in all significant respects the allocations were updated annually in compliance with the Ordinance.

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
 MEASURE A SALES TAX PROGRAM
 OBJECTIVES, PERFORMANCE STANDARD, PROCEDURES PERFORMED AND CONCLUSIONS

2. ELIGIBILITY OF CAPITAL PROGRAM EXPENDITURES

Objective: Determine if capital project expenditures meet eligibility criteria as adopted by the STA Governing Board in February 2015.

Performance Standard: Agenda Item #13 from February 26, 2015 STA Governing Board Meeting.

Procedures Performed: We selected 40 expenditures for testing. Our expenditure selections totaled \$148.3 million or 38% of the total STA capital project expenditures of \$393.9 million from the inception of Measure A to June 30, 2018. We selected the following specific expenditures:

	<u>Primary Project Description</u>	<u>Date</u>	<u>Amount</u>
1	Folsom Bridge Crossing	2/1/2007*	\$ 10,047,033
2	Downtown Sacramento Intermodal Station	3/15/2007*	15,909,833
3	Grant Line Road/SR 99 Interchange Upgrade	5/10/2007*	8,891,550
4	Folsom Bridge Crossing	7/31/2007*	10,102,437
5	Grant Line Road/SR 99 Interchange Upgrade	8/20/2007*	12,472,264
6	Downtown Sacramento Intermodal Station	12/24/2007*	16,390,000
7	Grant Line Road/SR 99 Interchange Upgrade	6/18/2008*	14,445,626
8	Downtown Sacramento Intermodal Station	12/16/2009	13,271,395
9	DNA LRT Extension	8/30/2011	2,122,127
10	Central Galt/SR 99 Interchange Upgrade	1/11/2012	5,025,058
11	Meadowview Rd to Cosumnes River College LRT Extension	5/11/2012	2,964,246
12	Folsom Blvd: 65th St. to Sunrise Blvd.	1/30/2013	346,874
13	Consumnes Blvd. I-5 Interchange Upgrade	1/24/2014	1,628,283
14	Consumnes Blvd. I-5 Interchange Upgrade	4/28/2014	945,241
15	Watt Ave. Hwy 50 Interchange Upgrade	7/16/2014	1,425,241
16	Consumnes Blvd. I-5 Interchange Upgrade	7/21/2014	906,257
17	Hazel Ave. Placer County to Folsom Blvd.	11/18/2014	722,954
18	Watt Ave. Hwy 50 Interchange Upgrade	12/8/2014	1,543,126
19	Hazel Ave. Placer County to Folsom Blvd.	12/10/2014	525,160
20	Consumnes Blvd. I-5 Interchange Upgrade	1/26/2015	1,653,227
21	Watt Ave. Hwy 50 Interchange Upgrade	5/14/2015	580,963
22	Downtown Sacramento Intermodal Station	7/24/2015	2,404,656
23	Meadowview Rd to Cosumnes River College LRT Extension	7/28/2015	516,457
24	Watt Ave. Hwy 50 Interchange Upgrade	8/17/2015	555,856
25	Downtown Sacramento Intermodal Station	10/21/2015	3,190,397
26	Downtown Sacramento Intermodal Station	1/28/2016	1,933,374
27	Hwy 50 Bus/Carpool Lanes Sunrise Blvd. to Downtown	3/21/2016	464,226
28	Hazel Ave. Placer County to Folsom Blvd.	6/16/2016	471,478
29	Downtown Sacramento Intermodal Station	6/28/2016	4,572,345
30	Hwy 50 Bus/Carpool Lanes Sunrise Blvd. to Downtown	8/9/2016	595,085
31	Hazel Ave. Placer County to Folsom Blvd.	8/30/2016	534,372
32	Watt Ave. Antelope - Capital City Freeway	2/4/2017	121,452
33	Hazel Ave. Placer County to Folsom Blvd.	3/8/2017	319,163
34	Downtown Sacramento Intermodal Station	4/18/2017	3,891,684
35	Hwy 50 Bus/Carpool Lanes Sunrise Blvd. to Downtown	8/16/2017	409,621
36	Hwy 50 Bus/Carpool Lanes Sunrise Blvd. to Downtown	8/16/2017	359,836
37	Downtown Sacramento Intermodal Station	10/31/2017	1,741,212
38	I5/SR99/SR50 Connector	1/19/2018	2,400,000
39	I5/SR99/SR50 Connector	2/21/2018	942,329
40	I5/SR99/SR50 Connector	4/10/2018	1,033,002
			\$ 148,375,440

* These expenditures occurred prior to the effective date of the Ordinance however STA issued debt to fund these projects backed by future revenue generated by the Ordinance. Furthermore these projects are specifically listed in the Ordinance as eligible for funding, as such we considered these expenditures within the scope of the performance audit.

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
MEASURE A SALES TAX PROGRAM
OBJECTIVES, PERFORMANCE STANDARD, PROCEDURES PERFORMED AND CONCLUSIONS

2. ELIGIBILITY OF CAPITAL PROGRAM EXPENDITURES (Continued)

Conclusions: The results of our tests indicate in all significant respects STA's capital project expenditures met eligibility criteria as adopted by the STA Governing Board in February 2015.

Objective: Determine if contract awards are equal or more than total project expenditures.

Procedures Performed: We selected six capital projects from a population of 33 capital projects to determine if contract awards agree with total project expenditures. We selected the following capital projects:

<u>Project Name</u>	<u>Contract Award Amount</u>	<u>Total Project Expenditures</u>
DNA LRT Extension	\$ 53,740,490	\$ 36,641,716
I5/SR99/SR50 Connector	38,428,500	24,467,879
Grant Line Road/SR 99 Interchange Upgrade	37,229,290	37,229,290
Madison Ave.: Watt Ave. to Greenback Ln.	21,772,648	1,870,868
Folsom Blvd: 65th St. to Sunrise Blvd.	12,271,720	6,447,003
Greenback Ln.: I/80 to Auburn/Folsom Rd.	2,225,000	2,225,000

Conclusions: The results of our test indicate that in all significant respects the total contract award amounts were equal to or greater than the total project expenditures.

3. INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE (ITOC)

Objective: Determine if the ITOC is operating in compliance with the Ordinance.

Performance Standard: the Ordinance Section II A and Exhibits A and B. Specifically:

- Establishment of the ITOC
- Supervision of annual fiscal audits
- Supervision of periodic performance audits
- Hiring of a professional auditor to conduct the audits
- Publicly available findings and recommendations of each audit
- Committee member experience requirements
- Committee member term requirements
- Annual Cost of ITOC
- Conflict of interest of ITOC voting members

Procedures Performed: We selected three fiscal years from a population of nine fiscal years to assess the ITOC compliance with the requirements in the Ordinance. We found the ITOC was initially formed by the appointing of members to the ITOC by the STA Governing Board on March 11, 2010 which was prior to the April 1, 2010 date required per the Ordinance. The ITOC held its first meeting on August 5, 2010. We inspected the annual fiscal audits that were performed for the fiscal years selected and noted they had all been completed within six months of the fiscal year end and no professional accounting firm had conducted the audit for more than three consecutive years. For the years tested we reviewed the committee members for the experience requirements and term limits.

Conclusions: The results of our tests indicate in all significant respects the ITOC operated in compliance with the Ordinance.

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
MEASURE A SALES TAX PROGRAM
OBJECTIVES, PERFORMANCE STANDARD, PROCEDURES PERFORMED AND CONCLUSIONS

4. ESTABLISHMENT OF THE SACRAMENTO COUNTYWIDE TRANSPORTATION MITIGATION FEE PROGRAM (SCTMFP)

Objective: Confirm each local agency established a transportation mitigation fee “impact fee” program in compliance with the Ordinance.

Performance Standard: the Ordinance Section VII

Procedures Performed: We tested all eight local agencies for compliance with the Ordinance requirements of establishing a transportation mitigation fee. Seven of the eight local agencies were in compliance on March 31, 2009 for implementation on April 1, 2009 as required by the Ordinance. One local agency, the City of Isleton, did not have an agreement with STA until August 2014, however, no mitigation fees would have been generated as no building activity occurred between April 1, 2009 and August 2014. We searched publicly available records for developments in the City of Isleton that would potentially be subject to SCTMFP fees from April 1, 2009 to August 2014. We found one potential development (Village on the Delta) which could have been subject to SCTMFP fees but per our inquiry of Isleton’s City Manager the permits for the development were issued prior to April 1, 2009.

Conclusions: Each local agency established a transportation mitigation fee “impact fee” program in compliance with the Ordinance, in all significant respects.

5. ADMINISTRATION EXPENSES

Objective: Verify that administration allocations and expenditures are limited to 0.75 percent of sales tax revenue as required under the Ordinance.

Performance Standard: the Ordinance Sections II B and Exhibit A Section XII

Procedures Performed: We obtained administrative expenditure totals by fiscal year as reported in the Comprehensive Annual Financial Reports (CAFR) and calculated the percentage of Administrative Expenditures to Sales Tax Revenue for the periods from program inception to June 30, 2018. We recalculated the Yearly Administrative Expenditures in Excess (Deficit) of Allocation and Cumulative Administrative Expenditures in Excess (Deficit) of Allocation. The Cumulative Administrative Expenditures in Excess (Deficit) of Allocation at June 30, 2018 totaled \$664,031.

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
 MEASURE A SALES TAX PROGRAM
 OBJECTIVES, PERFORMANCE STANDARD, PROCEDURES PERFORMED AND CONCLUSIONS

5. ADMINISTRATION EXPENSES (Continued)

The table below assumes all administrative expenditures reported in the CAFRs are solely related to the “new” Measure A program. We were unable to obtain a sufficient level of detail within the CAFR or from other information available from management to differentiate between “old” and “new” Measure A program administrative expenditures.

Fiscal Year	Sales Tax Revenue per CAFR	Calculated Administrative Allocation (0.75% of Sales Tax Revenue)	Administrative Expenditures per CAFR	Yearly Administrative Expenditures in Surplus (Deficit) of Allocations
17/18	\$ 119,187,748	\$ 893,908	\$ 498,402	\$ 395,506
16/17	116,877,996	876,585	977,515	(100,930)
15/16	110,707,633	830,307	1,334,542	(504,235)
14/15	105,564,247	791,732	805,331	(13,599)
13/14	100,063,237	750,474	1,008,517	(258,043)
12/13	97,390,177	730,426	745,552	(15,126)
11/12	92,239,996	691,800	658,391	33,409
10/11	87,299,421	654,746	542,380	112,366
09/10	<u>81,413,982</u>	<u>610,605</u>	<u>599,424</u>	<u>11,181</u>
Total	<u>\$ 910,744,437</u>	<u>\$ 6,830,583</u>	<u>\$ 7,170,054</u>	<u>\$ (339,471)</u>

While the “old” Measure A funding ended on March 31, 2009, \$97 million in “old” Measure A remained to be administered at the same time as the “new” Measure A. There was not a sufficient level of detail within the CAFR to differentiate between “old” and “new” Measure A program administrative expenditures. STA potentially commingled administrative expenses not related to the “new” Measure A program within the Administrative Expenditures line item in the CAFR. The time frame of this audit is greater than STA’s 5-year record retention policy and the available records did not contain the level of detail necessary to determine which administrative expenditures related to the “old” and “new” Measure A or other programs. Further, per the Ordinance, the compliance requirement limits STA to an administrative expenditure total not to exceed 0.75% of Measure A Sales Tax Revenues over the life of Measure A, not on an annual basis. We assumed for purposes of our testing all administrative expenditures reported in the CAFR related to “new” Measure A, which is more conservative. Based on the conservative approach as of June 30, 2018, STA has spent cumulatively \$339,471 in excess of the 0.75% Administrative Expenditure limitation. However based on the June 30, 2018 CAFR, STA has a positive administrative expense fund balance of \$664,031 which is potentially a combination of “old” and “new” Measure A program administrative expenditure allocations.

Conclusions: STA complied with the Ordinance requirements regarding Administrative Expenditures, in all significant respects, however we identified a matter for internal control improvement. See Finding 2018-001.

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
 MEASURE A SALES TAX PROGRAM
 OBJECTIVES, PERFORMANCE STANDARD, PROCEDURES PERFORMED AND CONCLUSIONS

6. MAINTENANCE OF EFFORT

Objective: Determine if Measure A funds were used to match other funding sources.

Procedures Performed: We selected eight capital projects from a population of 26 capital projects that have either been completed or are in progress, and supported by Measure A funding. We obtained general ledger detail from local agencies supporting funding sources for projects selected and determined for Measure A funded projects selected if STA's records of Measure A funding allocation agreed to information provided by the local agencies.

Capital Project Name	Sub-Project Name	Measure A Funding	Other Local Funding	State Funding	Federal Funding	Total Project Funding to Date	Percentage Of Measure A Funding to Total Project Funding
Central Galt Interchange		\$ 10.0	\$ 15.3	\$ 1.2	\$ 12.1	\$ 38.6	26%
Consumnes Blvd. I-5 Interchange		8.6	54.0	12.7	18.2	93.5	9%
DNA LRT Extension		36.6	15.2	5.0	12.6	69.4	53%
Folsom Bridge Crossing		37.6	8.7	-	100.2	146.5	26%
Grant Line Rd. SR 99 Interchange Upgrade		37.2	41.3	-	-	78.5	47%
Hazel Ave. Placer County to Folsom Blvd.	Hwy 50 to Folsom Blvd.	1.7	0.7	-	-	2.4	71%
Hazel Ave. Placer County to Folsom Blvd.	Hwy 50 to Madison Ave.	34.0	0.5	-	23.7	58.2	58%
Downtown Sacramento Intermodal Station		78.8	19.3	44.6	67.8	210.5	37%
Watt Ave. Hwy 50 Interchange		11.8	3.3	23.6	3.9	42.6	28%
Total		\$ 256.3	\$ 158.3	\$ 87.1	\$ 238.5	\$ 740.2	35%

(Dollars in Millions)

Conclusions: Measure A funds were used to match with funds from other funding sources in the projects tested, in all significant respects.

7. INTERNAL CONTROLS OVER PROCUREMENT

Objective: Evaluate internal controls over payment processing to determine if they are properly designed.

Procedures Performed: We performed inquiries of management and walkthroughs of STA's internal controls over procurement. Within the procurement control process we observed the cash management controls related to bank account reconciliations noting the bank account reconciliations are prepared by the Chief Financial Officer (CFO) and reviewed by the Executive Director (ED). We observed the controls related to cash disbursements from STA's bank account noting the expenses were submitted by the CFO, and approved by the ED, showing proper segregation of duties. We observed the controls related to cash disbursements from the Cash in County Treasury noting the request was prepared by the CFO and approved by the ED.

Conclusions: Internal controls over payment processing are properly designed, in all significant respects.

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
 MEASURE A SALES TAX PROGRAM
 OBJECTIVES, PERFORMANCE STANDARD, PROCEDURES PERFORMED AND CONCLUSIONS

8. MEASURE A SALES TAX REVENUES

Objectives: Evaluate STA's process for developing revenue projections.

Procedures Performed: We observed the current procedures for developing revenue projections noting the most recent revenue projections developed were dated March 2018. We obtained supporting documentation from STA regarding the qualifications of the firm and individuals that developed the projections. We reviewed the Governing Board meeting agendas and minutes. We noted that the report and projections were prepared by a team at Beacon Economics consisting of three people, two of which hold Ph.Ds. in Economics and one that holds a M.S. degree in Economics. In addition, we noted revenue projections are prepared for the life of the Measure A program through fiscal year 2039. We noted that the Governing Board reviewed Beacon's projections as part of the budget approval process and approved the budget with the March 2018 revenue projections at the June 14, 2018 meeting.

Conclusions: The process for developing revenue projections is properly designed, in all significant respects..

9. SACRAMENTO COUNTYWIDE TRANSPORTATION MITIGATION FEE PROGRAM (SCTMFP) REVENUES

Objective: Determine if local agencies are charging the appropriate fees and remitting them to the STA timely.

Performance Standard: the Ordinance Section VII

Procedures Performed: We tested SCTMFP fees totaling \$14.8 million or 37.3% of the \$39.6 million in SCTMFP fees received by STA to assess compliance with the ordinance. The attributes tested included:

- Accuracy of the amount received
- Accuracy of the rates charged
- Timeliness of the remittance (within 60 days of period end)

Schedule of SCTMFP Revenues Tested

<u>Local Agency</u>	<u>Fiscal Year</u>	<u>Annual SCTMFP Revenues Per STA</u>	<u>Amount Per Local Agency Support Q1-Q2</u>	<u>Amount Per Local Agency Support Q3-Q4</u>	<u>Date Of Q1-Q2 Payment</u>	<u>Date Of Q3-Q4 Payment</u>
City of Citrus Heights	15-16	\$ 114,898	\$ 97,318	\$ 17,580	1/19/2016	7/8/2016
County of Sacramento	14-15	901,922	363,067	538,855	2/4/2015	7/30/2015
County of Sacramento	17-18	1,009,173	562,468	446,705	1/12/2018	7/10/2018
City of Elk Grove	13-14	665,916	195,216	470,700	2/7/2014	7/24/2014
City of Elk Grove	17-18	1,434,011	764,908	669,103	1/11/2018	8/7/2018
City of Folsom	17-18	833,234	445,054	388,180	2/28/2018	8/29/2018
City of Galt	16-17	188,900	99,871	89,029	1/17/2017	7/12/2017
City of Rancho Cordova	16-17	708,906	373,739	335,167	2/21/2017	7/31/2017
City of Sacramento	13-14	601,826	348,354	253,472	2/4/2014	7/18/2014
City of Sacramento	16-17	4,433,942	1,987,179	2,446,763	2/7/2017	8/7/2017
City of Sacramento	17-18	3,871,298	1,666,843	2,204,455	1/31/2018	7/25/2018
City of Isleton	All years	*	*	*	*	*
Total		\$ 14,764,026	\$ 6,904,017	\$ 7,860,009		

**Isleton has not submitted any STCMFP fees since the effective date of April 1, 2009 of the fees.*

Conclusions: The results of our test indicate that in all significant respects local agencies are charging the appropriate fees and timely remitting them to STA in compliance with applicable sections of the Ordinance.

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
 MEASURE A SALES TAX PROGRAM
 OBJECTIVES, PERFORMANCE STANDARD, PROCEDURES PERFORMED AND CONCLUSIONS

10. BOND ISSUANCE

Objective: Determine if bonds were issued in a timely manner in relation to capital program expenditures.

Procedures Performed: We obtained each bond official statement, Comprehensive Annual Financial Reports (CAFRs), and supporting accounting records from STA. We compared the bond proceed balances in relation to the actual capital program construction expenditures. We observed the following bond issuance activity since the inception of the Measure A program:

Fiscal Year	Debt Series Issued	Amount of Bond Issuance	Bonds Refunded	Capital Program Construction Expenditures	Bond Proceeds Remaining (Deficit)*
2007	2006 Series A, B	\$ 100.1	\$ -	\$ 37.4	\$ 62.7
2008	2007 Series A	82.2	-	83.0	61.9
2009	-	-	-	28.5	33.4
2010	2009 Series A, B, C	318.3	185.0	60.9	105.8
2011	-	-	-	52.0	53.8
2012	Series 2012	53.4	-	35.0	72.2
2013	-	-	-	17.8	54.4
2014	-	-	-	14.5	39.9
2015	2014 Series A				
2015	2015 Series A	212.2	212.2	21.2	18.7
2016	-	-	-	24.1	(5.4)
2017	-	-	-	19.3	(24.7)
2018	-	-	-	14.9	(39.6)

(Dollars in Millions)

* Column assumes that all capital program construction expenditures were paid for exclusively with bond proceeds however capital program expenditures can be paid for with a combination of bond proceeds, on-going tax revenue, and SCTMFP Fee revenue.

Conclusions: As a result of our inquiries with STA management and inspection of supporting documentation, the bonds were issued in a timely manner in relation to capital program expenditures, in all significant respects.

11. FISCAL AND PERFORMANCE AUDITS AND ANNUAL BUDGETS

Objective: Determine if timely annual fiscal audits were performed as required by the law.

Performance Standard: the Ordinance Section II A, Exhibits A and B and California Public Utilities Code Section 180105

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
 MEASURE A SALES TAX PROGRAM
 OBJECTIVES, PERFORMANCE STANDARD, PROCEDURES PERFORMED AND CONCLUSIONS

11. FISCAL AND PERFORMANCE AUDITS AND ANNUAL BUDGETS (Continued)

Procedures Performed: We inspected nine years of audit reports within the Comprehensive Annual Financial Reports (CAFRs) noting the annual fiscal audits were performed and completed within six months of the fiscal year end. We observed the following independent auditors report dates:

<u>Annual Fiscal Audit</u>	
<u>CAFR Fiscal Year Ending</u>	<u>Date Of Auditor's Report</u>
6/30/2010	11/22/2010
6/30/2011	10/28/2011
6/30/2012	11/13/2012
6/30/2013	10/2/2013
6/30/2014	10/16/2014
6/30/2015	10/30/2015
6/30/2016	12/23/2016
6/30/2017	12/18/2017
6/30/2018	12/4/2018

Conclusions: The results of our test indicate in all significant respects timely annual fiscal audits were performed in accordance with the applicable sections of the Measure A Ordinance.

Objective: Determine if timely annual budgets were approved by the Governing Board.

Performance Standard: California Public Utilities Code 180105.

Procedures Performed: We inspected the nine years of budgets within the annual June Governing Board Minutes noting that each annual budget was approved prior to the beginning of the fiscal year. We observed the following Governing Board budget approval dates:

<u>Annual Budget Approval</u>	
<u>Fiscal Year Budget</u>	<u>Board Approval Date</u>
09/10	6/8/2009
10/11	6/10/2010
11/12	6/16/2011
12/13	6/21/2012
13/14	6/6/2013
14/15	6/12/2014
15/16	6/11/2015
16/17	6/6/2016
17/18	6/8/2017

Conclusions: The results of our test indicate in all significant respects timely annual budgets were approved by the Governing Board and documented in the Governing Board Minutes.

(Continued)

SACRAMENTO TRANSPORTATION AUTHORITY
MEASURE A SALES TAX PROGRAM
OBJECTIVES, PERFORMANCE STANDARD, PROCEDURES PERFORMED AND CONCLUSIONS

12. DOCUMENTATION OF PROGRAM MANAGEMENT PROCEDURES

Objective: Determine the sufficiency of the Authority's strategies to maximize funding and reduce program costs.

Procedures Performed: We performed inquiries of STA management related to the Authority's strategies to maximize funding and reduce program costs. We inspected the timing of when the Authority issued bonds in relation to capital program needs noting that bond proceeds were spent on capital projects within three fiscal years of the year that the bond(s) was issued. We inspected eight of the 26 capital projects noting that for all the projects selected other funding sources were used in addition to Measure A funds to fund the project. We reviewed administrative costs per the respective fiscal year CAFR, starting in fiscal year ended June 30, 2017 administrative expenses have declined. Furthermore we reviewed the approval of the annual budget for each fiscal year starting with the fiscal year ended June 30, 2010. We found all the budgets were approved prior to the beginning of the respective fiscal year.

Conclusions: The Authority has implemented strategies to maximize funding and reduce program costs, in all significant respects.

13. ACCOMPLISHMENTS DURING THE FIRST TEN YEARS

Objective: Determine the program's actual accomplishments during the first ten years met or exceeded anticipated accomplishments.

Performance Standard: Expenditure Plan

Procedures Performed: We inspected the Expenditure Plan approved by the Governing Board on July 27, 2006 noting that it estimated financing needs for capital projects. We inspected the Measure A capital program expenditures per the respective CAFRs noting that the local agencies had requested reimbursement for and been provided \$408.6 million in capital project expenditures through June 30, 2018. STA issued debt prior to the start of collection of Measure A revenues on April 1, 2009 to fund capital projects listed in the Ordinance that were ready prior to the availability of Measure A revenues. The debt issued allowed STA to meet the objective of maximizing the timing and acceleration of STA's capital program by funding projects earlier than could have been funded if STA relied solely on pay as you go funding. Another of the Plan objectives was to have the proceeds from bond issuances to meet capital requirements over a 24 to 36 month period. Per inspection of the bond official statements, STA issued Measure A bonds every 24 to 36 months, with the exception of the bond revenue anticipation notes that were issued as short term financing in fiscal years 2007 and 2008. At June 30, 2018, STA has completed 13 capital projects or 24% of the planned number of projects and are in process on 18 capital projects or 33% of the total planned projects.

Conclusions: Through our inquiries and inspection of documentation, STA's actual accomplishments met the objectives outlined in the Plan through June 30, 2018, in all significant respects.

SACRAMENTO TRANSPORTATION AUTHORITY
MEASURE A SALES TAX PROGRAM
OBJECTIVES, PERFORMANCE STANDARD, PROCEDURES PERFORMED AND CONCLUSIONS

2018-001 DEFICIENCY – ADMINISTRATIVE EXPENSES

Criteria: Measure A Ordinance – STA 04-01 Section II B and Exhibit A Section XIII

Condition: Insufficient supporting documentation was available to differentiate “new” Measure A Administrative Expenditures from “old” Measure A Administrative Expenditures. Total administrative expenditures for both Measure A programs do not exceed the total allowable allotment, however, STA was unable to separate the administrative expenditures between the Measure A programs.

Cause: Financial transactions from “old” and “new” Measure A programs were commingled in the accounting records. The scope of this audit covers a time period that exceeds STA’s records retention policy. Supporting documents to distinguish administrative expenditures between the programs were not available.

Recommendation: We recommend sufficient records be retained to differentiate administrative expenses between programs.

Views of Responsible Officials and Corrective Action Plan:

The Measure A Ordinance (Ordinance) limits spending for general program administration to 0.75% of the sales tax revenues collected. Specifically, the allocation “*shall fund staff costs of the Authority and other costs of administering the programs and projects contained in the Expenditure Plan and the activities of the Independent Taxpayer Oversight Committee as described in Exhibit B*” of the Ordinance.

The Ordinance limits general program administration to 0.75% of the sales tax revenue over the life of the program – not by month or fiscal year. In addition, the Ordinance does not prevent the carryover of administrative fund balance from the “old” measure. An analysis performed by STA staff using the audited financial statements reported during the term of the “old” measure indicates that about \$4.7 million in unused administration funds were available to carry over into the current program. The Authority’s accounting data does not provide enough detail to determine how much, if any, of the “old” measure administration funds were used to fund program administration costs during the term of the current measure. However, since nearly \$100 million in “old” measure funds still held by STA remained to be distributed as of the start of the current program, it is reasonable to conclude that some of the “old” administration funding had been carried over into the current program.

Using appropriate internal overhead cost allocations rates can have a significant impact on administrative expenditures. From program inception through June 30, 2016, the Authority did not use an appropriate method to allocate overhead costs to the Sacramento Metropolitan Freeway Service Patrol (SacMetro FSP) and Sacramento Abandoned Vehicle Service Authority (SAVSA) programs, both administered by STA. During this time overhead costs incurred by the Measure A program on behalf of SacMetro FSP and SAVSA were higher than amounts reimbursed by the respective programs causing Measure A expenditures to be higher than they should have been. To correct this issue, STA staff developed a defensible method for cost allocation using the actual administrative costs associated with each program so that those costs can be reimbursed to the Measure A administration fund. This process was in place over the last two fiscal years of the scope of the audit.

In August 2016, STA staff moved previously comingled administration funds into a separate bank account and created a new accounting fund to track costs separately from other Measure A funds. In doing so, management has better information for planning purposes – preventing overspending.

Because of the improvements identified above, the administration fund’s balance has increased from a deficit of \$195,546 as of June 30, 2016 to a positive \$664,031 as of June 30, 2018.



OCTOBER 10, 2019

AGENDA ITEM # 6

SERIES 2014A BONDS MODE CHANGE – DIRECT PURCHASE TO PUBLICLY TRADED

Action Requested: Authorize Executive Director

Key Staff: Timothy Jones, Chief Financial Officer

Recommendation

Authorize the Executive Director to execute legal documents that accomplish the following:

- Execute Standby Letter of Credit and Reimbursement Agreement with Sumitomo Mitsui Banking Corporation (Sumitomo)
- Execute Fee Agreement with Sumitomo
- Execute Remarketing Agreement with Wells Fargo Bank
- Execute Remarketing Memorandum and Continuing Disclosure Certificate

Background Information

Since 2014, the Series 2014A Variable Rate Demand Bonds (VRDO) with an outstanding par value of \$106.1 million have been directly held by Wells Fargo and not publicly traded. Under this agreement, the costs for debt service were favorable to the Authority and it offered a means to diversify the Authority's debt portfolio. However, when the Federal Tax Reform was approved by Congress in December 2017, corporate tax rates decreased to 21% from 35% making tax-exempt bonds less attractive, increasing the Authority's debt service costs. Therefore, staff in conjunction with the Authority's financial advisor identified a good alternative based on recent market analysis – move the bonds into the publicly traded market. The alternative was brought before your Board during the May 9, 2019 meeting for direction to proceed. Your Board approved moving forward with the transaction.

One of the alternatives considered was to terminate the existing swap agreement with Goldman Sachs and convert the Series 2014A bonds into fixed rate bonds. However, under current market conditions, this strategy would lead to increased debt service costs of \$1.3 million annually. Authority staff will continue to monitor this alternative and update your Board periodically.

Discussion

The Authority's staff and financial advisory team continually monitor market conditions to determine how best to structure the Authority's debt to ensure that the costs for the program are reasonably in line with prevailing conditions. The debt market has been volatile over the last year after the tax

reform but has stabilized somewhat this year. Through it all, demand for VRDOs continues to be very strong in California – in particular, AA+ rated debt such as the Authority's.

Since the bonds will no longer be directly held by Wells Fargo but instead publicly traded, we need to engage liquidity facility and remarketing agent providers. In January 2018, the Authority issued an RFP to identify a liquidity facility provider for the Series 2015A bonds. Sumitomo Mitsui Banking Corporation (Sumitomo) was selected from five respondents having offered the best terms – 38 basis points (bps) for five years. Given the attractive terms, Authority staff contacted Sumitomo to determine if it would offer the same service and terms for the Series 2014A bonds. Sumitomo agreed. Today we are asking your Board to authorize the Executive Director to execute a 5-year agreement with Sumitomo.

In August 2019, the Authority issued an RFP for remarketing agent services. It received six responses of which Wells Fargo was the most competitive at 5 bps and no upfront fees. Wells has been a valued partner in the Authority's debt program, so we are assured that it will continue to provide high quality service. Today we are asking your Board to authorize the Executive Director to execute a remarketing agreement with Wells Fargo.

In the current market, the cost for remarketing agent services is less than what we currently pay for similar services provided by US Bank for the Series 2009C bonds and JP Morgan for the Series 2015A bonds – 10 bps. Therefore, we will be contacting both financial institutions in November to ask that they lower their fees to be competitive with current market rates. The resolution before you today authorizes the Executive Director to execute any necessary amendments to the existing remarketing agreements to facilitate both transactions.

The Remarketing Memorandum and Continuing Disclosure Certificate are needed in connection with selling these bonds in the public markets. The Remarketing Memorandum presents all material facts about the Series 2014A bonds and Authority and is used to market the Series 2014A bonds to potential bond investors. The Continuing Disclosure Certificate identifies what the Authority has agreed to disclose during the term of the Series 2014A bonds such as annual financial information and any material events as listed in the certificate. Today, we are asking your Board to authorize the Executive Director to execute both documents.

The justification for this transaction is cost savings. The savings in interest costs are estimated to be about \$235,000 per year or \$1.17 million over the next five years – the term of the liquidity facility with Sumitomo. The total cost to complete the transaction is expected to be \$330,000. As such, the Authority will recover the costs to implement the change in about 18 months. The costs for the transaction will be paid for with pay-go cash, not financed.

In September, Authority staff and PFM representatives met in person with the two credit rating agencies rating these bonds – Fitch and S&P. Given the Authority's strong fundamentals, Fitch affirmed the AA+ rating and we expect S&P will affirm a AA+ rating in the coming week.

Peter Shellenberger with PFM Financial Advisors LLC is with us today to provide further context and to answer any questions you have.

Attachments

- PFM Memo
- STA Resolution
- Remarketing Agreement
- Standby Letter of Credit and Reimbursement Agreement
- Standby Letter of Credit
- Fee Agreement
- Remarketing Memorandum



October 2, 2019

Memorandum

To: Timothy Jones, Sacramento Transportation Authority
From: PFM Financial Advisors LLC
RE: 2014A Wells Fargo Direct Purchase Mode Change

PFM Financial Advisors LLC ("PFM") as the financial advisor to Sacramento Transportation Authority (the "Authority") has prepared this memo to provide context for converting the Authority's Measure A Sales Tax Revenue Refunding Bonds Series 2014A from Direct Purchase ("DP") obligations currently held by Wells Fargo to Variable Rate Demand Obligations ("VRDO") publicly offered to investors. Tax reform implemented in 2018 has increased the cost of the Direct Purchase structure by lowering the corporate tax rate. Based on recent market conditions, the conversion is expected to save approximately \$235,000 annually.

Market Update

Variable rate trend and market dynamics represented by 1-Month LIBOR Rate and SIFMA Index:

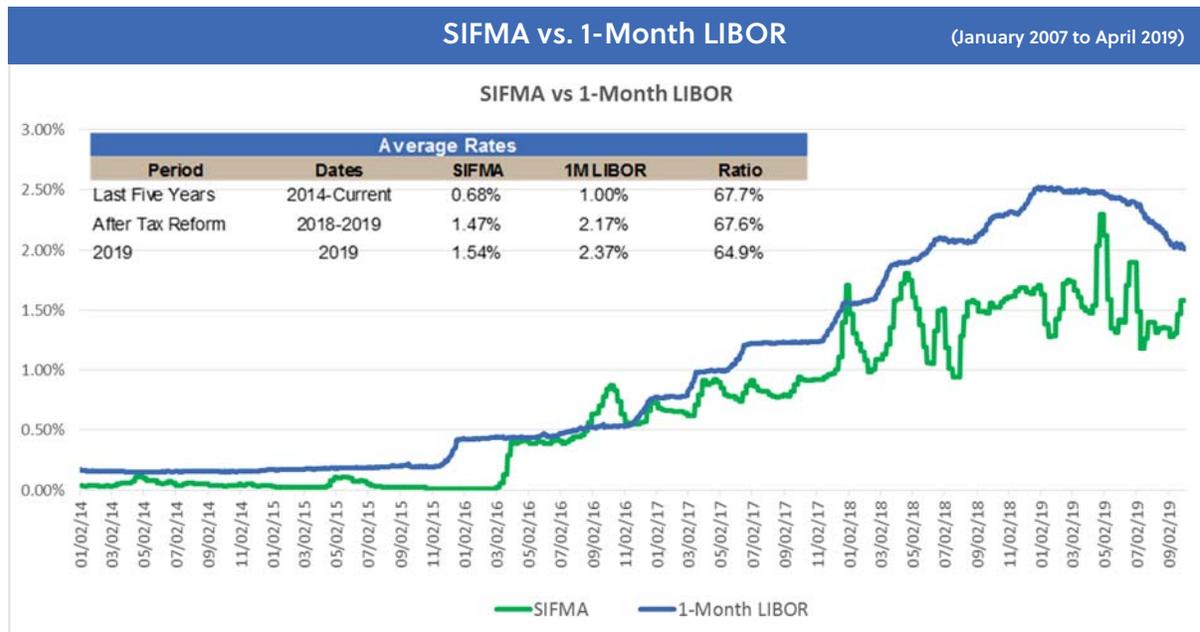
The 1-month London Interbank Offered Rate ("LIBOR") Rate and the Securities Industry and Financial Markets Association ("SIFMA") Index rate are the most commonly used indices for pricing floating-rate securities in the municipal market. The SIFMA Index is a floating weekly rate comprised of high-grade tax-exempt variable rate bonds. The 1-month LIBOR is a short-term monthly floating rate that represents taxable variable rates.

Municipal issuers, like the Authority, issue tax exempt securities and expect to pay tax exempt rates. However, many financial products – such as direct bank loans – are linked to the commonly used 1-month LIBOR rate. When using the 1-month LIBOR rate for pricing tax-exempt products, commercial banks apply a percentage-factor to the taxable rate to approximate the tax-exempt equivalent rate. Historically, 70% of 1-month LIBOR generally equates to the SIFMA Index; the tax exempt equivalent.

Presented below is the historical data comparing the relationship of SIFMA to the 1-month LIBOR. Since 2014 (the last five years), SIFMA has been equal to approximately 67.7% of 1-month LIBOR. Following tax-reform in 2018 this average has remained intact at 67.8%, and has dropped to an average of 65% for 2019. This means, that in order for commercial bank loans such as the Direct



Purchase to be competitive with tax exempt alternatives, like publicly sold tax exempt bonds, they should be pricing their tax exempt products at 67% to 70% of 1-month LIBOR.



However, tax reform changed how commercial banks price their products. Specifically, the new tax law reduced the corporate tax rate from 35% to 21% beginning in 2018. With this change, corporate entities, like commercial banks, ascribe lower value to their tax exempt products and related income and have increased the rate they charge on tax exempt products: increasing the cost of their lending facilities from 70% of 1-month LIBOR to 80% of 1-month LIBOR.

From the Authority's perspective, this has increased the cost of the direct loan currently in place with Wells Fargo and has created an opportunity to save annual costs by converting the Series 2014A loan to publicly offered VRDOs.

Debt Portfolio Overview

As shown in the following table, the Authority currently has \$356.9 million of bonds outstanding. The majority of these bonds, \$318.3 million, are variable rate bonds that are matched with interest rate swaps put in place in 2006. When evaluating the total cost of the \$318.3 million, the fixed rate on the swap must be added to the ongoing fees on the variable rate securities. These ongoing fees currently total 0.45%. When added to the average fixed rate on the swaps, the Authority pays approximately 4.16% on the \$318.3 million on the synthetic fixed rate bonds.



Sacramento Transportation Authority Debt Summary

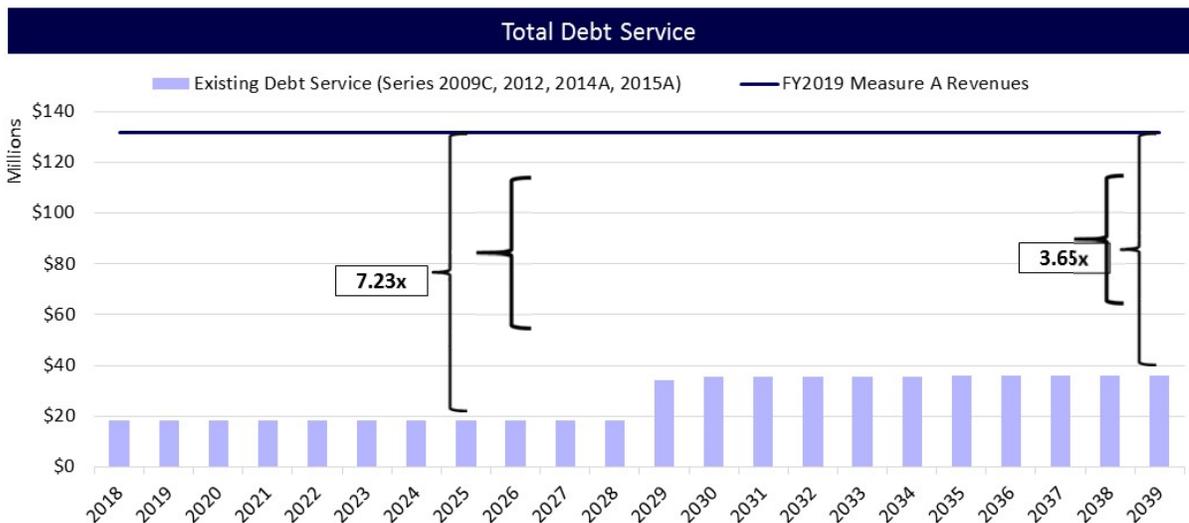
SERIES	OUTSTANDING PAR	FINAL MATURITY	MODE	CREDIT ENHANCEMENT	Expiration/Tender Date	REMARKETING AGENT
2009C	\$106,100,000	10/1/2038	Weekly VRDB	US Bank N.A. SBPA	11/20/2020	US Bank N.A.
2012	\$38,685,000	10/1/2027	Fixed	N/A	N/A	N/A
2014A	\$106,100,000	10/1/2038	FRN	Wells Fargo Bank	8/10/2020*	N/A
2015A	\$106,100,000	10/1/2038	Weekly VRDB	Sumitomo Mitsui Banking Corp.	5/15/2023	JP Morgan
TOTAL	\$356,985,000					

* Will be converted to VDRB prior to expiration

Swaps Summary

ASSOCIATED SERIES	AUTHORITY PAYS	AUTHORITY RECEIVES	EFFECTIVE DATE	TERMINATION DATE	NOTIONAL AMOUNT	COUNTERPARTY	CURRENT MARKET VALUATION
2009C	3.736%	67% OF 1-month LIBOR	10/1/2009	10/1/2038	\$106,100,000	Bank of America N.A.	(\$38,536,947)
2014A	3.736%	67% OF 1-month LIBOR	10/1/2009	10/1/2038	\$106,100,000	Goldman Sachs Capital Markets	(\$36,584,720)
2015A	3.666%	67% OF 1-month LIBOR	10/1/2009	10/1/2038	\$106,100,000	JP Morgan Chase Bank N.A.	(\$38,532,603)
TOTAL					\$318,300,000		(\$113,654,270)

Market Valuations are dated 9/30/19



The Authority's senior lien debt service has a back loaded debt service structure that ranges from \$18.1 million in FY2019 to \$36.1 million in FY2039. Maximum annual debt service ("MADS") Coverage, assuming FY2019 revenues of \$131.8 million, remains above 3.65x. This is very strong debt service coverage and has supported the "AA+" ratings of the Authority that were recently confirmed as part of the conversion process.

Opportunity for Mode Change and Savings

As noted above, most commercial bank loans following tax reform are now being offered at 80% of 1-month LIBOR. While this reflects the banks lower corporate tax rate, it is no longer competitive with



alternative tax exempt rates. As an alternative, PFM recommends the Authority convert the existing direct purchase obligations with Wells Fargo to variable rate demand obligations (“VRDOs”). This is the same form of variable rate securities that the Authority’s Series 2009C and 2015A bonds are in, and it is a stable product. While the direct purchase variable rate mode provided some diversification, the Authority should not pay additional ongoing interest costs for this product.

Additionally, during our evaluation process PFM analyzed the potential to fully refund and fix-out the variable rate bonds and terminate the swap on the Series 2014A Bonds. This strategy does not provide savings in current market conditions, and would lead to an increase in annual debt service of approximately \$1.3 million annually. PFM will continue to evaluate opportunities to refinance portions of the Authority’s portfolio as market conditions change over time.

VRDOs are marketed with the support of a letter of credit (“LOC”). The LOC provides guaranteed liquidity to investors in the case of a failed remarketing; a very rare event. It is proposed here that the Authority rely on the results from their competitive RFP process that solicited LOC bids in 2018. The winning bidder in that process was Sumitomo bank, offering a LOC for five years at an annual rate of 0.38%. This annual fee compares to Wells’ Fargo’s annual fee under the DP agreement of 0.425%; a cost savings of 4.5 basis points. Sumitomo has agreed to honor that low bid from 2018 and has offered additional capacity to the Authority in the form of a new LOC for 5-years to support the Series 2014A Conversion.

Under the VRDO structure, the Authority needs to procure a remarketing agent to remarket the Series 2014A Bonds. PFM worked with the Authority to distribute a competitive request for proposals (“RFP”) for remarketing agents. The Authority received 6 proposals from qualified firms through this process. Wells Fargo demonstrated strong qualifications and experience remarketing VRDOs, and provided the lowest cost bid. Their bid was an annual fee of 5 basis points (0.05%) with no initial underwriting fee to place the bonds. The Authority currently pays their existing remarketing agent 10 basis points as an annual fee. Authority staff will be using the results of this RFP process to negotiate lower fees on the two existing agreements following the closing of this conversion (note: the Authorizing Resolution coming to the Board for approval delegates to the CFO the ability to amend the remarketing agent agreements and negotiate lower fees without coming back to the Board).

Savings Estimate: Currently the Authority is paying 81% of LIBOR on its direct purchase variable rate 2014A Bonds plus 0.425% (the applicable spread/annual fee to Wells Fargo). With VRDOs we are conservatively forecasting that the interest rates on the Authority’s bonds will be approximately equal to the SIFMA rate. This is a conservative assumption because between January 1, 2017 and August 26, 2019, the Authority’s variable rate bonds have traded on average 15 basis points (0.15%) below SIFMA. This reflects the strong investor demand in California for high-grade, tax exempt paper. We are not factoring in this strong trading performance when calculating the estimated savings.



The annual LOC fee paid to Sumitomo will be 0.38%. The Authority will realize a benefit of 11% of LIBOR in annual interest cost by switching to VRDOs. As of October 2, 2019 the 1-month LIBOR rate was 2.01%. At 11% of that LIBOR rate, the Authority would save approximately 0.22%, or 22 basis points (“bps”) in annual interest cost. This equates to \$235,000 per year. Acknowledging that LIBOR is a variable index that could increase or decrease in the future, we also estimate savings on based on the 3-year average of LIBOR. The 3-year average equals 1.69%. 11% of the 3-year average equals 19 basis points (0.19%), which when multiplied times the par amount of the bonds (\$106,100,000) equals approximately \$197,000 in annual savings. Whether it is current rates or the 3-year average, we expect converting the bonds from a direct purchase to VRDOs to save in the range of \$197,000 to \$235,000 annually. (note: if the bonds continue to trade 15 basis points below SIFMA, this would result in an additional annual cost savings of \$159,000, compared to the direct purchase mode.)

	Outstanding Par	Annual Interest Cost Savings (\$)	
		@19 bps	@22 bps
Series 2014A	106,100,000	\$197,000	\$235,000

Note: Savings are shown excluding related transaction cost of issuance

Cost of Conversion

The recommended strategy of the mode change or conversion does not involve the issuance of new bonds and is not a refunding. The execution of the mode change requires the involvement of several participants including a bond and disclosure counsel, financial advisor, remarketing agent, LOC provider, and rating agencies. The Authority will incur approximately \$331,500 in transaction costs for the mode change. These transaction costs need to be considered in the context of annual interest cost savings of approximately \$235,000, and the five-year estimated savings (based on the term of the letter of credit facility) of approximately \$1.17 million. Transaction costs should be recouped through ongoing savings in approximately 18 months.

Preliminary Costs of Transaction	
Financial Advisor	\$40,000
Bond Counsel	57,000
Disclosure Counsel	47,500
S&P	70,000
Fitch	65,000
Remarketing Agent Counsel	15,000
Bank Counsel	37,000
Total	\$331,500



Timing

A full set of documents for the conversion has been prepared and submitted to the Board for their review and potential approval on October 10. Following Board approval, the conversion will be complete and close on October 31st, when the new rates will become effective.

RESOLUTION OF THE GOVERNING BOARD OF THE SACRAMENTO TRANSPORTATION AUTHORITY AUTHORIZING (1) THE CONVERSION OF THE SACRAMENTO TRANSPORTATION AUTHORITY MEASURE A SALES TAX REVENUE REFUNDING BONDS, SERIES 2014A (LIMITED TAX BONDS), (2) THE EXECUTION AND DELIVERY OF DOCUMENTS IN CONNECTION THEREWITH AND (3) THE TAKING OF ALL OTHER ACTIONS NECESSARY IN CONNECTION THEREWITH

WHEREAS, the Sacramento Transportation Authority (the “Issuer”) is duly organized and existing under the provisions of the Local Transportation Authority and Improvement Act, being Division 19 of the Public Utilities Code of the State of California, Sections 180000 *et seq.* (the “Act”);

WHEREAS, the Issuer adopted Ordinance No. STA-04-01, on July 29, 2004 (the “Ordinance”), pursuant to the provisions of Chapter 5 of the Act (Sections 180200 through 180207, inclusive), which Ordinance provides for the imposition of a retail transactions and use tax (the “2004 Measure A Sales Tax”) applicable in the incorporated and unincorporated territory of the County of Sacramento (the “County”) in accordance with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code of the State of California, at the rate of one-half of one percent (1/2%) for a period of thirty (30) years beginning April 1, 2009;

WHEREAS, the 2004 Measure A Sales Tax was approved by more than two-thirds of the electors voting on a ballot measure (“2004 Measure A”) to authorize such 2004 Measure A Sales Tax at the general election held in the County on November 2, 2004;

WHEREAS, pursuant to the Ordinance, the collection of the 2004 Measure A Sales Tax began on April 1, 2009 and will expire on March 31, 2039;

WHEREAS, the Issuer is authorized by Chapter 6 of the Act and the Ordinance to issue from time to time bonds or notes and to incur from time to time other obligations payable in whole or in part from revenues of the 2004 Measure A Sales Tax (the “Sales Tax Revenues”) for capital outlay expenditures for the purposes set forth in Section VI of the Ordinance, including the carrying out of transportation projects described in the Expenditure Plan (attached as Exhibit A to the Ordinance), including any future amendments thereto;

WHEREAS, the Issuer previously executed and delivered that certain Indenture, dated as of September 1, 2009 (as previously supplemented and amended from time to time pursuant to its terms, the “Indenture”) with U.S. Bank National Association, as successor trustee (the “Trustee”), in order to provide for the authentication and delivery from time to time of certain bonds or notes (the “Bonds”), to establish and declare the terms and conditions upon which the Bonds and other obligations secured by the Sales Tax Revenues shall be issued and secured and to secure the payment of the principal thereof, premium (if any), and interest on the

Bonds and other obligations secured by the Sales Tax Revenues on a parity with the Bonds and certain other obligations secured by the Sales Tax Revenues;

WHEREAS, the Issuer has heretofore issued, among other bond series, its Sacramento Transportation Authority Measure A Sales Tax Revenue Refunding Bonds, Series 2014A (Limited Tax Bonds) in the aggregate principal amount of \$106,100,000 (the “Series 2014A Bonds”) pursuant to the Fourth Supplemental Indenture, dated as of September 1, 2014, between the Authority and the Trustee (the “Fourth Supplemental Indenture”);

WHEREAS, the Series 2014A Bonds were initially issued to bear interest in a Bank Index Rate Period (as defined in the Fourth Supplemental Indenture) and were purchased by Wells Fargo Municipal Capital Strategies, LLC (the “Purchaser”);

WHEREAS, under the terms of the Fourth Supplemental Indenture, the Issuer may exercise its right to convert the Interest Rate Determination Method (as defined in the Fourth Supplemental Indenture) of the Series 2014A Bonds;

WHEREAS, the Issuer has determined it necessary to convert the Series 2014A Bonds to bear interest in a Weekly Rate Period (as defined in the Fourth Supplemental Indenture) (the “Conversion”) and remarket the Series 2014A Bonds to potential purchasers of the Series 2014A Bonds other than the Purchaser;

WHEREAS, amendments to the Fourth Supplemental Indenture may be necessary or desirable to facilitate such Conversion;

WHEREAS, in order to provide liquidity support for the Series 2014A Bonds upon the Conversion, the Issuer has determined to enter into a Standby Letter of Credit and Reimbursement Agreement relating to the Series 2014A Bonds (the “Bank Agreement”), between the Issuer and Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the “Bank”) and accepted and agreed to by the Trustee, pursuant to which a Standby Letter of Credit shall be issued by the Bank (the “Standby Letter of Credit” and, together with the “Bank Agreement,” the “Series 2014A Liquidity Facility”) and a Fee Agreement (the “Fee Agreement”) between the Issuer and the Bank;

WHEREAS, in order to provide for remarketing services in connection with and upon the Conversion, the Issuer has determined to appoint Wells Fargo Bank, National Association (the “Remarketing Agent”), as remarketing agent for the Series 2014A Bonds, by entering into a Remarketing Agreement (the “Remarketing Agreement”), between the Issuer and Remarketing Agent;

WHEREAS, in order to provide information about the Series 2014A Bonds and related matters to potential purchasers of the Series 2014A Bonds, there has been prepared a Remarketing Memorandum (the “Remarketing Memorandum”) to be used and distributed by the Remarketing Agent;

WHEREAS, the Issuer proposes to enter into a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”), and a proposed form of the Continuing Disclosure Certificate has been prepared and presented to the Issuer;

WHEREAS, the Issuer has been presented with proposed forms of the Series 2014A Liquidity Facility, the Fee Agreement, the Remarketing Agreement, the Remarketing Memorandum and the Continuing Disclosure Certificate, and the Issuer has examined and approved the Series 2014A Liquidity Facility, the Fee Agreement, Remarketing Agreement, the Remarketing Memorandum and the Continuing Disclosure Certificate, and desires to authorize and direct the execution and delivery of the Series 2014A Liquidity Facility, the Fee Agreement, the Remarketing Agreement, the Remarketing Memorandum and the Continuing Disclosure Certificate; and

WHEREAS, all acts, conditions and things required by the Act and the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with and consummation of the foregoing transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Issuer is now duly authorized and empowered, pursuant to each and every requirement of law, to authorize such transactions and to authorize the execution and delivery of the Series 2014A Liquidity Facility, the Fee Agreement, the Remarketing Agreement and the Continuing Disclosure Certificate and to authorize the use and distribution of the Remarketing Memorandum for the purposes, in the manner and upon the terms provided;

NOW THEREFORE, THE SACRAMENTO TRANSPORTATION AUTHORITY RESOLVES:

Section 1. The Issuer finds and determines that the foregoing recitals are true and correct.

Section 2. The Conversion is hereby authorized and approved. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Issuer, to enter into any Supplemental Indenture (as defined in the Indenture) to amend the Fourth Supplemental Indenture pursuant to the terms of the Indenture in such manner that may be necessary or desirable to facilitate the Conversion.

Section 3. The proposed forms of the Series 2014A Liquidity Facility and the Fee Agreement presented to this meeting and the terms and conditions thereof are hereby approved. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Issuer, to enter into such Series 2014A Liquidity Facility and Fee Agreement in substantially said forms, with such changes therein as the officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The proposed form of Remarketing Agreement presented to this meeting is hereby approved. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Issuer, to execute and deliver the Remarketing Agreement, with such changes therein as such officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. The proposed form of Remarketing Memorandum presented to this meeting is hereby approved. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Issuer, from time to time to revise and deliver the Remarketing

Memorandum, in substantially said form, with such changes therein as the officer may require or approve, such approval to be conclusively evidenced by the delivery thereof. Without limiting the foregoing, the Executive Director is hereby authorized to approve any and all changes to the Remarketing Memorandum in order to include in the Remarketing Memorandum any information deemed necessary or desirable in connection with any mandatory tender and/or remarketing of any Series 2014A Bonds, including, but not limited to, updated operating and financial information relating to the Issuer. The use and distribution by the Remarketing Agent of the Remarketing Memorandum in final form is hereby authorized and approved.

Section 6. The proposed form of Continuing Disclosure Certificate, in the form attached as Appendix F to the Remarketing Memorandum presented to this meeting, is hereby approved. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Issuer, to execute and deliver the Continuing Disclosure Certificate in substantially said form, with such changes therein as such person executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. All approvals, consents, directions, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, whether before or after the execution and delivery of such documents (including, without limitation, any amendment of the Series 2014A Bonds or any of the documents authorized by this Resolution or other agreement related thereto, any of the foregoing that may be necessary or desirable in connection with the Series 2014A Liquidity Facility or the extension or replacement thereof, and any amendments to remarketing agreements related to other Bonds) or any similar action may be given or taken by an Authorized Representative (as such term is defined in the Indenture), without further authorization or direction by the Issuer, and each Authorized Representative is hereby authorized and directed to give any such approval, consent, direction, notice, order, request, or other action and to execute such documents and take any such action which such Authorized Representative may deem necessary or desirable to further the purposes of this Resolution.

Section 8. The Executive Director and each other appropriate officer of the Issuer, are authorized and directed, for and in the name and on behalf of the Issuer, to execute and deliver any and all agreements, certificates, documents and instruments and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the Issuer has approved in this Resolution.

The Executive Director may appoint in writing a designee to perform any of the actions that the Executive Director may take under this Resolution.

Section 9. The General Counsel of the Issuer is authorized and directed to provide such opinions, on behalf of the Issuer, as are required to consummate the transactions authorized by this Resolution.

Section 10. In the event that the Executive Director is unable to take any of the actions authorized in this Resolution, the Chief Financial Officer is hereby authorized to take any and all such action without further authorization or direction from the Issuer. All actions heretofore taken by the members of the Governing Board of the Issuer, the Executive Director or the Chief

Financial Officer, the General Counsel of the Issuer or any other officers, agents or employees of the Issuer with respect to the transactions contemplated hereby are hereby ratified, confirmed and approved.

The Chief Financial Officer may appoint in writing a designee to perform any of the actions that the Chief Financial Officer may take under this Resolution.

Section 11. If any section, paragraph clause or provision of this Resolution shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph or clause or provision shall not affect any of the remaining provisions of this Resolution.

Section 12. This Resolution shall take effect immediately upon its adoption and approval.

PASSED AND ADOPTED by the Governing Board of the Sacramento Transportation Authority this 10th of October, 2019, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

By: _____
Chairperson
Sacramento Transportation Authority

ATTEST:

By: _____
Clerk of the Governing Board

APPROVED AS TO FORM:

By: _____
General Counsel

REMARKETING AGREEMENT

Between

SACRAMENTO TRANSPORTATION AUTHORITY

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,

as Remarketing Agent

Dated [Pricing Date]

Relating to

\$106,100,000

**Sacramento Transportation Authority
Measure A Sales Tax Revenue Refunding Bonds
Series 2014A
(Limited Tax Bonds)**

This REMARKETING AGREEMENT, dated [Pricing Date] (the "Agreement"), is entered into between SACRAMENTO TRANSPORTATION AUTHORITY (the "Issuer") and WELLS FARGO BANK, NATIONAL ASSOCIATION ("WFBNA" or the "Remarketing Agent").

W I T N E S S E T H:

WHEREAS, the Issuer previously issued its \$106,100,000 Measure A Sales Tax Revenue Refunding Bonds, Series 2014A (Limited Tax Bonds) (the "Bonds") pursuant to an Indenture, dated as of September 1, 2009, as amended and supplemented from time to time to the date hereof, including by the Fourth Supplemental Indenture, dated as of September 1, 2014 (the "Fourth Supplemental Indenture" and collectively with the Original Indenture, the "Indenture"), each between the Issuer and U.S. Bank National Association, as trustee (the "Trustee");

WHEREAS, the Series 2014A Bonds were initially issued to bear interest in a Bank Index Rate Period (as defined in the Fourth Supplemental Indenture) and were purchased by Wells Fargo Municipal Capital Strategies, LLC (the "Purchaser");

WHEREAS, the Issuer has decided to convert the Series 2014A Bonds to bear interest in a Weekly Rate Period (as defined in the Fourth Supplemental Indenture) (the "Conversion");

WHEREAS, the Bonds and the Indenture provide, among other things, that the Holders of the Bonds may elect (or may be required) in certain instances to tender their Bonds for purchase upon the terms and conditions contained in the Bonds and the Indenture;

WHEREAS, the Indenture provides for the appointment of a remarketing agent to perform certain duties, including the use of its best efforts to remarket any Bonds tendered for purchase by the Holders; and

WHEREAS, the Remarketing Agent has agreed to accept the duties and responsibilities of the remarketing agent for the Bonds under the Indenture and this Agreement;

NOW, THEREFORE, for and in consideration of the mutual covenants made herein and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. Unless otherwise defined herein, all capitalized terms shall have the meanings ascribed to them in the Indenture.

Section 2. Appointment of Remarketing Agent. Subject to the terms and conditions contained herein, the Issuer hereby appoints WFBNA as exclusive Remarketing Agent for the Bonds, and WFBNA hereby accepts such appointment.

Section 3. Responsibilities of Remarketing Agent. Subject to the terms and conditions set forth in this Agreement and in reliance on the representations contained herein, WFBNA agrees to perform the duties of Remarketing Agent set forth in the Indenture for the Bonds. It is understood that in undertaking to perform such duties, and in the performance thereof, it is the intention of the parties that the Remarketing Agent will act solely as an agent and not as a principal

except as expressly provided in Section 11. The duties of the Remarketing Agent shall be the following:

(a) *Determination of Interest Rates.* The Remarketing Agent shall determine the interest rates on the Bonds in the manner and at the times specified therefor in the Indenture.

(b) *Remarketing of Tendered Bonds.*

(i) The Remarketing Agent shall use its best efforts to remarket Bonds to be purchased as described in the Indenture at rates up to the Maximum Rate as defined and required therein and without regard to the Bank Rate (as defined in the 2014A Liquidity Facility defined below). The Remarketing Agent shall perform such other duties as are specifically set forth in this Agreement and the Indenture for the Remarketing Agent.

(ii) The Remarketing Agent:

(A) may suspend its remarketing efforts upon: the occurrence of an Event of Default under the Indenture; gaining knowledge that the Liquidity Facility Provider for the Bonds (the "2014A Liquidity Facility Provider") has breached its obligation to purchase Bonds tendered pursuant to the Indenture but not remarketed; or the occurrence of an Event of Default, Rating Event or Secondary Coverage Event (as defined in the hereinafter defined 2014A Liquidity Facility) under the Standby Letter of Credit and Reimbursement Agreement, dated as of October 1, 2019 (the "Bank Agreement"), among the Authority, the Trustee and Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the "2014A Liquidity Facility Provider"), pursuant to which a Standby Letter of Credit shall be issued by the 2014A Liquidity Facility Provider (the "Standby Letter of Credit" and, together with the "Bank Agreement," the "2014A Liquidity Facility"); provided, however, that if the Remarketing Agent wishes to continue its remarketing efforts notwithstanding the occurrence of any events described in this subsection (A), it must obtain the prior written consent of the Issuer to continue its remarketing efforts;

(B) may suspend its remarketing efforts immediately upon the occurrence of any of the following events, which suspension will continue so long as the situation continues to materially, adversely affect the marketability of the Bonds:

(1) suspension or material limitation in trading in securities generally on the New York Stock Exchange;

(2) a general moratorium on commercial banking activities in New York is declared by either federal or New York State authorities;

(3) the engagement by the United States in hostilities if the effect of such engagement, in the Remarketing Agent's judgment, makes it impractical or inadvisable to proceed with the solicitation of offers to purchase the Bonds;

(4) legislation shall be introduced by committee, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the United States Securities and

Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the offering or sale of obligations of the general character of the Bonds, as contemplated hereby, is or would be in violation of any provision of the Securities Act of 1933, as amended (the "Securities Act") and as then in effect, or the Securities Exchange Act of 1934, as amended (the "Exchange Act") and as then in effect, or the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") and as then in effect, or with the purpose or effect of otherwise prohibiting the offering or sale of obligations of the general character of the Bonds, or the Bonds, as contemplated hereby;

(5) any event shall occur or information shall become known, which, in the Remarketing Agent's reasonable opinion, makes untrue, incorrect or misleading in any material respect any statement or information contained in the disclosure documents provided to the Remarketing Agent in connection with the performance of its duties hereunder, whether provided pursuant to Section 5 or otherwise, or causes such documents to contain an untrue, incorrect or misleading statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(6) any governmental authority shall impose, as to the Bonds, or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force;

(7) any of the representations and warranties of the Issuer made hereunder shall not have been true and correct on the date made;

(8) the Issuer fails to observe any of the covenants or agreements made herein;

(9) any of the rating agencies then rating the Bonds or the 2014A Liquidity Facility Provider shall downgrade, suspend or withdraw the ratings assigned to either the Bonds or the 2014A Liquidity Facility Provider, so that the Bonds are not "Eligible Securities" as defined under Rule 2a-7 of the Investment Company Act of 1940, as amended; or

(10) an actual or imminent default or a moratorium in respect of payment of any U.S. Treasury bills, bonds or notes the effect of which in the Remarketing Agent's judgment makes it impractical to market the Bonds or to enforce contracts for the sale of the Bonds.

Section 4. Resignation and Removal of Remarketing Agent. The Remarketing Agent may at any time resign and be discharged of its duties and obligations hereunder upon providing the Issuer, the Trustee and the 2014A Liquidity Facility Provider with notice of resignation, such resignation to be effective not until the earlier of (a) appointment and acceptance thereby of a successor Remarketing Agent or (b) the end of the sixtieth (60th) day following receipt by the Issuer, the Trustee and the 2014A Liquidity Facility Provider of such written notice of resignation. The Remarketing Agent may be removed at any time, at the direction of the Issuer, upon written notice from the Issuer to the Remarketing Agent, such removal to be effective not until the earlier of (a) appointment and acceptance thereby of a successor Remarketing Agent or (b) the end of the sixtieth (60th) day following receipt by the Remarketing Agent of such written notice of removal;

provided, that if the 2014A Liquidity Facility Provider is an affiliate of the Remarketing Agent, the Remarketing Agent may not be removed unless (a) the Remarketing Agent consents to such removal or (b) the successor Remarketing Agent agrees to purchase any Bonds owned by the Remarketing Agent as of the effective date of such removal at a purchase price equal to the principal amount thereof plus accrued interest from the immediately preceding Interest Payment Date to the effective date of such removal. Upon removal or resignation of the Remarketing Agent, the Issuer shall promptly cause the Trustee to give notice thereof by mail to all Bondholders and to any rating agency which has assigned a rating to the Bonds.

Section 5. Disclosure Materials. There has been prepared Remarketing Memorandum with respect to the Bonds dated October [], 2019 (as such Remarketing Memorandum may be amended or supplemented from time to time, the “Remarketing Memorandum”). The Issuer agrees to cooperate with the Remarketing Agent in the preparation by the Issuer from time-to-time of a new remarketing memorandum, reoffering document or other disclosure material (a “Disclosure Document”) for the Bonds in the event the Remarketing Agent determines that the preparation and distribution of such Disclosure Document is necessary or desirable in connection with remarketing the Bonds and to furnish or to cause to be furnished, at the sole cost of the Issuer, to the Remarketing Agent as many copies of such Disclosure Document the Remarketing Agent shall request.

If, at any time during the term of this Agreement, any event shall occur or facts become known to either party that might affect the correctness or completeness of any statement of a material fact contained in the Disclosure Document, such party shall promptly notify the other in writing of the circumstances and details of such event. If a new Disclosure Document for the Bonds is provided pursuant to this paragraph, in connection with the distribution thereof, the Issuer will certify to the Remarketing Agent that such Disclosure Document (excluding any information relating to any liquidity facility bank or other credit enhancer, information provided by the Remarketing Agent expressly for inclusion therein, information relating to DTC and its book-entry system and any pricing information) does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The Issuer consents to the use and distribution of the Remarketing Memorandum and any other Disclosure Document described in this Section 5, the Indenture, the 2014A Liquidity Facility, and any amendments or supplements to any of the foregoing, in connection with the remarketing of the Bonds.

Section 6. Fees and Expenses. For the Remarketing Agent’s services under this Agreement and the Indenture, the Issuer will pay the Remarketing Agent a fee of 0.10% of the average aggregate principal amount of Bonds outstanding for the immediately preceding 3-month period. The Issuer will pay the fee quarterly in arrears commencing [February 1], 2019, and at final maturity of the Bonds or at earlier termination of this Agreement, based on actual number of days elapsed over 365 or 366, as appropriate. When Bonds are remarketed in connection with the conversion of the interest rate to a Term Rate Period or a Fixed Rate Period, the Issuer and the Remarketing Agent will agree on a fee.

The Issuer will pay all expenses of delivering remarketed Bonds and reimburse the Remarketing Agent for all direct, out-of-pocket expenses incurred by it as Remarketing Agent, including, without limitation, the reasonable fees and disbursements of its counsel and any reasonable costs incurred in connection with the preparation, reproduction, and delivery of documents.

Section 7. Representations, Warranties, Covenants and Agreements of the Remarketing Agent. The Remarketing Agent, by its acceptance hereof, represents, warrants and covenants and agrees with the Issuer as follows:

- (a) the Remarketing Agent is a national banking association and otherwise meets the requirements for the Remarketing Agent set forth in the Indenture;
- (b) the Remarketing Agent has been duly organized under the laws of the United States of America and is authorized by law to perform all the duties and obligations imposed upon it as Remarketing Agent by this Agreement and the Indenture; and
- (c) the Remarketing Agent has full power and authority to take all actions required or permitted to be taken by the Remarketing Agent by or under, and to perform and observe the covenants and agreements on its part contained in, this Agreement and the Indenture.

Section 8. Representations, Warranties, Covenants and Agreements of the Issuer. The Issuer, by its acceptance hereof, represents, warrants, covenants, and agrees with the Remarketing Agent that it:

- (a) is a local transportation authority duly established and existing under the laws of the State of California;
- (b) has full power and authority to take all actions required or permitted to be taken by the Issuer by or under, and to perform and observe the covenants and agreements on its part contained in, this Agreement, the Indenture, and the 2014A Liquidity Facility;
- (c) has, on or before the date hereof, duly taken all action necessary to be taken by it prior to such date to authorize (i) the execution, delivery and performance of this Agreement, the 2014A Liquidity Facility and the Indenture; and (ii) the carrying out, giving effect to, consummation and performance of the transactions and obligations contemplated by the foregoing agreements and by the Remarketing Memorandum;
- (d) has furnished the Remarketing Memorandum, and the information in the Remarketing Memorandum, as of the date of execution and delivery of this Agreement, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, excluding therefrom information under the headings “THE 2014A LIQUIDITY FACILITY,” “PRACTICES AND PROCEDURES RELATED TO WEEKLY RATE AND DAILY RATE BONDS” to the extent such information describes the Remarketing Agent’s internal practices and procedures, APPENDIX D — “BOOK-ENTRY ONLY SYSTEM” and APPENDIX G — “THE 2014A LIQUIDITY FACILITY PROVIDER,” and the information relating to DTC and its book-entry system (collectively, the “Excluded Information”);

(e) will promptly provide to the Remarketing Agent by electronic mail, facsimile or other similar means of communication providing evidence of transmission (collectively, “Electronic Means”) copies of all filings with the Electronic Municipal Market Access (“EMMA”) system maintained by the Municipal Securities Rulemaking Board (“MSRB”) or any substitute system; and

(f) will promptly notify the Remarketing Agent by Electronic Means of:

(i) any material adverse changes that may affect the remarketing of the Bonds;

(ii) any fact or occurrence as a result of which the information in the Remarketing Memorandum or other Disclosure Document described in Section 5 hereof would include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading;

(iii) any proposed adverse determination letter from the Internal Revenue Service with respect to the federal income tax treatment of the Bonds or any adverse tax opinions or other events affecting the tax-exempt status of the Bonds, of which the Issuer shall have knowledge;

(iv) any Event of Default under the Indenture shall occur or any other event which, with notice or lapse of time or both, would constitute an Event of Default thereunder; a substitution of the 2014A Liquidity Facility Provider, or a failure of the 2014A Liquidity Facility Provider to perform under the 2014A Liquidity Facility; any Event of Default, Rating Event or Secondary Coverage Event occurs, or any event which, with notice or lapse of time or both, would constitute an Event of Default, Rating Event or Secondary Coverage Event, under the 2014A Liquidity Facility; or any event of default, rating event or other similar event occurs with respect to any substitute Liquidity Facility in place with respect to the Bonds;

(v) any amendment to the Indenture or the 2014A Liquidity Facility;

(vi) any redemption of the Bonds (other than mandatory sinking account redemption);

(vii) any defeasance of any Bonds;

(viii) any change in the rating on the Bonds; and

(ix) any failure by the Issuer to timely make any filing required under any continuing disclosure undertaking for the Bonds.

The Issuer also agrees to furnish the Remarketing Agent with such additional information concerning the operations and financial condition of the Issuer as the Remarketing Agent may from time to time reasonably request.

Section 9. Term of Agreement. This Agreement shall become effective on the date hereof and shall continue in full force and effect until the payment in full of the Bonds or the earlier

conversion of all Bonds to the Term Rate Period or the Fixed Rate Period, subject to the right of termination as provided herein.

The representations, warranties and agreements of the Issuer set forth herein shall remain in full force and effect regardless of any investigation (or any statement as to the results thereof) made by or on behalf of the Remarketing Agent and shall survive the termination or expiration of this Agreement. The Issuer shall promptly pay to the Remarketing Agent the compensation, in accordance with Section 6, accrued through the effective date of such termination.

Section 10. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 11. Remarketing Agent Not Acting As Underwriter; Remarketing Agent is Not An Advisor.

(a) *Acknowledgement of Limited Responsibilities.* The Issuer acknowledges and agrees to the terms of this paragraph (a). In carrying out its duties hereunder, the Remarketing Agent's responsibility is limited to the use of its best efforts to solicit offers to purchase the Bonds. The Remarketing Agent shall not act as underwriter for any tendered Bonds and shall not be obligated to advance, but shall not be prohibited from advancing, its own funds to purchase any tendered Bonds. The Remarketing Agent, in its individual capacity or for its own account, at its sole discretion and for any one or more reasons, may in good faith buy, sell, own, hold and deal in any of the Bonds, including, without limitation, any Bonds offered and sold by the Remarketing Agent pursuant to this Remarketing Agreement. Such activities may include sales to one or more affiliated investment vehicles for collective ownership or entering into derivative arrangements with affiliates or others. If the Remarketing Agent purchases Bonds for its own account, it may offer those Bonds at a discount to par to some investors. The Remarketing Agent may sell any such Bonds at prices above or below par at any time. In connection with a remarketing of the Bonds, the Remarketing Agent has no obligation to notify purchasers if it does not have third-party buyers for all of the tendered bonds at the remarketing price. As an owner of Bonds, the Remarketing Agent may sell Bonds at varying prices, including at a discount to par or at a premium, to different investors on a date on which the Remarketing Agent is to determine the rate on Bonds or any other date. The Remarketing Agent may join in any action which any owner (or Beneficial Owner) of the Bonds may be entitled to take with like effect as if it were not Remarketing Agent. The Remarketing Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer, and may act as depository, trustee or agent for any committee or body of owners of the Bonds or other obligations of the Issuer as freely as if it were not Remarketing Agent. The Remarketing Agent shall have the right to tender Bonds for purchase pursuant to the terms thereof and shall have other rights of an owner (or Beneficial Owner) of the Bonds at any time that it is the owner (or Beneficial Owner) of any Bonds. The Remarketing Agent shall have no obligation to purchase any tendered Bonds for its own account. The Remarketing Agent may make a secondary market in the Bonds by purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing, but it has no obligation to do so and, in its discretion, can discontinue any such activities at any time. No notice is required regarding any such purchases or any discontinuation of such purchases.

(b) *Limitation on Reliance.* The Issuer acknowledges and agrees, whether or not the Remarketing Agent or any affiliate thereof has advised or is currently advising the Issuer on other matters, that in connection with the remarketing of the Bonds and any other duties or obligations of the Remarketing Agent pursuant to and/or as set forth in this Agreement: (a) the Remarketing Agent is not an advisor (including, without limitation, a Municipal Advisor (as such term is defined in Section 975(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act) or an “advisor”) of, and owes no fiduciary duty to, the Issuer or any other person, (b) the Remarketing Agent’s duties and obligations to the Issuer shall be limited to those contractual duties and obligations expressly set forth in this Agreement, (c) the Remarketing Agent has financial and other interests that differ from those of the Issuer, (d) the Issuer has consulted with those independent legal, financial and any other advisors to the extent it deemed appropriate in connection with any questions or other issues it might have relating to the remarketing of the Bonds, and (e) the transactions contemplated by this Remarketing Agreement are arm’s length, commercial transactions between the Issuer and Remarketing Agent.

(c) *No Implied or Fiduciary Obligations.* Notwithstanding any provisions of this Remarketing Agreement or the Indenture, it is the intention of the Issuer and the Remarketing Agent that the use of the term “agent” with reference to the Remarketing Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom and is intended to create or reflect only an independent contractor relationship between contracting parties, and the Remarketing Agent shall exercise its own independent judgment in connection with its rights and duties as Remarketing Agent. In exercising its rights and duties as Remarketing Agent, the Remarketing Agent is not required to act at the direction of the Issuer, the Trustee, the Tender Agent or the 2014A Liquidity Facility Provider.

(d) *Municipal Advisor Rules.* The Issuer acknowledges that WFBNA may not be able to perform some of the services the Issuer may request of WFBNA from time to time in connection with WFBNA’s engagement as Remarketing Agent to the extent that such services would cause WFBNA to be considered a “municipal advisor” under SEC Rel. No. 34-70462 (Sept. 20, 2013) (such final rules and to the extent referenced therein, Section 975, the “Municipal Advisor Rules”) implementing Section 975 (“Section 975”) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Section 12. Reserved.

Section 13. Intention of Parties. It is the express intention of the parties hereto that any purchase, sale or transfer of any Bonds, as herein provided, shall not constitute or be construed to be the extinguishment of any Bonds or the indebtedness represented thereby or the reissuance of any Bonds.

Section 14. Amendments. The Issuer agrees not to consent to any amendment of the Indenture or the 2014A Liquidity Facility, insofar as any such amendment relates to this Agreement or the rights and duties of the Remarketing Agent, without the prior written consent of the Remarketing Agent. As a condition to such consent, the Remarketing Agent may require that the Issuer consent to a conforming amendment to this Agreement, so that this Agreement shall

represent a comprehensive statement of all the Remarketing Agent's rights, duties, and obligations with respect to the Bonds.

Section 15. Agreement to Provide Rule G-34 Documents; List of Redactions.

(a) In connection with its services under this Agreement, the Remarketing Agent will be required to comply with Rule G-34(c). Rule G-34(c) and related MSRB guidance requires the Remarketing Agent to submit to the MSRB's Short-term Obligation Rate Transparency ("SHORT") System:

(i) certain information with respect to each interest rate determination for variable rate demand obligations; and

(ii) current copies of (A) the Indenture, (B) the 2014A Liquidity Facility, and (C) any amendments of the Indenture or the 2014A Liquidity Facility; ((A) through (C) collectively, the "Liquidity Documents").

(b) In order to assist the Remarketing Agent to comply with its obligations under MSRB Rule G-34(c), the Issuer shall provide to the Remarketing Agent, in the form of a word-searchable PDF file or in such other form as the Remarketing Agent shall notify the Authority in writing is required by the MSRB, the following documents at the following times:

(i) *Initial Documents.* Within five (5) business days of the effective date of this Agreement, a copy of the executed Liquidity Documents;

(ii) *Proposed Amendments.* No later than 10 Business Days prior to the proposed date of any amendment, including an extension or renewal of the expiration date, or replacement or termination of the then current Liquidity Documents, notice by Electronic Means that the current Liquidity Documents are proposed to be amended, extended, renewed, replaced or terminated and the expected date of execution and delivery of the amendment, extension, renewal, replacement or termination of the Liquidity Documents; and

(iii) *Executed Amendments.* Within five (5) business days after the execution and delivery of any amendment, including any renewal, extension, replacement or termination, of the then current Liquidity Documents, a copy of the executed amendment, renewal, extension, replacement or termination thereof.

(c) The Issuer reserves the right to redact any information it deems necessary or appropriate from any document provided pursuant to this Section 15, provided that the unredacted information satisfies the Remarketing Agent's obligations under MSRB Rule G-34(c) and the MSRB guidance with respect thereto.

(d) The Issuer agrees with the Remarketing Agent as follows:

(i) information in the Liquidity Documents that was intended to remain confidential or that could be used in a fraudulent manner may be redacted by the Issuer or the 2014A Liquidity Facility Provider, provided that the unredacted information satisfies the Remarketing Agent's obligations under MSRB Rule G-34(c) and the MSRB guidance with respect

thereto, it being understood that the Remarketing Agent will assume no responsibility for any redaction of such information and will have no liability to the Issuer or any other party for any disclosure of confidential or sensitive information resulting from its compliance with Rule G-34(c); and

(ii) all Liquidity Documents and information filed by the Remarketing Agent pursuant to the requirements of Rule G-34(c) will be publicly available on the MSRB's SHORT System, in the form such Liquidity Documents and information are provided to the Remarketing Agent.

(e) The Issuer shall provide to the Remarketing Agent the documents required to be filed pursuant to this Section 15 at no expense to the Remarketing Agent.

(f) In the event additional legal or regulatory requirements are imposed on the Remarketing Agent's performance of its obligations under this Agreement, the Issuer agrees to cooperate with the Remarketing Agent and shall provide such documents and, to the extent commercially reasonable, take such other steps as may be reasonably requested by the Remarketing Agent in order to comply with such additional requirements.

(g) The Remarketing Agent agrees to deliver to the MSRB pursuant to Rule G-34 only copies of the 2014A Liquidity Facility (including without limitation any amendment thereto or extension thereof) in the forms provided by the 2015 Liquidity Provider, provided that such forms satisfy the Remarketing Agent's obligations under MSRB Rule G-34(c) and the MSRB guidance with respect thereto.

Section 16. Miscellaneous.

(a) Except as otherwise specifically provided in this Agreement, all notices, demands and formal actions under this Agreement shall be in writing and either (i) hand-delivered, (ii) sent by Electronic Means, or (iii) mailed by registered or certified mail, return receipt requested, postage prepaid, to:

The Remarketing Agent:

Wells Fargo Bank, National Association
[address]
Telephone:
Telecopy:
E-mail:

The Issuer:

Sacramento Transportation Authority
431 I Street, Suite 106
Sacramento, California
Attention: Chief Financial Officer
Telephone: (916) 323-0895

Telecopy: (916) 323-0850
E-mail: tim@sacta.org

The Trustee:

U.S. Bank National Association
One California Street, Suite 1000
Mail Code SF CA SFCT
San Francisco, CA 94111
Attention: David A. Jason
Telephone: (415) 677 3622
Facsimile: (415) 677 3769

The 2014A Liquidity Facility Provider:

Sumitomo Mitsui Banking Corporation, New York Branch
277 Park Avenue
New York, New York 10172
Attention: Head of Public and Infrastructure Finance North America
Telephone: (212) 224-4000
Facsimile: (212) 224-5227
Email: NYPublicFinance@smbcgroup.com

The Remarketing Agent, the Issuer, the Trustee, and the 2014A Liquidity Facility Provider may, by notice given under this Agreement, designate other addresses to which subsequent notices, requests, reports or other communications shall be directed.

(b) The obligations of the respective parties may not be assigned or delegated to any other person without the consent of the other party hereto, except that the Remarketing Agent may assign its rights and obligations hereunder to an affiliate of the Remarketing Agent or to an entity succeeding to the business of the Remarketing Agent. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns, and will not confer any rights upon any other person, other than person, if any, controlling the Remarketing Agent within the meaning of the Exchange Act. The terms “successors” and “assigns” shall not include any purchaser or Beneficial Owner of any of the Bonds merely because of such purchase. Neither the 2014A Liquidity Facility Provider nor any Bondholder nor any Beneficial Owner, nor other third party shall have any rights or privileges hereunder.

(c) Nothing herein shall be construed to make any party an employee of the other or to establish any fiduciary relationship between the parties except as expressly provided herein.

(d) If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable for any reason, such circumstances shall not have the effect of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatsoever.

(e) This Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

(f) The Remarketing Agent shall incur no liability to the Authority or any person for its actions as Remarketing Agent pursuant to the terms of this Remarketing Agreement or the Indenture except for its willful misconduct or gross negligence.

[Remainder of This Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SACRAMENTO TRANSPORTATION AUTHORITY

By: _____

Title: _____

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____

Title: _____

[Signature page to Remarketing Agreement]

STANDBY LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

dated as of October 1, 2019

between

SACRAMENTO TRANSPORTATION AUTHORITY

and

SUMITOMO MITSUI BANKING CORPORATION, acting through its New York Branch,
as the Bank

relating to:

\$106,100,000
Sacramento Transportation Authority
Measure A Sales Tax Revenue Refunding Bonds Series 2014A (Limited Tax Bonds)

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EXHIBIT D	—	Form of Compliance Certificate

STANDBY LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

This STANDBY LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT (this “*Agreement*”) dated as of October 1, 2019, is between SACRAMENTO TRANSPORTATION AUTHORITY (together with its successors and assigns permitted hereunder, the “*Authority*”), a local transportation authority duly established and existing under the laws of the State of California, and SUMITOMO MITSUI BANKING CORPORATION, acting through its New York Branch (the “*Bank*”).

WITNESSETH:

WHEREAS, the Authority issued its Sacramento Transportation Authority Measure A Sales Tax Revenue Refunding Bonds Series 2014A (Limited Tax Bonds) (the “*Bonds*”) pursuant to the terms of the Indenture dated as of September 1, 2009 (the “*Original Indenture*”), as supplemented and amended by the First Supplemental Indenture dated as of September 1, 2009, the Second Supplemental Indenture dated as of September 1, 2011, the Third Supplemental Indenture dated as of July 1, 2012, and the Fourth Supplemental Indenture dated as of September 1, 2014 (the “*Fourth Supplemental Indenture*”), each between the Authority and the Trustee (collectively with the Original Indenture, including, in each case, such amendments, modifications or supplements permitted pursuant to the terms thereof and hereof, the “*Indenture*”); and

WHEREAS, the Indenture provides that the Bonds may bear interest at a Daily Rate, Weekly Rate, Commercial Paper Rate, Index Rate, Term Rate or Fixed Rate (each as defined in the Indenture); and

WHEREAS, the Bonds bearing interest at a Daily Rate or a Weekly Rate (each as defined in the Indenture) are subject to purchase, from time to time, at the option of the beneficial owners thereof and are required to be purchased in certain events, and in order to help assure the availability of funds for the payment of the purchase price of the Bonds, the Authority has provided for the remarketing of such Bonds in certain cases, and to the extent such remarketing may not be successful, for the advancement of funds for the purchase of the Bonds by the provider of a liquidity facility, in certain cases, such provider being the Bank under the terms of this Agreement and the Letter of Credit (as hereinafter defined).

NOW, THEREFORE, in consideration of the respective agreements contained herein, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. The following capitalized terms have the meanings indicated below unless the context shall clearly indicate otherwise. Other capitalized terms used in this Agreement and not defined in this Agreement shall have the meaning given those terms in the Indenture.

“Accelerated Redemption Date” has the meaning given that term in Section 3.03(b) hereof.

“Act” means the means the Local Transportation Authority and Improvement Act, Division 19 (Section 180000 *et seq.*) of the Public Utilities Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented.

“Affiliate” means any other Person controlling or controlled by, or under common control with, the Authority or the Bank, as applicable. For purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting rights, membership, the power to appoint members, trustees or directors, by contract or otherwise.

“Agreement” means this Standby Letter of Credit and Reimbursement Agreement, as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms hereof.

“Amortization End Date” means, with respect to any Bank Bond, the earliest to occur of (i) the fifth anniversary of the Bank Purchase Date related to such Bank Bonds, (ii) the fifth anniversary of the Stated Expiration Date, (iii) the Substitution Date, (iv) the date on which the Bonds mature or are redeemed, prepaid or canceled pursuant to the terms of the Related Documents, (v) the Conversion Date, (vi) the date upon which all amounts owing to Bank under this Agreement and the Bank Bonds have become due and payable in full pursuant to Section 7.04(d) of the Agreement, and (vii) the date on which the Letter of Credit is terminated (other than as a result of the Letter of Credit terminating on the Stated Expiration Date) or the amount of the Available Amount is otherwise permanently reduced to zero or this Agreement is otherwise terminated prior to the Termination Date.

“Amortization Payment Date” means, with respect to any Bank Bond, (a) the Amortization Start Date (or if the Amortization Start Date is not a Business Day, then the immediately following Business Day) and each first Business Day of each three month period thereafter occurring prior to the Amortization End Date, and (b) the Amortization End Date.

“Amortization Start Date” means, with respect to any Bank Bond, the one hundred and eightieth (180th) day following the related Bank Purchase Date on which such Bonds are purchased under this Agreement.

“Annual Debt Service” has the meaning given that term on the date hereof in the Original Indenture.

“Authority” has the meaning assigned to that term in the recitals to this Agreement and shall include all permitted successors and assigns.

“Authorized Denominations” has the meaning given that term in the Fourth Supplemental Indenture.

“Authorized Representative” has the meaning given that term in the Original Indenture.

“Available Amount” has the meaning set forth in the Letter of Credit.

“Bank” has the meaning assigned to that term in the recitals to this Agreement and shall include all permitted successors and assigns.

“Bank Bondholder” means the Bank (but only in its capacity as owner (which as used herein shall mean the beneficial owner if at the relevant time Bank Bonds are held in book entry form) of Bonds acquired pursuant to this Agreement) and any other Person to whom the Bank has sold Bank Bonds pursuant to Sections 2.04(a), 5.01(f) or 8.02 hereof.

“Bank Bonds” means each Bond held by a Bank Bondholder, until such Bonds are remarketed in accordance with Section 2.04(b) hereof.

“Bank Purchase Date” means any date on which the Bank is obligated to honor a Liquidity Drawing under the Letter of Credit.

“Bank Rate” means, for each day of determination with respect to any Bank Bond, except as otherwise provided in Section 3.01(b) hereof, (i) for the period from (and including) the Bank Purchase Date through (and including) the date which is 30 calendar days immediately following the related Bank Purchase Date, the Base Rate; (ii) for the period from (and including) the date which is 31 calendar days immediately following the related Bank Purchase Date through (and including) the date which is 90 calendar days immediately following the related Bank Purchase Date, the Base Rate plus one percent (1.00%) per annum; and (iii) for the period from (and including) the date which is 91 calendar days immediately following the related Bank Purchase Date through (and including) the Amortization End Date, the Base Rate plus two percent (2.00%) per annum; *provided* that from and after the occurrence of an Event of Default, Rating Event or Secondary Coverage Event, the Bank Rate shall mean the Default Rate; *provided, further*, that at no time shall a Bank Bond bear interest at a rate less than the rate of interest on Bonds that are not Bank Bonds; and *provided, however*, that the Bank Rate shall never exceed the Maximum Bank Bond Interest Rate.

“Bank Sale Date” has the meaning given that term in Section 2.04(b).

“Base Rate” means, for any day, a fluctuating rate of interest per annum equal to the greatest of (i) the Prime Rate as in effect on such day plus two percent (2.00%), (ii) the Federal Funds Rate as in effect on such day plus three percent (3.00%), (iii) the LIBOR Index Rate as in effect on such day plus three percent (3.00%) (*provided*, that if the LIBOR Index Rate is no longer published, this clause (iii) shall be disregarded for purposes of calculating the Base Rate), (iv) the SIFMA Rate as in effect on such day plus three percent (3.00%) and (v) seven and one-half of one percent (7.50%). Each change in the Base Rate shall take effect at the time of such change in the Prime Rate, the Federal Funds Rate or the LIBOR Index Rate, as the case may be. Each determination of the Base Rate by the Bank will be conclusive and binding on the Authority, absent manifest error.

“Bonds” has the meaning assigned to that term in the recitals to this Agreement and shall include, unless the context otherwise requires, all Bank Bonds.

“Book-Entry Bonds” means the Bonds so long as the book-entry system with the Depository is used for determining beneficial ownership of the Bonds.

“Business Day” means any day other than (i) a Saturday, Sunday, or a day on which banking institutions in the State or 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; (ii) a day upon which commercial banks in the city in which the office of the Bank at which Liquidity Drawing Certificates under the Letter of Credit are to be honored is located are authorized or obligated by law or executive order to be closed; (iii) a day on which the New York Stock Exchange is closed; or (iv) a day on which the payment system of the Federal Reserve System is not operational.

“Closing Date” means October 31, 2019.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and all rules and temporary, proposed or final regulations from time to time promulgated thereunder.

“Conversion Date” means the date the Bonds no longer bear interest at the Daily Rate or the Weekly Rate.

“Covenant Failure” has the meaning given that term in Section 7.01(d).

“Covered Rate” means the Daily Rate, but only if the Bank has provided its prior written consent pursuant to Section 5.01(g)(ii) hereof, and the Weekly Rate.

“Custodian” means U.S. Bank National Association, or any successor thereto appointed pursuant to the terms of the Custody Agreement.

“Custody Agreement” means the Custody Agreement dated as of even date herewith between the Bank and the Custodian, substantially in the form of Exhibit C hereto, as amended from time to time.

“Daily Rate” has the meaning given that term in the Fourth Supplemental Indenture.

“Debt Service Coverage Ratio” means, for any period of calculation, the ratio of Sales Tax Revenues to Annual Debt Service.

“Default Rate” means the Base Rate from time to time in effect plus four percent (4.00%) per annum; *provided, however*, that the Default Rate shall never exceed the Maximum Bank Bond Interest Rate. The Default Rate shall change as and when the Base Rate changes.

“Default Tender” means a mandatory tender of the Bonds as a result of the Bank’s delivery of a Notice of Termination to the Trustee pursuant to Section 7.04(a).

“Defaulted Interest” means accrued interest payable on a Bond that was not paid by the Authority when due under the terms of the Indenture or any amounts accruing on amounts owed on the Bonds by reason of such amounts being not paid when due.

“Deferred Interest” has the meaning given that term in Section 3.01(c).

“Deferred Interest Fee Amount” has the meaning given that term in Section 3.01(c).

“Depository” means The Depository Trust Company, New York, New York.

“Differential Interest Amount” means, with respect to any Bank Bond, the amount (but only if such amount is positive) equal to (a) the amount of interest on Bank Bonds, as provided under this Agreement, payable on each Interest Payment Date to the owners of Bank Bonds minus (b) the amount of interest on Bank Bonds accruing at the applicable rate for Bonds other than Bank Bonds during the same interest rate period with respect to which interest is payable on that Interest Payment Date (which amount shall include interest to but excluding the sale date of the applicable Bank Bonds). *“Differential Interest Amount”* shall not include any Deferred Interest Fee Amount.

“Dollar,” and *“\$”* means the lawful currency of the United States of America.

“Eligible Bonds” means any Bonds bearing interest at a Daily Rate, but only if the Bank has provided its prior written consent pursuant to Section 5.01(g)(ii) hereof, or a Weekly Rate other than Bank Bonds or Bonds owned by, for the account of, or on behalf of, the Authority.

“Environmental Law” means any and all federal, state, local, and foreign statutes, laws, regulations, ordinances, or rules, and all judgments, orders, decrees, permits, concessions, grants, franchises, licenses, permits, agreements or governmental restrictions relating to air, water or land pollution, wetlands, or the protection of the environment or the release of any materials into the environment, including air, water or land and those related to Hazardous Materials, air emissions and discharges to waste or public systems.

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Authority directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

“Event of Default” has the meaning given that term in the lead-in paragraph to Article VII.

“Event of Insolvency” means the occurrence of one or more of the following events:

(a) the Authority shall (i) commence a voluntary case or other proceeding seeking liquidation, reorganization, arrangement, adjustment, winding-up, dissolution, composition or other similar relief with respect to itself or its indebtedness under any bankruptcy, insolvency, reorganization or other similar law for the relief of debtors now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for it or a substantial part of its property (other than pledging all of the Revenues to the Trustee under the Indenture or any acknowledgement thereof or consent thereto), (ii) consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, (iii) make a general assignment for the benefit of creditors, (iv) admit in writing its inability to pay its indebtedness as it becomes due, or (v) take any official action through its governing board to authorize any of the foregoing; or

(b) any of the following shall occur with respect to the Authority: (i) an involuntary case or other proceeding shall be commenced in a court of competent jurisdiction against the Authority seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property (other than pledging all of the Revenues to the Trustee under the Indenture or any acknowledgement thereof or consent thereto) and either (A) the Authority shall consent in writing to such action or (B) such case shall not be dismissed within sixty (60) days, (ii) an order for relief shall be entered against the Authority under the federal bankruptcy laws as now or hereafter in effect or pursuant to any other State or federal laws concerning insolvency or of similar purpose, (iii) a final and non appealable debt moratorium, debt adjustment, debt restructuring or comparable extraordinary restriction with respect to the payment of principal or interest on the Bonds or any Parity Bonds of the Authority shall be declared or imposed pursuant to a finding or ruling by the Authority, the United States of America, the State, any instrumentality thereof or any other Governmental Authority of competent jurisdiction over the Authority, or (iv) the issuance, under any bankruptcy, insolvency, reorganization or other similar law of any state or of the United States of America for the relief of debtors now or hereafter in effect, of an order of rehabilitation, liquidation or dissolution of the Authority.

“Excluded Taxes” means, in the case of a Bank or any Participant, taxes imposed on its overall net income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Bank or such Participant is incorporated or organized or the jurisdiction in which such Bank’s or such Participant’s principal executive office or such Bank’s office at the address listed in Section 8.07 hereof or such Participant’s applicable lending office is located.

“Extended Purchase Period” has the meaning given to that term in Section 8.05.

“Facility Fee Rate” has the meaning given that term in the Fee Agreement.

“Facility Fees” has the meaning given that term in the Fee Agreement.

“Federal Funds Rate” means for any day (*provided* that if such day is not a Business Day, the Federal Funds Rate shall be the equal to the Federal Funds Rate for the immediately preceding Business Day) the rate of interest per annum as determined by the Bank at which overnight Federal Funds are offered to the Bank for such day by major banks in the interbank market, with any change in such rate to become effective as to the Authority on the date of any change in such rate. Each determination of the Federal Funds Rate by the Bank shall be deemed conclusive and binding on the Authority absent manifest error. Notwithstanding anything herein to the contrary, if the Federal Funds Rate as determined as provided above would be less than zero percent (0.0%), then the Federal Funds Rate shall be deemed to be zero percent (0.0%).

“Fee and Expense Obligations” has the meaning given that term in the Indenture.

“Fee Agreement” means that certain Fee Agreement dated October 31, 2019, between the Authority and the Bank, as amended, restated, modified or supplemented from time to time in accordance with the terms thereof and hereof.

“Fitch” means Fitch Ratings, Inc. and its successors and assigns.

“Fixed Rate” has the meaning given that term in the Fourth Supplemental Indenture.

“Fourth Supplemental Indenture” has the meaning assigned to that term in the recitals to this Agreement.

“GAAP” means generally accepted accounting principles in the United States of America as in effect from time to time, applied by the Authority on a basis consistent with the Authority’s most recent financial statements.

“Governmental Authority” means any national, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasi-governmental, judicial, public or statutory instrumentality, authority, body, tribunal, agency, bureau, court or entity (including the Federal Deposit Insurance Corporation or the Federal Reserve Board, any central bank or any comparable authority).

“Gross Available Amount” means the Available Amount without regard to any reductions thereto that may be reinstated pursuant to the terms of the Letter of Credit, including without limitation, any Liquidity Drawing.

“Hazardous Materials” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

“Immediate Rating Event” has the meaning assigned to such term in Article VII.

“Immediate Termination Event” has the meaning given that term in Section 7.02.

“Indebtedness” means and includes all items that would be classified as a liability of the Authority in accordance with GAAP, including, without limitation, (a) indebtedness or liability for borrowed money, or for the deferred purchase price of property or services (excluding trade accounts payable in the ordinary course of business); (b) obligations as lessee under leases which should have been, or should be, recorded as capital leases in accordance with generally accepted accounting principles; (c) all guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any other Person or otherwise to assure a creditor against loss; and (d) obligations secured by any mortgage, lien, pledge, security interest or other charge or encumbrance on property, whether or not the obligations have been assumed.

“Indenture” has the meaning set forth in the recitals hereof.

“Independent Consultant” means an independent consulting firm which is appointed by the Authority for the purpose of preparing Sales Tax Revenue projections on behalf of the Authority, has a favorable reputation for skill and experience in performing similar services in respect of entities of a comparable size and nature and is acceptable to the Bank.

“Initial Mandatory Redemption Date” has the meaning given that term in Section 3.03(b) hereof.

“Initial Swaps” means (a) the Swap Agreement executed and delivered by the Authority on October 18, 2006, to Bank of America, N.A., as amended, (b) the Swap Agreement executed and delivered by the Authority on October 18, 2006, to Goldman Sachs Capital Markets, L.P., as amended and (c) the Swap Agreement executed and delivered by the Authority on October 18, 2006, to Bear Stearns Financial Products Inc., as amended by the Assignment Agreement dated as of April 14, 2009, by and among Bear Stearns Financial Products Inc., the Authority and JPMorgan Chase Bank, N.A. and by the Amended and Restated Confirmation effective as of April 14, 2009 between the Authority and JPMorgan Chase Bank, N.A., and as further amended to date.

“Interest Component” means the aggregate amount of the Purchase Price comprising interest on any Bond purchased by the Bank in accordance with the terms hereof.

“ISP” means, with respect to the Letter of Credit, the “International Standby Practices 1998” published by the Institute of International Banking Law & Practice, Inc.

“Interest Payment Date” with respect to Bonds which are not Bank Bonds, has the meaning assigned in the Fourth Supplemental Indenture; with respect to Bank Bonds, means each of the days described in Section 3.02.

“Letter of Credit” means the Bank’s Standby Letter of Credit No. LG/MIS/NY-160075 dated October 31, 2019, issued by the Bank in favor of the Trustee on behalf of the Authority, substantially in the form attached hereto as Exhibit A, as amended, supplemented, restated or otherwise modified from time to time in accordance with the terms hereof and thereof.

“LIBOR Index Rate” means, for any interest calculation with respect to clause (iii) of the definition of Base Rate for any date, the rate per annum (rounded upwards, if necessary to the nearest 1/1000 of 1.00%) for deposits in Dollars for a period equal to one (1) month, which appears on the Reuters LIBOR01 Page (or such other page as may replace Reuters LIBOR01 Page or such other service or services as may be nominated by ICE Benchmark Administration for the purpose of displaying London interbank offered rates for United States dollar deposits) as of 11:00 a.m. (London, England time) on such date (or, if such day is not a Business Day, on the immediately preceding Business Day). In the event that the LIBOR Index Rate is less than zero for any day, it shall be deemed to be zero for such day for purposes of this Agreement.

“Lien” means any mortgage, lien, security interest, pledge, charge or encumbrance of any kind in respect of any Property, including the interests of a vendor or lessor under any conditional sale, capital lease or other title retention arrangement.

“Liquidity Drawing” means any drawing on the Letter of Credit accompanied by a certificate in the form attached as Annex A to the Letter of Credit in order to pay the purchase price of Bonds (other than other than Defaulted Interest) tendered for purchase pursuant to the Fourth Supplemental Indenture and not remarketed.

“Liquidity Drawing Certificate” means a certificate substantially set forth in the form of Annex A to the Letter of Credit.

“Maximum Annual Debt Service” has the meaning given that term in the Original Indenture.

“Maximum Bank Bond Interest Rate” means the lesser of (i) the Maximum Lawful Rate and (ii) eighteen percent (18%) per annum.

“Maximum Lawful Rate” means the maximum rate of interest on the relevant obligation permitted by applicable law without regard to any filing made by a lender with respect to notice of rates in excess of any statutory or regulatory threshold interest rate.

“Modified Parity Obligations” means (i) any indebtedness, installment sale obligation, lease obligation or other obligation of the Authority for borrowed money or (ii) the Initial Swaps and any other Interest Rate Swap Agreement (excluding fees and expenses and termination payments on Interest Rate Swap Agreements, which fees and expenses and termination payments shall be secured as Fee and Expense Obligations) entered into in connection with a Series of Bonds, in each case incurred in accordance with Section 3.05(C) of the Indenture, which obligations are secured thereunder by a lien and charge upon the Sales Tax Revenues on a parity with the Bonds (whether or not any Bonds are Outstanding). For purposes of this definition, Bonds has the meaning given that term in the Indenture.

“Moody’s” means Moody’s Investors Service, Inc. and its successors and assigns.

“Notice of Termination” has the meaning given that term in Section 7.04(a).

“*Notice Rating Event*” has the meaning given that term in Article VII.

“*Notice Termination Date*” has the meaning given that term in Section 7.04(a).

“*OFAC*” has the meaning given that term in Section 4.01(v) hereof.

“*Other Taxes*” has the meaning given that term in Section 2.07(a).

“*Parity Bonds*” means all Bonds (as defined in the Indenture) outstanding under the Indenture which are secured by a pledge of the Sales Tax Revenues on a parity basis with, or senior to, the Bonds, excluding the Bonds (as defined in this Agreement).

“*Parity Obligations*” has the meaning set forth in the Original Indenture.

“*Participants*” has the meaning given that term in Section 8.02.

“*Patriot Act*” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Title III of Pub. L. 107-56 (signed into law October 26, 2001).

“*Payment Date*” means, with respect to any Bank Bond, the earliest to occur of (i) the Amortization End Date, (ii) the Conversion Date, (iii) the date on which no Bonds are Outstanding, (iv) the effective date of a Substitute Liquidity Facility, (v) the date on which the Letter of Credit is terminated or the amount of the Available Amount is otherwise permanently reduced to zero or this Agreement or the Letter of Credit is otherwise terminated prior to the Stated Expiration Date, and (vi) the date of the acceleration of all Bank Bonds pursuant to Section 7.04(b).

“*Payment Office*” means the wire transfer instructions of the Bank as described in Section 8.07 hereof.

“*Person*” means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or a political subdivision or an agency or instrumentality thereof.

“*Potential Default*” means the occurrence of any event which, with the passage of time, the giving of notice, or both, would become an Event of Default.

“*Prime Rate*” means, for any day, the rate per annum established by the Bank from time to time as its “*prime rate*” for U.S. dollar loans, or its equivalent, as is in effect on such day, any change in such rate to be effective on the date such change is effective for the Bank’s purposes, it being understood that such rate shall not necessarily be the best or lowest rate of interest available to the Bank’s best or most preferred prime, large commercial customers. Each determination of the Prime Rate by the Bank shall be conclusive and binding on the Authority absent manifest error. The Prime Rate is a reference rate only, and the Bank may make loans from time to time at interest rates above, equal to or below the Prime Rate. Notwithstanding anything herein to the contrary, if

the Prime Rate determined as provided above would be less than zero percent (0.0%), then the Prime Rate shall be deemed to be zero percent (0.0%).

“*Property*” means any and all rights, titles and interests in and to any and all property, whether real or personal, tangible (including cash) or intangible, wherever situated and whether now owned or hereafter acquired.

“*Purchase Price*” with respect to any Bond or portion thereof on a Bank Purchase Date therefor, means the unpaid principal amount thereof plus accrued interest thereon, other than Defaulted Interest, to but excluding such Bank Purchase Date, in each case without premium; *provided* that if the applicable Bank Purchase Date is an Interest Payment Date, interest payable on such Bond on such Interest Payment Date shall not be taken into account in the computation of the Purchase Price payable by the purchaser of such Bond.

“*Purchase Termination Date*” means the close of business on the date on which the Bank is no longer required to purchase Tendered Bonds pursuant to Section 7.04(a), (b) or (c).

“*Rating Agencies*” means (i) S&P (to the extent S&P is then rating the Bonds or any Parity Bonds or Parity Obligations, as the context may require), (ii) Moody’s (to the extent Moody’s is then rating the Bonds or any Parity Bonds or Parity Obligations, as the context may require), (iii) Fitch (to the extent Fitch is then rating the Bonds or any Parity Bonds or Parity Obligations, as the context may require) or (iv) any successor or additional rating agency (to the extent such successor or additional rating agency is then rating the Bonds or any Parity Bonds or Parity Obligations, as the context may require at the written request of the Authority with the written consent of the Bank).

“*Rating Event*” has the meaning given that term in Article VII.

“*Reduction Fee*” has the meaning given that term in the Fee Agreement.

“*Related Documents*” means the Indenture (including the Fourth Supplemental Indenture), the Bonds, this Agreement, the Fee Agreement, the Letter of Credit, the Custody Agreement and the Remarketing Agreement, as the same may be amended or modified from time to time in accordance with their respective terms and the terms hereof.

“*Remarketing Agent*” means (i) Wells Fargo Bank, National Association, and its permitted successors and assigns, and (ii) any permitted successor to the foregoing under the Indenture and this Agreement.

“*Remarketing Agreement*” means (i) the Remarketing Agreement dated as of October [], 2019, between the Remarketing Agent and the Authority, as amended, modified or supplemented from time to time in accordance with the terms thereof and hereof, and (ii) any other remarketing agreement entered into between a Remarketing Agent and the Authority, as amended, modified or supplemented from time to time in accordance with the terms thereof and hereof.

“*Remarketing Memorandum*” means the Remarketing Memorandum (and any documents incorporated therein by reference and any exhibits or attachments thereto and any amendments thereof or supplements thereto) dated October [___], 2019, relating to the Bonds.

“*Revenues*” has the meaning set forth in the Original Indenture.

“*S&P*” means S&P Global Ratings and its successors and assigns.

“*Sale Price*” has the meaning given that term in Section 2.04(b).

“*Sales Tax Revenues*” has the meaning set forth in the Original Indenture.

“*Secondary Coverage Event*” means the event set forth in Section 7.01(l).

“*Security*” means the pledge of the Revenues by the Authority pursuant to the Indenture, together with all other amounts held on deposit in the funds and accounts established thereunder subject to the terms of the Indenture.

“*SIFMA*” means the Securities Industry and Financial Markets Association (formerly known as The Bond Market Association and the Public Securities Association), and any successor organization.

“*SIFMA Rate*” 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 Bloomberg and published or made available by SIFMA or any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Bank and effective from such date. In the event Bloomberg no longer produces an index satisfying the requirements of the preceding sentence, the SIFMA Rate (a/k/a, the “*SIFMA Municipal Swap Index*”) shall be deemed to be the S&P Municipal Bond 7 Day High Grade Rate Index, or if either such index is not available, such other similar national index as reasonably designated by the Bank. In the event that the SIFMA Rate is less than zero for any day, it shall be deemed to be zero for such day for purposes of this Agreement.

“*State*” means the State of California.

“*Stated Expiration Date*” means the date set forth in the Letter of Credit as the date on which the Letter of Credit is stated to expire (initially, October 30, 2024), unless terminated in accordance with the terms of the Letter of Credit or as extended from time to time pursuant to the terms of the Letter of Credit and this Agreement.

“*Subordinate Obligations*” has the meaning given that term in the Indenture.

“*Substitute Liquidity Facility*” means a replacement standby bond purchase agreement or other liquidity facility meeting the requirements of an “*Alternate Liquidity Facility*” set forth in the Indenture.

“*Substitution Date*” means the date on which a Substitute Liquidity Facility is accepted by the Trustee and becomes effective.

“*Suspension Event*” has the meaning given that term in Section 7.03.

“*Swap Agreement*” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross- currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc. or any International Foreign Exchange Master Agreement, including any such obligations or liabilities thereunder.

“*Taxes*” has the meaning given that term in Section 2.07(a).

“*Tendered Bonds*” means, as of any date, Eligible Bonds which are tendered or deemed tendered for purchase pursuant to Section 34.04, Section 34.05(a)(1), Section 34.05(a)(2) or Section 34.05(a)(5) of the Fourth Supplemental Indenture.

“*Termination Date*” has the meaning set forth in the Letter of Credit.

“*Trustee*” means U.S. Bank National Association, together with any permitted successors and assigns, and shall further include any successor trustee appointed for the Bonds.

“*2009C Bonds*” has the meaning given that term in Section 5.01(e).

“*U.S. Bank SBPA*” has the meaning given that term in Section 5.01(e).

“*Weekly Rate*” has the meaning given that term in the Fourth Supplemental Indenture.

“*Written*” or “*in writing*” means any form of written communication or a communication by means of telex, telecopier or facsimile device, telegraph or cable.

Section 1.02. Interpretation. In this Agreement, the singular includes the plural and the plural the singular; words importing any gender include the other genders; references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; the word “including” shall be deemed to be followed by the words “without limitation.” All references to Sections and Exhibits shall be deemed references to Sections of and Exhibits to this Agreement unless the context shall otherwise require.

Section 1.03. Accounting Matters. All accounting terms used herein without definition shall be interpreted in accordance with GAAP, and except as otherwise expressly provided herein all accounting determinations required to be made pursuant to this Agreement shall be made in accordance with GAAP.

ARTICLE II

THE LETTER OF CREDIT; FEES

Section 2.01. Issuance of the Letter of Credit. Upon the terms, subject to the conditions and relying upon the representations and warranties set forth in this Agreement or incorporated herein by reference, the Bank agrees to issue the Letter of Credit (substantially in the form of Exhibit A hereto). The Letter of Credit shall be in the original stated amount of \$107,285,995 (the “*Original Stated Amount*”), which is the sum of (a) the principal amount of the outstanding Bonds on the Closing Date, plus (b) interest thereon at a rate of 12% per annum for a period of thirty-four (34) days, calculated on the basis of a 365-day year.

Section 2.02. Letter of Credit Drawings . The Trustee is authorized to make Liquidity Drawings under the Letter of Credit in accordance with its terms. Each Liquidity Drawing under the Letter of Credit shall be made for the payment of the Purchase Price of Eligible Bonds. The Authority hereby directs the Bank to make payments under the Letter of Credit in the manner therein provided. The Authority hereby irrevocably approves reductions and reinstatements of the Available Amount with respect to the Letter of Credit as provided in the Letter of Credit. Upon honoring any Liquidity Drawing, the Bank shall be deemed to have made a loan to the Trustee the proceeds of which shall be used to purchase the Bank Bonds in respect of which such Liquidity Drawing is made.

So long as the Bonds are issued in book-entry form and held by the Trustee as custodian of the Depository as part of the Depository’s fast automated transfer program (“*FAST Eligible Bonds*”), concurrently with the Trustee’s receipt of the Purchase Price for each purchase of Tendered Bonds by the Bank pursuant to a Liquidity Drawing under the Letter of Credit, the Trustee, as a participant of the Depository (or any other successor securities depository) or an eligible transfer agent, shall make a direct registration electronic book-entry (A) crediting the Depository account designated by the Bank as its account in which to hold Bank Bonds purchased by it (each, the “*Bank Book-Entry Account*”) by the principal amount of the Bonds purchased hereunder by the Bank using the Bank Bond CUSIP number for such Bonds set forth below; and (B) debiting the book-entry account of the Depository for the Bonds (the “*DTC Book-Entry Account*”) (thereby reducing the principal balance of the global certificate representing the Tendered Bonds) by the principal amount of the Bonds purchased hereunder by the Bank. The CUSIP number for the Bonds that are Bank Bonds is [_____]. So long as the Bonds are FAST Eligible Bonds, upon a remarketing of Bank Bonds in accordance with the terms of this Agreement and the Trustee’s receipt from the Remarketing Agent (or, at the sole option of the Authority, from the Authority) of the amounts set forth in Section 2.04(b), the Trustee, as a participant of the Depository (or any other successor securities depository) or an eligible transfer agent, shall make a direct registration electronic book-entry in its records (A) debiting the Bank Book-Entry Account of the Bank by the principal amount of the Bonds so remarketed; and (B) crediting the DTC

Book-Entry Account for such Bonds (thereby increasing the principal balance of the global certificate representing such Bonds) by the principal amount of the Bonds so remarketed. The Trustee acknowledges that it is familiar with the procedures and requirements set forth in a notice from The Depository Trust Company, dated April 4, 2008, respecting “Variable Rate Demand Obligations (“VRDO”) Failed Remarketings and Issuance of Bank Bonds”, as amended by DTC Notice number B3488-08, dated May 15, 2008, and agrees that, with respect to any and all Bank Bonds, it will follow the procedures and requirements set forth in such notice, as the same may be amended from time to time. To the extent that, following any amendment of such notice, the procedures and requirements therein should become inconsistent with any aspect of the preceding provisions, the Trustee, the Authority and the Bank shall promptly negotiate in good faith and agree upon amendments of the preceding provisions so as to eliminate such inconsistency.

If the Bonds are no longer FAST Eligible Bonds, concurrently with the receipt of the Purchase Price for each purchase of Tendered Bonds by the Bank pursuant to a Liquidity Drawing under the Letter of Credit, the Trustee shall cause each Bank Bond to be registered in the name of the Bank and shall be held by the Trustee as the agent, bailee and custodian (in such capacity, the “Custodian”) of the Bank for the exclusive benefit of the Bank. The Custodian acknowledges and agrees that it is acting and will act with respect to Bank Bonds at the direction of the Bank for the exclusive benefit of the Bank and is not and shall not at any time be subject in any manner or to any extent to the direction or control of the Authority or any other Person with respect to the Bonds. The Custodian agrees to act in strict accordance with the Indenture and this Agreement and in accordance with any lawful written instructions delivered to the Custodian from time to time pursuant hereto by the Bank to the extent not inconsistent with the Indenture. Under no circumstances shall the Custodian deliver possession of the Bonds to, or cause Bonds to be registered in the name of, the Authority, the Remarketing Agent or any Person other than the Bank except in accordance with the express terms of the Indenture and this Agreement or otherwise upon the written instructions of the Bank to the extent not inconsistent with the Indenture. If, while this Agreement is in effect, the Custodian shall become entitled to receive or shall receive any payment in respect of any Bank Bonds held for the Bank, the Custodian agrees to accept the same as the Bank’s agent and to hold the same in trust on behalf of the Bank and to deliver the same forthwith to the Bank’s Payment Office. Upon the remarketing of any Bank Bonds and the Trustee’s receipt from the Remarketing Agent (or, at the sole option of the Authority, the Authority) of the amounts set forth in Section 2.04(b), the Custodian shall release Bank Bonds in a principal amount equal to the principal amount so remarketed to the Remarketing Agent or the Authority, as the case may be, in accordance with the terms of the Indenture. The Custodian may rely and shall be protected in acting upon any document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Custodian shall not be liable for any error in judgment made in good faith by its responsible officers, employees and agents unless the Custodian, its responsible officers, employees or agents were negligent or engaged in willful misconduct. Anything herein to the contrary notwithstanding, the Custodian shall have no liability hereunder for any act or omission except as shall result from its negligence or willful misconduct. Except as provided above, without the prior written consent of the Bank, the Custodian agrees that it will not sell, assign, transfer, exchange or otherwise dispose of, or grant any option with respect to, Bank Bonds, and will not create, incur or permit to exist any pledge, lien, mortgage, hypothecation, security interest, charge, option or any other encumbrance or take any other action with respect to the Bank Bonds, or any interest therein, or any proceeds thereof. The Custodian

shall deliver to the Bank at the Bank's request such information as may be in the possession of the Custodian with respect to such Bank Bonds. If the Custodian is holding Bank Bonds, the Custodian, at its own expense, shall maintain and keep in full force and effect: fidelity insurance; theft of documents insurance; forgery insurance; and errors and omissions insurance (which may be maintained by self-insurance). All such insurance shall be in amounts, with standard coverage and subject to deductibles that are customary for insurance typically maintained by a bank or other financial institution acting as custodian.

Section 2.03. Termination or Reduction of the Letter of Credit.

(a) *Mandatory Reduction of Commitment.* Upon receipt by the Bank of notice of (i) any redemption, repayment, defeasance or other payment or deemed payment pursuant to the Indenture of all or any portion of the principal amount of the Bonds (other than Bank Bonds) so that said Bonds shall have ceased to be Outstanding under the Indenture, or (ii) any conversion of all or any portion of the principal amount of the Bonds to an interest rate other than a Daily Rate or a Weekly Rate, then in each case, the Authority shall cause the Trustee to send the related annex to the Letter of Credit to the Bank to reduce the Available Amount of the Letter of Credit by the principal amount of said Bonds so redeemed, repaid, defeased or otherwise deemed paid, or otherwise converted and 34 days' interest thereon at the Cap Interest Rate (as defined in the Letter of Credit); *provided* that at the date of any such event, the Authority shall pay all other amounts owing to the Bank hereunder (including all accrued and unpaid Differential Interest Amounts and Deferred Interest Fee Amounts and all interest thereon). The Trustee shall cause written notice of such redemption, repayment, defeasance, other payment or conversion to be promptly delivered to the Bank.

(b) *Voluntary Termination or Reduction of Commitment.* The Authority may terminate and replace the Letter of Credit, at any time, with a Substitute Liquidity Facility by giving the Bank and the Trustee not less than thirty (30) days' notice in writing to such effect; *provided* that: (1) the provider of a Substitute Liquidity Facility shall agree, in a manner acceptable to the Bank, to purchase on the Substitution Date any and all Bank Bonds, not otherwise remarketed, held by or on behalf of a Bank Bondholder at a purchase price equal to the principal amount of such Bank Bonds plus accrued interest thereon at the interest rate at which the Bonds are remarketed, and (2) at the date of such purchase, the Authority and/or such provider shall pay all other amounts owing to the Bank hereunder (including all accrued and unpaid Differential Interest Amounts and Deferred Interest Fee Amounts and all interest thereon). The Letter of Credit shall terminate pursuant to its terms on the date on which a Substitute Liquidity Facility has become effective, so long as the Bank has honored any purchase of Bonds resulting from such substitution in accordance with the terms of this Agreement and the Indenture.

(c) *Termination of the Letter of Credit.* The Letter of Credit shall automatically terminate at 5:00 pm on the Termination Date.

(d) *No Other Termination.* Except as specifically provided in the Letter of Credit, this Section 2.03 or otherwise in Article VII, no Person shall have the right to reduce or terminate the Letter of Credit.

Section 2.04. Sale of Bank Bonds.

(a) *Right to Sell Bank Bonds.* The Bank expressly reserves the right to sell, at any time, Bank Bonds subject, however, to the express terms of this Agreement. The Bank agrees that such sales (other than sales made pursuant to Section 2.04(b)) will be made only to institutional investors or other entities that customarily as part of their business purchase commercial paper or tax-exempt securities in large denominations. The Bank agrees to promptly notify the Trustee, the Authority and the Remarketing Agent in writing of any such sale (other than a sale made pursuant to Section 2.04(b)) and shall provide the Trustee and the Authority with the written agreement of each transferee (A) acknowledging the terms of this Agreement relating to its purchase of Bonds, (B) acknowledging that there is no short-term investment rating assigned to such Bond so long as it remains a Bank Bond, (C) agreeing not to sell such purchased Bank Bond except for sales to the Bank, sales to a purchaser identified by the Remarketing Agent pursuant to Section 2.04(b) and sales to institutional investors or other entities that customarily as part of their business purchase commercial paper or tax-exempt securities in large denominations which agree to be bound by the sale restrictions of this Section 2.04(a), (D) agreeing that such Bond is subject to sale, and may cease to be a Bank Bond, as provided in this Section 2.04, and providing instructions for how to notify such transferee of such sale, and (E) acknowledging that so long as such Bond remains a Bank Bond, the Bank is not obligated to purchase it hereunder.

(b) *Sales by Remarketing Agent.* The Bank and each other Bank Bondholder, by the acceptance by each of a Bank Bond, hereby authorize the Remarketing Agent to sell Bank Bonds purchased pursuant to Section 2.02 on behalf of the Bank or such Bank Bondholder pursuant to the Indenture and in accordance with applicable securities law at a price equal to the principal amount thereof plus unpaid accrued interest thereon to but excluding the date such Bank Bonds are to be sold (a “*Bank Sale Date*”) pursuant to this Section 2.04(b) at the interest rate to be borne by the Bonds after such sale or, if less, the Bank Rate (the “*Sale Price*”). If less than all Bank Bonds are remarketed on any date, the Bank Bonds having the highest aggregate amount of Deferred Interest payable shall be deemed to be remarketed first. Any sale of a Bank Bond pursuant to this Section 2.04(b) shall be without recourse to the seller and without representation or warranty of any kind. The Bank agrees to deliver and, by its acceptance of a Bank Bond, each other Bank Bondholder agrees to deliver (but only upon receipt by the Bank or such other Bank Bondholder of Dollars in the amount of the Sale Price) to the Trustee each certificate representing a Bank Bond sold by it pursuant to this Section 2.04(b), including without limitation certificates representing Bank Bonds which are deemed to have been delivered in accordance with the provisions of the Indenture.

(c) *Option to Purchase Bonds.* (i) Notwithstanding the foregoing or anything else contained in this Agreement, the Bank and each other Bank Bondholder shall have the right, by not less than one (1) Business Day’s prior written notice to the Remarketing Agent, to elect to purchase any Bank Bonds or any portion thereof at the then applicable Sale Price from the Remarketing Agent pursuant to Section 2.04(b), prior to the sale of such then Bank Bond by the Remarketing Agent to any third party.

(ii) After any sale of Bank Bonds by the Remarketing Agent pursuant to Section 2.04(b) and payment to the applicable Bank Bondholder of the outstanding principal and interest accrued

on the Bank Bonds so sold, or after any election by a Bank Bondholder to purchase such Bank Bonds or, any portion thereof through the Remarketing Agent pursuant to Section 2.04(c)(i), such Bank Bonds so sold or as to which such right of purchase shall have been exercised by the Bank or such other Bank Bondholder, shall from such sale date or upon such exercise cease to be Bank Bonds for purposes of this Agreement and the Indenture, shall cease to bear interest at the Bank Rate and shall bear interest at the rate for Bonds other than Bank Bonds (and the Available Amount of the Letter of Credit shall be increased in the same amount as would be the case if said Bonds had been remarketed). Bank Bonds held by the Bank or such other Bank Bondholder bearing interest at the rate for Bonds other than Bank Bonds may be tendered for purchase in accordance with and to the extent permitted by the Indenture by notice from the holder of said Bonds to the Remarketing Agent.

(d) *Payment of Differential Interest Amount and Deferred Interest Fee Amount.* Following any sale of Bank Bonds, pursuant to Section 2.04(b) or otherwise, or any election to purchase Bonds pursuant to Section 2.04(c), the Bank shall retain the right to receive payment from the Authority of any accrued Differential Interest Amount and any Deferred Interest Fee Amount and interest thereon as provided herein and in the Indenture. Any Differential Interest Amount and any Deferred Interest Fee Amount payable on Bank Bonds sold by the Remarketing Agent shall be payable by the Authority to the Bank on the earlier of (i) the occurrence of an Immediate Termination Event or Immediate Rating Event and (ii) the Interest Payment Date next succeeding the applicable Bank Sale Date or if the Bank Sale Date is an Interest Payment Date, then on such Bank Sale Date.

(e) *Rights of Bank Bondholders.* Upon purchasing Bank Bonds, Bank Bondholders shall be entitled to and, where necessary, shall be deemed assigned all rights, privileges and security accorded bondholders as provided in the Bonds and the Indenture, other than the right to have such Bond purchased with amounts drawn hereunder.

Section 2.05. Fees. The Authority agrees to perform its obligations provided for in the Fee Agreement, including, without limitation, the payment of all of the fees, costs, expenses and other amounts provided for therein at the times and in the amounts as set forth therein, the terms of which Fee Agreement are incorporated herein by this reference as if fully set forth herein. Any reference herein or in any other document to fees and/or other amounts or obligations payable hereunder shall include, without limitation, all fees and other amounts or obligations payable pursuant to the Fee Agreement, and any reference to this Agreement shall be deemed to include a reference to the Fee Agreement.

Section 2.06. Compensation for Increased Costs.

(a) *Yield Protection.* If, on or after the date of this Agreement, the adoption of any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any change in the interpretation, promulgation, implementation or administration thereof by any governmental or quasi-governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, including, notwithstanding the foregoing, all requests, rules, rulings, guidelines or directives in connection with the Dodd-Frank Wall Street Reform and Consumer Protection Act regardless of

the date enacted, adopted or issued, or compliance by the Bank or any Participant with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency: (i) subjects the Bank or any Participant to any Taxes, or changes the basis of taxation of payments (other than with respect to Excluded Taxes) to the Bank or any Participant in respect of this Agreement, the Letter of Credit or participations therein, or (ii) imposes or increases or deems applicable any reserve, liquidity ratio, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, the Bank or any Participant (other than reserves and assessments taken into account in determining the applicable interest rate), or (iii) imposes any other condition the result of which is to increase the cost to the Bank or any Participant of making, funding or maintaining any amount advanced under this Agreement, the Letter of Credit, or of issuing or participating in the Letter of Credit or this Agreement, or reduces any amount receivable by the Bank or any Participant in connection with the Letter of Credit or this Agreement or participations therein, or requires the Bank or any Participant to make any payment calculated by reference to the amount of this Agreement, the Letter of Credit or participations therein held or interest or Facility Fees received by it, by an amount deemed material by the Bank or such Participant, as the case may be, and the result of any of the foregoing is to increase the cost to the Bank or such Participant, as the case may be, of making or maintaining any amount advanced under the Letter of Credit or this Agreement or of issuing or participating in the Letter of Credit or this Agreement or to reduce the return received by the Bank or such Participant, as the case may be, in connection with the Letter of Credit or this Agreement or participations therein, then, within 30 days of written demand by the Bank or any Participant, as the case may be, the Authority shall pay the Bank or such Participant, as the case may be, such additional amount or amounts as will compensate the Bank or such Participant, as the case may be, for such increased cost or reduction in amount received. The Bank shall provide to the Authority a statement of the amount and basis of calculation of any such increased cost, reduction in return and/or revenue, which statement shall be conclusive and binding on the Authority, absent manifest error. Such increased compensation shall be reduced or eliminated if the event causing such increase is modified or ceases to exist.

(b) *Changes in Capital Adequacy Regulations.* If the Bank or any Participant determines the amount of capital or liquidity required or expected to be maintained by the Bank or such Participant, or any corporation controlling the Bank or such Participant, is increased as a result of a Change, then, within 30 days of written demand by the Bank or such Participant, the Authority shall pay the Bank or such Participant the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital or liquidity which the Bank or such Participant determines is attributable to the Letter of Credit or this Agreement or participation therein, as the case may be, hereunder (after taking into account the Bank's or such Participant's policies as to capital adequacy), which determination shall be conclusive and binding on the Authority, absent manifest error. "Change" means (x) any change after the date of this Agreement or the Letter of Credit in the Risk-Based Capital Guidelines or (y) any adoption of or change in any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) or in the interpretation, promulgation, implementation or administration thereof after the date of this Agreement or the Letter of Credit which affects the amount of capital or liquidity required or expected to be maintained by the Bank or any Participant or any corporation controlling the Bank or any Participant. Notwithstanding the foregoing, for purposes of this Agreement, all requests, rules,

rulings, guidelines or directives in connection with the Dodd-Frank Wall Street Reform and Consumer Protection Act shall be deemed to be a Change regardless of the date enacted, adopted or issued and all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Regulations and Supervisory Practices (or any successor or similar authority) or the United States financial regulatory authorities shall be deemed to be a Change regardless of the date adopted, issued, promulgated or implemented. “Risk-Based Capital Guidelines” means (i) the risk-based capital guidelines in effect in the United States, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States including transition rules, and any amendments to such regulations.

(c) *Benefits.* The benefits of this Section 2.06 shall be available to each Participant to the extent that the events described herein, creating increased costs, affect the Participant.

(d) *Survival.* The obligations of the Authority under this Section 2.06 shall survive the termination of the Letter of Credit and this Agreement.

Section 2.07. Net of Taxes.

(a) *Taxes.* Any and all payments to the Bank by the Authority hereunder shall be made free and clear of and without deduction for any and all taxes, levies, imposts, deductions, charges, withholdings or liabilities imposed thereon, excluding, however, taxes imposed on or measured by the net income or capital of the Bank by any jurisdiction or any political subdivision or taxing authority thereof or therein solely as a result of a connection between the Bank and such jurisdiction or political subdivision (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as “*Taxes*”). If the Authority shall be required by law to withhold or deduct any Taxes imposed by the United States or any political subdivision thereof from or in respect of any sum payable hereunder to the Bank (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.07), the Bank receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Authority shall make such deductions and (iii) the Authority shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. If the Authority shall make any payment under this Section 2.07 to or for the benefit of the Bank with respect to Taxes and if the Bank shall claim any credit or deduction for such Taxes against any other taxes payable by the Bank to any taxing jurisdiction in the United States, then the Bank shall pay to the Authority an amount equal to the amount by which such other taxes are actually reduced; *provided* that the aggregate amount payable by the Bank pursuant to this sentence shall not exceed the aggregate amount previously paid by the Authority with respect to such Taxes. In addition, the Authority agrees to pay any present or future stamp, recording or documentary taxes and any other excise or property taxes, charges or similar levies that arise under the laws of the United States of America or any political subdivision thereof from any payment made hereunder or from the execution or delivery or otherwise with respect to this Agreement (hereinafter referred to as “*Other Taxes*”). The Bank shall provide to the Authority within a reasonable time a copy of any written notification it receives with respect to Other Taxes owing by the Authority to the Bank

hereunder; *provided* that the Bank's failure to send such notice shall not relieve the Authority of its obligations to pay such amounts hereunder.

(b) *Indemnification for Taxes and Other Taxes.* The Authority shall, to the fullest extent permitted by law, indemnify the Bank for the full amount of Taxes and Other Taxes including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.07 paid by the Bank or any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted; *provided*, that the Authority shall not be obligated to indemnify the Bank for any penalties, interest or expenses relating to Taxes or Other Taxes to the extent arising from the Bank's gross negligence or willful misconduct as determined by a court of competent jurisdiction. Payments by the Authority pursuant to this indemnification shall be made within thirty (30) days from the date the Bank makes written demand therefor, which demand shall be accompanied by a certificate describing in reasonable detail the basis thereof. The Bank agrees to repay to the Authority any refund (including that portion of any interest that was included as part of such refund) with respect to Taxes or Other Taxes paid by the Authority pursuant to this Section 2.07 received by the Bank for Taxes or Other Taxes that were paid by the Authority pursuant to this Section 2.07 and to contest, with the cooperation and at the expense of the Authority, any such Taxes or Other Taxes which the Bank or the Authority reasonably believes not to have been properly assessed.

(c) *Notice.* Within thirty (30) days after the date of any payment of Taxes by the Authority, the Authority shall furnish to the Bank the original or a certified copy of a receipt evidencing payment thereof. The Authority shall compensate the Bank for all reasonable losses and expenses sustained by the Bank as a result of any failure by the Authority to so furnish such copy of such receipt.

(d) *Survival.* The obligations of the Authority under this Section 2.07 shall survive the termination of the Letter of Credit and this Agreement.

Section 2.08. Security. The Authority and the Bank intend that the payment of principal and interest on Bank Bonds and the payment of all other obligations due and owing to the Bank under this Agreement (including all Liquidity Drawings honored by the Bank under the Letter of Credit) shall, in all events, have the benefit and security of the Indenture, as provided therein. The payment of principal and interest on Bank Bonds (including Deferred Interest) shall be secured on a parity with the Bonds, Parity Bonds and all other Parity Obligations, secured in accordance with and subject to the terms of the Indenture. The pledge and lien created by the Indenture secures the Bonds, the Parity Bonds and all other Parity Obligations on an equal and ratable basis and are superior in all respects to any pledge and lien for Subordinate Obligations. The payment of Facility Fees, other fees and expenses due and owing to the Bank under this Agreement or with respect to the Letter of Credit and Deferred Interest Fee Amounts shall be secured as Fee and Expense Obligations, which obligations are secured under the Indenture by a lien and a charge upon the Sales Tax Revenues on a basis subordinate to the Bonds, the Parity Bonds and all other Parity Obligations, as provided in the Indenture.

Section 2.09. Applicability of ISP. The rules of ISP shall apply to the Letter of Credit.

ARTICLE III

INTEREST RATES; PAYMENTS

Section 3.01. Bonds to Bear Interest at Bank Rate; Other Interest Provisions.

(a) *Bank Rate.* Any Bond purchased by the Bank pursuant to the Letter of Credit shall thereupon become a Bank Bond and shall bear interest at the Bank Rate for the period commencing from the date that the Bank shall have purchased said Bond and, subject to Section 2.04(c), continuing until said Bond is paid in full or remarketed as provided in Section 2.04(b). Payments by the Authority pursuant to this Section 3.01(a) shall be made upon demand therefor made by the Bank to the Authority and the Trustee. The failure of the Bank to give any notice shall not limit or otherwise affect the obligation of the Authority to pay interest on the Bank Bonds at the rates specified in this Section 3.01.

(b) *Default Rate.* If the principal or interest of any Bank Bond or any other obligation of the Authority under this Agreement or the Bank Bonds (including, to the extent permitted by law, any interest payment required thereunder) is not paid when due (whether by acceleration, redemption or otherwise), such overdue payment or other obligation shall bear interest from the date such amount or other obligation, as the case may be, was due until paid in full (after as well as before judgment) at the Default Rate. Payments by the Authority pursuant to this Section 3.01(b) shall be made upon demand therefor made by the Bank to the Authority and the Trustee. If at any time an Event of Default, Rating Event or Secondary Coverage Event has occurred and is continuing, the principal amount of any Bank Bond or any other obligation of the Authority under this Agreement or the Bank Bonds (including, to the extent permitted by law, any interest payment required thereunder) shall bear interest from the date such principal amount or other obligation, as the case may be, was due until paid in full (after as well as before judgment) at the Default Rate, such interest to be payable on demand.

(c) *Deferred Interest.* For any period during which Bank Bonds are outstanding and as to each monthly interest period, in the event that the amount of interest which would be payable on the Bank Bonds (calculated, with respect to Bank Bonds at the Bank Rate for a monthly interest period or in the case of the payment of the Differential Interest Amount, if any, on a Bank Bond for the period from the date of the first day of the current interest period through but not including the date on which such Bank Bond is remarketed or paid), but expressly disregarding for purposes of this subsection (c) the limitation contained in the definition of “*Bank Rate*” that such rate shall not exceed the Maximum Bank Bond Interest Rate, exceeds the Maximum Bank Bond Interest Rate, the amount of such excess shall not be payable on the Interest Payment Date for such monthly interest period as interest on such Bank Bonds, but shall be deferred (“*Deferred Interest*”). Deferred Interest shall be allocated among the Bank Bonds outstanding on such Interest Payment Date based upon the principal amount thereof and the length of time such Bank Bonds were outstanding during the monthly interest period related to such Interest Payment Date. Deferred Interest arising on any Interest Payment Date shall become payable on the next succeeding Interest Payment Date or Dates to the extent the interest (including Deferred Interest) payable on the Bank Bonds for the monthly interest period ending on such Interest Payment Date does not exceed the Maximum Bank Bond Interest Rate for such monthly interest period. All amounts of interest

payable on a Bond which is a Bank Bond, including without limitation, Deferred Interest, for so long as such Bond shall remain a Bank Bond, shall constitute interest on such Bond. To the extent Deferred Interest shall be unpaid with respect to Bank Bonds, and such Bonds shall be redeemed or remarketed or shall otherwise cease to be Bank Bonds, such unpaid Deferred Interest shall be converted into a fee payable to the Bank (herein, the “*Deferred Interest Fee Amount*”) and shall bear interest at a rate per annum equal to the Bank Rate payable on the next succeeding Interest Payment Date, or, if earlier, the date of the occurrence of an Immediate Termination Event or Immediate Rating Event. Payments by the Authority pursuant to this Section 3.01(c) shall be made upon demand therefor by the Bank to the Authority and the Trustee, which demand shall be accompanied by a certificate describing in reasonable detail the basis thereof.

Section 3.02. Maturity; Interest. The Authority agrees that, with respect to each Bank Bond, (i) such Bank Bond shall be paid in full no later than the Payment Date, if not earlier required to be paid under this Agreement; (ii) the Interest Component, if any, included in the Purchase Price for such Bond shall be due and payable on the earlier of (a) the Interest Payment Date next following the Bank Purchase Date on which such Bond became a Purchased Bond or (b) the date on which such Bank Bond is remarketed or otherwise paid in full; (iii) the interest on the unpaid amount of each such Bank Bond from and including the applicable Bank Purchase Date shall be computed at a rate per annum equal to the Bank Rate as determined pursuant to Section 3.01; and (iv) interest payable pursuant to clause (iii) shall be due and payable (A) monthly in arrears on the first Business Day of each calendar month, (B) upon redemption (to the extent of the interest accrued on the amount being redeemed), (C) on the Payment Date, (D) after the Payment Date on demand, and (E) on the Bank Sale Date. Each demand for payment pursuant to this Section 3.02 shall be accompanied by a certificate of an officer of the Bank in reasonable detail setting forth the computation of such amount, which certificate shall be conclusive, absent manifest error, and such demand shall be paid by the Authority upon demand by the Bank.

Section 3.03. Amortization of Bank Bonds. (a) Subject to Section 7.04(d) hereof, Bank Bonds shall be subject to mandatory redemption in full on the related Bank Purchase Date unless the representations and warranties contained in Sections 4.01(a), (b), (c), (o)(ii) and (p) of this Agreement are true and correct in all material respects on and as of such Bank Purchase Date as though made on and as of such date (in which case the Bank Bonds shall be subject to mandatory redemption as set forth below in this Section 3.03(b)).

(b) Subject to Sections 3.03(a) and 7.04(d) hereof, outstanding Bank Bonds shall be subject to mandatory redemption in full on the date which is the earlier of (a) the Stated Expiration Date or such earlier date upon which the Letter of Credit is terminated or (b) the 180th day following the Bank Purchase Date on which such Bonds are purchased hereunder (such earlier date, the “*Initial Mandatory Redemption Date*”), unless on such Initial Mandatory Redemption Date all of the following conditions are satisfied (in which case the Bank Bonds shall be subject to mandatory redemption as set forth below in this Section): (i) no Notice Termination Event (excluding, for this provision only, a Secondary Coverage Event) or Suspension Event shall have occurred and be continuing and (ii) the representations and warranties contained in Article IV of this Agreement are true and correct in all material respects on and as of the Initial Mandatory Redemption Date as though made on and as of such date. So long as the conditions precedent described in the preceding sentence have been satisfied, the Authority agrees that it shall cause to

be redeemed any outstanding Bank Bonds pursuant to the Indenture, such that the unpaid principal balance of all then outstanding Bank Bonds shall amortize, commencing on the Amortization Start Date, in nineteen (19) equal (or nearly equal) quarterly installments of principal, payable on each Amortization Payment Date, with the last such redemption occurring on the Amortization End Date; *provided, however*, that if, on any date following the Initial Mandatory Redemption Date, the conditions precedent described in the preceding sentence are not satisfied, the Bank Bonds shall be subject to mandatory redemption in full on the Amortization End Date (such earlier date, the “*Accelerated Redemption Date*”); *provided, further, however* that from the date that such conditions precedent are not satisfied until such mandatory redemption in full, the Authority shall pay to the Bank any amortizations due during such period. The quarterly amount to be redeemed, determined as of the date of acquisition, shall be rounded upward or downward, as appropriate, if necessary, to the nearest \$100,000.

Section 3.04. Computations; Payments. (a) Interest (including interest at the Default Rate) and other amounts payable to the Bank hereunder, including interest on Bank Bonds, shall be computed on the basis of a 365-day or 366 day year, as applicable, and actual days elapsed. Fees (including the Facility Fees) payable hereunder and under the Fee Agreement shall be computed in accordance with the terms of the Fee Agreement. Any payments received by the Bank later than 3:30 p.m. (New York City time) on any day shall be deemed to have been paid on the next succeeding Business Day. All payments to the Bank hereunder shall be made in Dollars and in immediately available funds. Unless the Bank shall otherwise direct, all such payments shall be made as set forth herein and in the Fee Agreement.

(b) Interest shall accrue during each period during which interest is computed from and including the first day thereof to but excluding the last day thereof. Any computation of the amounts due under this Article III, including, without limitation, the Bank Rate and Deferred Interest in connection with Bank Bonds, but excluding the computation of amounts required to be determined pursuant to the Indenture, shall be the obligation of the Bank and shall, absent manifest error, be binding on the Authority and the Trustee.

(c) Payments (other than remarketing proceeds) received by the Bank from the Authority under this Agreement shall be applied, first, to any fees, costs, charges or expenses payable by the Authority to the Bank under this Agreement; second, to past due interest; third, to current interest; and fourth, to principal.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE AUTHORITY

Section 4.01. Representations of the Authority. The Authority makes the following representations and warranties to the Bank as of the Closing Date and as of the effective date of any extension of the Stated Expiration Date (which representations and warranties shall survive the execution and delivery of this Agreement and any purchases of Eligible Bonds by the Bank):

(a) *Existence.* The Authority is a local transportation authority duly organized and validly existing under the laws of the State, including the Act, with full right and power

(i) to issue the Bonds, (ii) to own its properties and to carry on its activities as now conducted and as contemplated to be conducted in connection with the issuance of the Bonds and the execution, delivery and performance of its obligations under the Related Documents and this Agreement, (iii) to execute, deliver and perform its obligations under the Related Documents and this Agreement and to borrow under the Letter of Credit, and (iv) to provide for the security of the Bonds pursuant to the Act and the Indenture; and the Authority has complied with all provisions of applicable law, including the Act, in all matters related to such actions of the Authority as are contemplated by the Related Documents and this Agreement.

(b) *Authorization; Contravention.* The execution, delivery and performance by the Authority of this Agreement and each other Related Document are within the Authority's powers, have been duly authorized by all necessary action, and do not and will not conflict with, or result in a violation of, any provision of law, including the Act, or any order, writ, judgment, injunction, decree, award, law, rule or regulation of any court or governmental agency or instrumentality binding upon or applicable to the Authority, and do not and will not conflict with, result in a violation of, or constitute a default under, any resolution, agreement or instrument to which the Authority is a party or by which the Authority or any of its property is bound, or result in the creation or imposition of any lien on, any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Authority is a party or by which it or any of its property is bound, except for the lien on Revenues set forth in the Indenture.

(c) *Binding Effect.* (i) This Agreement and the other Related Documents constitute valid and binding agreements of the Authority, enforceable in accordance with their respective terms, 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 local transportation authorities in the State.

(ii) The Indenture creates the pledge, lien and assignment which it purports to create to secure the Bonds (including the Bank Bonds), as and to the extent provided in the Indenture and the Authority has not pledged or granted a lien, security interest or other encumbrance of any kind on the security pledged to the Bonds that is senior or superior to the pledge in favor of the Bonds, the Parity Bonds and the Parity Obligations. Each of the statements set forth in Section 2.08 of this Agreement is true and correct.

(d) *No Consent or Approval.* No consent, approval, permit, authorization or order of, or registration or filing with, any court or governmental agency, authority or other instrumentality not already obtained, given or made is required on the part of the Authority for the execution, delivery and performance by the Authority of the Related Documents or this Agreement.

(e) *Financial Information.* (i) The audited financial statements of the Authority for the fiscal year ended June 30, 2018, as heretofore delivered to the Bank, are, as of the Closing Date, complete and correct and fairly present the financial position of the Authority

at the end of such fiscal year and the results of operations for the year then ended, and have been prepared in conformity with GAAP, consistently applied.

(ii) As of the Closing Date, except as otherwise disclosed to the Bank in writing by the Authority, since June 30, 2018 there has been no material adverse change in the business, assets, condition, financial position, results of operations, properties, revenues or prospects of the Authority.

(f) *Litigation.* There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, arbitrator, governmental agency or authority, or other board, body or official, pending or, to the best knowledge of the Authority, threatened against or affecting the Authority, questioning the validity of the Act or any proceeding taken or to be taken by the Authority in connection with the execution, delivery and performance by the Authority of the Related Documents or this Agreement, or otherwise involving or affecting the Authority, or seeking to prohibit, restrain or enjoin the execution, delivery or performance by the Authority of any of the foregoing, nor, to the best knowledge of the Authority, is there any basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect (i) the validity of the Act or any provision thereof material to the transactions contemplated by this Agreement, the Indenture or the other Related Documents, (ii) the validity or enforceability of, or the authority or ability of the Authority to perform its obligations under, the Indenture, the other Related Documents or this Agreement or the validity, enforceability or perfection of the pledge of and lien on the Revenues under the Indenture, or (iii) the ability of the Authority to conduct its activities as presently conducted or as proposed or contemplated to be conducted under the terms of this Agreement, the Indenture and the other Related Documents.

(g) *No Sovereign Immunity.* The Authority is subject to claims and to suit for damages in connection with its obligations under this Agreement pursuant to and in accordance with the procedural laws of the State.

(h) *ERISA Plans.* The Authority has never established, is not a party to and has never contributed to any “employee benefit plan” within the meaning of Section 3(3) of ERISA or any other form of bonus, incentive compensation, deferred compensation or other similar plan or arrangement other than a “governmental plan” within the meaning of Section 414(b) of the Code or Section 3(32) of ERISA.

(i) *No Governmental Fees.* To the best knowledge of the Authority, neither the execution, delivery nor performance by the Bank of this Agreement or any of the other Related Documents will give rise to any tax, including without limitation any stamp tax, or any fee of any State agency or government body in or of the State or under federal laws or regulations.

(j) *No Default.* The Authority is not in default under (i) the Act, (ii) any order, writ, injunction or decree of any court or Governmental Agency applicable to or binding on it or any of its properties, (iii) any law or regulation, (iv) any of its Indebtedness or any of its Swap Agreements to which it is a party, (v) any contract, agreement or instrument to

which it is a party or by which it or its property is bound, in each case, which default could have a material adverse effect on the business, assets, condition, financial position, results of operations, properties, revenues or prospects of the Authority or an adverse effect on the validity or enforceability of, or the authority or ability of the Authority to perform its obligations under, this Agreement and the Related Documents to which it is a party; and no event has occurred which with the giving of notice or the passage of time or both would constitute a default. No event, act or omission has occurred and is continuing which, with the lapse of time, the giving of notice, or both, would constitute an Event of Default, a Rating Event or Secondary Coverage Event.

(k) *Remarketing Memorandum.* The Remarketing Memorandum, a true copy of which has heretofore been delivered to the Bank, was prepared with respect to the Bonds. In addition, all amendments or supplements to the Remarketing Memorandum prepared prior to the Closing Date have also been delivered to the Bank. The Remarketing Memorandum, as of its date, did not contain any untrue statement of a material fact with respect to the Authority, and did not omit to state a material fact with respect to the Authority necessary to make the statements therein with respect to the Authority, in light of the circumstances under which they were made, not misleading. If the Authority, subsequent to the Closing Date, prepares any amendments, supplements or replacement to the Remarketing Memorandum containing information about the Authority, the Authority will provide a true copy to the Bank, and such Remarketing Memorandum, as of its date, will not contain any untrue statement of a material fact with respect to the Authority, and will not omit to state a material fact with respect to the Authority necessary to make the statements therein with respect to the Authority, in light of the circumstances under which they were made, not misleading; *provided* that no representation is made as to information with respect to any party other than the Authority included therein.

(l) *Alternate Liquidity Facility.* This Agreement and the Letter of Credit collectively constitute an “Alternate Liquidity Facility” for purposes of the Indenture.

(m) *Tax-Exempt Status of Bonds.* The Authority has not taken any action, and knows of no action that any other person has taken, which would cause interest on the Bonds to be includable in the gross income of the recipients thereof for Federal income tax purposes.

(n) *No Usury.* Assuming that the Bank is an exempted class of persons within the meaning of Article 15 of the California Constitution, the terms of this Agreement and the other Related Documents regarding the calculation and payment of interest and fees do not contravene any applicable usury laws.

(o) *Pending Legislation.* (i) As of the Closing Date, the Authority knows of no legislation pending that could, if enacted, affect the validity or enforceability of this Agreement or the Related Documents, or the ability of the Authority to perform its obligations hereunder or under the Related Documents, and (ii) no legislation has been enacted which in any way adversely affects the Bonds or the execution, delivery or performance of this Agreement or the Related Documents or the creation, organization or

existence of the Authority or the titles to office of any officers thereof, or the power of the Authority to carry out its obligations under this Agreement or the Related Documents or the ability of the Authority to perform its obligations hereunder or under the Related Documents.

(p) *Federal Reserve Board Regulations.* No part of the proceeds of any Bonds or the funds advanced hereunder will be used for the purpose, whether immediate, incidental or ultimate, to purchase or carry any margin stock (within the meaning of Regulation T, U or X of the Board of Governors of the Federal Reserve System, as amended from time to time), or to extend credit to others for the purpose of purchasing or carrying any margin stock, or for any other purpose which would violate any of the regulations of said Board of Governors.

(q) *Environmental Laws.* The Authority and its property (i) have not become subject to any Environmental Liability nor does it know of any basis for any Environmental Liability, (ii) have not received notice to the effect that any of the Authority's property or its operations are not in compliance with any of the requirements of any Environmental Laws or any applicable federal, state or local health and safety statutes and regulations or are the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, and (iii) to the best of the knowledge of the Authority, is in compliance with all Environmental Laws and has obtained and maintains or complies with any permit, license or other approval required under any Environmental Law, in each of (i), (ii) and (iii) above, except with respect to any matters that, individually or in the aggregate, could not reasonably be expected to adversely affect the security for any of the Bonds, or the Authority's ability to pay when due its obligations under, or the validity or enforceability of, this Agreement, the Bonds or any of the other Related Documents to which it is a party, or materially adversely affect the business, assets, condition, financial position, results of operations, properties, revenues or prospects of the Authority. The Authority agrees that any Person with whom the Authority enters into a project contract with respect to the Authority's properties will agree to act in accordance with the terms of this subsection as to the Authority's properties.

(r) *Trustee and Remarketing Agent.* U.S. Bank National Association is the duly appointed and acting Trustee, and Wells Fargo Bank, National Association is the duly appointed and acting Remarketing Agent with respect to the Bonds.

(s) *Insurance.* The Authority currently maintains insurance (including self-insurance) with respect to its business, operations, assets and properties against such risks, in such amounts, with such companies and with such deductibles as is customarily carried by and insures against such risks as are customarily insured against by entities with business, operations, assets and properties of like size, location and character to those of the Authority.

(t) *No Existing Right to Accelerate.* As of the Closing Date, no Person (other than the Bank, acting as liquidity provider), including, without limitation, a credit facility

provider or a liquidity provider, either of which provides credit enhancement or liquidity support to any Bonds has a right under any indenture or any supplemental indenture relating to any Bonds or any other document or agreement relating to any Bonds to direct the Trustee or any other Person to declare the principal of and interest on any Bonds to be immediately due and payable.

(u) *No Affiliates.* The Authority has no Affiliates.

(v) *Anti-Terrorism Laws.* (i) The Authority is not in violation of any Laws relating to terrorism or money laundering (“*Anti-Terrorism Laws*”), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the “*Executive Order*”), and the Patriot Act;

(ii) The Authority is not any of the following: (A) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order; (B) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order; (C) a Person with which the Bank is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law; (D) a Person that commits, threatens or conspires to commit or supports “terrorism” as defined in the Executive Order; or (E) a Person that is named as a “specially designated national and blocked person” on the most current list published by the Office of Foreign Asset Control (“*OFAC*”) or any list of Persons issued by OFAC pursuant to the Executive Order at its official website or any replacement website or other replacement official publication of such list; and

(iii) the Authority does not (A) conduct any business or engage in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in subsection (ii)(B) above, (B) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or (C) engage in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

(w) *Acceleration of Subordinated Obligations.* No Subordinate Obligations, other than termination payments on the Initial Swaps, are subject to acceleration or will be subject to acceleration unless all Parity Bonds are also subject to acceleration.

ARTICLE V

COVENANTS OF THE AUTHORITY

Section 5.01. Covenants of the Authority. During the term of the Letter of Credit and this Agreement, and until the obligations of the Authority to the Bank hereunder are paid in full including full payment of the Bank Bonds, and the Bank has no further obligation under the Letter

of Credit, unless the Bank shall otherwise consent in writing, the Authority covenants and agrees as follows:

(a) *Information.* The Authority will deliver to the Bank:

(i) as soon as practicable and, in any event, within 210 days after the end of each fiscal year of the Authority, a balance sheet of the Authority as at the end of such fiscal year and statements of operations and fund balances and cash flows and changes in financial position for the fiscal year then ended, all in reasonable detail prepared in accordance with GAAP consistently applied and any applicable regulations accompanied by a report and opinion of the Authority's independent accountants (who shall be of nationally recognized standing) which report and opinion shall have been prepared in accordance with GAAP, together with the audit report of such independent certified public accountants (which report shall not be qualified as to the conduct of such audit in accordance with generally accepted auditing standards). In addition, the chief executive officer, chief financial officer, treasurer or executive director of the Authority shall deliver to the Bank within said period of 210 days a certificate, substantially in the form of Exhibit D, (i) stating that nothing has come to his attention to lead him to believe that any Potential Default, Event of Default, Rating Event or Secondary Coverage Event hereunder exists or, if such is not the case, specifying such Potential Default, Event of Default, Rating Event or Secondary Coverage Event and the nature thereof, and (ii) setting forth in reasonable detail the calculation of the Debt Service Coverage Ratio pursuant to Section 5.01(aa) on the date of such financial statements and certifying that such calculation is accurate and complete and was made in accordance with GAAP, consistently applied;

(ii) as soon as practicable and, in any event, within 60 days after the end of each fiscal quarter of the Authority, the Authority shall provide to the Bank the unaudited statement of revenue and expenditures of the general fund of the Authority for the preceding fiscal quarter and for the year to date, in each case, in reasonable detail and subject to year end adjustment, in format similar to the information provided in clause (i) above, comparing such information to the same periods in the prior fiscal year, and a statement setting forth the fund balances held pursuant to the Indenture, together with a certificate of the chief financial officer or treasurer of the Authority setting forth the amount of Measure A gross sales tax receipts received in aggregate for such period and year to date and comparing such sales tax receipts to the same periods in the prior fiscal year;

(iii) as soon as practicable after adoption by the governing body of the Authority, and, in any event within thirty (30) days of the adoption thereof, the approved budget of the Authority for the upcoming fiscal year;

(iv) promptly, and in any event within five (5) Business Days after the Authority shall have obtained knowledge, of the occurrence of an Event of Default, Potential Default, Rating Event or Secondary Coverage Event, the written

statement of an authorized officer of the Authority setting forth the details of each such Event of Default, Potential Default, Rating Event or Secondary Coverage Event and the action which the Authority proposes to take with respect thereto;

(v) as soon as possible but, in any event, within 30 days after the issuance thereof, copies of any prospectus, official statement, offering circular, placement memorandum or similar or corresponding document, and any supplements thereto and updates and amendments thereof, that the Authority makes available in connection with the offering for sale of any securities of which it is the issuer, and, on the Bank's reasonable request, to the extent not duplicative of items delivered pursuant to subsection (x) below, copies of all annual reports, and notices of filing of all other reports, that the Authority may be required to file with any governmental commission, department, board, bureau or agency, Federal or State;

(vi) promptly, notice of any change, suspension or withdrawal in the ratings on the Bonds, Parity Bonds or the rated Parity Obligations by Fitch, Moody's or S&P forthwith upon the occurrence thereof;

(vii) promptly, notice of the failure of the Authority to make a payment under any other Indebtedness of the Authority or any Swap Agreements of the Authority;

(viii) promptly (i) notice of the failure by the Remarketing Agent or the Trustee to perform any of their respective obligations under the Related Documents to which such entity is a party, (ii) notice of any proposed substitution of the Letter of Credit, and (iii) notice of any resignation or removal of the Trustee, the Remarketing Agent or the Custodian;

(ix) promptly upon receipt of the written request therefor from the Bank, copies of all management letters of substance and other reports of substance that are submitted to the Authority by its independent accountants in connection with any annual or interim audit of the books of the Authority made by such accountants;

(x) promptly, after the filing thereof, any material event notices or other filing required to be filed pursuant to Securities and Exchange Commission Rule 15c2-12 or pursuant to any continuing disclosure agreement entered into by the Authority relating to an adverse (including preliminary) determination as to the tax exempt status of the Bonds or other events affecting the tax exempt status of the Bonds as required by the provisions of said Rule;

(xi) promptly, notice of any redemption, repayment or other payment or conversion to a Fixed Rate of any or all of the Bonds;

(xii) promptly, notice of any proposed amendments to Related Documents and copies of all actual amendments thereto; and

(xiii) from time to time such other information with respect to the affairs, properties, business, revenues, condition (financial or other), results of operations or prospects of the Authority or with respect to the Bonds and the transactions contemplated hereby and by the Related Documents as the Bank may from time to time reasonably request.

(b) *No Amendment Without Consent of the Bank.* Subject to Section 5.01(e), the Authority will not agree or consent to any amendment, supplement or modification of any Related Document, nor waive any provision thereof, in any manner which would materially and adversely affect the Bank, without the prior written consent of the Bank. In furtherance of the foregoing, so long as the Authority has complied in all respects with the terms of this Agreement (including, without limitation, Section 5.01(u) hereof) and with the terms of the Indenture, the consent of the Bank shall not be required for any supplement to the Indenture relating solely to the issuance of Parity Bonds, Parity Obligations, Subordinate Obligations or Fee and Expense Obligations under the Indenture.

(c) *Maintenance of Remarketing Agent.* (i) The Authority will at all times use its best efforts to have a Remarketing Agent with respect to the Bonds performing the duties thereof contemplated by the Fourth Supplemental Indenture, such Remarketing Agent which shall be acceptable to the Bank. The Authority agrees to use its best efforts to have the Remarketing Agent replaced with a successor Remarketing Agent acceptable to the Bank, at the request of the Bank, in the event the Bank holds any Bank Bonds for a period exceeding thirty (30) days or if at any time the Remarketing Agent fails to perform its duties under the Remarketing Agreement and the Indenture.

(ii) Each Remarketing Agreement shall provide that (A) the Remarketing Agent may not resign until the earlier of (I) appointment and acceptance thereby of a successor Remarketing Agent or (II) sixty (60) days following receipt by the Bank of notice of such resignation, (B) the Remarketing Agent shall use its best efforts to remarket the bonds without regard to the Bank Rate, and (C) the Remarketing Agent shall offer the Bonds for remarketing at up to the maximum rate permitted under the Bond Indenture.

(d) *Trustee and Remarketing Agent.* The Authority shall not appoint any Person to perform the duties of the Trustee or the Remarketing Agent in accordance with the terms of the Indenture, without the consent of the Bank, which consent shall not be unreasonably withheld.

(e) *Incorporation of Covenants by Reference.* (i) The Authority agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by it in the Indenture and the other Related Documents, which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety. To the extent that (A) any such incorporated provision permits any Person to waive compliance with or consent to such provision or requires that a document, opinion or other instrument or any event or condition be acceptable or satisfactory to any Person and (B) any such waiver or consent or acceptance of a document, opinion or other

instrument would adversely affect the interests of the Bank, for purposes of this Agreement, such provision shall be complied with only if it is waived or consented to in writing by the Bank and such document, opinion or other instrument shall be acceptable or satisfactory only if it is acceptable or satisfactory to the Bank. Without the written consent of the Bank, no amendment to such covenants and agreements or defined terms made pursuant to any certificate or any other Related Document shall be effective to amend such covenants and agreements and defined terms as incorporated by reference herein.

(ii) In the event that the Authority shall enter into any credit agreement, reimbursement agreement, bond purchase agreement, liquidity agreement or other agreement or instrument (or any amendment, supplemental or modification thereto) (each a “*Bank Agreement*”) entered into by the Authority with any Person, under which such Person or Persons undertakes to make loans, extend credit or liquidity to the Authority or to purchase securities pursuant to such agreement in connection with any Bonds, Parity Bonds or Parity Obligations, which agreement or instrument provides any such Person with additional or more restrictive covenants; additional or more restrictive termination events, suspension events or events of default; additional or more expansive remedies (other than pricing or interest rate increases) and/or additional or more expansive security/collateral provisions (collectively, the “*Additional Rights*”) than are provided to the Bank in this Agreement and/or the Letter of Credit, the Authority shall promptly notify the Bank of such Additional Rights and, if within 30 days after such notice the Bank so requests, the Authority, the Trustee and the Bank shall promptly enter into an amendment to this Agreement and/or the Letter of Credit to include such Additional Rights in this Agreement and/or the Letter of Credit, effective immediately after any applicable requirements of the Indenture have been satisfied, including, without limitation, any mandatory tender of the Bonds. Notwithstanding anything to the contrary set forth in this Agreement and/or the Letter of Credit, the obligations of the Bank under the Letter of Credit and hereunder may not be immediately terminated or suspended other than as a result of a Termination Event or a Suspension Event (in each case, as such terms are defined as of the Closing Date or as amended pursuant to any amendment hereto and, in connection with such amendment, the then current ratings on the Bonds supported by the Letter of Credit have been confirmed by each Rating Agency then rating such Bonds and the holders of the Bonds have received the requisite notice of such amendments as required by the Indenture). The Bank acknowledges that it has already been provided with the existing Swap Agreements, the Standby Bond Purchase Agreement dated as of August 1, 2013 (as amended from time to time, the “*U.S. Bank SBPA*”), as amended by that certain Amendment No. 1 to Standby Bond Purchase Agreement dated March 12, 2015, that certain Amendment No. 2 to Standby Bond Purchase Agreement dated February 8, 2017, that certain Amendment No. 3 to Standby Bond Purchase Agreement dated July 12, 2017, that certain Amendment No. 4 to Standby Bond Purchase Agreement dated December 15, 2017, and that certain Amendment No. 5 to Standby Bond Purchase Agreement dated May 24, 2018, each among the Authority, the Trustee and U.S. Bank National Association, as liquidity provider thereunder in connection with the Authority’s Measure A Sales Tax Revenue Bonds, Series 2009C (Limited Tax Bonds) (the “*2009C Bonds*”) and the Standby Letter of Credit and Reimbursement Agreement dated as of May 1, 2018 between the Authority and the Bank, together with that certain Standby Letter of Credit dated May 15, 2018 issued

pursuant thereto, relating to the Authority's Measure A Sales Tax Revenue Refunding Bonds Series 2015A (Limited Tax Bonds) and, other than as incorporated herein as of the Closing Date, it has not requested the Authority to provide any terms from those agreements in this Agreement and/or the Letter of Credit. Notwithstanding the foregoing, if any Additional Rights modifies, amends or adds to the Immediate Termination Events, Suspension Events or conditions precedent to the obligation of the Bank to honor a Liquidity Drawing Certificate under the Letter of Credit in effect as to this Agreement and/or the Letter of Credit, then, for purposes of the Indenture, such incorporation of such provision will result in this Agreement and the Letter of Credit being deemed a Substitute Liquidity Facility for all purposes of the Indenture, and in no event shall such Additional Rights become part of this Agreement until the mandatory tender resulting from such delivery of a Substitute Liquidity Facility has occurred and the Bank has honored any properly presented and conforming Liquidity Drawing(s) under the Letter of Credit resulting from such substitution in accordance with the terms of this Agreement, the Letter of Credit and the Indenture.

(f) *Liquidity.* (i) The Authority agrees to use its best efforts to obtain a Substitute Liquidity Facility to replace or otherwise amend this Agreement and the Letter of Credit in the event (x) the Bank shall decide not to extend the Stated Expiration Date (such replacement to occur on or before the Stated Expiration Date), (y) there shall have occurred a Mandatory Tender Date of any Bonds under the Indenture or (z) the Bank shall furnish a Notice of Termination pursuant to Section 7.04(a) to the Trustee unless, in each event, the Authority has provided funds (which may be remarketing proceeds) for the purchase of all Bank Bonds at par plus accrued interest through the purchase date and notifies the Bank in writing of its decision not to provide a Substitute Liquidity Facility.

(ii) The Authority agrees that any Substitute Liquidity Facility will require, as a condition to the effectiveness of that Substitute Liquidity Facility, that the issuer of the Substitute Liquidity Facility (or, at the sole option of the Authority, the Authority) provide funds (which may be remarketing proceeds) on the Substitution Date, for the purchase of all related Bank Bonds at par plus accrued interest (at the Bank Rate) through the Substitution Date. On the Substitution Date or on any date the Authority provides the funds required by clause (i) of this paragraph if no Substitute Liquidity Facility is to be provided, the Authority shall pay in full all other amounts due hereunder (including, without limitation, any Differential Interest Amount, all Deferred Interest, the entire unpaid Deferred Interest Fee Amount and unpaid interest thereon).

(g) *Conversions; Defeasance; Redemption.* The Authority (i) shall promptly furnish, or cause to be furnished, to the Bank, not later than its furnishing the same to the Remarketing Agent, a copy of any written notice furnished by the Authority to the Remarketing Agent pursuant to the Indenture indicating a proposed conversion of the interest rate on the Bonds; (ii) shall not permit a conversion of the Bonds to Bonds bearing an interest rate at the Daily Rate without the prior written consent of the Bank; (iii) shall not permit a conversion of the Bonds to Bonds bearing an interest rate other than a Covered Rate without the prior written consent of the Bank if, after giving effect to such conversion, any Bonds remain as Bank Bonds or the Authority has any outstanding payment obligation

to the Bank hereunder, unless the Authority is otherwise converting Bank Bonds and all other outstanding liquidity provider-held Parity Bonds on a pro-rata basis; and (iv) upon any redemption of the Bonds, shall cause Bank Bonds to be redeemed prior to other Bonds. In addition, the Authority will not defease, nor allow the defeasance of, the Bonds without having contemporaneously satisfied all of its obligations hereunder, without the prior written consent of the Bank, unless the Authority is otherwise defeasing Bank Bonds and all other outstanding liquidity provider-held Parity Bonds on a pro-rata basis.

(h) *Tax Status of the Bonds.* The Authority shall not take any action or omit to take any action which, if taken or omitted, would adversely affect the exemption of interest on any bond or note of the Authority, including the Bonds, from Federal income taxes or from personal income taxes levied by the State or of such bond or note from local personal property taxes levied by any political subdivision thereof.

(i) *ERISA.* The Authority will not establish, become a party to or contribute to any “employee benefit plan” within the meaning of Section 3(3) of ERISA or any other form of bonus, incentive compensation, deferred compensation or other similar plan or arrangement other than a “governmental plan” within the meaning of Section 414(b) of the Code and Section 3(32) of ERISA. The Authority shall, in a timely fashion, comply in all material respects with all requirements under any employee benefit plan in which the Authority or any of its employees participate.

(j) *Maintenance of Books and Records.* The Authority will keep proper books of record and account in which full, true and correct entries in accordance with GAAP will be made of all dealings or transactions in relation to its business and activities.

(k) *Access to Officers, Employees or Agents.* The Authority will permit its officers, employees and agents to discuss with the Bank matters pertinent to an evaluation of the credit of the Authority, all at such reasonable times as the Bank may reasonably request and at the expense of the Authority upon and during the continuance of an Event of Default, Rating Event or Secondary Coverage Event.

(l) *Inspection of Records.* At any reasonable time and upon reasonable prior notice from time to time, and at the expense of the Authority upon and during the continuance of an Event of Default, Rating Event or Secondary Coverage Event, the Authority shall permit the Bank or any agents or representatives thereof designated in writing (i) to visit and inspect any of the properties of the Authority, and to discuss the affairs, finances and accounts of the Authority with, and to be advised as to the same by, the principal officers and employees of the Authority and its independent public accountants, all at such reasonable times during normal business hours and as often as the Bank may reasonably request, and (ii) to review and inspect the corporate books and financial records of the Authority and to make copies thereof and extracts therefrom.

(m) *Compliance with Law.* The Authority shall comply with all laws, rules and regulations, and with all final orders, writs, judgments, injunctions, decrees or awards of any court or Governmental Agency, which are applicable to the Authority or any of its

properties; *provided, however*, that the Authority may contest the validity or application thereof and appeal or otherwise seek relief therefrom, and exercise any and all of the rights and remedies which it may have with regard thereto, so long as such acts do not affect the validity or enforceability of, or the power and authority of the Authority to perform its obligations under, this Agreement and the Related Documents to which it is a party.

(n) *Proceeds of Bonds.* No part of the proceeds of the Bonds will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying margin stock. The proceeds of the Bonds will be used by the Authority solely for the purposes described in the Indenture.

(o) *Payment of Obligations.* (i) The Authority shall take such action as necessary to cause payment of the Bonds and the Bank Bonds, and shall take such further action as is appropriate in order to provide for payment of any and all of its obligations hereunder and under all of the Related Documents, including, without limitation, including such amounts in its budget as and to the extent applicable.

(ii) The Authority shall pay (a) all indebtedness and obligations of the Authority in accordance with the terms thereof and (b) all assessments or other governmental charges as the same respectively become due, all taxes, assessments (general or special) and governmental charges of any kind whatsoever that may be at any time lawfully assessed or levied against or with respect to any of its or its businesses, property, revenues and assets or any interest thereon and promptly discharge or cause to be discharged all liens, encumbrances and charges on such businesses, property, revenues and assets.

(p) *Further Assurances.* From time to time hereafter, the Authority will execute and deliver such additional instruments, certificates or documents, and will take all such actions as the Bank may reasonably request for the purposes of implementing or effectuating the provisions of this Agreement and each of the Related Documents. Except to the extent it is exempt therefrom, the Authority will pay or cause to be paid all filing, registration and recording fees incident to such filing, registration and recording, and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance.

(q) *Preservation of Existence.* The Authority will not directly or indirectly:

(i) Terminate, wind up, liquidate or dissolve its affairs or sell, transfer, convey or lease (whether in a single transaction or a series of transactions) all or any substantial part of its properties or assets.

(ii) Consolidate or merge with or into any other corporation, organization, partnership, association, government, political subdivision, public benefit corporation or other entity, including an individual, unless:

(A) neither the validity nor enforceability of the Fourth Supplemental Indenture, the Bonds or the Indenture, nor the exemption of interest on bonds or notes of the Authority from Federal income taxes and from personal income taxes levied by the State and of any such bond or note from local personal property taxes levied by any political subdivision thereof, shall be adversely affected thereby;

(B) such merger or consolidation shall be with or into another body politic and corporate, which shall assume in writing or by operation of law, the due and punctual performance and observance of all covenants, agreements and conditions of the Fourth Supplemental Indenture, the Bonds, the Indenture and this Agreement;

(C) the pledge of the Security shall remain in full force and effect with respect to the Bonds (including the Bank Bonds) and the other obligations of the Authority under this Agreement and the priority of such pledge shall remain the same as in effect prior to such merger or consolidation;

(D) the long-term ratings on the Bonds by S&P, Moody's and Fitch (to the extent each such Rating Agency is then rating the Bonds) shall remain the same as in effect prior to such merger or consolidation;

(E) no Potential Default, Event of Default, Rating Event or Secondary Coverage Event will have occurred and be continuing, both before and after giving effect to such merger or consolidation; and

(F) such merger or consolidation shall not have a material adverse effect on the Bonds, this Agreement or any other Related Document or otherwise to the operations, affairs, properties, condition (financial or otherwise) or prospects of the Authority, as determined by the Bank, in its sole discretion.

At least thirty (30) days before the consummation of any such consolidation or merger, the Authority shall give notice thereof in reasonable detail to the Bank. The Authority promptly shall furnish such additional information with respect to any such consolidation or merger as the Bank shall request and, if the Bank shall so request, an opinion of counsel satisfactory to the Bank, in form and substance satisfactory to the Bank, as to the matters set forth in subparagraphs (A), (B), (C), (E) and (F) of this subsection (q)(ii).

(r) *Liens, Etc.* The Authority shall not create or suffer to exist any Lien upon or with respect to any of the funds or accounts created under the Indenture except those Liens specifically permitted under the Indenture. As required by Section 6.05 of the Indenture, the Authority shall not create any pledge, lien or charge upon any of the Sales Tax Revenues having priority over or having parity with the lien of the Bonds, the Parity Obligations, the Subordinate Obligations and the Fee and Expense Obligations. Pursuant to the Indenture, fees and expenses and termination payments on Interest Rate Swap Agreements are Fee and Expense Obligations which are secured under the Indenture by a lien and charge upon the Sales Tax Revenues on a basis subordinate to the Bonds, the Parity Obligations and the Subordinate Obligations.

(s) *Actions.* The Authority shall not take any action, or cause the Trustee to take any action, under the Related Documents inconsistent with the rights of the Bank under this Agreement and the Letter of Credit including, without limitation, its obligations to make payments to the Bank, without the prior written consent of the Bank.

(t) *Disclosure.* The Authority shall not refer to the Bank in any official statement or make any changes in reference to the Bank in any official statement without the Bank's prior written consent thereto. The Bank hereby consents to the inclusion of the disclosure information describing the Bank that has been specifically provided for purposes of the Supplement.

(u) *Additional Obligations.* The Authority shall not issue any obligations or securities payable in whole or in part from Sales Tax Revenues, except as set forth in clause (A), (B), (C), (D) and (E) of Section 3.05 of the Indenture. Section 3.02(D) of the Indenture requires the Authority to deliver to the Trustee a specified certificate certifying that the lesser of (i) the amounts of Sales Tax Revenues for a period of twelve (12) consecutive months (selected by the Authority) during the eighteen (18) months immediately preceding the date on which such additional Series of Bonds will become Outstanding, or (ii) the estimated Sales Tax Revenues for the Fiscal Year in which such Series of Bonds are to be issued, shall have been, or will be, as applicable, at least equal to 1.8 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 Authority shall deliver a copy of such certificate to the Bank. Sections 3.01, 3.02, 3.04, 3.05 and 3.06 of the Indenture, as well as related defined terms contained therein, are incorporated by reference herein pursuant to Section 5.01(e) hereof.

(v) *Bank Bond Ratings.* The Authority will at its own expense at all times (1) maintain a rating specifically assigned to the Bank Bonds from at least one of the Rating Agencies then rating the Bonds and such rating shall be not less than BBB- or Baa3, as applicable, (2) maintain a CUSIP number for Bank Bonds that is different than the CUSIP number for the Bonds, and (3) ensure that the Bank Bond CUSIP number and the rating assigned to such Bank Bonds are available electronically to the Bank pursuant to a third-party provider of such information.

(w) *Waiver of Sovereign Immunity.* To the extent permitted by law, the Authority hereby waives any immunity on the grounds of sovereign immunity from any claims and suits for damages in connection with its obligations under this Agreement pursuant to and in accordance with the procedural laws of the State. The Authority neither represents nor warrants that such waiver is or will be permitted by applicable law.

(x) *Insurance.* The Authority will at all times maintain insurance (including self-insurance) with respect to its business, operations, assets and properties against such risks, in such amounts, with such companies and with such deductibles as is customarily carried by and insures against such risks as are customarily insured against by entities with business, operations, assets and properties of like size, location and character to those of the Authority.

(y) *Right to Accelerate.* In the event that the Authority shall, directly or indirectly, enter into or otherwise consent to any agreement, which such agreement includes the right to accelerate the payment of the principal of or interest on any Parity Bonds or Parity Obligations, the Bank shall be deemed to have the right to accelerate the payment of the principal of and interest on any Bank Bonds (and all other obligations due and owing hereunder) under the same terms and conditions as set forth under any such agreement. If requested by the Bank, the Authority shall promptly, upon the occurrence of the Authority entering into an agreement (or amendment thereto) which provides for the right to accelerate any Parity Bonds or any Parity Obligations, enter into an amendment to this Agreement to include such provision, *provided* that the Bank shall maintain the benefit of such provision even if the Authority fails to provide such amendment. The release, termination or other discharge of such other documentation which provides for acceleration of any Parity Bonds or any Parity Obligations shall not be effective to amend, release, terminate or discharge (as applicable) such provision as incorporated by reference herein without the prior written consent of the Bank. In clarification of the foregoing, the parties agree that the right of the Authority to optionally terminate a Swap Agreement shall not be considered a right of acceleration of a Parity Obligation under this provision; *provided* that in the event that the Authority shall exercise such right of optional termination of a Swap Agreement (other than the Authority optionally terminating any Swap Agreement for which the Authority (I) pays any amount due thereunder as required by the Swap Agreement, so long as such termination and payment is solely done in connection with a transaction in which this Agreement and the Letter of Credit will be terminated in full, and all obligations due and owing to the Bank shall be paid, or (II) would not be required to make any payment thereunder in connection with such optional termination) at any time that an Event of Default, Rating Event or Secondary Coverage Event shall have occurred and be continuing, such termination shall constitute the right of acceleration and such right shall be provided to the Bank pursuant to this provision.

(z) *Accounting Methods and Fiscal Year.* The Authority shall not adopt, permit or consent to any change in accounting practices other than as required by GAAP and will not adopt, permit or consent to any change in its fiscal year unless it provides prior written notice of such change to the Bank, *provided*, that upon such change of fiscal year end, the Authority hereby agrees to provide to the Bank a calculation of the Debt Service Coverage

Ratio of the Authority as of the last day of such prior fiscal year end date and as of the last day of such new fiscal year end date, in each case, within 210 days of each such date.

(aa) *Annual Debt Service Coverage Ratio.* (i) The Authority shall cause the Debt Service Coverage Ratio of the Authority (excluding any accelerated principal amortizations relating to Liquidity Facility Bonds (as defined in the Indenture)) to be not less than 2.00:1.00 at the end of each Fiscal Year, for the annual period then ended. Such calculation shall be performed by the Authority based on the final unaudited quarterly statement of the Authority's Fiscal Year and delivered to the Bank pursuant to Section 5.01(a)(ii). The Authority shall deliver to the Bank a certificate certifying such calculation concurrently with the delivery of the final unaudited quarterly statement of the Authority's Fiscal Year delivered to the Bank pursuant to Section 5.02(a)(ii); *provided*, that upon any change of fiscal year end of the Authority, the Authority hereby agrees to provide to the Bank a calculation of the Debt Service Coverage Ratio of the Authority as of the last day of such prior fiscal year end date and as of the last day of such new fiscal year end date, in each case, within 60 days of each such date. In addition, the Bank may request that the Authority recalculate the Debt Service Coverage Ratio based on the final audited financial statements of the Authority, at which time the Authority shall deliver to the Bank a certificate certifying such calculation within three (3) Business Days of any such request.

(ii) The Authority shall cause the Debt Service Coverage Ratio of the Authority (including any accelerated principal amortizations relating to Liquidity Facility Bonds (as defined in the Indenture)) to be not less than 2.25:1.00 at the end of each Fiscal Year, for the annual period then ended. Such calculation shall be delivered by the Authority to the Bank on the sixtieth (60th) day following delivery by the Authority of the final audited financial statements delivered to the Bank pursuant to Section 5.02(a)(i) hereof, and such calculation shall be based on the final audited financial statements delivered to the Bank pursuant to Section 5.02(a)(ii); *provided*, that upon any change of fiscal year end of the Authority, the Authority hereby agrees to provide to the Bank a calculation of the Debt Service Coverage Ratio of the Authority as of the last day of such prior fiscal year end date and as of the last day of such new fiscal year end date, in each case, within 210 days of each such date.

(bb) *Moody's and S&P Rating on 2009C Bonds.* (i) For so long as the Authority's failure to maintain or have in place unenhanced long-term ratings on the 2009C Bonds (other than Bank Bonds (as defined in the U.S. Bank SBPA wherever used in this paragraph (bb))) from Moody's and S&P constitutes a Notice Termination Event or a Notice Rating Event (each as defined in the U.S. Bank SBPA wherever used in this paragraph (bb)) under the U.S. Bank SBPA, the Authority shall maintain or have in place unenhanced long-term ratings on the 2009C Bonds (other than Bank Bonds) from Moody's and S&P.

(ii) For so long as the withdrawal or suspension of the unenhanced long-term rating of the 2009C Bonds (other than Bank Bonds) by Moody's or S&P for any reason constitutes a Notice Termination Event or a Notice Rating Event under the U.S. Bank

SBPA, the Authority shall maintain or have in place unenhanced long-term ratings on the 2009C Bonds (other than Bank Bonds) from Moody's and S&P.

ARTICLE VI

CONDITIONS PRECEDENT

Section 6.01. Conditions to Bank's Issuance of Letter of Credit. It shall be a condition precedent to the Bank's issuance of the Letter of Credit and the effectiveness of the Letter of Credit that all proceedings taken in connection with the transactions contemplated hereby and all documents incident thereto including the Related Documents shall be in form and substance satisfactory to the Bank and that the conditions enumerated in this Section 6.01 have been fulfilled to the satisfaction of the Bank and its counsel. Delivery by the Bank of the fully executed Letter of Credit on the Closing Date shall constitute acknowledgment and acceptance by the Bank that all such conditions have been met or waived.

(a) *Representations.* On the date of issuance and effectiveness the Letter of Credit: (i) there shall exist no Event of Default, Potential Default, Rating Event or Secondary Coverage Event; (ii) all representations and warranties made by the Authority herein or in any of the Related Documents to which it is a party shall be true and correct with the same effect as though such representations and warranties had been made at and as of such time; (iii) the statements made by the Authority in this Agreement, in any of the Related Documents and in the information contained in the unaudited quarterly financial information of the Authority delivered to the Bank pursuant to Section 6.01(b)(xii) hereof, in connection with this Agreement are accurate in all material respects as of the Closing Date and the foregoing documents furnished to the Bank by or on behalf of the Authority were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of conditions existing at the time of delivery of such financial, budget or other projections, and represented, and as of the Closing Date, represent the Authority's best estimate of its future financial performance; however, the parties acknowledge that there is no guarantee that the assumptions used therein will not be wrong to a material extent; and (iv) on the Closing Date, after giving effect to the transactions contemplated by this Agreement and the other Related Documents to which it is a party, the Property (including, without limitation, the Sales Tax Revenues when and as received) of the Authority will not be less than the probable liability on its debts as such debts become due, and the Authority expects to have reasonably sufficient revenues to conduct its business.

(b) *Supporting Documents.* On or prior to the date of issuance and effectiveness of the Letter of Credit, the Bank shall have received, in form and substance satisfactory to the Bank, the following:

(i) true and complete executed originals of this Agreement and the Custody Agreement;

(ii) copies of the Indenture, the Remarketing Agreement and each other Related Document not specified in (i) above;

(iii) certified copies of (A) the resolutions of the Authority approving this Agreement, the Related Documents and the other matters contemplated hereby (which certificate shall state that such resolutions are in full force and effect as of the Closing Date) and (B) the Ordinance (as defined in the Indenture);

(iv) originals (or copies certified to be true copies by the Authority) of all governmental and regulatory approvals, if any, at the time necessary for the Authority with respect to this Agreement and the transactions contemplated hereby;

(v) signature and incumbency certificates, dated the date of the execution and delivery of this Agreement, of the signatures of the officers of the Authority executing this Agreement and the Related Documents to which it is a party and which are being delivered on the date of this Agreement;

(vi) a certificate of the Authority, dated the date of the execution and delivery of this Agreement, to the effect set forth in Section 6.01(a) and covering such other matters as the Bank may reasonably request;

(vii) a certificate of the Authority, dated the date of the execution and delivery of this Agreement, certifying and attaching true and complete copies of each of the applicable Related Documents (other than the Bonds), together with all amendments and modifications thereto;

(viii) signature and incumbency certificates, dated the date of the execution and delivery of this Agreement, of the signatures of the officers of the Trustee and the Custodian executing this Agreement and the Custody Agreement;

(ix) a certificate of the Trustee and the Custodian, dated the date of the execution and delivery of this Agreement, covering such matters as the Bank may reasonably request;

(x) executed legal opinions, dated the date of the execution and delivery of this Agreement, addressed to the Bank and in form and substance satisfactory to the Bank (A) of Bond Counsel covering such matters as the Bank may reasonably request, including without limitation, a reliance letter from Bond Counsel confirming that the Bank may rely on the final approving opinion delivered by Bond Counsel in connection with the issuance of the Bonds, (B) of counsel to the Authority covering such matters as the Bank may reasonably request, and (C) of counsel to the Trustee and the Custodian covering such matters as the Bank may reasonably request;

(xi) projections of the Authority, both operating and financial, for three (3) years forward from 2019, including debt issuance levels and rate projections and such other financial information, budgets and projections as may be requested by the Bank;

(xii) unaudited quarterly financial information of the Authority setting forth the amount of Measure A gross sales tax receipts received in aggregate for the fiscal quarters ended September 30, 2018, December 31, 2018, March 31, 2019 and year to date for the

fiscal year ended June 30, 2019 and comparing such sales tax receipts to the same fiscal quarter in the prior fiscal year;

(xiii) a copy of the investment policy and guidelines of the Authority, certified to be true, correct and complete by the chief financial officer or other appropriate officer of the Authority, which policy and guidelines shall be satisfactory to the Bank; and

(xiv) such other documents, instruments, approvals (and, if requested by the Bank, certified duplicates of executed copies thereof) or opinions as the Bank may reasonably request.

(c) *Certain Payments.* On the date of issuance and effectiveness of this Letter of Credit upon delivery of the applicable invoice, the Authority shall have paid the fees and expenses of counsel to the Bank as provided in Section 8.12.

(d) *CUSIP Numbers.* The Bank shall have received evidence satisfactory to the Bank that a CUSIP number has been issued for Bank Bonds which CUSIP number is different from the CUSIP number for the Bonds.

(e) *Ratings.* The Bank shall have received (i) satisfactory evidence that the Bonds shall have been assigned a long term rating of not less than “AA+” by S&P and “AA+” by Fitch, and a short term credit rating of not less than “A-1” by S&P and “F1” by Fitch and (ii) a rating specifically assigned to the Bank Bonds from Fitch or S&P of not less than BBB-.

(f) *No Material Adverse Effect or Change.* In the sole judgment of the Bank, (i) since the most recent date on which the Authority has supplied information, financial or otherwise, to the Bank, there has been no event which materially adversely affects the issuance of the Bonds, the security for the Bonds or the Authority’s ability to repay when due its obligations under this Agreement and the Related Documents and (ii) since June 30, 2018, in the judgment of the Bank, there has been no material adverse change or disruption in the financial banking or capital markets for liquidity facilities similar in nature to the facility contemplated by this Agreement.

Section 6.02. Conditions Precedent to Each Liquidity Drawing. (a) The obligation of the Bank to honor a Liquidity Drawing Certificate under the Letter of Credit on any date is subject to the satisfaction of the following conditions, unless waived in writing by the Bank:

(i) No Immediate Termination Event or Immediate Rating Event shall have occurred;

(ii) No Suspension Event shall have occurred and be continuing; and

(iii) The Bank shall have timely received the Liquidity Drawing Certificate as provided in the Letter of Credit.

(b) Each notification delivered pursuant to clause (iii) of Section 6.02(a) hereof shall constitute a representation and warranty by the Authority on each Bank Purchase Date that, to its

knowledge, each of the conditions described in the clauses (i) and (ii) of Section 6.02(a) have been satisfied on such Bank Purchase Date.

ARTICLE VII

EVENTS OF TERMINATION; RATING EVENTS, SECONDARY COVERAGE EVENT; AND REMEDIES

The occurrence of any of the events set forth in Sections 7.01 (other than the event set forth in Section 7.01(h) or Section 7.01(l)), 7.02 (other than the event set forth in Section 7.02(e)), and 7.03 shall constitute an event of default (each, an “*Event of Default*”). Upon the occurrence of an Event of Default or Rating Event (as hereinafter defined) or Secondary Coverage Event (as hereinafter defined), the Bank may exercise those rights and remedies provided in Section 7.04. In the event that the occurrence of any event set forth in Sections 7.01, 7.02 or 7.03 constitutes an Event of Default under any other of Sections 7.01, 7.02 and/or 7.03, such Event of Default shall first be deemed to be an Event of Default under Section 7.02 (if such event is an Event of Default under Section 7.02), and shall next be deemed to be an Event of Default under Section 7.03 (if such event is an Event of Default under Section 7.03). The event set forth in Section 7.01(h) shall constitute a “Notice Rating Event” and the event set forth in Section 7.02(e) shall constitute an “Immediate Rating Event” and shall collectively constitute “Rating Events”. In the event that the occurrence of a Notice Rating Event shall also constitute an Immediate Rating Event, such Rating Event shall be deemed to be an Immediate Rating Event.

Section 7.01. Events of Default, Rating Event and Secondary Coverage Event not Resulting in Immediate Termination. Each of the following events shall also constitute a “Notice Termination Event”:

(a) *Payments.* The Authority shall fail to pay when due (i) principal or interest on Bank Bonds which has become immediately due and payable on the Bank Purchase Date, the Initial Mandatory Redemption Date or the Accelerated Redemption Date, as applicable, or otherwise as a result of the acceleration of Bank Bonds pursuant to Section 7.04(d) hereof, or (ii) any amounts owed by the Authority to the Bank pursuant to this Agreement (other than as described in clause (i) above) and any such failure solely in the case of this clause (ii) is not cured within three (3) Business Days.

(b) *Representations.* Any representation or warranty (other than the representations and warranties contained in Sections 4.01(l), 4.01(v) and 4.01(w) hereof) made by or on behalf of the Authority in this Agreement or in any other Related Document or in any certificate or statement delivered hereunder or thereunder shall prove to have been incorrect or untrue in any material respect when made or deemed to have been made.

(c) *Covenants.* The Authority shall fail to perform the covenants in Article V (other than Sections 5.01(a)(i), (a)(ii), (a)(iii), (a)(v)-(a)(xiii), (c), (e) (f), (i), (j), (m), (o)(ii), (p) and (x)); *provided* that this paragraph (c) expressly does not govern failure to perform Section 5.01(aa)(i) of this Agreement which is described in paragraph (l) below.

(d) *Other Covenants.* The Authority shall fail to perform or observe any term, covenant or agreement (other than ones described in any other paragraph of this Section 7.01) contained in (or otherwise incorporated into) this Agreement (each a “*Covenant Failure*”) which failure continues for thirty (30) days or more; *provided* that such Covenant Failure shall not constitute an Event of Default hereunder until such failure continues for sixty (60) days if (i) the Authority provides satisfactory evidence to the Bank that such Covenant Failure is able to be cured within sixty (60) days of the occurrence of the Covenant Failure, (ii) the Authority provides reasonable assurances to the Bank that the Covenant Failure will be cured within sixty (60) days of the occurrence of the Covenant Failure and (iii) the Authority provides satisfactory evidence to the Bank that the Authority has commenced the process required to cure such Covenant Failure within ten (10) days of the occurrence of such Covenant Failure.

(e) *Debt.* (i) Default by the Authority in the payment of any amount due in respect of any Indebtedness payable to the Bank as and when the same shall become due, or (ii) default by the Authority in the payment of any amount due in respect of any other Indebtedness in an aggregate amount in excess of \$5,000,000 as and when the same shall become due, or (iii) (A) default under any mortgage, agreement or other instrument under or pursuant to which such Indebtedness is incurred or issued, and continuance of such default beyond any period of grace allowed with respect thereto, or (B) the occurrence of any act or omission by the Authority under any such mortgage, agreement or other instrument (other than the Authority optionally terminating any Indebtedness which is a Swap Agreement for which the Authority (I) pays any amount due thereunder as required by the Swap Agreement or (II) would not be required to make any payment thereunder in connection with such optional termination) which, in the case of either (A) or (B), results in any amount of such Indebtedness (if such Indebtedness is a Indebtedness payable to the Bank) or in excess of \$5,000,000 of such Indebtedness (with respect any other Indebtedness) becoming, or being capable of becoming, immediately due and payable (or, with respect to any Indebtedness which is a Swap Agreement, which results in such Swap Agreement being terminated early or being capable of being terminated early).

(f) *Invalidity.* Any provision of this Agreement, the Bonds or any other Related Document shall cease to be valid and binding, or the Authority shall contest any such provision, or the Authority or any authorized agent or trustee on behalf of the Authority, shall deny that it has any further liability under any provision of this Agreement, the Bonds or any other Related Document.

(g) *Other Documents.* The occurrence of any default beyond the period of grace, if any, allowed with respect thereto under any Related Document other than this Agreement.

(h) *Underlying Ratings.* (i) The Authority shall fail to maintain or have in place unenhanced long-term ratings on the Bonds (other than Bank Bonds) from at least two Rating Agencies; or (ii) the unenhanced long-term rating of the Bonds (other than Bank Bonds), any Parity Bonds (to the extent then rated) or any Parity Obligations (to the extent then rated) shall be (A) suspended or withdrawn for credit-related reasons or reduced below

“A3” by Moody’s (if then providing such a rating), (B) suspended or withdrawn for credit-related reasons or reduced below “A-” by S&P (if then providing such a rating) or (C) suspended or withdrawn for credit-related reasons or reduced below “A-” by Fitch (if then providing such a rating). For the avoidance of doubt, it shall not constitute an Event of Default under Section 7.01(h)(ii) hereof if the Authority, by its own volition, requests any Rating Agency to withdraw any long-term unenhanced rating assigned to the Bonds (other than Bank Bonds), any Parity Bonds or any Parity Obligations which results in a withdrawal of any such rating unless the effect of such withdrawal is to cure a Potential Default or Event of Default, reduce the Facility Fee Rate or avoid an increase in the Facility Fee Rate.

(i) *Financial Emergency.* There shall be appointed or designated with respect to the Authority, an entity such as an organization, board, commission, authority, agency or body to monitor or declare a financial emergency or similar state of financial distress with respect to it or there shall be declared by it or by any legislative or regulatory body with competent jurisdiction over it, the existence of a state of financial emergency or similar state of financial distress in respect of it.

(j) *Change in Maximum Lawful Rate.* The Maximum Lawful Rate applicable to Bank Bonds or Bonds shall be reduced at any time.

(k) *Event of Taxability.* A ruling, assessment, notice of deficiency or technical advice by the Internal Revenue Service shall be rendered to the effect that interest on the Bonds is includable in the gross income of the holder(s) or owner(s) of such Bonds and either (i) the Authority, after it has been notified by the Internal Revenue Service, shall not challenge such ruling, assessment, notice or advice in a court of law during the period within which such challenge is permitted or (ii) the Authority shall challenge such ruling, assessment, notice or advice and a court of law shall make a determination, not subject to appeal or review by another court of law, that such ruling, assessment, notice or advice is correctly rendered.

(l) *Coverage Covenant.* The Authority shall fail to perform the covenant in Section 5.01(aa)(ii).

(m) *Attachments.* One or more attachments against the property of the Authority, the operation or result of which, individually or in the aggregate, equal or exceed \$5,000,000 shall remain unstayed, undischarged, unbonded or undismissed for a period of sixty (60) days.

Section 7.02. Events of Default and Rating Event Resulting in Immediate Termination. Each of the following events shall also constitute an “Immediate Termination Event”:

(a) *Event of Insolvency.* An Event of Insolvency shall have occurred with respect to the Authority.

(b) *Payment Default.* Any failure, wholly or partially, (i) to make timely any payment of principal or interest on the Bonds (including Bank Bonds) (other than a failure to pay principal or interest on Bank Bonds which has become immediately due and payable on the Bank Purchase Date or Initial Mandatory Redemption Date, as applicable, or otherwise as a result of the acceleration of Bank Bonds pursuant to Section 7.04(d) hereof), or (ii) to make timely payments of principal or interest of any Parity Bonds (including liquidity provider-held Parity Bonds) (other than a failure to pay principal or interest on liquidity provider-held Parity Bonds which have become immediately due and payable as a result of the acceleration of Parity Bonds pursuant to the terms of the liquidity facility related to such Parity Bonds) or Modified Parity Obligations or to make regularly scheduled payments on any Modified Parity Obligations.

(c) *Contest of Validity.* An officer of the Authority shall (i) claim that the Original Indenture or the Fourth Supplemental Indenture is not valid or binding on the Authority or (ii) repudiate the Authority's obligation to make payments of principal or interest on the Bonds (including Bank Bonds) or the Authority's obligation to make payments of principal or interest on any Parity Bonds or Parity Obligations or to make regularly scheduled payments on any Parity Obligations.

(d) *Invalidity.* Any court of competent jurisdiction or other governmental entity with jurisdiction shall have ruled pursuant to a final judgment or order, or any other Governmental Authority having jurisdiction shall find or rule, that this Agreement, the Indenture or the Bonds or any material provision hereof or thereof with respect to the payment of principal or interest on the Bonds (including Bank Bonds) or with respect to the Security therefor is null and void, invalid, unenforceable or not binding on the Authority.

(e) *Underlying Ratings.* The unenhanced long-term rating of the Bonds (other than Bank Bonds), any Parity Bonds (to the extent then rated) or any Parity Obligations (to the extent then rated) shall be (i) suspended or withdrawn for credit-related reasons or reduced below "Baa3" by Moody's (if then providing such a rating), (ii) suspended or withdrawn for credit-related reasons or reduced below "BBB-" by S&P (if then providing such a rating) and (iii) suspended or withdrawn for credit-related reasons or reduced below "BBB-" by Fitch (if then providing such a rating).

(f) *Judgments.* One or more final, unappealable judgments, writs or warrants of attachment against the Authority for the payment of money, which judgments, writs or warrants are payable from Revenues, on a parity with the Bonds, the operation or result of which, individually or in the aggregate, equal or exceed \$5,000,000 shall remain unpaid, unstayed, undischarged, unbonded or undismissed for a period of sixty (60) days.

Section 7.03. Events of Default Resulting in Immediate Suspension. Each of the following events shall also constitute a "Suspension Event":

(a) *Involuntary Bankruptcy Proceeding.* (i) An involuntary case or other proceeding shall be commenced in a court of competent jurisdiction against the Authority

seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for it or any substantial part of its property and (ii) such case has not be dismissed and (iii) fewer than sixty (60) days have elapsed since the commencement of such case or proceeding.

(b) *Initiation of Legal Proceedings.* The Authority shall initiate any legal proceedings to seek an adjudication that this Agreement, the Bonds, the Original Indenture or the Fourth Supplemental Indenture or any material provision hereof or thereof with respect to the payment of principal or interest on the Bonds (including Bank Bonds) or with respect to the Security therefor is not valid or not binding on the Authority.

Section 7.04. Remedies. Upon the occurrence of an Event of Default, Rating Event or Secondary Coverage Event hereunder, the Bank may take one or more of the following actions:

(a) *Notice of Termination.* Upon the occurrence of a Notice Termination Event, the Bank may give written notice (a “*Notice of Termination*”) of such Event of Default, Rating Event or Secondary Coverage Event to the Authority, the Remarketing Agent and the Trustee stating that the Letter of Credit shall terminate thirty (30) days (the “*Notice Termination Date*”) after such notice is delivered by the Bank to the Trustee and directing that the Bonds be called for Default Tender. The Available Amount, the Letter of Credit and the obligation of the Bank to honor any Liquidity Drawing Certificate to purchase Eligible Bonds under the Letter of Credit shall terminate on the Notice Termination Date, and on such date the Available Amount shall terminate and the Bank shall be under no obligation under the Letter of Credit to purchase Eligible Bonds.

(b) *Immediate Termination of Bank Obligation to Purchase Tendered Bonds.* Upon the occurrence of any Immediate Termination Event, the Available Amount shall immediately be reduced to zero, and the obligation of the Bank to honor any Liquidity Drawing Certificate to purchase Eligible Bonds under the Letter of Credit shall immediately terminate without notice or demand and, thereafter, the Bank shall be under no obligation to honor any Liquidity Drawing Certificate to purchase Eligible Bonds under the Letter of Credit. Upon such Immediate Termination Event, the Bank shall promptly give written notice of the same to the Trustee, the Remarketing Agent and the Authority; *provided*, that the Bank shall incur no liability of any kind by reason of its failure to give such notice, and such failure shall in no way affect the termination of the Available Amount and of the obligations of the Bank to honor any Liquidity Drawing Certificate to purchase Eligible Bonds under the Letter of Credit. The Trustee shall immediately notify all Bondholders of the termination of the Available Amount, the Letter of Credit and the obligation of the Bank to honor any Liquidity Drawing Certificate to purchase Eligible Bonds under the Letter of Credit.

(c) *Suspension of Bank Obligation to Purchase Tendered Bonds.* Upon the occurrence of a Suspension Event, the obligation of the Bank to honor any Liquidity Drawing Certificate to purchase Eligible Bonds under the Letter of Credit shall immediately be suspended without notice or demand and thereafter the Bank shall be under

no obligation to purchase Eligible Bonds until the Available Amount is reinstated as described in this Section 7.04(c). Promptly upon the Bank's obtaining knowledge of any such Suspension Event, the Bank shall give written notice of the same to the Authority, the Remarketing Agent and the Trustee of such suspension; *provided, however*, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Bank's obligation to honor any Liquidity Drawing Certificate to purchase Eligible Bonds under the Letter of Credit. In the event such Suspension Event is cured prior to becoming an Immediate Termination Event, the Available Amount and the obligation of the Bank to honor any Liquidity Drawing Certificate to purchase Eligible Bonds under the Letter of Credit shall thereupon be reinstated (unless the Letter of Credit shall otherwise have expired or terminated or the Available Amount and/or the Letter of Credit shall otherwise have been terminated or suspended as provided in this Agreement and/or the Letter of Credit).

(d) *Authority Obligations and Bank Rights Following Immediate Termination Event, Notice Termination Event or Suspension Event.* (i) Upon the occurrence of an Event of Default, Rating Event or Secondary Coverage Event, all amounts owed to the Bank hereunder and under any Bank Bonds and with respect to the Letter of Credit shall bear interest at the Default Rate until paid, (ii) immediately upon the occurrence of an Immediate Termination Event, the Bank may by written notice to the Authority declare all amounts owed to the Bank hereunder and with respect to the Bank Bonds and the Letter of Credit to be immediately due and payable whereupon such amounts shall be immediately due and payable (*provided*, that the obligations of the Authority hereunder and under the Bank Bonds and with respect to the Letter of Credit shall be and become automatically and immediately due and payable without such notice upon the occurrence of an Event of Insolvency) and (iii) upon the occurrence of an Event of Default, Rating Event or Secondary Coverage Event, the Bank shall have all remedies provided at law or equity, including, without limitation, the right of set-off and specific performance. On or following a Notice Termination Event (excluding, for this provision only, a Secondary Coverage Event) or Suspension Event, (i) the Bank may by written notice to the Authority declare all amounts payable to the Bank hereunder (other than amounts payable with respect to the Bank Bonds) and with respect to the Letter of Credit to be due and payable on the Notice Termination Date (with respect to a Notice Termination Event) or as specified by the Bank (with respect to a Suspension Event), and (ii) all amounts payable with respect to the Bank Bonds shall automatically become due and payable in full on the Bank Purchase Date, Initial Mandatory Redemption Date or the Accelerated Redemption Date, as applicable, as set forth in Section 3.03 hereof. The Bank shall promptly provide written notice to the Trustee and the Authority of any acceleration of the amounts due hereunder.

Section 7.05. Certain Other Matters. No failure or delay on the part of the Bank in exercising any right, power or privilege hereunder and no course of dealing shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Bank would otherwise have. No notice to or demand on the Authority or

any other Person hereto in any case shall entitle the Authority or such other Person to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Bank to any other or further action in any circumstances without notice or demand.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Changes to Agreement. No provision of this Agreement may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the parties hereto. The Trustee shall give notice to S&P, Fitch and Moody's, if then rating the Bonds, of any amendments to this Agreement.

Section 8.02. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; *provided, however,* that the Authority may not assign or transfer any of its rights or obligations hereunder without the prior written consent of the Bank; and *provided, further, however,* with respect to the Bank, no assignment of its obligations under the Letter of Credit shall occur and become effective until each of S&P, Fitch and Moody's, if then rating the Bonds, has confirmed in writing that such assignment shall not cause the lowering, withdrawal or suspension of any ratings then existing on the Bonds. The Bank may disclose to any assignee or prospective assignee any information or other data or material in the Bank's possession relating to this Agreement, any Related Document and the Authority, without the consent of or notice to the Authority. The Bank shall have the right at any time to grant participations in all or part of its obligations hereunder and the obligations of the Authority hereunder to any other institutional purchaser (the "*Participants*") without the consent of or notice to the Authority or any other Person; *provided, however,* that notwithstanding anything herein to the contrary, the Bank shall not grant participations in all or part of its obligations hereunder unless such participation is subject in all cases to the provisions of this Agreement (including, but not limited to, the obligation to put the Bank Bonds back to the Remarketing Agent if the Remarketing Agent can remarket such Bonds); and *provided, further* that any such participation shall not relieve the Bank from any of its obligations under this Agreement and the Authority, the Trustee and the Remarketing Agent may deal exclusively with the Bank for all purposes of this Agreement (including the making of all payments on Bank Bonds). The Bank may disclose to any Participant or prospective Participant any information or other data or material in the Bank's possession relating to this Agreement, any Related Document and the Authority, without the consent of or notice to the Authority.

Section 8.03. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ANY CONFLICT OF LAWS PROVISIONS; PROVIDED, THAT THE AUTHORITY'S OBLIGATIONS HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA WITHOUT GIVING EFFECT TO ANY CONFLICT OF LAWS PROVISIONS.

Section 8.04. Submission to Jurisdiction; Waiver of Jury Trial; Judicial Reference.

(a) *Submission to Jurisdiction.* With respect to any suit, action or proceedings relating to this Agreement (“*Proceedings*”), each party irrevocably: (i) submits, to the fullest extent permitted by applicable law, to the exclusive jurisdiction of each of the courts of the State of California and the United States District Court located in the Eastern District of California; *provided* that the parties agree to the extent either such court shall have competent jurisdiction, that the parties shall first designate the United States District Court located in the Eastern District of California as the site of such suit, action or proceeding; and (ii) waives, to the fullest extent permitted by applicable law, (1) any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, (2) any claim that such Proceedings have been brought in an inconvenient forum and (3) the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party and agrees that neither party shall bring Proceedings in any other jurisdiction.

(b) *Waiver of Jury Trial.* THE EXTENT PERMITTED BY LAW, THE BANK, THE TRUSTEE AND THE AUTHORITY EACH HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO ANY RELATED DOCUMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY. THE AUTHORITY FURTHER AGREES THAT, IN THE EVENT OF LITIGATION, IT WILL NOT PERSONALLY OR THROUGH ITS AGENTS OR ATTORNEYS SEEK TO REPUDIATE THE VALIDITY OF THIS SECTION 8.04, AND IT ACKNOWLEDGES THAT IT FREELY AND VOLUNTARILY ENTERED INTO THIS AGREEMENT TO WAIVE TRIAL BY JURY IN ORDER TO INDUCE THE BANK TO ENTER INTO THIS AGREEMENT.

(c) *Judicial Reference Provisions.* (i) Any and all disputes, claims and controversies arising out of, connected with or relating to this Agreement or the Related Documents or the transactions contemplated thereby (including, but not limited to, actions arising in contract or tort and any claims by a party to this Agreement against the Bank related in any way to the financing) (individually, a “*Dispute*”) that are brought before a forum in which pre-dispute waivers of the right to trial by jury are invalid under applicable law shall be subject to the terms of this Section 8.04(c) in lieu of the jury trial waivers otherwise provided in this Agreement or the Related Documents. Disputes may include, without limitation, tort claims, counterclaims, claims brought as class actions, claims arising from Related Documents executed in the future, disputes as to whether a matter is subject to judicial reference, or claims concerning any aspect of the past, present or future relationships arising out of or connected with the Related Documents.

(ii) Any and all Disputes shall be heard by a referee and resolved by judicial reference pursuant to California Code of Civil Procedure Sections 638 *et seq.*

(iii) The referee shall be a retired California state court judge or an attorney licensed to practice law in the State of California with at least ten (10) years experience practicing commercial law. The parties to this Agreement (collectively, the “*Parties*”) shall not seek to appoint a referee that may be disqualified pursuant to California Code of Civil Procedure Section 641 or 641.2 without the prior written consent of all Parties.

(iv) If the Parties are unable to agree upon a referee within ten (10) calendar days after one Party serves a written notice of intent for judicial reference upon the other Party or Parties, then the referee will be selected by the court in accordance with California Code of Civil Procedure Section 640(b).

(v) The referee shall render a written statement of decision and shall conduct the proceedings in accordance with the California Code of Civil Procedure, the Rules of Court, and California Evidence Code, except as otherwise specifically agreed by the parties and approved by the referee. The referee's statement of decision shall set forth findings of fact and conclusions of law. The decision of the referee shall be entered as a judgment in the court in accordance with the provisions of California Code of Civil Procedure Sections 644 and 645. The decision of the referee shall be appealable to the same extent and in the same manner that such decision would be appealable if rendered by a judge of the superior court.

(vi) Nothing in this Section 8.04(c) shall be deemed to apply to or limit the right of the Bank (1) to exercise self help remedies such as (but not limited to) setoff, or (2) to foreclose judicially or nonjudicially against any real or personal property collateral, or to exercise judicial or nonjudicial power of sale rights, (3) to obtain from a court provisional or ancillary remedies (including, but not limited to, injunctive relief, a writ of possession, prejudgment attachment, a protective order or the appointment of a receiver), or (4) to pursue rights against a Party in a third-party proceeding in any action brought against the Bank (including actions in bankruptcy court). The Bank may exercise the rights set forth in the foregoing clauses (1) through (4), inclusive, before, during or after the pendency of any judicial reference proceeding. Neither the exercise of self help remedies nor the institution or maintenance of an action for foreclosure or provisional or ancillary remedies or the opposition to any such provisional remedies shall constitute a waiver of the right of any Party, including, but not limited to, the claimant in any such action, to require submission to judicial reference the merits of the Dispute occasioning resort to such remedies. No provision in this Agreement or the Related Documents regarding submission to jurisdiction and/or venue in any court is intended or shall be construed to be in derogation of the provisions in this Agreement or the Related Documents for judicial reference of any Dispute. The parties hereto do not waive any applicable Federal or state substantive law (including the protections afforded to banks under 12 U.S.C. Section 91 or any similar applicable state law) except as provided herein.

(vii) If a Dispute includes multiple claims, some of which are found not subject to this Section 8.04(c), the Parties shall stay the proceedings of the Disputes or part or parts thereof not subject to this Section 8.04(c) until all other Disputes or parts thereof are resolved in accordance with this Section 8.04(c). If there are Disputes by or against multiple parties, some of which are not subject to this Section 8.04(c), the Parties shall sever the Disputes subject to this Section 8.04(c) and resolve them in accordance with this Section 8.04(c).

(viii) During the pendency of any Dispute which is submitted to judicial reference in accordance with this Section 8.04(c), each of the Parties to such Dispute shall bear equal shares of the fees charged and costs incurred by the referee in performing the services described in this Section 8.04(c). The compensation of the referee shall not exceed the prevailing rate for like services. The prevailing party shall be entitled to reasonable court costs and legal fees, including

customary attorney fees, expert witness fees, paralegal fees, the fees of the referee and other reasonable costs and disbursements charged to the party by its counsel, in such amount as is determined by the referee.

(ix) In the event of any challenge to the legality or enforceability of this Section 8.04(c), the prevailing Party shall be entitled to recover the costs and expenses from the non-prevailing Party, including reasonable attorneys' fees, incurred by it in connection therewith.

(x) THE PROVISIONS OF THIS SECTION 8.04(C) CONSTITUTE A "REFERENCE AGREEMENT" BETWEEN OR AMONG THE PARTIES WITHIN THE MEANING OF AND FOR PURPOSES OF CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638.

Section 8.05. Extension of Stated Expiration Date. The Stated Expiration Date may be extended from time to time, at the request of the Authority (in the form of Exhibit B attached hereto) made no earlier than 120 days, and not later than 60 days, prior to the Stated Expiration Date, by agreement in writing between the Authority and the Bank (the period from the preceding Stated Expiration Date to such new Stated Expiration Date being herein sometimes called the "*Extended Bank Purchase Period*"). The Extended Bank Purchase Period may itself be extended in a like manner for additional periods. The Bank has no obligation to agree to any Extended Bank Purchase Period. If the Bank, in its sole and absolute discretion, determines to extend any such period, the Bank shall give written notice of the election to extend to the Authority, the Trustee and the Remarketing Agent at least 120 days prior to the expiration of the then Stated Expiration Date. At the time of any extension, the Bank may, in its sole and absolute discretion, renegotiate terms and conditions of this Agreement, including the Facility Fees and the Bank Rate. Notwithstanding anything in this paragraph to the contrary, if the Bank fails to give notice of an election to extend, this Agreement shall expire at the end of the Stated Expiration Date.

Section 8.06. Right of Set-Off. Upon the occurrence and during the continuance of an Event of Default, Rating Event or Secondary Coverage Event, the Bank is hereby authorized at any time and from time to time without notice to the Authority (any such notice being expressly waived by the Authority), and to the fullest extent permitted by law, to setoff, to exercise any banker's lien or any right of attachment and apply any and all balances, credits, deposits (general or special, time or demand, provisional or final), accounts or monies at any time held and other indebtedness at any time owing by the Bank to or for the account of the Authority (irrespective of the currency in which such accounts, monies or indebtedness may be denominated and the Bank is authorized to convert such accounts, monies and indebtedness into United States dollars) against any and all of the obligations of the Authority under this Agreement, whether or not the Bank shall have made any demand for any amount owing to the Bank by the Authority.

Section 8.07. Notice. Any notice, demand, direction, invoice, request or other instrument authorized or required by this Agreement to be given to or filed with the Trustee, the Remarketing Agent, the Bank or the Authority, shall be deemed or have been sufficiently given or filed for all purposes, if any, when delivered by hand or when sent by registered mail, return receipt requested,

postage prepaid, and if given by facsimile shall be deemed given when transmitted (receipt confirmed):

If to the Trustee (to be sent U.S. Mail and email):

U.S. Bank National Association
One California Street, Suite 1000
Mail Code - SF-CA-SFCT
San Francisco, CA 94111
Attention: David A. Jason
Telephone: (415) 677-3622
Facsimile: (415) 677-3769

If to the Bank:

with respect to draws on the Letter of Credit:

Sumitomo Mitsui Banking Corporation, New York Branch
277 Park Avenue
New York, New York 10172
Attention: Trade Credit Services Department
Telephone: (212) 224-4310
Facsimile: (212) 224-4566

with a copy to:

Sumitomo Mitsui Banking Corporation, New York Branch
277 Park Avenue
New York, New York 10172
Attention: Head of Public and Infrastructure Finance North America
Telephone: (212) 224-4000
Facsimile: (212) 224-5227
Email: NYPublicFinance@smbcgroup.com

with respect to all other matters:

Sumitomo Mitsui Banking Corporation, New York Branch
277 Park Avenue
New York, New York 10172
Attention: Head of Public and Infrastructure Finance North America
Telephone: (212) 224-4000
Facsimile: (212) 224-5227
Email: NYPublicFinance@smbcgroup.com

wire instructions:

Sumitomo Mitsui Banking Corp. NY
ABA Number: 0260-0967-4
A/C Name: SMBC Loan Operations NY
A/C #: 423001
Reference: Sacramento Transportation Authority

If to the Remarketing Agent:

If to the Authority (to be sent U.S. Mail and email):

Sacramento Transportation Authority
431 I Street, Suite 106
Sacramento, California 95814-2320
Attention: Executive Director
Telephone: (916) 323-0895
Facsimile: (916) 323-0850

With a copy to the Trustee.

Section 8.08. Obligations Absolute. The obligations of the Authority under this Agreement shall be absolute, unconditional and irrevocable, and shall be paid and performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances:

- (a) any lack of validity or enforceability of the Related Documents;
- (b) any amendment or waiver of or any consent to or departure from all or any of the Related Documents;
- (c) any exchange, release or non-perfection of any collateral or any release or amendment or waiver of or consent to departure from any guaranty and insurance documents;
- (d) the existence of any claim, set-off, defense, or other right which the Authority may have at any time against the Trustee, the Remarketing Agent, the Bank (other than the defense of the payment to the Bank in accordance with the terms of this Agreement) or any other Person, whether in connection with this Agreement, the Related Documents, the transactions contemplated herein or therein, or any unrelated transactions;
- (e) any certificate, notice or any other document presented under this Agreement and/or the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever; or

(f) any other circumstance, or happening whatsoever, whether or not similar to any of the foregoing.

Section 8.09. Holidays. Except as otherwise provided herein, whenever any payment or action to be made or taken hereunder shall be stated to be due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day, and such extension of time shall be included in computing interest or fees, if any, in connection with such payment or action.

Section 8.10. Survival. All representations, warranties, covenants and agreements of the Authority contained in this Agreement as amended or supplemented from time to time or made in writing in connection herewith shall survive the execution and delivery hereof and the purchase of Bonds by the Bank hereunder and shall continue in full force and effect until payment in full of all payment obligations of the Authority hereunder, it being understood that the agreements of the Authority found in Sections 2.06, 2.07, 3.01(b), and 8.12 shall survive the termination of this Agreement and payment in full of such obligations.

Section 8.11. Liability of the Bank. The Authority agrees that the Bank shall have no liability or responsibility for the acts or omissions of each of the Remarketing Agent and the Trustee in respect of its use of this Agreement and the Letter of Credit or any amounts made available by the Bank hereunder or under the Letter of Credit. The Bank shall have no responsibility for, nor incur any liability in respect of, any act, or any failure to act, by the Trustee which results in the failure of the Trustee to effect the purchase of Tendered Bonds for the account of the Bank with funds provided by the Bank pursuant to the Letter of Credit or to comply with the applicable provisions of the Indenture. Neither the Bank nor any of its directors, officers or employees shall be liable or responsible for: (a) the use which may be made of this Agreement or the Letter of Credit or any amounts made available by the Bank hereunder or under the Letter of Credit or for any acts or omissions of the Trustee or the Remarketing Agent in connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement(s) thereon even if such documents should in fact prove to be in any or all respect invalid, insufficient, fraudulent or forged; or (c) any other circumstances whatsoever in making or failing to honor any properly presented and conforming drawing under the Letter of Credit, other than, in the case of the Bank, the Bank's gross negligence or willful failure to purchase Tendered Bonds when required under the terms and conditions of this Agreement and the Letter of Credit. In no event shall the Bank be liable to any Person for special, punitive or consequential damages, including, without limitation, such damages suffered by reason of the Bank's failure to purchase Tendered Bonds when required under the terms and conditions of this Agreement and the Letter of Credit.

Section 8.12. Certain Costs; Indemnification. (a) The Authority agrees to perform its obligations provided for in the Fee Agreement, including, without limitation, the payment of the costs, charges and expenses provided for therein at the times and in the amounts as set forth therein, the terms of which Fee Agreement are incorporated herein by this reference as if fully set forth herein.

(b) To the extent permitted by law, the Authority agrees to indemnify and hold the Bank harmless from and against, and to pay on demand, any and all claims, damages, losses, liabilities,

costs and expenses whatsoever which the Bank may incur or suffer by reason of or in connection with (i) the execution and delivery or performance of this Agreement or the Letter of Credit or any other documents which may be delivered in connection with this Agreement or the Letter of Credit, (ii) the disclosure in the Remarketing Memorandum or any other offering document used in connection with the offering, sale, remarketing or resale of the Bonds, other than information regarding the Bank set forth therein which is expressly provided by the Bank for inclusion therein, or (iii) any breach by the Authority of any warranty, covenant, term or condition in, or the occurrence of any default under, this Agreement or any other Related Document, including, without limitation, the reasonable fees and expenses of counsel for the Bank or any consultant to the Bank with respect thereto and with respect to advising the Bank as to its rights and responsibilities under this Agreement and all reasonable fees and expenses, if any, in connection with the enforcement or defense of the rights of the Bank in connection with this Agreement or any of the Related Documents, or the collection of any monies due under this Agreement or such other documents which may be delivered in connection with this Agreement or any of the Related Documents; except, only if, and to the extent that any such claim, damage, loss, liability, cost or expense shall be caused by the Bank's gross negligence or willful misconduct as determined by a court of competent jurisdiction. Promptly after receipt by the Bank or notice of the commencement, or threatened commencement, of any action subject to the indemnities contained in this Section 8.12, the Bank shall promptly notify the Authority thereof, *provided* that failure to give such notice shall not relieve the Authority from any liability to the Bank hereunder. The obligations of the Authority under this Section 8.12 shall survive payment of all obligations by the Authority to the Bank owed under this Agreement and the Letter of Credit. Notwithstanding anything to the contrary set forth in this Agreement, for the purposes of this Section 8.12(b) all references to Bank shall also include its officers, directors, employees and agents of Bank.

Section 8.13. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which, when taken together shall constitute one and the same instrument.

Section 8.14. Assignment to Federal Reserve Bank. The Bank may assign and pledge all or any portion of the obligations owing to it hereunder and with respect to the Letter of Credit to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank, *provided* that any payment in respect of such assigned obligations made by the Authority to the Bank in accordance with the terms of this Agreement shall satisfy the Authority's obligations hereunder in respect of such assigned obligation to the extent of such payment. No such assignment shall release the Bank from its obligations hereunder.

Section 8.15. USA PATRIOT Act. The Bank, to the extent that it is subject to the requirements of the Patriot Act, hereby notifies the Authority that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies the Authority, which information includes the name and address of the Authority and other information that will allow the Bank to identify the Authority in accordance with the Patriot Act.

The Authority shall (a) ensure that no person who owns a controlling interest in or otherwise controls the Authority is or shall be listed on the Specially Designated Nationals and

Blocked Person List or other similar lists maintained by OFAC, the Department of the Treasury or included in any Executive Orders, that prohibits or limits the Bank from making any advance or extension of credit to the Authority or from otherwise conducting business with the Authority and (b) ensure that the proceeds of the Bonds and drawings under the Letter of Credit shall not be used to violate any of the foreign asset control regulations of OFAC or any enabling statute or Executive Order relating thereto.

Section 8.16. Document Imaging and Electronic Transactions. The Bank is permitted to create electronic images of this Agreement, the Fee Agreement and the other Related Documents and to destroy paper originals of any such imaged documents. Any such images maintained by the Bank as a part of its normal business processes shall be given the same legal effect as the paper originals. The Bank is permitted to convert this Agreement, the Fee Agreement and the other Related Documents into a “transferable record” under the Uniform Electronic Transactions Act (“*UETA*”), with the image of such instrument in the Bank’s possession constituting an “authoritative copy” under UETA.

Section 8.17. No Advisory or Fiduciary Relationship. In connection with any aspect of the transactions contemplated by this Agreement or the Related Documents (including in connection with any amendment, waiver or other modification hereof or of any Related Document), the Authority acknowledges and agrees that (i) (A) this Agreement was negotiated in arm’s-length commercial transactions between the Authority, on the one hand, and the Bank, on the other hand, (B) the Authority has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) the Authority is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated by this Agreement and the Letter of Credit; (ii) (A) in connection with this Agreement and the Letter of Credit and with the discussions, undertakings and procedures leading up to the consummation of the transactions contemplated by this Agreement and the Letter of Credit, the Bank is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor (including, without limitation, as a municipal advisor or financial advisor), agent or fiduciary for the Authority or any other Person in connection with the transactions contemplated by this Agreement and the Letter of Credit or the discussions, undertakings and procedures leading thereto and (B) the Bank has no contractual obligation to the Authority with respect to the transactions contemplated by this Agreement and the Letter of Credit except those obligations expressly set forth in this Agreement; and (iii) the Bank may be engaged in a broad range of transactions that involve interests that differ from those of the Authority, and the Bank has no obligation to disclose any of such interests to the Authority. To the fullest extent permitted by law, the Authority hereby waives and releases any claims that it may have against the Bank with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of the transactions contemplated by this Agreement and the Letter of Credit.

Section 8.18. Redaction. In the event on or subsequent to the Closing Date the Authority delivers or causes to be delivered to the Remarketing Agent for delivery to the Municipal Securities Rulemaking Board, or directly to the Municipal Securities Rulemaking Board, in either instance pursuant to Rule G-34 (“*CUSIP Numbers, New Issue, and Market Information Requirements*”), a copy of this Agreement, the Letter of Credit or the Fee Agreement (including without limitation any amendments hereto or thereto), the Authority shall only provide or cause to be provided a copy

of this Agreement, the Letter of Credit and the Fee Agreement (including without limitation any amendments hereto or thereto), in the forms provided by the Bank, that redacts such confidential information contained in this Agreement, the Letter of Credit and the Fee Agreement (including without limitation any amendments hereto or thereto) which could be used in a fraudulent manner, such as any VRDO liquidity bank routing or account numbers, staff names and contact information and fees assessed by the Bank, which redaction is consistent with MSRB Notice 2011-17 (February 23, 2011). The Bank shall provide such redacted copies of this Agreement, the Letter of Credit and the Fee Agreement (including without limitation any amendments hereto or thereto) upon request by the Authority. The Authority shall cause the Remarketing Agent to deliver only such redacted copies of this Agreement, the Letter of Credit and the Fee Agreement (including without limitation any amendments hereto or thereto), in the forms provided by the Bank, to the Municipal Securities Rulemaking Board pursuant to said Rule G-34.

Section 8.19. Notice of New Addresses Under Related Documents. The Authority shall deliver a copy of this Agreement to each of the Trustee, the Tender Agent and the Remarketing Agent as notice of a new address for notices to the Bank under the respective notice provisions of each of the Related Documents.

Section 8.20. Severability. Any provision of this Agreement that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

[SIGNATURE PAGE IMMEDIATELY FOLLOWS]

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

SACRAMENTO TRANSPORTATION AUTHORITY

By: _____
Name: _____
Title: _____

SUMITOMO MITSUI BANKING CORPORATION,
acting through its New York Branch, as the
Bank

By: _____
Name: _____
Title: _____

ACCEPTED AND AGREED TO:

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Name: _____
Title: _____

EXHIBIT A

**FORM OF STANDBY LETTER OF CREDIT
[TO COME]**

EXHIBIT B

FORM OF REQUEST FOR EXTENSION OF STATED EXPIRATION DATE

[DATE]

Sumitomo Mitsui Banking Corporation, New York Branch
1251 Avenue of the Americas
New York, New York 10020
Attention: John Castanon
Telephone: (212) 282-4205
Facsimile: (212) 282-4486

Re: Request for Extension of Stated Expiration Date

Ladies and Gentlemen:

Reference is hereby made to that Standby Letter of Credit and Reimbursement Agreement (the "*Agreement*"), dated as of October 1, 2019, between the Sacramento Transportation Authority (the "*Authority*"), _____, as Trustee (the "*Trustee*"), and Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the "*Bank*"). All capitalized terms contained herein which are not specifically defined shall be deemed to have the definition set forth in the Agreement. The Authority hereby requests, pursuant to Section 8.05 of the Agreement, that the Stated Expiration Date of the Letter of Credit be extended by **[IDENTIFY APPROPRIATE PERIOD]**. Pursuant to Section 8.05 of the Agreement, we have enclosed along with this request the following information:

1. The outstanding principal amount of the Bonds;
2. The nature of any and all Events of Default and all Potential Defaults; and
3. Any other pertinent information previously requested by the Bank.

The Bank is required to notify in writing the Trustee, the Authority and the Remarketing Agent of the Bank's decision with respect to this request for extension. If the Bank fails to notify in writing such parties of the Bank's decision prior to the then Stated Expiration Date, the Bank shall be deemed to have rejected such request.

Very truly yours,

SACRAMENTO TRANSPORTATION AUTHORITY

By: _____
Name: _____
Title: _____

EXHIBIT C

FORM OF CUSTODY AGREEMENT

This CUSTODY AGREEMENT dated as of October 1, 2019, by and between U.S. Bank National Association, as custodian (the “*Custodian*”) and Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the “*Bank*”).

WHEREAS, the Sacramento Transportation Authority (the “*Authority*”), U.S. Bank National Association, as successor trustee (the “*Trustee*”), and the Bank have entered into that certain Standby Letter of Credit and Reimbursement Agreement dated as of October 1, 2019 (the “*Agreement*”), pursuant to which the Bank has agreed to purchase in certain circumstances the \$106,100,000 current outstanding aggregate principal amount of Measure A Sales Tax Revenue Refunding Bonds Series 2014A (Limited Tax Bonds) (the “*Bonds*”) issued by the Authority; and

WHEREAS, the Bonds were issued pursuant to the terms of that certain Indenture dated as of September 1, 2009 (the “*Original Indenture*”), as supplemented and amended by the First Supplemental Indenture dated as of September 1, 2009, the Second Supplemental Indenture dated as of September 1, 2011, the Third Supplemental Indenture dated as of July 1, 2012, and the Fourth Supplemental Indenture dated as of September 1, 2014 (the “*Fourth Supplemental Indenture*”), each between the Authority and the Trustee (collectively with the Original Indenture, including, in each case, such amendments, modifications or supplements permitted pursuant to the terms thereof and hereof, the “*Indenture*”); and

WHEREAS, the Fourth Supplemental Indenture requires that the Bonds delivered by the holders thereof to the Trustee pursuant to the Fourth Supplemental Indenture be purchased under certain circumstances by the Bank under the Agreement; and

WHEREAS, it is a condition to the effectiveness of the obligations of the Bank under the Agreement that the Custodian shall have entered into this Custody Agreement with the Bank; and

WHEREAS, the Custodian has agreed to act as custodian and agent for the Bank, as herein provided;

NOW THEREFORE, in consideration of the mutual covenants recited herein, and other good and valuable consideration, receipt of which is hereby acknowledged, it is hereby agreed as follows:

(a) The Bank appoints the Custodian as its agent and bailee for the purpose of receiving Bank Bonds (as defined in the Agreement) under the Agreement and holding such Bank Bonds for and on behalf of the Bank. Bank Bonds shall be held and registered as provided in Section 2.02 of the Agreement. The Custodian hereby agrees to hold the Bank Bonds for such purpose, as the Bank’s agent and bailee. As used herein, the term “*Bank Bonds*” means, unless the context otherwise requires, the beneficial ownership of such Bank Bonds during any period that Bank Bonds are maintained as book entry bonds.

(b) Except at the written direction of the Bank, the Custodian shall not pledge, hypothecate, transfer or release possession of such Bank Bonds held by or registered in the name of the Custodian on behalf of the Bank to any Person or in any manner not in accordance with this Custody Agreement and shall not enter into any other agreement, other than the Agreement or the Indenture, regarding possession of the Bank Bonds without the prior written consent of the Bank. The Custodian will not release Bank Bonds to the purchaser of such Bank Bonds unless the Bank has delivered to the Custodian, in addition to its written direction contemplated above in this paragraph, written notice (which may be by telex, answerback received) that a portion of the Available Principal Commitment (as defined in the Agreement) in an amount equal to the principal amount of such Bank Bonds has been reinstated.

(c) Upon written notice to the Bank, and release and delivery to the Bank or its designee of any Bank Bonds then held by the Custodian on behalf of the Bank pursuant to this Custody Agreement, the Custodian shall have the right to terminate its obligations with respect to such Bank Bonds under this Custody Agreement. The Bank shall have the option to terminate this Custody Agreement at any time upon written notice to the Custodian and, upon such termination, the Custodian will release and deliver to the Bank or its designee any Bank Bonds then held by the Custodian hereunder. The Bank may also from time to time request that the Custodian release and deliver to the Bank all or a portion of the Bank Bonds then held by the Custodian on behalf of the Bank without termination of this Custody Agreement, and upon receipt of any such request in writing, the Custodian will release and deliver such Bank Bonds to the Bank or its designee then held by the Custodian.

(d) In acting under this Custody Agreement the Custodian shall not be liable to the Bank except for negligence or willful misconduct in the performance of its obligations hereunder.

(e) The Custodian's duties are only such as are specifically provided herein, and the Custodian shall incur no fiduciary or other liability whatsoever to the Bank or any other Person, except to the extent the Bank incurs any loss or liability due to the Custodian's negligence or willful misconduct. Anything in this Custody Agreement to the contrary notwithstanding, in no event shall the Custodian be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Custodian has been advised of such loss or damage and regardless of the form of action. The Custodian may consult with counsel and shall be fully protected in any action taken, suffered or omitted in good faith in accordance with such advice. The Custodian may rely conclusively and shall be fully protected in acting upon any written instructions given to it hereunder and believed by it to have been properly executed.

(f) The Custodian may resign at any time by giving written notice thereof to the Bank. Such resignation shall not become effective until a successor Custodian shall have been appointed by the Bank and shall have accepted such appointment in writing. The resigning Custodian may, at the expense of the Authority, petition any court of competent jurisdiction, including without limitation the Supreme Court of the State of New York, for the appointment of a successor Custodian.

(g) This Custody Agreement cannot be amended or modified except in a writing signed by the Bank and the Custodian.

(h) This Custody Agreement shall inure to the benefit of and shall be binding upon the Custodian and the Bank, and their respective successors and assigns.

(i) This is the Custody Agreement referred to in the Agreement, and shall be governed by the law of the State of New York.

(j) This Custody Agreement may be executed in counterparts which, taken together, shall constitute a single document.

[SIGNATURE PAGE IMMEDIATELY FOLLOWS]

IN WITNESS WHEREOF, the parties have hereunder set their hands, all as of the date first above written.

U.S. BANK NATIONAL ASSOCIATION,
as the Custodian

By: _____
Name: _____
Title: _____

SUMITOMO MITSUI BANKING CORPORATION,
acting through its New York Branch, as the
Bank

By: _____
Name: _____
Title: _____

ACCEPTED AND AGREED TO:

SACRAMENTO TRANSPORTATION AUTHORITY

By: _____
Name: _____
Title: _____

EXHIBIT D

FORM OF COMPLIANCE CERTIFICATE

[Date]

The undersigned is the _____ of the SACRAMENTO TRANSPORTATION AUTHORITY (together with its successors and assigns permitted under the hereinafter defined Agreement, the “*Authority*”), a local transportation authority duly established and existing under the laws of the State of California, and hereby certifies that (unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the hereinafter defined Agreement):

1. Under his or her supervision, the Authority has made a review of its activities during the preceding annual period covered by the attached financial statements for the purpose of determining whether or not the Authority has complied with all of the terms, provisions and conditions of that certain Standby Letter of Credit and Reimbursement Agreement (the “*Agreement*”) dated as of October 1, 2019, between the Sacramento Transportation Authority (the “*Authority*”) and Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the “*Bank*”).

2. Nothing has come to his or her attention to lead him to believe that any Potential Default, Event of Default, Rating Event or Secondary Coverage Event under the Agreement exists or, if such is not the case, specifying such Potential Default, Event of Default, Rating Event or Secondary Coverage Event and the nature thereof, except as set forth below:

Described below are the exceptions, if any, to paragraph 2 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Authority has taken, is taking, or proposes to take with respect to each such condition or event:

3. As of _____, 20__, the Debt Service Coverage Ratio set forth in the Agreement are calculated as per the Attachment, the results of which are summarized

below, and such calculations are accurate, complete and conform with the terms of the Agreement:

Section 5.01(aa)(ii) — Debt Service Coverage Ratio — Tested Annually, commencing on December 31, 2018:

ANNUAL TESTING DATE	MINIMUM DEBT SERVICE ACTUAL DEBT SERVICE COVERAGE RATIO (INCLUDING ANY ACCELERATED PRINCIPAL AMORTIZATIONS RELATING TO LIQUIDITY FACILITY BONDS (AS DEFINED IN THE INDENTURE)	ACTUAL DEBT SERVICE COVERAGE RATIO
		2.25 to 1.00

The foregoing certifications, together with the computations set forth in the Attachment hereto and the financial statements delivered with this Compliance Certificate in support hereof, are made and delivered this day of _____, 20__.

SACRAMENTO TRANSPORTATION AUTHORITY

By: _____
Name: _____
Title: _____

STANDBY LETTER OF CREDIT

October 31, 2019
Letter of Credit No. LG/MIS/NY-160075
U.S. \$107,285,995

Beneficiary:

U.S. Bank National Association,
as Trustee (the "*Trustee*")
One California Street, Suite 1000
Mail Code - SF-CA-SFCT
San Francisco, CA 94111
Attention: David A. Jason

Ladies and Gentlemen:

We hereby establish in your favor as Trustee under that certain Indenture dated as of September 1, 2009 (the "*Original Indenture*"), as supplemented and amended by the First Supplemental Indenture dated as of September 1, 2009, the Second Supplemental Indenture dated as of September 1, 2011, the Third Supplemental Indenture dated as of July 1, 2012, and the Fourth Supplemental Indenture dated as of September 1, 2014 (the "*Fourth Supplemental Indenture*"), each between the Sacramento Transportation Authority (the "*Authority*") and U.S. Bank National Association, as Trustee (collectively with the Original Indenture, including, in each case, such amendments, modifications or supplements permitted pursuant to the terms thereof and hereof, the "*Indenture*"), for the benefit of the holders of the Bonds (as hereinafter defined), our Standby Letter of Credit No. LG/MIS/NY-160075 for the account of the Authority, whereby we hereby authorize you to draw on us from time to time, upon presentation of the Payment Documents (defined below), from and after the date hereof to and including the earliest to occur of our close of business on: (i) October 30, 2024 (as extended from time to time, the "*Stated Expiration Date*"), (ii) the Business Day following the date on which all of the Bonds are converted to an interest rate other than the Daily Rate or the Weekly Rate (as defined in the Reimbursement Agreement), as such date is specified in a certificate in the form of Annex B hereto (the "*Conversion Date*"), (iii) the date of receipt by us of a certificate in the form set forth as Annex C hereto, (iv) the date on which an Immediate Termination Event under and as defined in the hereinafter defined Reimbursement Agreement shall have occurred (such Immediate Termination Events, along with the Suspension Events under and as defined in the hereinafter defined Reimbursement Agreement are restated in Annex J hereto) and (v) the date which is the thirtieth day (or the next succeeding Business Day if such day is not a Business Day) following receipt by you of a written notice in the form of Annex F hereto from us specifying the occurrence of an Event of Default specified in Section 7.01 of the Standby Letter of Credit and Reimbursement Agreement dated as of October 1, 2019 (as amended, restated, modified or supplemented from time to time in accordance with the terms thereof, the "*Reimbursement Agreement*"), between the Authority and us, as issuer of this letter of credit (in such capacity, the "*Bank*"), and directing you to cause a mandatory tender of the Bonds pursuant to the Fourth Supplemental Indenture (the earliest of such dates to occur referred to herein as the "*Termination Date*"), a maximum aggregate amount not exceeding One Hundred Seven Million Two Hundred

Eighty-Five Thousand Nine Hundred Ninety-Five Dollars (U.S. \$107,285,995) (the “*Original Stated Amount*”) for you to make a Liquidity Drawing (as hereinafter defined) for the Authority’s Sacramento Transportation Authority Measure A Sales Tax Revenue Refunding Bonds Series 2014A (Limited Tax Bonds) (the “*Bonds*”), in accordance with the terms hereof (said \$107,285,995 having been calculated to be equal to One Hundred Six Million One Hundred Thousand Dollars (\$106,100,000), the principal amount of the outstanding Bonds, plus One Million One Hundred Eighty-Five Thousand Nine Hundred Ninety-Five Dollars (\$1,185,995) which is thirty-four (34) days’ accrued interest on said principal amount of the Bonds at the rate of twelve percent (12%) per annum (the “*Cap Interest Rate*”) calculated on the basis of a 365 day year). This credit is available to you against presentation of the following documents (the “*Payment Documents*”) presented to us as described below:

(1) A certificate (with all blanks appropriately completed) in the form attached as Annex A hereto, to allow the Trustee to pay the purchase price of Bonds (A) tendered for purchase pursuant to Section 27.04 of the Fourth Supplemental Indenture for which insufficient moneys are available for such purchase pursuant to Section 27.09 of the Fourth Supplemental Indenture or (B) tendered or deemed tendered for mandatory purchase pursuant to Section 27.05(a)(1), 27.05(a)(2) or 27.05(a)(5) of the Fourth Supplemental Indenture and for which insufficient moneys are available for such purchase pursuant to Section 27.09 of the Fourth Supplemental Indenture, in each case, by the Trustee by 11:30 A.M., New York time, on the Business Day of the purchase date (a “*Liquidity Drawing*”), such certificate to state therein that it is given by your duly authorized officer and dated the date such certificate is presented hereunder. No drawings shall be made under this Letter of Credit for Ineligible Bonds. “*Ineligible Bonds*” means any (i) Bonds bearing interest at a rate other than the Daily Rate (as defined in the Reimbursement Agreement, provided that if the Bank has not provided its prior written consent pursuant to Section 5.01(g)(ii) of the Reimbursement Agreement, then Bonds bearing interest at the Daily Rate shall also be “*Ineligible Bonds*”) or the Weekly Rate (as defined in the Reimbursement Agreement), (ii) Bank Bonds (as defined in the Reimbursement Agreement) or (iii) Bonds owned by, for the account of, or on behalf of, the Authority; and

(2) A certificate (with all blanks appropriately completed) in the form attached as Annex I hereto, dated as of the date of the Liquidity Drawing, stating that the Trustee has not received notice from the Authority or the Bank of any Immediate Termination Event or Suspension Event (each as defined in the Reimbursement Agreement).

All drawings shall be made by presentation of each Payment Document at our office at 277 Park Avenue, New York, New York 10172 by facsimile (at facsimile number (212) 224-4566, Attention: Trade Credit Services Department (or at any other office which may be designated by written notice delivered to you)), in each case, or at such other address or telecopier number as we may specify to you in writing without further need of documentation, including the original of this Letter of Credit, it being understood that each Payment Document so submitted is to be the sole operative instrument of drawing. Each drawing must be immediately confirmed by telephone (at telephone number: (212) 224-4310) notifying us of such

drawing; *provided*, that, your failure to confirm such drawing by telephone shall not affect the validity or effectiveness of such drawing.

We agree to honor and pay the amount of any Liquidity Drawing if presented in compliance with all of the terms of this Letter of Credit. The Trustee shall notify the Bank that it anticipates presenting a Liquidity Drawing prior to the close of business on the Business Day preceding such anticipated Liquidity Drawing; *provided* that failure to provide such notice shall not invalidate an otherwise valid Liquidity Drawing. If a Liquidity Drawing is presented on or before 12:00 P.M. New York time, on a Business Day, payment shall be made in immediately available funds, by 2:30 P.M. New York time, on the same Business Day. If a Liquidity Drawing is presented after 12:00 P.M. New York time, payment shall be made in immediately available funds, by 2:30 P.M. New York time, on the following Business Day. If the Trustee presents written instruction to the Bank to reduce or cancel the amount of a Liquidity Drawing prior to the Bank honoring the Liquidity Drawing, the Bank shall reduce the amount of or cancel the Liquidity Drawing accordingly. Payments under this Letter of Credit shall be made by wire transfer of immediately available funds to [**U.S. Bank National Association, ABA No. 091000022, BNF Account: 180120521620, BNF Name: U.S. Bank National Association, Ref/OBI: SACRATRAN14A**]. Such account may be changed only by presentation to us of a letter in form satisfactory to us specifying a different account with the Trustee and executed by the Trustee and authenticated to our satisfaction. "*Business Day*" means any day other than (i) a Saturday, Sunday, or a day on which banking institutions in the State or 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; (ii) a day upon which commercial banks in the city in which the office of the Bank at which Liquidity Drawing Certificates hereunder are to be honored is located are authorized or obligated by law or executive order to be closed; (iii) a day on which the New York Stock Exchange is closed; or (iv) a day on which the payment system of the Federal Reserve System is not operational. All defined terms used herein which are not otherwise defined shall have the same meaning as in the Reimbursement Agreement.

The Available Amount (as hereinafter defined) will be reduced automatically by the amount of any Liquidity Drawing hereunder. After payment by us of a Liquidity Drawing, our obligation to honor Liquidity Drawings under this Letter of Credit will be automatically reduced by an amount equal to the amount of said Liquidity Drawing. In addition, prior to the Conversion Date, our obligation to honor Liquidity Drawings hereunder will be automatically reinstated concurrently upon receipt by us of a certificate in the form of Annex H, and receipt by us of the amount equal to the amount stated on such Annex H.

Upon receipt by us of a certificate of the Trustee in the form of Annex G hereto, the Available Amount will be automatically and permanently reduced by the amount specified in such certificate.

The "*Available Amount*" shall mean the Original Stated Amount (i) less the amount of all prior reductions pursuant to Liquidity Drawings, (ii) less the amount of any reduction thereof pursuant to a reduction certificate in the form of Annex G, (iii) plus the amount of all reinstatements as above provided.

Prior to the Termination Date, we may extend the Stated Expiration Date from time to time at the request of the Authority by delivering to you an amendment to this Letter of Credit in the form of Annex E hereto designating the date to which the Stated Expiration Date is being extended. All references in this Letter of Credit to the Stated Expiration Date shall be deemed to be references to the date designated as such in such notice. Any date to which the Stated Expiration Date has been extended as herein provided may be extended in a like manner.

This Letter of Credit is transferable in whole only to your successor as Trustee. Any such transfer (including any successive transfer) shall be subject to the Bank's receipt of a signed transfer request signed by the transferor and by the transferee in the form of Annex D hereto, this Letter of Credit and payment of our transfer fee by the Authority, and in such case, the transferee instead of the transferor shall, be entitled to all the benefits of and rights under this Letter of Credit in the transferor's place. Transfers to designated foreign nationals and/or specifically designated nationals are not permitted as being contrary to the U.S. Treasury Department or Foreign Assets Control Regulations.

Communications with respect to this Letter of Credit shall be addressed to us at Sumitomo Mitsui Banking Corporation, 277 Park Avenue, New York, New York 10172, by facsimile (at facsimile number (212) 224-4566), Attention: Trade Credit Services Department (or at any other office that we may designate by prior written notice to you), specifically referring to the number of this Letter of Credit.

Except as expressly stated herein, this Letter of Credit is governed by, and construed in accordance with, the terms of the International Standby Practices 1998, International Chamber of Commerce Publication No. 590 (the "*ISP98*"). As to matters not governed by *ISP98*, this Letter of Credit shall be governed by and construed in accordance with the laws of the State of New York, including without limitation the Uniform Commercial Code as in effect in the State of New York, without regard to conflict of laws.

Upon the Termination Date, this Letter of Credit shall automatically terminate and be delivered to the Bank for cancellation.

All payments made by us hereunder shall be made from our funds and not with the funds of any other person.

This Letter of Credit, including Annexes A through J hereto, sets forth in full the terms of our undertaking. Reference in this Letter of Credit to other documents or instruments is for identification purposes only and any such reference (including, without limitation, the use herein of terms defined in the Reimbursement Agreement) shall not modify, amend, amplify, limit or otherwise affect the terms of our undertaking or cause such documents or instruments to be deemed incorporated herein.

[SIGNATURE PAGE FOLLOWS]

This Letter of Credit sets forth in full the terms of our undertaking, and such undertaking shall not in any way be modified or amended by reference to any other document whatsoever.

SUMITOMO MITSUI BANKING CORPORATION,
ACTING THROUGH ITS NEW YORK BRANCH

By _____
Name: _____
Title: _____

ANNEX A
To
LETTER OF CREDIT

No. LG/MIS/NY-160075
LIQUIDITY DRAWING CERTIFICATE

Sumitomo Mitsui Banking Corporation, New York Branch
277 Park Avenue, 6th Floor
New York, New York 10172
Attention: Trade Credit Services Department

The undersigned individual, a duly authorized officer of Wells Fargo Bank, National Association (the “*Beneficiary*”) hereby CERTIFIES as follows with respect to (i) that certain Standby Letter of Credit No. LG/MIS/NY-160075 dated October 31, 2019 (the “*Letter of Credit*”), issued by you in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Indenture (as each term is defined in the Letter of Credit):

(1) The Beneficiary is the Trustee under the Indenture.

(2) The Beneficiary is entitled to make this drawing under the Letter of Credit in the amount of \$_____ with respect to the payment of the purchase price of Bonds (a) tendered for purchase pursuant to Section 27.04 of the Fourth Supplemental Indenture for which insufficient moneys are available for such purchase pursuant to Section 27.09 of the Fourth Supplemental Indenture or (b) tendered or deemed tendered for mandatory purchase pursuant to Section 27.05(a)(1), 27.05(a)(2) or 27.05(a)(5) of the Fourth Supplemental Indenture and for which insufficient moneys are available for such purchase pursuant to Section 27.09 of the Fourth Supplemental Indenture, in each case, by the Trustee by 11:30 A.M., New York time, on **[insert applicable date]** (the “*Purchase Date*”).

(3) (a) The amount of the drawing is equal to (i) the principal amount of Bonds to be purchased pursuant to the Fourth Supplemental Indenture on the Purchase Date other than Ineligible Bonds (as defined in the Letter of Credit), plus (ii) interest on such Bonds accrued from the immediately preceding Interest Payment Date (as defined in the Fourth Supplemental Indenture) to the Purchase Date; *provided*, that if the date of the liquidity draw requested hereby is an Interest Payment Date, this drawing shall not include the amount of interest payable on such Interest Payment Date.

(b) Of the amount stated in paragraph (2) above:

(i) \$_____ is demanded in respect of the principal portion of the purchase price of the Bonds referred to in subparagraph (2) above; and

(ii) \$ _____ is demanded in respect of payment of the interest portion of the purchase price of such Bonds.

1. The amount of the drawing made by this certificate was computed in compliance with the terms and conditions of the Fourth Supplemental Indenture and, when added to the amount of any other Liquidity Drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount (as defined in the Letter of Credit).

2. The Beneficiary will register or cause to be registered in the name of the Beneficiary or its nominee or in your name or the name of your nominee as directed by you, upon payment of the amount drawn hereunder, Bonds in the principal amount of the Bonds being purchased with the amounts drawn hereunder and will deliver such Bonds to the Trustee in accordance with the Fourth Supplemental Indenture.

3. Payment by you pursuant to this drawing shall be made in accordance with the terms of the Letter of Credit.

IN WITNESS WHEREOF, this certificate has been executed this ____ day of _____, _____.

_____,
as Trustee

By _____
[Title of Authorized Officer]

ANNEX B
To
LETTER OF CREDIT

No. LG/MIS/NY-160075
NOTICE OF CONVERSION DATE

[Date]

Sumitomo Mitsui Banking Corporation, New York Branch
277 Park Avenue, 6th Floor
New York, New York 10172
Attention: Trade Credit Services Department

Ladies and Gentlemen:

Reference is hereby made to that certain Standby Letter of Credit No. LG/MIS/NY-160075 dated October 31, 2019 (the "*Letter of Credit*"), which has been established by you for the account of the Sacramento Transportation Authority in favor of the Trustee.

The undersigned hereby certifies and confirms that all of the Bonds have been converted to an interest rate other than the Daily Rate or the Weekly Rate (as defined in the Reimbursement Agreement) on **[insert date]** (the "*Conversion Date*"), and, accordingly, said Letter of Credit shall terminate on the Business Day following the Conversion Date.

All defined terms used herein which are not otherwise defined herein shall have the same meaning as in the Letter of Credit.

_____,
as Trustee

By _____
[Title of Authorized Officer]

ANNEX C
To
LETTER OF CREDIT

No. LG/MIS/NY-160075
NOTICE OF TERMINATION

[Date]

Sumitomo Mitsui Banking Corporation, New York Branch
277 Park Avenue, 6th Floor
New York, New York 10172
Attention: Trade Credit Services Department

Ladies and Gentlemen:

Reference is hereby made to that certain Standby Letter of Credit No. LG/MIS/NY-160075 dated October 31, 2019 (the "*Letter of Credit*"), which has been established by you for the account of the Sacramento Transportation Authority (the "*Authority*") in favor of the Trustee.

The undersigned hereby certifies and confirms that (i) no Bonds (as defined in the Letter of Credit) that are subject to tender remain outstanding within the meaning of the Fourth Supplemental Indenture (as defined in the Letter of Credit), (ii) all Liquidity Drawings required to be made under the Fourth Supplemental Indenture and available under the Letter of Credit have been made and honored, or (iii) a Substitute Liquidity Facility has been issued to replace the Letter of Credit pursuant to the Fourth Supplemental Indenture and the Standby Letter of Credit and Reimbursement Agreement dated as of October 1, 2019, between the Authority and the Bank, and, accordingly, the Letter of Credit shall be terminated in accordance with its terms.

All defined terms used herein which are not otherwise defined shall have the same meaning as in the Letter of Credit.

_____,
as Trustee

By _____
[Title of Authorized Officer]

ANNEX D
TO
LETTER OF CREDIT

No. LG/MIS/NY-160075
TRANSFER CERTIFICATE

[Date]

Sumitomo Mitsui Banking Corporation, New York Branch
277 Park Avenue, 6th Floor
New York, New York 10172
Attention: Trade Credit Services Department

Ladies and Gentlemen:

Reference is made to that certain Standby Letter of Credit No. LG/MIS/NY-160075 dated October 31, 2019 (the "*Letter of Credit*"), which has been established by you in favor of _____.

The undersigned, a duly authorized officer of **[Name of Transferor]**, has transferred all of its rights in and under said Letter of Credit to **[Name and Address of Transferee]** and confirms that **[Name of Transferor]** no longer has any rights under or interest in said Letter of Credit. Said Transferee has succeeded the Transferor as Trustee under the Fourth Supplemental Indenture (as each term is defined in the Letter of Credit).

By virtue of this transfer, the Transferee shall have the sole rights as beneficiary of said Letter of Credit, including sole rights relating to any past or future amendments thereof, whether increases or extensions or otherwise. All amendments are to be advised directly to the Transferee without necessity of any consent of or notice to the Transferor.

By its signature below, the Transferee acknowledges that it has duly succeeded the Transferor as Trustee under the Fourth Supplemental Indenture, and agrees to be bound by the terms of the Fourth Supplemental Indenture as if it were the original Trustee thereunder.

The Letter of Credit is returned herewith, and we ask you to endorse the transfer on the reverse thereof and to forward it directly to the Transferee with your customary notice of transfer.

Name of Transferor

By _____
[Title of Authorized Officer of Transferor]

Name of Transferee

By _____
[Title of Authorized Officer of Transferee]

ANNEX E
TO
LETTER OF CREDIT

No. LG/MIS/NY-160075
NOTICE OF EXTENSION

[Date]

[TRUSTEE]

Attention: _____

Ladies and Gentlemen:

Reference is hereby made to that certain Standby Letter of Credit No. LG/MIS/NY-160075 dated October 31, 2019 (the "*Letter of Credit*"), established by us in your favor as Beneficiary. We hereby notify you that the Stated Expiration Date (as defined in the Letter of Credit) has been extended to _____, ____.

All other terms and conditions remain unchanged.

This letter should be attached to the Letter of Credit and made a part thereof.

SUMITOMO MITSUI BANKING CORPORATION,
ACTING THROUGH ITS NEW YORK BRANCH

By _____
Name: _____
Title: _____

ANNEX F
To
LETTER OF CREDIT

No. LG/MIS/NY-160075
NOTICE OF MANDATORY TENDER

[Date]

[TRUSTEE]

Attention: _____

Ladies and Gentlemen:

The undersigned, a duly authorized officer of Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the “Bank”), hereby advises you, with reference to Standby Letter of Credit No. LG/MIS/NY-160075 dated October 31, 2019 (the “Letter of Credit”); (any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in your favor, that an “Event of Default” described in Section 7.01() of the Standby Letter of Credit and Reimbursement Agreement dated as of October 1, 2019, between the Authority and the Bank has occurred, and the Bank hereby directs the Trustee to cause the mandatory purchase of the Bonds pursuant to the Fourth Supplemental Indenture. The Letter of Credit will terminate on _____, 20__ which is thirty (30) days following the receipt by the Trustee of this Notice of Mandatory Tender.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Notice of Mandatory Tender as of the ____ day of _____, 20__.

SUMITOMO MITSUI BANKING CORPORATION,
ACTING THROUGH ITS NEW YORK BRANCH

By _____
Name: _____
Title: _____

ANNEX G
To
LETTER OF CREDIT

LETTER OF CREDIT No. LG/MIS/NY-160075
REDUCTION CERTIFICATE

[Date]

Sumitomo Mitsui Banking Corporation, New York Branch
277 Park Avenue, 6th Floor
New York, New York 10172
Attention: Trade Credit Services Department

The undersigned hereby CERTIFIES with respect to (i) that certain Standby Letter of Credit No. LG/MIS/NY-160075 dated October 31, 2019 (the "*Letter of Credit*"), issued by you in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Indenture (as each term is defined in the Letter of Credit):

1. The Beneficiary is the Trustee under the Indenture.
2. Upon receipt by you of this certificate, the Available Amount (as defined in the Letter of Credit) shall be reduced by \$_____ and the Available Amount shall thereupon equal \$_____. \$_____ of the new Available Amount is attributable to interest.
3. The interest amount of the reduction in the Available Amount has been computed in accordance with the provisions of the Letter of Credit.
4. Following the reduction, the Available Amount shall be at least equal to the aggregate principal amount of the Bonds outstanding (other than Ineligible Bonds (as defined in the Letter of Credit)) plus 34 days' interest thereon at the Cap Interest Rate (as defined in the Letter of Credit).

IN WITNESS WHEREOF, this certificate has been executed this ____ day of _____,
_____.

as Trustee

By _____
[Title of Authorized Officer]

ANNEX H
TO
LETTER OF CREDIT

No. LG/MIS/NY-160075
REINSTATEMENT CERTIFICATE

[Date]

Sumitomo Mitsui Banking Corporation, New York Branch
277 Park Avenue, 6th Floor
New York, New York 10172
Attention: Trade Credit Services Department

The undersigned, a duly authorized officer of _____ (the "Trustee"), hereby notifies you, with reference to Standby Letter of Credit No. LG/MIS/NY-160075 dated October 31, 2019 (the "Letter of Credit") terms defined therein and not otherwise defined herein shall have the meanings set forth in the Letter of Credit) issued by you in favor of the Trustee as follows:

1. _____ is the Remarketing Agent under the Fourth Supplemental Indenture.

2. The Trustee has been advised by the Authority or the Remarketing Agent that the amount of \$ _____ paid to you today by the Authority or the Remarketing Agent on behalf of the Authority is a payment made to reimburse you, pursuant to the Standby Letter of Credit and Reimbursement Agreement dated as of October 1, 2019 (the "Reimbursement Agreement"), between the Authority and you, for amounts drawn under the Letter of Credit pursuant to a Liquidity Drawing.

3. Of the amount referred to in paragraph 2, \$ _____ represents the aggregate principal amount of Bonds resold or to be resold on behalf of the Authority.

4. Of the amount referred to in paragraph 2, \$ _____ represents accrued and unpaid interest on such Bonds.

IN WITNESS WHEREOF, the Trustee has executed and delivered this certificate as of this ____ day of _____, ____.

Trustee

By _____
Name: _____
Title: _____

ANNEX I
TO
LETTER OF CREDIT

No. LG/MIS/NY-160075

FORM OF NO DEFAULT CERTIFICATE

Sumitomo Mitsui Banking Corporation, New York Branch
277 Park Avenue, 6th Floor
New York, New York 10172
Attention: Trade Service Credit Department

Re: Standby Letter of Credit and Reimbursement Agreement (the “*Reimbursement Agreement*”) dated as of October 1, 2019, between the Sacramento Transportation Authority (the “*Authority*”) and Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the “*Bank*”)

The undersigned individual, a duly authorized officer of _____ (the “*Trustee*”) hereby CERTIFIES that:

1.1. The Trustee has not received notice or other notification from the Authority of any Immediate Termination Event under the Reimbursement Agreement.

1.2. The Trustee has not received notice or other notification from the Authority of any Suspension Event under the Reimbursement Agreement.

All defined terms used herein which are not otherwise defined herein shall have the same meaning as in the Reimbursement Agreement.

_____,
as Trustee

By _____
[Title of Authorized Officer]

ANNEX J
To
LETTER OF CREDIT

No. LG/MIS/NY-160075

RESTATEMENT OF IMMEDIATE TERMINATION EVENTS AND SUSPENSION EVENTS

The following is a restatement of the Immediate Termination Events and Suspension Events as set forth and defined in the Reimbursement Agreement. This restatement is for the sake of convenience only and in the event of any inconsistency between this Annex and the terms set forth in the Reimbursement Agreement, the terms of the Reimbursement Agreement shall control. Reference is made to the Reimbursement Agreement for a complete listing of all Events of Default, Immediate Termination Events and Suspension Events and the respective remedies therefore. All capitalized terms used in this Annex J that are not defined in this Annex J shall have the same meanings herein as set forth in the Reimbursement Agreement.

IMMEDIATE TERMINATION EVENTS

(a) *Event of Insolvency.* An Event of Insolvency shall have occurred with respect to the Authority.

(b) *Payment Default.* Any failure, wholly or partially, (i) to make timely any payment of principal of or interest on the Bonds (including Bank Bonds) (other than a failure to pay principal or interest on Bank Bonds which has become immediately due and payable on the Bank Purchase Date or Initial Mandatory Redemption Date, as applicable, or otherwise as a result of the acceleration of Bank Bonds pursuant to Section 7.04(d) of the Reimbursement Agreement), or (ii) to make timely payments of principal or interest of any Parity Bonds (including liquidity provider-held Parity Bonds) (other than a failure to pay principal or interest on liquidity provider-held Parity Bonds which have become immediately due and payable as a result of the acceleration of Parity Bonds pursuant to the terms of the liquidity facility related to such Parity Bonds) or Modified Parity Obligations or to make regularly scheduled payments on any Modified Parity Obligations.

(c) *Contest of Validity.* An officer of the Authority shall (i) claim that the Original Indenture or the Fourth Supplemental Indenture is not valid or binding on the Authority or (ii) repudiate the Authority's obligation to make payments of principal or interest on the Bonds (including Bank Bonds) or the Authority's obligation to make payments of principal or interest on any Parity Bonds or Parity Obligations or to make regularly scheduled payments on any Parity Obligations.

(d) *Invalidity.* Any court of competent jurisdiction or other governmental entity with jurisdiction shall have ruled pursuant to a final judgment or order, or any other Governmental Authority having jurisdiction shall find or rule, that this Agreement, the Indenture or the Bonds or any material provision hereof or thereof with respect to the payment of principal or interest on the Bonds (including Bank Bonds) or with respect to

the Security therefor is null and void, invalid, unenforceable or not binding on the Authority.

(e) *Underlying Ratings.* The unenhanced long-term rating of the Bonds (other than Bank Bonds), any Parity Bonds (to the extent then rated) or any Parity Obligations (to the extent then rated) shall be (i) suspended or withdrawn for credit-related reasons or reduced below “Baa3” by Moody’s (if then providing such a rating), (ii) suspended or withdrawn for credit-related reasons or reduced below “BBB-” by S&P (if then providing such a rating) and (iii) suspended or withdrawn for credit-related reasons or reduced below “BBB-” by Fitch (if then providing such a rating).

(f) *Judgments.* One or more final, unappealable judgments, writs or warrants of attachment against the Authority for the payment of money, which judgments, writs or warrants are payable from Revenues, on a parity with the Bonds, the operation or result of which, individually or in the aggregate, equal or exceed \$5,000,000 shall remain unpaid, unstayed, undischarged, unbonded or undismissed for a period of sixty (60) days.

SUSPENSION EVENTS

(a) *Involuntary Bankruptcy Proceeding.* (i) An involuntary case or other proceeding shall be commenced in a court of competent jurisdiction against the Authority seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for it or any substantial part of its property and (ii) such case has not be dismissed and (iii) fewer than sixty (60) days have elapsed since the commencement of such case or proceeding.

(b) *Initiation of Legal Proceedings.* The Authority shall initiate any legal proceedings to seek an adjudication that the Reimbursement Agreement, the Bonds, the Original Indenture or the Fourth Supplemental Indenture or any material provision hereof or thereof with respect to the payment of principal or interest on the Bonds (including Bank Bonds) or with respect to the Security therefor is not valid or not binding on the Authority.

FEE AGREEMENT
DATED AS OF OCTOBER 31, 2019

Reference is hereby made to (i) the Standby Letter of Credit and Reimbursement Agreement dated as of October 1, 2019 (as amended, supplemented, modified or restated from time to time, the “*Agreement*”), between the SACRAMENTO TRANSPORTATION AUTHORITY (the “*Authority*”) and SUMITOMO MITSUI BANKING CORPORATION, acting through its New York Branch (the “*Bank*”), relating to the Authority’s Measure A Sales Tax Revenue Refunding Bonds Series 2014A (Limited Tax Bonds) (the “*Bonds*”) and (ii) the Standby Letter of Credit No. LG/MIS/NY-160075 dated October 31, 2019 (as amended, supplemented, modified or restated from time to time, the “*Letter of Credit*”), issued pursuant to the Agreement to provide liquidity support for the Bonds.

The purpose of this Fee Agreement is to confirm the agreement between the Bank and the Authority with respect to the Facility Fees (as defined below) and certain other fees payable by the Authority to the Bank. This Fee Agreement is the Fee Agreement referenced in the Agreement the terms of which are incorporated by reference into the Agreement. This Fee Agreement and the Agreement are to be construed as one agreement between the Authority and the Bank, and all obligations hereunder are to be construed as obligations thereunder. All references to amounts due and payable under the Agreement will be deemed to include all amounts, fees and expenses payable under this Fee Agreement.

All capitalized terms used herein and not defined herein shall have the meanings set forth in the Agreement.

ARTICLE I. FEES.

Section 1.1. Facility Fees. The Authority hereby agrees to pay or cause to be paid to the Bank in arrears on January 2, 2020, for the period commencing on the Closing Date, and ending on December 31, 2019, and in arrears on the first Business Day of each April, July, October and January occurring thereafter to the Termination Date, and on the Termination Date, for each day during the immediately preceding fee period, a non-refundable facility fee (the “*Facility Fee*”), in an amount equal to the product of the Available Amount for each such day during the related period and the applicable rate per annum for each such day during the related period corresponding to the Rating set forth in the applicable Level in the below pricing matrix (the “*Facility Fee Rate*”). Such Facility Fee shall be payable in immediately available funds and computed on the basis of a year of 360 days and the actual number of days elapsed. For purposes of this Section 1.1 of this Fee Agreement only, the Available Amount shall be deemed not to be reduced during any period for which the Bank’s obligation to purchase Tendered Bonds has been suspended pursuant to the Agreement. The Authority acknowledges, and the Bank agrees, that as of the Closing Date the Facility Fee Rate is that specified below for Level 1.

LEVEL	FITCH RATING	MOODY'S RATING	S&P RATING	FACILITY FEE RATE
Level 1	AA- or above	Aa3 or above	AA- or above	0.38%
Level 2	A+	A1	A+	0.63%
Level 3	A	A2	A	0.93%
Level 4	A-	A3	A-	1.25%

The term “*Rating*” as used herein shall mean the lowest long-term unenhanced debt rating assigned by each of S&P, Fitch and Moody’s to the Bonds, any Parity Bonds or any Parity Obligations (to the extent then rated) (without regard to bond insurance or any other form of credit enhancement). In the event of a split rating (*i.e.*, one of the Rating Agencies’ Rating is at a different Level than the Rating of either of the other Rating Agencies), the Facility Fee Rate shall be based upon the Level in which the lowest Rating appears (for the avoidance of doubt, Level 4 is the lowest Level, and Level 1 is the highest Level for purposes of the above pricing grid). Any change in the Facility Fee Rate resulting from a change in a Rating shall be and become effective as of and on the date of the announcement of the change in such Rating. References to ratings above are references to rating categories as determined by the Rating Agencies at the date hereof, and, in the event of adoption of any new or changed rating system by any Rating Agency, including, without limitation, any recalibration or realignment of the long-term unenhanced rating assigned to the Bonds, any Parity Bonds or any Parity Obligations (to the extent then rated) in connection with the adoption of a “global” rating scale, each of the Ratings referred to above from such agency shall be deemed to refer to the rating category under the new rating system which most closely approximates the applicable rating category as in effect on the date hereof. In the event that a Rating is withdrawn, suspended or otherwise unavailable from S&P, Fitch or Moody’s or or reduced below “A-” (or its equivalent) by S&P, “A-” (or its equivalent) by Fitch or “A3” (or its equivalent) by Moody’s (in each case to the extent such Rating Agency is then providing such a rating) or upon the occurrence and during the continuance of an Event of Default (whether or not the Bank declares an Event of Default in connection therewith), in each such case, the Facility Fee Rate shall immediately, automatically and without notice equal 3.00% per annum. To the extent any Facility Fee is not paid when due, such Facility Fee shall accrue interest from the date payment is due until payment in full at a per annum rate of interest equal to the Default Rate, payable on demand.

Section 1.2. Draw Fee. The Authority hereby agrees to pay to the Bank a non-refundable draw fee of \$300 for each drawing under the Letter of Credit to purchase Tendered Bonds, payable on the date such draw is honored by the Bank under the Letter of Credit.

Section 1.3. Amendments, Waivers, Extension etc. The Authority hereby agrees to pay to the Bank on the date of any amendment to (i) the Agreement, the Letter of Credit or this Fee

Agreement or (ii) any other Related Document that requires the consent of the Bank or a waiver from the Bank, a non-refundable amendment, waiver or consent fee, as applicable, of \$5,000, or such other amendment, waiver or consent fee, as applicable, as agreed to by the Authority and the Bank, plus the reasonable legal fees and expenses of counsel to the Bank in connection therewith.

Section 1.4. Transfer Fee. The Authority hereby agrees to pay to the Bank on the date a successor trustee is appointed under the Indenture, a non-refundable transfer fee in an amount equal to \$5,000, plus the reasonable fees, expenses and disbursements of any legal counsel retained by the Bank in connection therewith.

Section 1.5. Termination Fee; Reduction Fee. (a) Notwithstanding anything set forth herein or in the Agreement to the contrary, the Authority agrees not to terminate or replace, or cause the termination or replacement of, the Letter of Credit and the Agreement prior to the two (2) year anniversary of the Closing Date, except upon (i) the payment by the Authority to the Bank of a termination fee (the "*Termination Fee*") in an amount equal to the product of (1) the Facility Fee Rate on the date of such termination, (2) the Gross Available Amount on the date of such termination, and (3) a fraction, the numerator of which is equal to the number of days from and including the date of such termination to and including the two (2) year anniversary of the Closing Date, and the denominator of which is 360 and (ii) compliance with the provisions of Section 2.03 of the Agreement; *provided, however*, that no Termination Fee shall become payable if the Letter of Credit and Agreement is terminated or replaced as a result of (A) the withdrawal, suspension or reduction of the Bank's senior unsecured short-term ratings below "*P-1*" (or its equivalent), "*F1*" (or its equivalent) or "*A-1*" (or its equivalent) by any two of Moody's, Fitch and S&P (*provided*, that for the avoidance of doubt, the ratings referenced in this clause (A) shall mean those ratings assigned to Sumitomo Mitsui Banking Corporation and not ratings assigned to Sumitomo Mitsui Banking Corporation's parent or holding company or any other affiliate of the Bank) or (B) the Bank requesting payment from the Authority pursuant to Section 2.06 of the Agreement with respect to increased costs, increased capital or a reduction in the rate of return.

(b) Notwithstanding anything set forth herein or in the Agreement to the contrary, the Authority agrees not to permanently reduce the Gross Available Amount prior to the two (2) year anniversary of the Closing Date, without the payment by the Authority to the Bank of a reduction fee (the "*Reduction Fee*") in connection with each and every permanent reduction of the Gross Available Amount in an amount equal to the product of (A) the Facility Fee Rate in effect on the date of such reduction, (B) the difference between the Gross Available Amount prior to such reduction and the Gross Available Amount after such reduction, and (C) a fraction, the numerator of which is equal to the number of days from and including the date of such reduction to and including the two (2) year anniversary of the Closing Date, and the denominator of which is 360; *provided, however*, that no Reduction Fee shall become payable if the Letter of Credit and Agreement is permanently reduced as a result of (A) the withdrawal, suspension or reduction of the Bank's senior unsecured short-term ratings below "*P-1*" (or its equivalent), "*F1*" (or its equivalent) or "*A-1*" (or its equivalent) by any two of Moody's, Fitch and S&P (*provided*, that for the avoidance of doubt, the ratings referenced in this clause (A) shall mean those ratings assigned to Sumitomo Mitsui Banking Corporation and not ratings assigned to Sumitomo Mitsui Banking Corporation's parent or holding company or any other affiliate of the Bank) or (B) the

Bank requesting payment from the Authority pursuant to Section 2.06 of the Agreement with respect to increased costs, increased capital or a reduction in the rate of return.

ARTICLE II. MISCELLANEOUS.

Section 2.1. Amendments. No amendment to this Fee Agreement shall become effective unless in writing and signed by the Authority and the Bank.

Section 2.2. Legal Fees. The Authority shall pay the reasonable legal fees and expenses (for both domestic and foreign counsel) of the Bank incurred in connection with the preparation and negotiation of the Agreement, this Fee Agreement and certain other Related Documents in an amount not to exceed \$35,000, plus disbursements for domestic counsel plus disbursements and \$5,000, plus disbursements for foreign counsel. Domestic and foreign legal fees shall be paid directly to the Bank's domestic counsel, Chapman and Cutler LLP, in accordance with the instructions provided by Chapman and Cutler LLP, and to the Bank with respect to the Bank's foreign counsel, Yumoto, Ota & Miyazaki, in accordance with the instructions provided by the Bank.

Section 2.3. Governing Law. THIS FEE AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ANY CONFLICT OF LAWS PROVISIONS; PROVIDED, THAT THE AUTHORITY'S OBLIGATIONS HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA WITHOUT GIVING EFFECT TO ANY CONFLICT OF LAWS PROVISIONS.

Section 2.4. Counterparts. This Fee Agreement may be executed in two or more counterparts, each of which shall constitute an original, but when taken together shall constitute but one agreement; and any of the parties hereto may execute this Fee Agreement by signing any such counterpart. This Fee Agreement may be delivered by the exchange of signed signature pages by facsimile transmission or by attaching a pdf copy to an email, and any printed or copied version of any signature page so delivered shall have the same force and effect as an originally signed version of such signature page.

Section 2.5. Severability. Any provision of this Fee Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 2.6. No Disclosure. Unless required by law, the Authority shall not deliver or permit, authorize or consent to the delivery of this Fee Agreement to any Remarketing Agent or any other Person for posting on the Electronic Municipal Market Access website as provided by the Municipal Securities Rulemaking Board unless the Bank provides its prior written consent.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Fee Agreement to be duly executed and delivered by their respective signatories thereunto duly authorized as of the date first written above.

SACRAMENTO TRANSPORTATION AUTHORITY

By: _____

Name: _____

Title: _____

SUMITOMO MITSUI BANKING CORPORATION,
acting through its New York Branch

By: _____
Name: _____
Title: _____

REMARKETING—NOT A NEW ISSUE—BOOK ENTRY ONLY

RATINGS:
Fitch: ["AA+/F-1"]
Standard & Poor's: ["AA+/A-1"]
(See "RATINGS")

**\$106,100,000
SACRAMENTO TRANSPORTATION AUTHORITY
MEASURE A SALES TAX REVENUE REFUNDING BONDS, SERIES 2014A
(LIMITED TAX BONDS)**

Due: October 1, 2038

The Sacramento Transportation Authority (the "Authority") issued the Bonds described herein (the "Series 2014A Bonds") on September 3, 2014 pursuant to an Indenture, dated as of September 1, 2009 (the "Master Indenture"), as amended and supplemented, including by a First Supplemental Indenture, dated as of September 1, 2009 (the "First Supplemental Indenture"), a Second Supplemental Indenture, dated as of September 1, 2011 (the "Second Supplemental Indenture"), a Third Supplemental Indenture, dated as of July 1, 2012 (the "Third Supplemental Indenture") and a Fourth Supplemental Indenture, dated as of September 1, 2014 (the "Fourth Supplemental Indenture" and collectively with the Master Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture and the Fourth Supplemental Indenture and any further supplements and amendments to the date hereof, the "Indenture"), between the Authority and U.S. Bank National Association, as successor trustee.

The Series 2014A Bonds were originally issued in, and currently bear interest in, a Bank Index Rate Period. On [October 31, 2019] (the "Conversion Date"), the Series 2014A Bonds will be converted to bear interest at the Weekly Rate. This Remarketing Memorandum and the information contained herein is provided in connection with such conversion.

The Series 2014A Bonds are limited obligations of the Authority secured by a pledge of Revenues which consist of the Sales Tax Revenues and certain other moneys described herein. Sales Tax Revenues consist of revenues derived from a one-half of one percent (0.5%) retail transactions and use tax (the "2004 Measure A Sales Tax"), less certain administrative fees paid to the California Tax and Fee Administration (the "CDTFA") (formerly the California State Board of Equalization) in connection with the collection and disbursement of the 2004 Measure A Sales Tax (the "Sales Tax Revenues"). The 2004 Measure A Sales Tax was approved by more than 75% of the electorate of the County of Sacramento voting on the ballot measure in November 2004. Collection of the 2004 Measure A Sales Tax commenced April 1, 2009 and will expire on March 31, 2039. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS."

The Authority has previously issued bonds and incurred Parity Obligations (as defined herein), including the Authority's Measure A Sales Tax Revenue Bonds, Series 2009C (Limited Tax Bonds) currently outstanding in the principal amount of \$106,100,000, the Authority's Measure A Sales Tax Revenue Bonds, Series 2012 (Limited Tax Bonds) currently outstanding in the principal amount of \$42,575,000, and the Authority's Measure A Sales Tax Revenue Refunding Bonds, Series 2015A (Limited Tax Bonds) currently outstanding in the principal amount of which are secured under the Indenture by the pledge of Revenues and payable on a parity with the Series 2014A Bonds. The Authority has incurred and may issue or incur additional Bonds, Parity Obligations, Subordinate Obligations or Fee and Expense Obligations in accordance with the terms of the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS" herein.

There is no and will be no reserve fund securing the Series 2014A Bonds.

Upon the Conversion Date, the principal amount, interest rate determination method (being the Weekly Rate), first reset date, first effective date, first interest payment dates, maturity date, authorized denominations, liquidity provider and certain other information relating to the Series 2014A Bonds are summarized in the Summary of Offering on the inside cover page. Investors may purchase Series 2014A Bonds in book-entry form only.

The Series 2014A Bonds are subject to mandatory sinking account redemption by the Authority prior to maturity as described in this Remarketing Memorandum. The Series 2014A Bonds also are subject to optional redemption or purchase in lieu of redemption by the Authority prior to maturity as described in this Remarketing Memorandum. See "THE SERIES 2014A BONDS – Redemption Terms." The Series 2014A Bonds also are subject to optional and mandatory tender for purchase and remarketing as described in this Remarketing Memorandum.

The Authority will enter into a Standby Letter of Credit and Reimbursement Agreement with respect to the Series 2014A Bonds dated as of October 1, 2019 (the "2014A Reimbursement Agreement"), with Sumitomo Mitsui Banking Corporation, acting through its New York Branch ("SMBC" or the "2014A Liquidity Facility Provider"), pursuant to which the 2014A Liquidity Facility Provider will issue its Standby Letter of Credit (the "2014A Letter of Credit" and together with the 2014A Reimbursement Agreement, referred to herein as the "2014A Liquidity Facility") supporting the purchase price of the Series 2014A Bonds. Pursuant to the terms of the 2014A Liquidity Facility, the 2014A Liquidity Facility Provider will be obligated to purchase Series 2014A Bonds that are tendered for purchase and not remarketed, subject to the occurrence of certain suspension and termination events as more fully described herein. See "THE 2014A LIQUIDITY FACILITY." Unless earlier terminated or extended pursuant to its terms, the 2014A Liquidity Facility will expire on October 30, 2024.

UNDER CERTAIN CIRCUMSTANCES THE OBLIGATION OF THE 2014A LIQUIDITY FACILITY PROVIDER TO PURCHASE SERIES 2014A BONDS TENDERED FOR PURCHASE BY THE OWNERS THEREOF MAY BE IMMEDIATELY AND AUTOMATICALLY TERMINATED OR SUSPENDED WITHOUT A PURCHASE BY THE 2014A LIQUIDITY FACILITY PROVIDER. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE SUCH SERIES 2014A BONDS TENDERED FOR PURCHASE BY THE OWNERS THEREOF. IN ADDITION, THE 2014A LIQUIDITY FACILITY DOES NOT PROVIDE SECURITY FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE SERIES 2014A BONDS. IF, FOR ANY REASON, SUFFICIENT FUNDS ARE NOT AVAILABLE UNDER THE 2014A LIQUIDITY FACILITY TO PAY THE PURCHASE PRICE OF SERIES 2014A BONDS TENDERED FOR PURCHASE AND NOT REMARKETED, THE AUTHORITY IS NOT OBLIGATED TO PAY THE PURCHASE PRICE

OF SUCH SERIES 2014A BONDS AND FAILURE TO PAY THE PURCHASE PRICE OF SUCH SERIES 2014A BONDS IS NOT AN EVENT OF DEFAULT UNDER THE SERIES 2014A BONDS OR THE INDENTURE. SEE “THE SERIES 2014A BONDS – FUNDING OPTIONAL AND MANDATORY TENDERS OF SERIES 2014A BONDS.”



THE SERIES 2014A BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE SOLELY, BOTH AS TO PRINCIPAL AND INTEREST, FROM REVENUES AND CERTAIN FUNDS AND ACCOUNTS HELD BY THE TRUSTEE UNDER THE INDENTURE AND THE AUTHORITY IS NOT OBLIGATED TO PAY THE SERIES 2014A BONDS EXCEPT FROM SUCH REVENUES AND SUCH FUNDS AND ACCOUNTS. THE GENERAL FUND OF THE AUTHORITY IS NOT LIABLE AND THE CREDIT OR TAXING POWER (OTHER THAN AS DESCRIBED ABOVE) OF THE AUTHORITY ARE NOT PLEDGED FOR THE PAYMENT OF THE SERIES 2014A BONDS OR THEIR INTEREST. THE SERIES 2014A BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE REVENUES AND CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE.

Certain legal matters will be passed upon for the Authority by its general counsel, by Orrick, Herrington and Sutcliffe LLP, Bond Counsel to the Authority, and by Nossaman LLP, Disclosure Counsel to the Authority, for the 2014A Liquidity Facility Provider by its counsel, Chapman and Cutler LLP, Chicago, Illinois, and for the Remarketing Agent by its counsel, Nixon Peabody LLP, Wells Fargo Bank, National Association is serving as Remarketing Agent for the Series 2014A Bonds.

WELLS FARGO SECURITIES

Remarketing Memorandum Dated: **October 10, 2019**

\$106,100,000
SACRAMENTO TRANSPORTATION AUTHORITY
MEASURE A SALES TAX REVENUE REFUNDING BONDS, SERIES 2014A
(LIMITED TAX BONDS)

Maturity Date:	October 1, 2038
Price:	100%
Authorized Denominations:	\$100,000 or any integral multiple of \$5,000 in excess thereof
Interest Rate Determination Method**:	Weekly Rate
First Reset Date:	November 6, 2019
First Effective Date:	November 7, 2019
Initial Interest Payment Dates:	First Business Day of each calendar month commencing December 2, 2019
Initial Record Date for Interest Payments:	Business Day prior to Interest Payment Date
Liquidity Provider:	Sumitomo Mitsui Banking Corporation, acting through its New York Branch
CUSIP No.†:	[]

** Upon satisfaction of certain conditions set forth in the Indenture, the Series 2014A Bonds may bear interest calculated pursuant to a different Interest Rate Determination Method (which may be the Daily Rate, the Commercial Paper Rate, the Index Rate, the Term Rate, the Fixed Rate or the Bank Index Interest Rate), provided however, that all Series 2014A Bonds must be in the same Interest Rate Determination Method. See "THE SERIES 2014A BONDS."

†CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2019 CUSIP Global Services. All rights reserved. CUSIP data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are provided solely for the convenience of the owners of the Series 2014A Bonds. Neither the Authority nor the Remarketing Agent takes any responsibility for the accuracy of the CUSIP numbers.

This Remarketing Memorandum describes the Series 2014A Bonds only while they bear interest at a Daily Rate or a Weekly Rate. The Series 2014A Bonds may be converted to bear interest at rates other than a Daily Rate or Weekly Rate. There are significant changes in the terms of the Series 2014A Bonds while such Series 2014A Bonds bear interest at rates other than a Daily Rate or Weekly Rate. THIS REMARKETING MEMORANDUM IS NOT INTENDED TO PROVIDE INFORMATION WITH RESPECT TO THE SERIES 2014A BONDS OTHER THAN WHILE SUCH SERIES 2014A BONDS BEAR INTEREST AT A DAILY RATE OR A WEEKLY RATE.

This Remarketing Memorandum does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2014A 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 Authority, the Remarketing Agent, the 2014A Liquidity Facility Provider (with respect to the information provided in Appendix G) and other sources that are believed by the Authority to be reliable. The Remarketing Agent has provided the following sentence for inclusion in this Remarketing Memorandum. The Remarketing Agent has reviewed the information in this Remarketing Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agent does 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 Remarketing Memorandum. If given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the 2014A Liquidity Facility Provider or the Remarketing Agent.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Remarketing Memorandum.

This Remarketing Memorandum is not to be construed as a contract with the purchasers of the Series 2014A Bonds.

This Remarketing Memorandum speaks only as of its date. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Remarketing Memorandum 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 Authority or other matters described herein since the date hereof. This Remarketing Memorandum is submitted with respect to the sale of the Series 2014A 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 Authority. Preparation of this Remarketing Memorandum and its distribution have been duly authorized and approved by the Authority.

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 – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE-Definitions."

In connection with the offering of the Series 2014A Bonds, the Remarketing Agent may over-allot or effect transactions that stabilize or maintain the market prices of the Series 2014A Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Remarketing Agent may offer and sell the Series 2014A Bonds to certain dealers, institutional investors and others at prices lower than the public offering prices stated on the Summary of Offering on the inside cover page and such public offering prices may be changed from time to time by the Remarketing Agent.

Additional information, including financial information, concerning the Authority is available from publications and websites of the Authority and others. No such information is a part of or incorporated into this Remarketing Memorandum, except as expressly noted herein.

The 2014A Liquidity Facility Provider has provided only the information describing itself set forth in Appendix G hereto under the heading “THE 2014A LIQUIDITY FACILITY PROVIDER,” for inclusion in this Remarketing Memorandum and has not provided any other information for this Remarketing Memorandum. The 2014A Liquidity Facility Provider has not independently verified or reviewed, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Remarketing Memorandum or any information or disclosure contained herein or omitted herefrom, and does not guarantee the accuracy of any information set forth herein other than solely with respect to the information describing itself set forth in Appendix G hereto under the heading “THE 2014A LIQUIDITY FACILITY PROVIDER”.

**CAUTIONARY STATEMENTS REGARDING
FORWARD-LOOKING STATEMENTS IN THIS REMARKETING MEMORANDUM**

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

SACRAMENTO TRANSPORTATION AUTHORITY

Governing Board

Susan Peters
Phil Serna
Patrick Kennedy
Garrett Gatewood
Don Nottoli
Eric Guerra
Patrick Hume
Rich Lozano

Steve Miller
Darren Suen
Jay Schenirer
Steve Hansen
Kerri Howell
Sue Frost
Larry Carr
Jeff Harris

Alternate Board Members

Steve Detrick
Nick Avdis
Mike Kozlowski

Porsche Middleton
Paul Sandhu
Donald Terry

Administrative Staff

Norman Hom, Executive Director
Timothy Jones, Chief Financial Officer
Jennifer Doll, Administrative Services Officer
William Burke, General Counsel and Deputy County Counsel

SPECIAL SERVICES

Financial Advisor

Public Financial Management, Inc.
San Francisco, California

Bond Counsel

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REMARKETING MEMORANDUM

\$106,100,000

SACRAMENTO TRANSPORTATION AUTHORITY MEASURE A SALES TAX REVENUE REFUNDING BONDS, SERIES 2014A (LIMITED TAX BONDS)

INTRODUCTION AND PURPOSE OF THE SERIES 2014A BONDS

The following introductory statement is subject in all respects to the more complete information set forth in this Remarketing Memorandum. The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each document.

This Remarketing Memorandum, including the cover page and all appendices hereto (the “Remarketing Memorandum”), provides certain information concerning the remarketing by the Sacramento Transportation Authority (the “Authority”) of \$106,100,000 aggregate principal amount of Sacramento Transportation Authority Measure A Sales Tax Revenue Refunding Bonds, Series 2014A (Limited Tax Bonds) (the “Series 2014A Bonds”).

The Sacramento Transportation Authority (the “Authority”) issued the Bonds described herein (the “Series 2014A Bonds”) on September 3, 2014 pursuant to an Indenture, dated as of September 1, 2009 (the “Master Indenture”), as amended and supplemented, including by a First Supplemental Indenture, dated as of September 1, 2009 (the “First Supplemental Indenture”), a Second Supplemental Indenture, dated as of September 1, 2011 (the “Second Supplemental Indenture”), a Third Supplemental Indenture, dated as of July 1, 2012 (the “Third Supplemental Indenture”) and a Fourth Supplemental Indenture, dated as of September 1, 2014 (the “Fourth Supplemental Indenture” and collectively with the Master Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture and the Fourth Supplemental Indenture and any further supplements and amendments to the date hereof, the “Indenture”), between the Authority and U.S. Bank National Association, as successor trustee. The Series 2014A Bonds were originally issued in, and currently bear interest in, a Bank Index Rate Period. On October 31, 2019 (the “Conversion Date”), the Series 2014A Bonds will be converted to bear interest at the Weekly Rate.

This Remarketing Memorandum describes the Series 2014A Bonds only while they bear interest at a Daily Rate or a Weekly Rate. The Series 2014A Bonds may be converted to bear interest at rates other than a Daily Rate or Weekly Rate. There are significant changes in the terms of the Series 2014A Bonds while such Series 2014A Bonds bear interest at rates other than a Daily Rate or Weekly Rate. THIS REMARKETING MEMORANDUM IS NOT INTENDED TO PROVIDE INFORMATION WITH RESPECT TO THE SERIES 2014A BONDS OTHER THAN WHILE SUCH SERIES 2014A BONDS BEAR INTEREST AT A DAILY RATE OR A WEEKLY RATE.

Pursuant to the Local Transportation Authority and Improvement Act, being Division 19 of the Public Utilities Code of the State of California (Sections 180000 et seq.) (the “Act”), the Authority is authorized to issue indebtedness payable in whole or in part from Sales Tax Revenues (defined below).

The Series 2014A Bonds are limited obligations of the Authority secured by a pledge of Revenues which consist of the Sales Tax Revenues and certain other moneys described herein. Sales Tax Revenues consist of revenues derived from a one-half of one percent (0.5%) retail transactions and use

tax (the “2004 Measure A Sales Tax”), less certain administrative fees paid to the California Department of Tax and Fee Administration (“CDTFA”) (formerly the California State Board of Equalization (the “Board of Equalization”) in connection with the collection and disbursement of the 2004 Measure A Sales Tax (the “Sales Tax Revenues”). See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS” herein.

The 2004 Measure A Sales Tax was approved by more than 75% of the electorate of the County of Sacramento (the “County”) voting on the ballot measure in November 2004. Collection of the 2004 Measure A Sales Tax commenced April 1, 2009 and will expire on March 31, 2039.

The Series 2014A Bonds are secured by a pledge of Revenues under the Indenture and payable on a parity with the Authority’s Measure A Sales Tax Revenue Bonds, Series 2009C (Limited Tax Bonds) currently outstanding in the principal amount of \$106,100,000 (the “Series 2009C Bonds”), the Authority’s Measure A Sales Tax Revenue Bonds, Series 2012 (Limited Tax Bonds) currently outstanding in the principal amount of \$42,575,000 (the “Series 2012 Bonds”), and the Authority’s Measure A Sales Tax Revenue Refunding Bonds, Series 2015A (Limited Tax Bonds) currently outstanding in the principal amount of \$106,100,000 (the “Series 2015A Bonds”).

The Series 2014A Bonds are variable rate bonds that are supported by a Standby Letter of Credit and Reimbursement Agreement dated as of October 1, 2019 (the “2014A Reimbursement Agreement”), between the Authority and Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the “2014A Liquidity Facility Provider”), pursuant to which the 2014A Liquidity Facility Provider will issue its Standby Letter of Credit (the “2014A Standby Letter of Credit” and together with the 2014A Reimbursement Agreement, the “2014A Liquidity Facility”) supporting the purchase price of the Series 2014A Bonds. The Series 2014A Bonds will bear interest at a Weekly Rate and have a maturity date of October 1, 2038. See “THE 2014A LIQUIDITY FACILITY” for additional information regarding the 2014A Liquidity Facility and APPENDIX G – “THE 2014A LIQUIDITY FACILITY PROVIDER” for information regarding the 2014A Liquidity Facility Provider. The Series 2009C Bonds are variable rate bonds that are supported by a standby bond purchase agreement (the “2009C Liquidity Facility”) with U.S. Bank National Association. The 2009C Liquidity Facility expires on November 20, 2020. The Series 2015A Bonds are variable rate bonds that are supported by the 2015A Liquidity Facility. The 2015A Liquidity Facility expires on May 12, 2023. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS – Liquidity Arrangements.” The 2014A Liquidity Facility does not support nor provide funds or security for the Series 2009C Bonds, the Series 2012 Bonds or the Series 2015A Bonds. The 2009C Liquidity Facility does not support nor provide funds or security for the Series 2012 Bonds, the Series 2014A Bonds or the Series 2015A Bonds. The 2012 Liquidity Facility does not support nor provide funds or security for the Series 2009C Bonds, the Series 2014A Bonds or the Series 2015A Bonds. The 2015A Liquidity Facility does not support nor provide funds or security for the Series 2009C Bonds, the Series 2012 Bonds or the Series 2014A Bonds.

Additional bonds and other obligations secured by a pledge of the Revenues and payable on a parity (the “Parity Obligations”) with the Series 2015A Bonds, the Series 2014A Bonds, the Series 2012 Bonds and the Series 2009C Bonds have been issued or incurred and may in the future be issued or incurred subject to satisfaction of certain requirements as set forth in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS – Additional Bonds and Parity Obligations.” The Series 2009C Bonds, the Series 2012 Bonds, the Series 2014A Bonds and the Series 2015A Bonds and any additional bonds hereafter authorized by, and at any time Outstanding under, the Indenture, are referred to collectively herein as the “Bonds.”

Other obligations of the Authority secured by a pledge of the Revenues (including Sales Tax Revenues) and payable on a basis subordinate to any Bonds and the Parity Obligations may hereafter be

issued or incurred (the “Subordinate Obligations”). See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS - Subordinate Obligations” herein.

In October 2006 and in anticipation of certain variable rate demand bonds issued by the Authority in 2009 in an aggregate principal amount of \$318,300,000, the Authority entered into three interest rate swap agreements in an initial aggregate notional amount of \$318,300,000 (the “Initial Swaps”), pursuant to which the Authority has agreed to pay to the counterparties a fixed rate of interest and each of the counterparties has agreed to pay the Authority a floating rate of interest. The Initial Swaps became effective as of October 1, 2009 and the notional amounts amortize in tandem with the amortization of the Series 2009C Bonds and the Series 2015A Bonds (which refunded one series of the bonds originally issued in 2009) and will amortize in tandem with amortization of the Series 2014A Bonds (which, on the date of its issuance, had refunded another one series of the bonds originally issued in 2009). Regularly scheduled payments on the Initial Swaps are secured under the Indenture as Parity Obligations and are payable on a parity with the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS – Initial Swap Agreements.”

The obligation of the Authority to make termination payments under the Initial Swaps, the obligation of the Authority to pay fees, expenses and other charges under the liquidity facilities related to the Series 2009C Bonds, the Series 2014A Bonds and the Series 2015A Bonds, and certain other obligations of the Authority which constitute fees, expenses and similar charges in connection with any Bonds, the Parity Obligations and the Subordinate Obligations that may be issued or incurred (collectively, the “Fee and Expense Obligations”) shall be payable on a basis subordinate to the Bonds, the Parity Obligations and the Subordinate Obligations.

There is no reserve fund securing the Series 2014A Bonds.

Pursuant to the Indenture, the Series 2014A Bonds will be subject to optional and mandatory tender for purchase at a purchase price equal to the principal amount thereof plus accrued interest thereon, if any, to the date of purchase (the “Purchase Price”), as provided in the Indenture. See “THE SERIES 2014A BONDS – Optional Tender Provisions” and “- Mandatory Tender Provisions.” In order to provide for the payment of the Purchase Price of the Series 2014A Bonds tendered for purchase and not remarketed, the Authority will enter into the 2014A Reimbursement Agreement with the 2014A Liquidity Facility Provider, pursuant to which the 2014A Liquidity Facility Provider will issue the 2014A Standby Letter of Credit. Pursuant to the terms of the 2014A Liquidity Facility, the 2014A Liquidity Facility Provider will be obligated to purchase the Series 2014A Bonds that are tendered for purchase and not remarketed, subject to the occurrence of certain suspension and termination events specified therein. Unless earlier terminated or extended pursuant to its terms, the 2014A Liquidity Facility will expire on October 30, 2024 (the “Stated Expiration Date”). See “THE 2014A LIQUIDITY FACILITY” and APPENDIX G – “THE 2014A LIQUIDITY FACILITY PROVIDER.”

If, for any reason, sufficient funds are not available under the 2014A Liquidity Facility to pay the Purchase Price of Series 2014A Bonds tendered for purchase and not remarketed, the Authority is not obligated to pay the Purchase Price of such Series 2014A Bonds and failure to pay the Purchase Price of such Series 2014A Bonds is not an Event of Default under any of the Series 2014A Bonds or the Indenture. See “THE SERIES 2014A BONDS – Funding Optional and Mandatory Tenders of Series 2014A Bonds.”

The initial Remarketing Agent for the Series 2014A Bonds is Wells Fargo Bank, National Association (the “Remarketing Agent”). The Authority will enter into a Remarketing Agreement covering the Series 2014A Bonds with the Remarketing Agent. The Remarketing Agent undertakes, among other things, to use its best efforts to remarket the Series 2014A Bonds that are tendered for

purchase. The Remarketing Agent also undertakes to set the interest rate on the Series 2014A Bonds. The Authority or the Remarketing Agent may terminate the Remarketing Agreement under the circumstances and in the manner described in the Remarketing Agreement, in which case the Authority expects to appoint a replacement remarketing agent in accordance with the Indenture. See “REMARKETING AGENT” below.

The purchase of the Series 2014A Bonds involves risks, certain of which are discussed under “RISK FACTORS” below.

See “CONTINUING DISCLOSURE” and APPENDIX F – “PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE” for a description of the continuing disclosure obligation undertaken by the Authority with respect to the Series 2014A Bonds.

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

THE SERIES 2014A BONDS

General

The Series 2014A Bonds were issued by the Authority, pursuant to the Indenture and the Act, and are dated the date of its original issuance. The Series 2014A Bonds will mature on the date and in the principal amount, and upon conversion to bear interest at Weekly Rates, will be in the Authorized Denominations, all as shown on the inside cover page of this Remarketing Memorandum.

Upon conversion, the Series 2014A Bonds will be in book-entry form only and will be registered in the name of a nominee of The Depository Trust Company (“DTC”), which will act as securities depository for the Series 2014A Bonds. Investors may purchase Series 2014A Bonds in book-entry form only. Beneficial Owners of the Series 2014A Bonds will not receive certificates representing their ownership interests in the Series 2014A Bonds purchased. Payments of principal and interest on the Series 2014A Bonds will be made to DTC, and DTC is to distribute such payments to its Direct Participants. Disbursement of such payments to Beneficial Owners of the Series 2014A Bonds is the responsibility of DTC’s Direct and Indirect Participants and not the Authority. See APPENDIX D – “BOOK-ENTRY ONLY SYSTEM.”

Interest Rate Determination Methods

From the Conversion Date to but excluding **November 6, 2019**, the Series 2014A Bonds will bear interest at an initial rate set by the Remarketing Agent prior to delivery of the Series 2014A Bonds. After the initial period described in the preceding sentence, the Series 2014A Bonds will bear interest at the Weekly Rate until maturity, redemption or conversion as described herein. Upon satisfaction of conditions set forth in the Indenture, the Authority has the right to change the Interest Rate Determination Method for the Series 2014A Bonds to a different Interest Rate Determination Method (which may be a Daily Rate, a Commercial Paper Rate, an Index Rate, a Term Rate, a Fixed Rate or a Bank Index Interest Rate); provided that all Series 2014A Bonds must have the same Interest Rate Determination Method. See “Conversion of Interest Rate Determination Method for Series 2014A Bonds” below. Interest on Series 2014A Bonds bearing interest at a Daily Rate or a Weekly Rate will be payable on the first Business Day of each calendar month, commencing on **December 2, 2019**. Interest on Series 2014A Bonds bearing a Daily Rate or a Weekly Rate will be computed on the basis of a 365/366-day year and

actual days elapsed. The record date for Series 2014A Bonds bearing interest at the Daily Rate or the Weekly Rate will be the Business Day immediately preceding the Interest Payment Date.

This Remarketing Memorandum describes the Series 2014A Bonds only while they bear interest at a Daily Rate or a Weekly Rate. The Series 2014A Bonds may be converted to bear interest at rates other than a Daily Rate or Weekly Rate. There are significant changes in the terms of the Series 2014A Bonds while such Series 2014A Bonds bear interest at rates other than a Daily Rate or Weekly Rate. THIS REMARKETING MEMORANDUM IS NOT INTENDED TO PROVIDE INFORMATION WITH RESPECT TO THE SERIES 2014A BONDS OTHER THAN WHILE SUCH SERIES 2014A BONDS BEAR INTEREST AT A DAILY RATE OR A WEEKLY RATE.

No Daily Rate or Weekly Rate on the Series 2014A Bonds will exceed 12% per annum.

Daily Rate. Upon a successful conversion of the Series 2014A Bonds to the Daily Rate Period, the Series 2014A Bonds will bear interest at a Daily Rate. During each Daily Rate Period, the Remarketing Agent is to set a Daily Rate for the Series 2014A Bonds by 10:00 a.m., New York City time, on each Business Day, which Daily Rate is to be the rate of interest that, if borne by the Series 2014A Bonds in the Daily Rate Period, would, in the reasonable judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for Tax-Exempt Securities that are of the same general nature as the Series 2014A Bonds or Tax-Exempt Securities that are competitive as to credit and maturity (or period for tender) with the credit and maturity (or period for tender) of the Series 2014A Bonds for which the Daily Rate is to be determined, be the lowest interest rate that would enable the Remarketing Agent to place all of the Series 2014A Bonds at a price equal to 100% of the aggregate principal amount of such Series 2014A Bonds (plus accrued interest, if any) on such Business Day. The Daily Rate for any non-Business Day will be the rate for the last Business Day on which a Daily Rate was set.

Weekly Rate. On the Conversion Date, the Series 2014A Bonds are being converted to bear interest at a Weekly Rate. During each Weekly Rate Period, the Remarketing Agent is to set a Weekly Rate for the Series 2014A Bonds by 5:00 p.m., New York City time, on each Wednesday (or the immediately succeeding Business Day, if such Wednesday is not a Business Day) for the next period of seven (7) days from and including Thursday of any week to and including Wednesday of the next following week (a "Calendar Week"); *provided*, that, the Weekly Rate for the first Calendar Week (or portion thereof) following a Conversion Date resulting in a change in the Interest Rate Determination Method to a Weekly Rate is to be set by the Remarketing Agent on the Business Day immediately preceding such Conversion Date. Each Weekly Rate is to be the rate of interest that, if borne by the Series 2014A Bonds in the Weekly Rate Period, would, in the reasonable judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for Tax-Exempt Securities that are of the same general nature as the Series 2014A Bonds for which the Weekly Rate is to be determined, or Tax-Exempt Securities that are competitive as to credit and maturity (or period for tender) with the credit and maturity (or period for tender) of the Series 2014A Bonds for which the Weekly Rate is to be determined, be the lowest interest rate that would enable the Remarketing Agent to place all of the Series 2014A Bonds at a price equal to 100% of the aggregate principal amount of such Series 2014A Bonds (plus accrued interest, if any) on the first day of such Weekly Rate Period.

Failure to Determine Rate for Certain Rate Periods. If, for any reason, the Daily Rate or the Weekly Rate on any of the Series 2014A Bonds is not established as described above, or there is no Remarketing Agent for those Series 2014A Bonds, or any Daily Rate or Weekly Rate so established is held to be invalid or unenforceable with respect to such Rate Period, then the interest rate for such Rate Period shall bear interest at the "Alternate Rate" which shall be determined as follows:

Short Term Rating		Long Term Rating	% of SIFMA Swap Index
A1 or P-1 or F1	and	AAA or Aaa or AAA	150%
A1 or P-1 or F1	and	AA or Aa or AA	250%
A1 or P-1 or F1	and	A or A or A	350%
A2 or P-2 or F2	and	BBB or Baa or BBB	Maximum Rate
A3 or P-3 or F3	and	BBB- or Baa3 or BBB-	Maximum Rate

“SIFMA Swap Index” is an index published or made available by the Securities Industry and Financial Markets Association (formerly the Bond Market Association) and is defined in APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Binding Determination. The determination of any Rate by the Remarketing Agent with respect to any Series 2014A Bond shall be conclusive and binding upon the Holder of such Series 2014A Bond.

Conversion of Interest Rate Determination Method for Series 2014A Bonds

Right of Conversion. The Interest Rate Determination Method for the Series 2014A Bonds is subject to conversion from one Interest Rate Determination Method to another from time to time by the Authority, with such right to be exercised by delivery of a Conversion Notice to the Notice Parties for the Series 2014A Bonds as follows: (1) at least one Business Days prior to the fifteenth day preceding the effective date of such proposed Conversion, in the event of a Conversion to a Daily Rate, Weekly Rate, Commercial Paper Rate, Index Rate or Bank Index Interest Rate; and (2) at least two Business Days prior to the fifteenth day preceding the effective date of such proposed Conversion, in the event of a Conversion to a Term Rate or a Fixed Rate.

In the event of a conversion to a different Interest Rate Determination Method, all Series 2014A Bonds will be subject to mandatory tender for purchase on the Conversion Date (which will be a Business Day not less than 15 days following the mailing of the notice described below). See “Mandatory Tender Provisions” below.

Notice of Conversion. Upon receipt of a Conversion Notice, as soon as possible, but in any event not less than 15 days prior to the proposed Conversion Date, the Trustee is to give DTC notice by first-class mail. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners of Series 2014A Bonds will be governed by arrangements among them, and the Authority and the Trustee will not have any responsibility or obligation to send a notice of conversion to Beneficial Owners of Series 2014A Bonds.

Failure to Convert. The Indenture includes provisions setting forth the procedures and conditions for the exercise by the Authority of its right of conversion of Series 2014A Bonds from one Interest Rate Determination Method to another. Under certain circumstances, a planned conversion may not be completed or the Authority’s election to effect a conversion may be rescinded. However, once a notice of conversion is provided to DTC as described in the preceding paragraph, all Series 2014A Bonds covered by such notice will be subject to mandatory tender for purchase (whether or not the planned conversion is completed or the Authority’s election to effect the conversion is rescinded). See “Funding Optional and Mandatory Tenders of Series 2014A Bonds” concerning payment for Series 2014A Bonds so tendered for purchase.

Optional Tender Provisions

Series 2014A Bonds bearing interest at a Daily Rate or a Weekly Rate are subject to tender for purchase and remarketing at the option of the Beneficial Owners of those Series 2014A Bonds, who may elect to have Series 2014A Bonds (or portions thereof in Authorized Denominations) purchased at a purchase price (the “Purchase Price”) equal to the principal amount thereof, without premium, plus any accrued interest to the Purchase Date.

Series 2014A Bonds bearing interest at a Daily Rate may be tendered for purchase on any Business Day at the applicable Purchase Price, payable in immediately available funds, upon (A) delivery by the Holder or the Beneficial Owner of such Series 2014A Bonds to the Remarketing Agent and to the Trustee at its Principal Office of an irrevocable written or electronic notice by 11:00 a.m. (New York City time) on the Purchase Date, that states the principal amount to be tendered for purchase and the Purchase Date, and (B) delivery of such Series 2014A Bonds to the Trustee on the Purchase Date in accordance with the Indenture.

Series 2014A Bonds bearing interest at a Weekly Rate may be tendered for purchase on any Business Day at the applicable Purchase Price, payable in immediately available funds, upon (A) delivery by the Holder or the Beneficial Owner of such Series 2014A Bonds to the Remarketing Agent and to the Trustee at its Principal Office of an irrevocable written or electronic notice by 5:00 p.m. (New York City time) on any Business Day at least seven days prior to the Purchase Date, which states the principal amount of such Series 2014A Bonds to be tendered for purchase and the Purchase Date, and (B) delivery of such Series 2014A Bonds to the Trustee on the Purchase Date in accordance with the Indenture.

Any instrument delivered to the Trustee in accordance with the provisions of the Indenture described above shall be irrevocable with respect to the purchase for which such instrument was delivered and shall be binding upon DTC and any subsequent Holder or Beneficial Owner of the Series 2014A Bonds to which it relates, including any Series 2014A Bond issued in exchange therefore or upon the registration or transfer thereof, and as of the date of such instrument, DTC or the Beneficial Owner shall not have any right to optionally tender for purchase such Series 2014A Bonds prior to the date of purchase specified in such notice. The Authority, the Remarketing Agent and the Trustee may conclusively assume that any person (other than DTC) providing notice of optional tender pursuant to the Indenture is the Beneficial Owner of the Series 2014A Bonds to which such notice relates, and none of the Authority, the Remarketing Agent or the Trustee shall assume any liability in accepting such notice from any person whom it reasonably believes to be a Beneficial Owner of Series 2014A Bonds.

See “Funding Optional and Mandatory Tenders of Series 2014A Bonds” concerning possible failure to complete the purchase of Series 2014A Bonds tendered for purchase for lack of funds.

Mandatory Tender Provisions

The Series 2014A Bonds will be subject to mandatory tender for purchase at the applicable Purchase Price on the Conversion Date (or on the proposed Conversion Date if the conversion fails to occur) of Series 2014A Bonds to a new Interest Rate Determination Method specified in a Conversion Notice as described above under “Conversion of Interest Rate Determination Method for Series 2014A Bonds.”

The Series 2014A Bonds of each Series will also be subject to mandatory tender for purchase at the applicable Purchase Price (i) on the fifth Business Day preceding the scheduled expiration or the termination by the Authority of the 2014A Liquidity Facility and (ii) on the date of provision of an Alternate 2014A Liquidity Facility and the resulting termination of the existing 2014A Liquidity Facility.

No such mandatory tender of the Series 2014A Bonds is required if an Alternate 2014A Liquidity Facility is provided to the Trustee for the Series 2014A Bonds and a Rating Confirmation is delivered by each Rating Agency then rating the Series 2014A Bonds. The Trustee is to give DTC at least 15 days' notice of any such termination, substitution or expiration.

The Series 2014A Bonds will also be subject to mandatory tender upon receipt by the Trustee of written notice from the 2014A Liquidity Facility Provider that an event of default or an event of termination (other than an immediate termination or suspension) has occurred under the 2014A Liquidity Facility with the effect that the obligations of such 2014A Liquidity Facility Provider to purchase such Series 2014A Bonds or otherwise provide for the Purchase Price of such Series 2014A Bonds under such 2014A Liquidity Facility shall terminate on the date specified in such notice, in which event such Series 2014A Bonds shall be subject to purchase on a Business Day selected by the Trustee which date shall be not more than five Business Days after receipt of such notice, but in no event later than the Business Day preceding the termination date specified in the notice received from such 2014A Liquidity Facility Provider. The Trustee will give notice of such mandatory tender to DTC by first class mail within two Business Days of receipt of such notice from such 2014A Liquidity Facility Provider.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners of Series 2014A Bonds will be governed by arrangements among them, and the Authority will not have any responsibility or obligation to send any notice to Beneficial Owners of Series 2014A Bonds.

Funding Optional and Mandatory Tenders of Series 2014A Bonds

The Authority expects funds to be made available to purchase Series 2014A Bonds tendered for purchase pursuant to the optional and mandatory tender provisions described above by having the Remarketing Agent remarket the tendered Series 2014A Bonds and having the proceeds applied to purchase the tendered Series 2014A Bonds. See "PRACTICES AND PROCEDURES RELATED TO WEEKLY RATE AND DAILY RATE BONDS."

Funds for payment of the Purchase Price for any Series 2014A Bonds tendered for purchase and not successfully remarketed are expected to be provided under the 2014A Liquidity Facility as described under "THE 2014A LIQUIDITY FACILITY."

If, for any reason, sufficient funds are not available under the 2014A Liquidity Facility to pay the Purchase Price of Series 2014A Bonds tendered for purchase and not remarketed, the Authority is not obligated to pay the Purchase Price of such Series 2014A Bonds and failure to pay the Purchase Price of such Series 2014A Bonds is not an Event of Default under the Series 2014A Bonds or the Indenture.

The Indenture provides that if sufficient funds are not available for the purchase of all Series 2014A Bonds tendered or deemed tendered and required to be purchased on any Purchase Date, all Outstanding Series 2014A Bonds shall bear interest at the Maximum Rate, from the date of such failed purchase until all such Series 2014A Bonds are purchased as required by the Indenture, and all tendered Series 2014A Bonds will be returned to their respective Holders. Thereafter, the Trustee is to continue to take all such action available to it to obtain remarketing proceeds from the Remarketing Agent and sufficient other funds from the 2014A Liquidity Facility Provider. The Indenture provides that such failed purchase and return shall not constitute an Event of Default.

Mechanics and Timing of Optional and Mandatory Tenders

While the Series 2014A Bonds are held in book-entry form, delivery of any Series 2014A Bond to the Trustee in connection with any optional or mandatory tender for purchase as described above shall be effected by the making of, or the irrevocable authorization to make, appropriate entries on the books of DTC for such Series 2014A Bond or any Participant of DTC to reflect the transfer of the beneficial ownership interest in such Series 2014A Bond to the account of the Trustee, or to the account of a Participant of DTC acting on behalf of the Trustee.

Moneys delivered to the Trustee on a Purchase Date for Series 2014A Bonds in connection with any optional or mandatory tender for purchase as described above will be applied at or before 3:00 p.m., New York City time to the purchase of such Series 2014A Bonds.

If moneys sufficient to pay the Purchase Price of Series 2014A Bonds to be purchased pursuant to the optional and mandatory tender for purchase provisions described above shall be held by the Trustee on the applicable Purchase Date, such Series 2014A Bonds shall be deemed to have been purchased for all purposes of the Indenture, irrespective of whether or not such Series 2014A Bonds shall have been delivered to the Trustee or transferred on the books DTC for such Series 2014A Bonds, and neither the former Holder or Beneficial Owner of such Series 2014A Bonds nor any other person shall have any claim thereon, under the Indenture or otherwise, for any amount other than the Purchase Price thereof.

Mandatory Tender for Purchase of Series 2014A Bonds at Direction of Authority

The Series 2014A Bonds bearing interest at a Daily Rate or a Weekly Rate are also subject to mandatory tender for purchase by the Authority, in whole or in part (in Authorized Denominations), on any date such Series 2014A Bonds would be subject to optional redemption (each, an “Optional Purchase Date”) at a purchase price equal to the principal amount of Series 2014A Bonds to be purchased on the Optional Purchase Date, plus accrued interest to the Optional Purchase Date, plus an amount equal to the premium, if any, that would be payable upon the redemption, at the option of the Authority, of such Series 2014A Bonds to be purchased (the “Optional Purchase Price”). In the event that the Authority determines to purchase any Series 2014A Bonds on any Optional Purchase Date, the Authority will provide the Trustee with written notice of such determination at least 15 days prior to the Optional Purchase Date, which notice will specify the principal amount of the Series 2014A Bonds which are to be purchased and the Optional Purchase Date on which such purchase is to occur.

When the Trustee receives notice from the Authority of its determination to purchase Series 2014A Bonds pursuant to the provisions described above, the Trustee shall give notice to DTC, the Remarketing Agent and the 2014A Liquidity Facility Provider, in the name of the Authority, of the mandatory tender for purchase of such Series 2014A Bonds, which notice shall be mailed, by first class mail, postage prepaid, not more than 90 nor less than 10 days before the Optional Purchase Date. Receipt of such notice of mandatory tender for purchase shall not be a condition precedent to the mandatory tender for purchase of such Series 2014A Bonds and failure of DTC to receive any such notice or any defect in such notice shall not affect the validity of the proceedings for the mandatory tender for purchase of such Series 2014A Bonds pursuant to the provisions of the Indenture described herein. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners of Series 2014A Bonds will be governed by arrangements among them, and the Authority and the Trustee will not have any responsibility or obligation to send any notice to Beneficial Owners of Series 2014A Bonds.

If at the time the Trustee sends any notice of mandatory tender for purchase of the Series 2014A Bonds pursuant to the provisions of the Indenture described under this heading “Mandatory Tender for

Purchase of Series 2014A Bonds at Direction of Authority,” the Authority has not deposited with the Trustee an amount sufficient to pay the full Optional Purchase Price of the Series 2014A Bonds, or the portions thereof, to be purchased, such notice shall state that such mandatory tender for purchase is conditional upon the receipt by the Trustee on or prior to the Optional Purchase Date fixed for such purchase of moneys sufficient to pay the Optional Purchase Price of such Series 2014A Bonds, or the portions thereof to be purchased, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Authority shall not be required to purchase such Series 2014A Bonds. In the event that such notice of mandatory tender for purchase contains such a condition and such moneys are not so received, no purchase of the Series 2014A Bonds identified in the notice of mandatory tender for purchase shall be made and the Trustee shall, within a reasonable time thereafter, give notice, to the Remarketing Agent and to the persons and in the manner in which the notice of tender was given, that such moneys were not so received and that there will be no purchase of Series 2014A Bonds pursuant to the notice of mandatory tender for purchase, and all tendered Series 2014A Bonds shall be returned to their respective Holders. Such failure to purchase and return shall not constitute an Event of Default under the Indenture. No draws on the 2014A Liquidity Facility are permitted for mandatory tender for purchase of the Series 2014A Bonds at the direction of the Authority unless expressly allowed under the 2014A Liquidity Facility.

If less than all of the Series 2014A Bonds maturing by their terms on any one date are to be tendered at any one time, the principal amount and maturity of such Series 2014A Bonds to be purchased shall be selected by the Authority in its sole discretion; provided that Series 2014A Bonds registered in the name of the 2014A Liquidity Facility Provider (“2014A Liquidity Facility Bonds”) shall be purchased prior to any other Series 2014A Bonds. If less than all of the Series 2014A Bonds of like maturity shall be called for mandatory tender for purchase, except as otherwise provided by DTC, the particular Series 2014A Bonds or portions of Series 2014A Bonds to be purchased shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that in selecting portions of Series 2014A Bonds for purchase, the Trustee shall treat each Series 2014A Bond as representing that number of Series 2014A Bonds of the minimum Authorized Denomination for the Series 2014A Bonds which is obtained by dividing the principal amount of such Series 2014A Bond by the minimum Authorized Denomination for the Series 2014A Bonds.

DTC’s practice is to determine by lot the amount of the interest of each DTC Direct Participant to be tendered. For purposes of such selection, the Series 2014A Bonds shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately tendered.

Funding for purchases of Series 2014A Bonds pursuant to the mandatory tender at the direction of the Authority as described under this heading is not supported by the 2014A Liquidity Facility described under “THE 2014A LIQUIDITY FACILITY” nor is it addressed in the Authority’s agreement with Remarketing Agent for the Series 2014A Bonds.

Redemption Terms

Optional Redemption. While bearing interest at a Daily Rate or Weekly Rate, the Series 2014A Bonds are subject to redemption at the option of the Authority, in whole or in part, in Authorized Denominations on any Business Day, at a redemption price equal to the principal amount thereof, plus accrued interest, if any, without premium.

Mandatory Redemption. The Series 2014A Bonds are subject to mandatory redemption from Mandatory Sinking Account Payments on each date a Mandatory Sinking Account Payment is due, in the principal amount equal to such Mandatory Sinking Account Payment, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

<i>Redemption Date (October 1)</i>	<i>Mandatory Sinking Account Payment</i>	<i>Redemption Date (October 1)</i>	<i>Mandatory Sinking Account Payment</i>
2028	\$ 7,400,000	2034	\$ 10,000,000
2029	8,100,000	2035	10,500,000
2030	8,500,000	2036	10,800,000
2031	8,800,000	2037	11,400,000
2032	9,200,000	2038†	11,800,000
2033	9,600,000		

† Final Maturity

Purchase In Lieu of Redemption

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

General Redemption Provisions

Selection for Redemption. The Authority will designate which maturities of Series 2014A Bonds are to be redeemed; *provided* that 2014A Liquidity Facility Bonds must be redeemed prior to redeeming any other Series 2014A Bonds. If less than all Series 2014A Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the Series 2014A Bonds of such maturity date to be redeemed by lottery and shall promptly notify the Authority in writing of the numbers of the Series 2014A Bonds so selected for redemption, provided that 2014 Liquidity Facility Bonds shall be redeemed prior to any other Series 2014A Bonds. For purposes of such selection, Series 2014A Bonds shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed. The Authority may designate the Mandatory Sinking Account Payments, or portions thereof, that are to be reduced as allocated to such redemption.

DTC's practice, if less than all Series 2014A Bonds maturing on any one date are to be redeemed at any one time, is to determine by lot the amount of the interest of each DTC Direct Participant to be redeemed. For purposes of such selection, the Series 2014A Bonds shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed. The Authority may designate the Mandatory Sinking Account Payments, or portions thereof, that are to be reduced as a result of such redemption.

Conditional Notice of Redemption; Rescission. With respect to any notice of optional redemption of Series 2014A Bonds, unless, upon the giving of such notice, such Series 2014A 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 2014A Bonds to be redeemed, and that if such amounts shall not have been so received said notice will be of no force and effect and the Authority will not be required to redeem such Series 2014A Bonds. The Authority may also instruct the Trustee to provide conditional notice of optional redemption, which may be conditioned on the occurrence of any other event if such notice states that if such event does not occur, said notice will be of no force and effect and the Authority will not be required to redeem such Series 2014A Bonds. In the event that such notice of optional redemption contains such a condition and such

amounts are not so received or such event does not occur, the optional 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 or such event did not occur 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. Such failure to optionally redeem such Series 2014A Bonds shall not constitute an Event of Default.

Any notice of redemption may be rescinded by written notice given to the Trustee by the Authority no later than five Business Days prior to the date specified for redemption. The Trustee will give notice of such rescission to the same Persons as notice of such redemption was given.

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 2014A Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice the Series 2014A 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 2014A Bonds so called for redemption shall cease to accrue, said Series 2014A Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture and the Holders of such Series 2014A Bonds will have no rights in respect thereof except to receive payment of the Redemption Price and accrued interest to the date fixed for redemption from funds held by the Trustee for such payment.

All Series 2014A Bonds redeemed pursuant to the provisions described herein shall be cancelled upon surrender.

DEBT SERVICE SCHEDULE

The following table shows the annual debt service requirements on the Series 2009C Bonds, the Series 2012 Bonds, the Series 2014A Bonds and the Series 2015A Bonds.

Fiscal Year Ending June 30	Series 2009C Bonds	Series 2012 Bonds	Series 2015A Bonds	Series 2014A Bonds			Combined Annual Debt Service
	Total Debt Service ⁽¹⁾	Total Debt Service	Total Debt Service ⁽²⁾	Principal	Interest ⁽³⁾	Debt Service	
	2020	3,963,896	5,861,550	3,889,626		3,963,896	
2021	3,963,896	5,862,750	3,889,626		3,963,896	3,963,896	17,680,168
2022	3,963,896	5,860,875	3,889,626		3,963,896	3,963,896	17,678,293
2023	3,963,896	5,863,625	3,889,626		3,963,896	3,963,896	17,681,043
2024	3,963,896	5,865,125	3,889,626		3,963,896	3,963,896	17,682,543
2025	3,963,896	5,864,875	3,889,626		3,963,896	3,963,896	17,682,293
2026	3,963,896	5,862,375	3,889,626		3,963,896	3,963,896	17,679,793
2027	3,963,896	5,862,000	3,889,626		3,963,896	3,963,896	17,679,418
2028	3,963,896	5,863,000	3,889,626		3,963,896	3,963,896	17,680,418
2029	11,323,796		11,153,984	\$ 7,400,000	3,825,664	11,225,664	33,703,444
2030	11,632,388		11,569,869	8,200,000	3,534,256	11,734,256	34,936,513
2031	11,722,300		11,665,591	8,400,000	3,224,168	11,624,168	35,012,055
2032	11,699,136		11,648,482	8,900,000	2,901,004	11,801,004	35,148,622
2033	11,762,896		11,718,542	9,200,000	2,562,896	11,762,896	35,244,334
2034	11,811,712		11,773,938	9,600,000	2,211,712	11,811,712	35,397,362
2035	11,845,584		11,814,670	10,000,000	1,845,584	11,845,584	35,505,838
2036	11,864,512		11,938,905	10,400,000	1,464,512	11,864,512	35,667,925
2037	11,966,628		11,848,476	10,900,000	1,066,628	11,966,628	35,781,732
2038	11,951,932		12,041,550	11,300,000	651,932	11,951,932	35,945,414
2039	12,020,424		12,016,294	11,800,000	220,424	12,020,424	36,057,142
Total	\$165,276,372	\$52,766,175	\$164,196,935	\$106,100,000	\$59,183,844	\$165,283,844	547,523,326

Source: Public Financial Management, Inc.

- (1) Includes Mandatory Sinking Account Payments on the Series 2009C Bonds. Interest on the Series 2009C Bonds has been rounded to the nearest dollar and is calculated based on the fixed interest rate payable by the Authority to the swap counterparties pursuant to one of the Initial Swaps which is 3.736%. Does not include any liquidity costs or remarketing fees.
- (2) Includes Mandatory Sinking Account Payments on the Series 2015A Bonds. Interest on the Series 2015A Bonds has been rounded to the nearest dollar and is calculated based on the fixed interest rate payable by the Authority to the swap counterparty pursuant to one of the Initial Swaps which is 3.666%.
- (3) Interest on the Series 2014A Bonds has been rounded to the nearest dollar and is calculated based on the fixed interest rate payable by the Authority to the swap counterparties pursuant to one of the Initial Swaps, which is 3.736%. Does not include any liquidity costs or remarketing fees.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS

Pledge of Revenues

The Series 2014A Bonds are limited obligations of the Authority 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, the Reserve Fund, any Letter of Credit Fund and any Purchase Fund), subject to certain provisions of the Indenture. “Sales Tax Revenues” means all amounts available for distribution to the Authority on and after April 1, 2009 on account of the 2004 Measure A Sales Tax after deducting amounts payable by the Authority to the CDTFA for costs and expenses for its services in connection with the 2004 Measure A Sales Tax collected pursuant to the Act and levied pursuant to the 2004 Ordinance. For a general discussion of the 2004 Measure A Sales Tax, see “THE SALES TAX.” For a discussion of the historical Sales Tax Revenues, see “THE SALES TAX—Historical 1988 Measure A Sales Tax Revenues and 2004 Measure A Sales Tax Revenues.”

As security for the payment of all amounts owing on Bonds, Parity Obligations, Subordinate Obligations and Fee and Expense Obligations in the amounts and with the priorities set forth in the Indenture, the Authority has irrevocably pledged to the Trustee the Revenues and other amounts described above, 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.

As of Conversion Date, the only outstanding obligations secured by the Revenues will be the Series 2015A Bonds, the Series 2014A Bonds, the Series 2012 Bonds, the Series 2009C Bonds, the Initial Swaps, the 2009C Liquidity Facility, the 2014A Liquidity Facility, and the 2015A Liquidity Facility. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS—Initial Swap Agreements,” “—Liquidity Arrangements” and “THE 2014A LIQUIDITY FACILITY” herein.

THE SERIES 2014A BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE SOLELY, BOTH AS TO PRINCIPAL AND INTEREST AND AS TO ANY PREMIUMS UPON THE REDEMPTION THEREOF, FROM REVENUES AND CERTAIN FUNDS HELD BY THE TRUSTEE UNDER THE INDENTURE AND THE AUTHORITY IS NOT OBLIGATED TO PAY THE SERIES 2014A BONDS EXCEPT FROM SUCH REVENUES AND SUCH FUNDS. THE GENERAL FUND OF THE AUTHORITY IS NOT LIABLE AND THE CREDIT OR TAXING POWER (OTHER THAN AS DESCRIBED ABOVE) OF THE AUTHORITY ARE NOT PLEDGED FOR THE PAYMENT OF THE SERIES 2014A BONDS OR THEIR INTEREST. THE SERIES 2014A BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE.

Revenue Fund; Allocation of Sales Tax Revenues

As long as any Bonds are Outstanding or any Parity Obligations, Subordinate Obligations, Fee and Expense Obligations and all other amounts payable under the Indenture remain unpaid, the Authority shall cause the CDTFA to transmit the Sales Tax Revenues directly to the Trustee. 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 – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of Sales Tax Revenues.” The Sales Tax Revenues 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 Rebate Fund, any Letter of Credit Fund or any Purchase Fund or any 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, Fee and Expense 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 (i) deficiencies in any previously required deposit will be made up prior to the deposit to a fund subsequent in priority, (ii) 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 (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), (iii) payments on Initial Swaps and any other Interest Rate Swap Agreements that constitute Parity Obligations shall be payable from the Interest Fund and the required deposits described below shall be adjusted to include payments on such Interest Rate Swap Agreements in accordance with the provisions of the Indenture (which shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Obligations), and (iv) in the event any of the deposits or transfers requires more than one such deposit or payment and there is not then on deposit in the Revenue Fund sufficient moneys to make all such deposits and payments, then such deposits and payments shall be made pro rata (based on the amount of such deposits and payments then due) to the extent of available moneys):

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 Current Interest Bonds (except Variable Rate Indebtedness) during the next ensuing six-months (excluding any interest for which there are moneys deposited in the Interest Fund from the proceeds of a Series of Bonds or other source and reserved as capitalized interest to pay such interest during said next ensuing six-months) until the requisite semiannual amount of interest on all Current Interest Bonds (except Variable Rate Indebtedness) is on deposit, provided that the amounts set aside in such fund with respect to a Series of Bonds from the date of delivery of such Series of Bonds to the first Interest Payment Date for 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 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 Authority, or if the Authority 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 – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Allocation of Sales Tax Revenues.” No deposit is required to be made into the Interest Fund with respect to any Bonds if the amount contained therein is at least equal to the interest to become due and payable on the Interest Payment Dates falling within the next six months on all Bonds issued under the Indenture and then Outstanding.

If there are Liquidity Facility Bonds outstanding at the time of any required deposits to the Interest Fund, such deposits shall take into account and include the Liquidity Facility Rate on Liquidity Facility Bonds required by the Liquidity Facility then in effect with respect to such Bonds.

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 Authority certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be set aside towards such principal to be so refunded or paid.

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 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) money 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 Authority certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be on deposit with respect to such principal payments. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of Sales Tax Revenues.”

If there are any Liquidity Facility Bonds outstanding at the time of any required deposits to the Principal Fund, such deposits shall take into account and include any amortizations of any Liquidity Facility Bonds required by the Liquidity Facility then in effect with respect to such

Bonds. For purposes of the provisions of the Indenture described above relating to the Principal Fund, Liquidity Facility Bonds shall be treated as Serial Bonds with maturity dates on the payment dates of any amortization or redemptions.

3. Bond Reserve Funds. The Indenture also requires the Trustee to make deposits to any of the Reserve Funds established pursuant to the provisions of the Indenture as soon as possible in each month in which any deficiency in any Reserve Fund occurs, until the balance in such Reserve Fund is at least equal to the applicable Bond Reserve Requirement. See “—No Bond Reserve Fund for Series 2014A Bonds” below.

4. Subordinate Obligations Fund. The Indenture also requires the Trustee to establish a Subordinate Obligations Fund. After the transfers described in (1), (2) and (3) above have been made, the Trustee shall deposit in the Subordinate Obligations Fund in each month such amount as the Authority shall specify in writing is necessary to make payments due and payable during the following month with respect to Subordinate Obligations then outstanding.

5. Fees and Expenses Fund. The Indenture also requires the Trustee to establish a Fees and Expenses Fund. After the transfers described in (1), (2), (3) and (4) above have been made, the Trustee will deposit in each month in the Fees and Expenses Fund amounts necessary for payment of Fee and Expense Obligations owing in such month or the following month by the Authority.

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

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

No Bond Reserve Fund for Series 2014A Bonds

There is no reserve fund securing the Series 2014A Bonds. Amounts on deposit in the bond reserve fund under the Indenture deposited to secure the payment of the principal of and interest on the Series 2012 Bonds will not secure payment of the principal of and interest on the Series 2014A Bonds and such amounts may not be used to pay the principal of and interest on the Series 2014A Bonds.

Additional Bonds and Parity Obligations

As of the Conversion Date, the only outstanding obligations secured by the Revenues will be the Series 2015A Bonds, the Series 2014A Bonds, the Series 2012 Bonds, the Series 2009C Bonds, the Initial Swaps, the 2009C Liquidity Facility, the 2014A Liquidity Facility, and the 2015A Liquidity Facility. The Authority may issue additional Bonds and may issue or incur other obligations secured in whole or in part by a pledge of the Revenues and payable on a parity with the Bonds and the regularly scheduled payments on the Initial Swaps and any other Interest Rate Swap Agreements, subject to compliance with the terms and provisions set forth in the Indenture. See “—Initial Swaps,” “—Liquidity Arrangements” and “Direct Purchase Arrangements” below. See APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Issuance of Additional Bonds and Other Obligations.”

Issuance of Additional Series of Bonds. The Authority 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 2014A Bonds, but only upon compliance by the

Authority 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 or the issuance of such Series of Bonds will cure any such Event of Default.

(b) If the Bonds of such Series are Participating Bonds (the Series 2014A Bonds are not Participating Bonds), the Indenture requires that the balance on deposit in the Bond Reserve Fund be increased to an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds and all other Bonds secured by the Bond Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds. Said deposit may be made from the proceeds of the sale of Bonds of such Series or from other funds of the Authority or from both such sources or in the form of a Reserve Facility as described under APPENDIX C – “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 Authority shall have delivered to the Trustee a Certificate of the Authority, certifying that the lesser of (i) the amounts of Sales Tax Revenues for a period of 12 consecutive months (selected by the Authority) during the 18 months immediately preceding the date on which such additional Series of Bonds will become Outstanding, or (ii) the estimated Sales Tax Revenues for the Fiscal Year in which such Series of Bonds are to be issued, shall have been, or will be, as applicable, at least equal to 1.8 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.

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.

Issuance of Refunding Bonds. Refunding Bonds may be authorized and issued by the Authority without compliance with the provisions of the Indenture summarized above under paragraph (c) of the caption “Issuance of Additional Series of Bonds;” provided that the Trustee shall have been provided with a Certificate of the Authority to the effect that the Authority has determined 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.

Series 2015A Bond Parity Obligations. As defined in the Indenture, “Parity Obligations” means any indebtedness, installment sale obligation, lease obligation or other obligation of the Authority for borrowed money, any obligation to pay the Rebate Requirement, 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, which fees and expenses and termination payments shall be secured by a lien and charge on the Sales Tax Revenues on a basis subordinate to the Bonds, the Parity Obligations and the 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 secured under the Indenture by a lien and charge upon the Sales Tax Revenues on a parity with the Bonds (whether or not any Bonds are Outstanding). The Authority may issue or incur additional Parity Obligations 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 subsection (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 Authority may comply with the provisions of the Indenture described under the caption “Issuance of Refunding Bonds;” provided, however that if the Parity Obligation being issued or incurred consists of an Interest Rate Swap Agreement (excluding fees and expenses and termination payments on such Interest Rate Swap Agreement), the Authority is deemed to have complied with the requirements of the Indenture, as evidenced by a certificate of the Authority delivered to the Trustee, which certificate sets forth the computations upon which such certificate is based, to the extent that the Series of Bonds to which the Interest Rate Swap Agreement relates (x) satisfies the coverage test described in subsection (c) above under the caption “Issuance of Additional Series of Bonds” after taking into account the adjustment of Debt Service on the Bonds to reflect the impact of the Interest Rate Swap Agreement (in the case of Interest Rate Swap Agreements entered into concurrently with, or subsequent to, the issuance of such Bonds), or (y) is expected to satisfy the coverage test described in subsection (c) above under the caption “Issuance of Additional Series of Bonds” after taking into account the adjustment of Debt Service on the Bonds to reflect the impact of the Interest Rate Swap Agreement (in the case of Interest Rate Swap Agreements entered into in advance of the issuance of such Bonds).

Initial Swap Agreements

On October 12, 2006, the Governing Board of the Authority adopted policies concerning interest rate exchange agreements (the “Swap Policy”). A copy of the Swap Policy is available upon request from the Authority. On October 18, 2006, the Authority entered into three interest rate swap agreements (each, an “Interest Rate Swap Agreement,” and hereinafter collectively referred to as the “Initial Swaps”) with Bank of America, N.A., Goldman Sachs Capital Markets, L.P. and Bear Stearns Financial Products Inc. (each, a “Counterparty,” and hereinafter collectively referred to as the “Counterparties”), respectively. On April 14, 2009, the Interest Rate Swap Agreement with Bear Stearns Financial Products Inc. was assigned to JPMorgan Chase Bank, National Association.

Each Interest Rate Swap Agreement has a notional amount of \$106,100,000, for a total combined notional amount of \$318,300,000, which will amortize in tandem with the amortization of the Series 2009C Bonds, the Series 2014A Bonds and the Series 2015A Bonds. Under the terms of each of the Initial Swaps, the Authority has agreed to pay to each of the Counterparties, with an effective date of October 1, 2009, a fixed interest rate and each of the Counterparties has agreed to pay to the Authority a floating rate of interest, based on amortizing notional amounts, and tied to a formula based on 67% of one-month USD-LIBOR-BBA with respect to the Interest Rate Swap Agreements with Bank of America, N.A. and Goldman Sachs Capital Markets, L.P. as Counterparties, and 67% of three-month USD-LIBOR-BBA with respect to the Interest Rate Swap Agreement with JPMorgan Chase Bank, National Association as Counterparty. Each Interest Rate Swap Agreement terminates on October 1, 2038. Notional amortization under the Initial Swaps matches the sinking fund redemption schedule for the Series 2009 Bonds. Under certain circumstances, the Counterparties are required to post eligible collateral to secure their obligations to the Authority; there is no requirement on the part of the Authority to post collateral. See “RISK FACTORS—Factors Relating to Swaps.”

Regularly scheduled payments by the Authority to the Counterparties under the Initial Swaps constitute a Parity Obligation under the Indenture and are secured by the pledge of Sales Tax Revenues and payable on a parity basis with the Bonds. Under certain circumstances, the Initial Swaps may be terminated, at which time the Authority may be required to make a termination payment to the applicable Counterparty, which may be substantial. As of September 30, 2019, the aggregate mark-to-market valuation of the Initial Swaps was \$113,654,271.75 (the cost to the Authority to terminate the Initial Swaps). Termination payments payable pursuant to the Initial Swaps constitute Fee and Expense Obligations under the Indenture and are secured by the pledge of Sales Tax Revenues and payable on a

basis subordinate to the Bonds, the Parity Obligations and the Subordinate Obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS.”

Liquidity Arrangements

The Series 2009C Bonds are variable rate bonds that are supported by the 2009C Liquidity Facility. The 2009C Liquidity Facility expires on November 20, 2020. The Series 2015A Bonds are variable rate bonds that are supported by the 2015A Liquidity Facility. The 2015A Liquidity Facility expires on May 12, 2023.

The 2009C Liquidity Facility and the 2015A Liquidity Facility contain terms similar to the 2014A Liquidity Facility, including the Termination Events and Suspension Events set forth therein. The payment of principal and interest on the Series 2009C Bonds and the Series 2015A Bonds (including any such bonds owned by the respective liquidity provider) are secured as Parity Obligations under the Indenture. The payment of fees and expenses and other charges under the 2009C Liquidity Facility and the 2015A Liquidity Facility are secured as a Fee and Expense Obligation under the Indenture.

If the 2015A Liquidity Facility expires and the Authority is unable to secure a replacement liquidity facility, the Series 2015A Bonds will be subject to mandatory tender for purchase by the holders thereof upon such expiration and the 2015A Liquidity Facility will be accessed to pay the purchase price of such tendered bonds if not earlier terminated.

Under the 2015A Liquidity Facility, the Authority is required to reimburse the liquidity provider for any amounts paid by the liquidity provider under the 2015A Liquidity Facility on the same day the amount is paid. Amounts owed to the liquidity provider bear interest at a specified rate. The Authority is also required to pay certain fees to the liquidity provider in addition to the liquidity provider’s costs, expenses and certain taxes.

In the event that the 2015A Liquidity Facility is used to purchase any Series 2015A Bonds which are tendered for purchase by the holders thereof, the 2015A Liquidity Facility provides that the liquidity provider becomes the holder of such bonds (“2015A Liquidity Provider Bonds”), and, subject to the satisfaction of certain conditions, the Authority is required to repay such Series 2015 Bank Bonds over a five year period, at an increased interest rate. (If the conditions are not satisfied in such circumstances, the Series 2015A Bank Bonds will be immediately due and payable.)

The 2015A Liquidity Facility contains a number of covenants and agreements on the part of the Authority, and specifies events of default (which may include failure of the Authority to maintain credit ratings at specified levels), and remedies. Remedies of the liquidity provider generally include the right to cause a mandatory tender of the Series 2015A Bonds.

Similar to the Series 2015A Bonds, if the 2009C Liquidity Facility expires and the Authority is unable to secure a replacement liquidity facility, the Series 2009C Bonds will be subject to mandatory tender for purchase by the holders thereof upon such expiration and the 2009C Liquidity Facility will be accessed to pay the purchase price of such tendered bonds if not earlier terminated.

Under the Series 2009C Liquidity Facility, the Authority is required to reimburse the liquidity provider for any amounts paid by the liquidity provider under the Series 2009C Liquidity Facility on the same day the amount is paid. Amounts owed to the liquidity provider bear interest at a specified rate. The Authority is also required to pay certain fees to the liquidity provider in addition to the liquidity provider’s costs, expenses and certain taxes.

In the event that the 2009C Liquidity Facility is used to purchase any Series 2009C Bonds which are tendered for purchase by the holders thereof, the 2009C Liquidity Facility provides that the liquidity provider becomes the holder of such bonds (“Series 2009C Liquidity Provider Bonds”), and, subject to the satisfaction of certain conditions, the Authority is required to repay such Series 2009C Bank Bonds over a five year period, at an increased interest rate. (If the conditions are not satisfied in such circumstances, the Series 2009C Bank Bonds will be immediately due and payable.)

The 2009C Liquidity Facility contains a number of covenants and agreements on the part of the Authority, and specifies events of default (which may include failure of the Authority to maintain credit ratings at specified levels), and remedies. Remedies of the liquidity provider generally include the right to cause a mandatory tender of the Series 2009C Bonds. The covenants, agreements, events of default and remedies in the 2009C Liquidity Facility are similar to the provisions in the 2014A Liquidity Facility.

Redacted copies of the 2009C Liquidity Facility and 2015A Liquidity Facility can be found on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for Municipal Securities disclosures, maintained on the internet at <http://emma.msrb.org>.

Subordinate Obligations

Except to the extent restricted by the Indenture, the Authority 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. Any termination payments under the Authority’s Initial Swaps and fees and expenses due under the 2014A Liquidity Facility or the 2014A Liquidity Facility are payable on a basis subordinate to the Subordinate Obligations.

REMARKETING AGENT

The Authority has entered into a Remarketing Agreement covering the Series 2014A Bonds with Wells Fargo Bank, National Association. The Remarketing Agent undertakes, among other things, to use its best efforts to remarket Series 2014A Bonds that are tendered for purchase. The Authority or the Remarketing Agent may terminate the Remarketing Agreement under the circumstances and in the manner described in the Remarketing Agreement, in which case the Authority expects to appoint a replacement remarketing agent in accordance with the Indenture.

The Remarketing Agent and its 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 services. The Remarketing Agent and its affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of its various business activities, the Remarketing Agent and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for its own account and for the accounts of its customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority (including the Series 2014A Bonds).

The Remarketing Agent and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

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

Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), the remarketing agent for the 2014A Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the 2014A Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2014A Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the 2014A Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Wells Fargo Municipal Capital Strategies, LLC. has been the holder of the Series 2014A Bonds since September 3, 2014 when it purchased the Series 2014A Bonds pursuant to a direct purchase arrangement.

PRACTICES AND PROCEDURES RELATED TO WEEKLY RATE AND DAILY RATE BONDS

The Remarketing Agent has agreed to comply with the Authority's variable rate demand bond procedures, which are included in the Indenture and described herein.

The Remarketing Agent also has internal practices and procedures pertaining to variable rate demand securities, which can be changed at any time without notice. The remarketing of Series 2014A Bonds and the rates of interest thereon may be affected by those practices and procedures.

The Remarketing Agent Is Paid By The Authority. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Series 2014A Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of its Remarketing Agreement), all as further described in this Remarketing Memorandum. The Remarketing Agent is appointed by the Authority and is paid by the Authority for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Series 2014A Bonds.

The Remarketing Agent May Be Removed, Resign or Cease Remarketing the Series 2014A Bonds, Without a Successor Being Named. Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement.

The Remarketing Agent and the Authority May Purchase Series 2014A Bonds for Their Own Accounts. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, has routinely purchased such obligations for its own account in order to achieve a successful remarketing of the obligations (i.e., because there are otherwise not enough buyers to purchase the obligations) or for other reasons. The Remarketing Agent is permitted, but not obligated, to purchase tendered Series 2014A Bonds for its own account and, if it does so, it may cease doing so at any time without notice. Any cessation of purchases by the Remarketing Agent may result in a failed remarketing and draw on the 2014A Liquidity Facility. The Remarketing Agent may also make a market in the Series 2014A Bonds by purchasing and selling Series 2014A Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Series 2014A Bonds. The Remarketing Agent may also sell any Series 2014A Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series 2014A Bonds. The Authority may purchase certain Series 2014A Bonds held by a Remarketing Agent. In addition, the Indenture permits the Remarketing Agent to remarket Series 2014A Bonds to the Authority as part of the remarketing and interest rate setting process undertaken by the Remarketing Agent. The willingness of the Authority to buy Series 2014A Bonds in connection with a remarketing may affect the interest rate determined for such Series 2014A Bonds. The Authority's interest in connection with the determining of the interest rate by a Remarketing Agent may differ from the interests of Bondholders other than the Authority. The purchase of Series 2014A Bonds by the Remarketing Agent or the Authority may create the appearance that there is greater third party demand for the Series 2014A Bonds in the market than is actually the case. The practices described above also may result in fewer Series 2014A Bonds being tendered in a remarketing, fewer draws on the 2014A Liquidity Facility, and lower interest rates on the Series 2014A Bonds than would otherwise be the case.

Series 2014A Bonds May Be Offered at Different Prices on Any Date Including an Interest Rate Determination Date. The Remarketing Agent is required by the Remarketing Agreement to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Series 2014A Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable Rate Determination Date. The interest rate will reflect, among other factors, the level of market demand for the Series 2014A Bonds (including whether the Remarketing Agent or the Authority is willing to purchase Series 2014A Bonds for its own account). The Remarketing Agreement requires that the Remarketing Agent use its best efforts to remarket Series 2014A Bonds tendered pursuant to the Indenture. There may or may not be Series 2014A Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any Series 2014A Bonds tendered for purchase on such date at par, and the Remarketing Agent may sell Series 2014A Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Series 2014A Bonds at the remarketing price. In the event the Remarketing Agent or the Authority owns any Series 2014A Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Series 2014A Bonds on any date, including the Rate Determination Date, at a discount to par to some investors which, in the case of the Remarketing Agent, may include the Authority.

THE 2014A LIQUIDITY FACILITY

The following is a summary of certain provisions of the 2014A Liquidity Facility (as defined below). This summary does not purport to be comprehensive. The 2014A Liquidity Facility only provides liquidity support for the Series 2014A Bonds. Reference should be made to the 2014A Liquidity Facility for the complete text thereof, and the discussion herein is qualified by such reference. Investors should obtain

and review a copy of the 2014A Liquidity Facility in order to understand all of the terms of those documents. Unless otherwise defined in this Remarketing Memorandum, all capitalized terms in this summary of the 2014A Liquidity Facility shall have the meaning ascribed to such terms in the 2014A Liquidity Facility. In the event of any conflict between a definition set forth herein and the corresponding definition set forth in the 2014A Liquidity Facility, the definition set forth in the 2014A Liquidity Facility shall control for purposes of this section “THE 2014A LIQUIDITY FACILITY.” For information regarding the 2014A Liquidity Facility Provider, see APPENDIX G – “THE 2014A LIQUIDITY FACILITY PROVIDER.”

Purchase of Eligible Series 2014A Bonds

The Series 2014A Bonds are variable rate bonds that are supported by a Standby Letter of Credit and Reimbursement Agreement dated as of October 1, 2019 (the “2014A Reimbursement Agreement”), between the Authority and Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the “2014A Liquidity Facility Provider”), pursuant to which the 2014A Liquidity Facility Provider will issue its Standby Letter of Credit (the “2014A Standby Letter of Credit” and together with the 2014A Reimbursement Agreement, the “2014A Liquidity Facility”) supporting the purchase price of the Series 2014A Bonds. **Under certain circumstances described below, the obligation of the 2014A Liquidity Facility Provider under the 2014A Standby Letter of Credit to purchase Series 2014A Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender may be automatically and immediately terminated or suspended without notice to the bondholders. In such event, sufficient funds may not be available to purchase Series 2014A Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender. In addition, the 2014A Standby Letter of Credit does not provide support or security for the payment of principal of, premium, if any, or interest on the Series 2014A Bonds.**

The 2014A Standby Letter of Credit will be issued in an amount equal to the outstanding principal amount of the Series 2014A Bonds, plus thirty-four (34) days’ accrued interest thereon at a rate of twelve percent (12%) per annum (the “Cap Interest Rate”), calculated on the basis of a 365-day year. The Trustee, upon compliance with the terms of the 2014A Standby Letter of Credit, and subject to the terms and conditions set forth therein and in the 2014A Reimbursement Agreement, is authorized to draw up to pay the purchase price of Series 2014A Bonds (A) tendered for optional purchase pursuant to the Fourth Supplemental Indenture for which insufficient moneys are available for such purchase pursuant to the Fourth Supplemental Indenture or (B) tendered or deemed tendered for mandatory purchase pursuant to the Fourth Supplemental Indenture and for which insufficient moneys are available for such purchase pursuant to the Fourth Supplemental Indenture (a “Liquidity Drawing”) equal to (i) the principal amount of Series 2014A Bonds to be purchased pursuant to the Fourth Supplemental Indenture on the Purchase Date other than Ineligible Bonds (as defined in the 2014A Standby Letter of Credit), plus (ii) interest on such Series 2014A Bonds accrued from the immediately preceding Interest Payment Date (as defined in the Fourth Supplemental Indenture) to the Purchase Date; provided, that if the date of the liquidity draw requested is an Interest Payment Date, such drawing shall not include the amount of interest payable on such Interest Payment Date.

The Available Amount under the 2014A Standby Letter of Credit will be reduced automatically by the amount of any Liquidity Drawing thereunder, subject to reinstatement as described below. With respect to a Liquidity Drawing, the 2014A Standby Letter of Credit will automatically be reduced by an amount equal to the amount of said drawing. Prior to the Conversion Date (as defined below) upon a remarketing of the Bonds (or portions thereof) previously purchased with the proceeds of such Liquidity Drawing, the 2014A Liquidity Facility Provider’s obligation to honor drawings under the 2014A Standby Letter of Credit will be automatically reinstated in an amount set forth in a reinstatement certificate from

the Trustee concurrently upon receipt by the 2014A Liquidity Facility Provider of such reinstatement certificate and the amount set forth therein.

The 2014A Standby Letter of Credit will terminate on the earliest of the 2014A Liquidity Facility Provider's close of business on: (i) October 30, 2024 (as extended from time to time, the "Stated Expiration Date"), (ii) the Business Day following the date on which all of the Series 2014A Bonds are converted to an interest rate other than the Daily Rate or the Weekly Rate (each as defined in the 2014A Reimbursement Agreement), as such date is specified in a certificate from the Trustee to the 2014A Liquidity Facility Provider (the "Conversion Date"), (iii) the date of receipt by the 2014A Liquidity Facility Provider of a certificate from the Trustee to the 2014A Liquidity Facility Provider stating that (A) no Series 2014A Bonds that are subject to tender remain outstanding within the meaning of the Fourth Supplemental Indenture, (B) all Liquidity Drawings required to be made under the Fourth Supplemental Indenture and available under the 2014A Standby Letter of Credit have been made and honored, or (C) a Substitute Liquidity Facility (as defined in the 2014A Reimbursement Agreement) has been issued to replace the Letter of Credit pursuant to the Fourth Supplemental Indenture and the 2014A Reimbursement Agreement, (iv) the date on which an Immediate Termination Event under and as defined in the 2014A Reimbursement Agreement shall have occurred and (v) the date which is the thirtieth day (or the next succeeding Business Day if such day is not a Business Day) following receipt by the Trustee of a written notice from the 2014A Liquidity Facility Provider specifying the occurrence of a Notice Event of Default, and directing the Trustee to cause a mandatory tender of the Series 2014A Bonds pursuant to the Fourth Supplemental Indenture.

Amounts drawn under the 2014A Standby Letter of Credit may only be used to pay the purchase price of Series 2014A Bonds and may not be used to pay the principal of and interest on the Series 2014A Bonds or for any other purpose.

Events of Default, Ratings Events and Secondary Coverage Event

Each of the following shall constitute an Event of Default under the 2014A Liquidity Facility: (i) a Notice Termination Event (as defined below) (other than the event set forth under the subheading "Events of Default, Rating Event and Secondary Coverage Event Not Resulting in Immediate Termination—Underlying Ratings" (which event shall constitute a "Notice Rating Event") and the event set forth under the subheading "Events of Default, Rating Event and Secondary Coverage Event Not Resulting in Immediate Termination—Coverage Covenant" (which event shall constitute a "Secondary Coverage Event")), (ii) an Immediate Termination Event (as defined below) (other than the event set forth under the subheading "Events of Default and Rating Event Resulting in Immediate Termination—Underlying Ratings" which shall constitute an "Immediate Rating Event", and together with the Notice Rating Event, shall constitute "Ratings Events") and (iii) a Suspension Event (as defined below). Upon the occurrence of an Event of Default, Rating Event or Secondary Coverage Event, the 2014A Liquidity Facility Provider may exercise those rights and remedies described under the subheading "Remedies" below. In the event that the occurrence of an Event of Default is more than one of a Notice Termination Event, Immediate Termination Event and/or Suspension Event, such Event of Default shall first be deemed to be an Immediate Termination Event (if such event is an Immediate Termination Event), and shall next be deemed to be a Suspension Event (if such event is a Suspension Event). In the event that the occurrence of a Notice Rating Event shall also constitute an Immediate Rating Event, such Rating Event shall be deemed to be an Immediate Rating Event.

Events of Default, Rating Event and Secondary Coverage Event not Resulting in Immediate Termination

Each of the following events shall constitute a "Notice Termination Event":

(a) **Payments.** The Authority shall fail to pay when due (i) principal or interest on 2014A Liquidity Facility Bonds which has become immediately due and payable on the Bank Purchase Date, the Initial Mandatory Redemption Date or the Accelerated Redemption Date, as applicable, or otherwise as a result of the acceleration of 2014A Liquidity Facility Bonds pursuant to the terms of the 2014A Reimbursement Agreement, or (ii) any amounts owed by the Authority to the 2014A Liquidity Facility Provider pursuant to the 2014A Reimbursement Agreement (other than as described in clause (i) above) and any such failure solely in the case of this clause (ii) is not cured within three (3) Business Days.

(b) **Representations.** Certain specified representations or warranties made by or on behalf of the Authority in the 2014A Reimbursement Agreement or in any other Related Document or in any certificate or statement delivered thereunder shall prove to have been incorrect or untrue in any material respect when made or deemed to have been made.

(c) **Covenants.** The Authority shall fail to comply with any of the certain specified covenants in the 2014A Liquidity Facility.

(d) **Other Covenants.** The Authority shall fail to perform or observe any term, covenant or agreement (other than a failure that constitutes any other Notice Termination Event) contained in (or otherwise incorporated into) the 2014A Reimbursement Agreement (each a “Covenant Failure”) which failure continues for thirty (30) days or more; provided that such Covenant Failure shall not constitute an Event of Default under the 2014A Reimbursement Agreement until such failure continues for sixty (60) days if (i) the Authority provides satisfactory evidence to the 2014A Liquidity Facility Provider that such Covenant Failure is able to be cured within sixty (60) days of the occurrence of the Covenant Failure, (ii) the Authority provides reasonable assurances to the 2014A Liquidity Facility Provider that the Covenant Failure will be cured within sixty (60) days of the occurrence of the Covenant Failure and (iii) the Authority provides satisfactory evidence to the 2014A Liquidity Facility Provider that the Authority has commenced the process required to cure such Covenant Failure within ten (10) days of the occurrence of such Covenant Failure.

(e) **Debt.** (i) Default by the Authority in the payment of any amount due in respect of any Indebtedness payable to the 2014A Liquidity Facility Provider as and when the same shall become due, or (ii) default by the Authority in the payment of any amount due in respect of any other Indebtedness in an aggregate amount in excess of \$5,000,000 as and when the same shall become due, or (iii) (A) default under any mortgage, agreement or other instrument under or pursuant to which such Indebtedness is incurred or issued, and continuance of such default beyond any period of grace allowed with respect thereto, or (B) the occurrence of any act or omission by the Authority under any such mortgage, agreement or other instrument (other than the Authority optionally terminating any Indebtedness which is a Swap Agreement for which the Authority (I) pays any amount due thereunder as required by the Swap Agreement or (II) would not be required to make any payment thereunder in connection with such optional termination) which, in the case of either (A) or (B), results in any amount of such Indebtedness (if such Indebtedness is a Indebtedness payable to the 2014A Liquidity Facility Provider) or in excess of \$5,000,000 of such Indebtedness (with respect any other Indebtedness) becoming, or being capable of becoming, immediately due and payable (or, with respect to any Indebtedness which is a Swap Agreement, which results in such Swap Agreement being terminated early or being capable of being terminated early).

(f) **Invalidity.** Any provision of the 2014A Reimbursement Agreement, the Series 2014A Bonds or any other Related Document shall cease to be valid and binding, or the Authority shall contest any such provision, or the Authority or any authorized agent or trustee on behalf of the Authority,

shall deny that it has any further liability under any provision of the 2014A Reimbursement Agreement, the Series 2014A Bonds or any other Related Document.

(g) **Other Documents.** The occurrence of any default beyond the grace period, if any, allowed with respect thereto, under any Related Document other than the 2014A Reimbursement Agreement.

(h) **Underlying Ratings.** (i) The Authority shall fail to maintain or have in place unenhanced long-term ratings on the Series 2014A Bonds (other than 2014A Liquidity Facility Bonds) from at least two Rating Agencies; or (ii) the unenhanced long-term rating of the Series 2014A Bonds (other than 2014A Liquidity Facility Bonds), any Parity Bonds (to the extent then rated) or any Parity Obligations (to the extent then rated) shall be (A) suspended or withdrawn, for credit-related reasons or reduced below “A3” by Moody’s (if then providing such a rating), (B) suspended or withdrawn for credit-related reasons or reduced below “A-” by S&P (if then providing such a rating) or (C) suspended or withdrawn for credit-related reasons or reduced below “A-” by Fitch (if then providing such a rating). For the avoidance of doubt, it shall not constitute an Event of Default under clause (ii) of this paragraph if the Authority, by its own volition, requests any Rating Agency to withdraw any long-term unenhanced rating assigned to the Series 2014A Bonds (other than 2014A Liquidity Facility Bonds), any Parity Bonds or any Parity Obligations which results in a withdrawal of any such rating unless the effect of such withdrawal is to cure a Potential Default or Event of Default, reduce the Facility Fee Rate or avoid an increase in the Facility Fee Rate.

(i) **Financial Emergency.** There shall be appointed or designated with respect to the Authority, an entity such as an organization, board, commission, authority, agency or body to monitor or declare a financial emergency or similar state of financial distress with respect to it or there shall be declared by it or by any legislative or regulatory body with competent jurisdiction over it, the existence of a state of financial emergency or similar state of financial distress in respect of it.

(j) **Change in Maximum Lawful Rate.** The Maximum Lawful Rate applicable to 2014A Liquidity Facility Bonds or Series 2014A Bonds shall be reduced at any time.

(k) **Event of Taxability.** A ruling, assessment, notice of deficiency or technical advice by the Internal Revenue Service shall be rendered to the effect that interest on the Series 2015A Bonds is includable in the gross income of the holder(s) or owner(s) of such Series 2015A Bonds and either (i) the Authority, after it has been notified by the Internal Revenue Service, shall not challenge such ruling, assessment, notice or advice in a court of law during the period within which such challenge is permitted or (ii) the Authority shall challenge such ruling, assessment, notice or advice and a court of law shall make a determination, not subject to appeal or review by another court of law, that such ruling, assessment, notice or advice is correctly rendered.

(l) **Coverage Covenant.** The Authority shall fail to comply with a certain annual debt service coverage ratio covenant set forth in the 2014A Reimbursement Agreement.

(m) **Attachments.** One or more attachments against the property of the Authority, the operation or result of which, individually or in the aggregate, equal or exceed \$5,000,000 shall remain unstayed, undischarged, unbonded or undismissed for a period of sixty (60) days.

Events of Default and Rating Event Resulting in Immediate Termination

Each of the following events shall also constitute an “Immediate Termination Event”:

(a) **Event of Insolvency.** An Event of Insolvency shall have occurred with respect to the Authority.

(b) **Payment Default.** Any failure, wholly or partially, (i) to make timely any payment of principal of or interest on the Series 2014A Bonds (including 2014A Liquidity Facility Bonds) (other than a failure to pay principal or interest on 2014A Liquidity Facility Bonds which has become immediately due and payable on the Bank Purchase Date or Initial Mandatory Redemption Date, as applicable, or otherwise as a result of the acceleration of 2014A Liquidity Facility Bonds as described in paragraph (d) under the subheading “Remedies” below), or (ii) to make timely payments of principal of or interest on any Parity Bonds (including liquidity provider held Parity Bonds) (other than a failure to pay principal or interest on liquidity provider held Parity Bonds which have become immediately due and payable as a result of the acceleration of Parity Bonds pursuant to the terms of the liquidity facility related to such Parity Bonds) or Modified Parity Obligations or to make regularly scheduled payments on any Modified Parity Obligations.

(c) **Contest of Validity.** An officer of the Authority shall (i) claim that the Master Indenture or the Fourth Supplemental Indenture is not valid or binding on the Authority or (ii) repudiate the Authority’s obligation to make payments of principal or interest on the Series 2014A Bonds (including 2014A Liquidity Facility Bonds) or the Authority’s obligation to make payments of principal or interest on any Parity Bonds or Parity Obligations or to make regularly scheduled payments on any Parity Obligations.

(d) **Invalidity.** Any court of competent jurisdiction or other governmental entity with jurisdiction shall have ruled pursuant to a final judgment or order, or any other Governmental Authority having jurisdiction shall find or rule, that the 2014A Reimbursement Agreement, the Indenture or the Series 2014A Bonds or any material provision hereof or thereof with respect to the payment of principal or interest on the Series 2014A Bonds (including 2014A Liquidity Facility Bonds) or with respect to the Security therefor is null and void, invalid, unenforceable or not binding on the Authority.

(e) **Underlying Ratings.** The unenhanced long-term rating of the Series 2015A Bonds (other than 2014A Liquidity Facility Bonds), any Parity Bonds (to the extent then rated) or any Parity Obligations (to the extent then rated) shall be (i) suspended or withdrawn for credit related reasons or reduced below “Baa3” by Moody’s (if then providing such a rating), (ii) suspended or withdrawn for credit related reasons or reduced below “BBB-” by S&P (if then providing such a rating) and (iii) suspended or withdrawn for credit related reasons or reduced below “BBB-” by Fitch (if then providing such a rating).

(f) **Judgments.** One or more final, unappealable judgments, writs or warrants of attachment against the Authority for the payment of money, which judgments, writs or warrants are payable from Revenues on a parity with the Series 2014A Bonds, the operation or result of which, individually or in the aggregate, equal or exceed \$5,000,000 shall remain unpaid, unstayed, undischarged, unbonded or undismissed for a period of sixty (60) days.

Events of Default Resulting in Immediate Suspension

Each of the following events shall also constitute a “Suspension Event”:

(a) **Involuntary Bankruptcy Proceeding.** (i) An involuntary case or other proceeding shall be commenced in a court of competent jurisdiction against the Authority seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator,

custodian or other similar official for it or any substantial part of its property and (ii) such case has not be dismissed and (iii) fewer than sixty (60) days have elapsed since the commencement of such case or proceeding.

(b) ***Initiation of Legal Proceedings.*** The Authority shall initiate any legal proceedings to seek an adjudication that the 2014A Reimbursement Agreement, the Series 2015A Bonds, the Master Indenture or the Fourth Supplemental Indenture or any material provision thereof with respect to the payment of principal or interest on the Series 2014A Bonds (including 2014A Liquidity Facility Bonds) or with respect to the Security therefor is not valid or not binding on the Authority.

Remedies

Upon the occurrence of an Event of Default, Rating Event or Secondary Coverage Event under the 2014A Liquidity Facility, the 2014A Liquidity Facility Provider may take one or more of the following actions:

(a) ***Notice of Termination.*** Upon the occurrence of a Notice Termination Event, the 2014A Liquidity Facility Provider may give written notice of such Event of Default, Rating Event or Secondary Coverage Event to the Authority, the Remarketing Agent and the Trustee stating that the 2014A Standby Letter of Credit shall terminate thirty (30) days (the “Notice Termination Date”) after such notice is delivered by the 2014A Liquidity Facility Provider to the Trustee and directing that the Series 2014A Bonds be called for Default Tender. The Available Amount, the 2014A Standby Letter of Credit and the obligation of the 2014A Liquidity Facility Provider to honor any Liquidity Drawing Certificate to purchase Eligible Bonds under the 2014A Standby Letter of Credit shall terminate on the Notice Termination Date, and on such date the Available Amount shall terminate and the 2014A Liquidity Facility Provider shall be under no obligation under the 2014A Standby Letter of Credit to purchase Eligible Bonds.

(b) ***Immediate Termination of 2014A Liquidity Facility Provider’s Obligation to Purchase Tendered Bonds.*** Upon the occurrence of any Immediate Termination Event, the Available Amount shall immediately be reduced to zero, and the obligation of the 2014A Liquidity Facility Provider to honor any Liquidity Drawing Certificate to purchase Eligible Bonds under the 2014A Standby Letter of Credit shall immediately terminate without notice or demand and, thereafter, the 2014A Liquidity Facility Provider shall be under no obligation to honor any Liquidity Drawing Certificate to purchase Eligible Bonds under the 2014A Standby Letter of Credit. Upon such Immediate Termination Event, the 2014A Liquidity Facility Provider shall promptly give written notice of the same to the Trustee, the Remarketing Agent and the Authority; provided, that the 2014A Liquidity Facility Provider shall incur no liability of any kind by reason of its failure to give such notice, and such failure shall in no way affect the termination of the Available Amount and of the obligations of the 2014A Liquidity Facility Provider to honor any Liquidity Drawing Certificate to purchase Eligible Bonds under the 2014A Standby Letter of Credit. The Trustee shall immediately notify all Bondholders of the termination of the Available Amount, the 2014A Standby Letter of Credit and the obligation of the 2014A Liquidity Facility Provider to honor any Liquidity Drawing Certificate to purchase Eligible Bonds under the 2014A Standby Letter of Credit.

(c) ***Suspension of 2014A Liquidity Facility Provider’s Obligation to Purchase Tendered Bonds.*** Upon the occurrence of a Suspension Event, the obligation of the 2014A Liquidity Facility Provider to honor any Liquidity Drawing Certificate to purchase Eligible Bonds under the 2014A Standby Letter of Credit shall immediately be suspended without notice or demand and thereafter the 2014A Liquidity Facility Provider shall be under no obligation to purchase Eligible Bonds until the Available Amount is reinstated as described in this Section 7.04(c). Promptly upon the 2014A Liquidity

Facility Provider's obtaining knowledge of any such Suspension Event, the 2014A Liquidity Facility Provider shall give written notice of the same to the Authority, the Remarketing Agent and the Trustee of such suspension; provided, however, that the 2014A Liquidity Facility Provider shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the 2014A Liquidity Facility Provider's obligation to honor any Liquidity Drawing Certificate to purchase Eligible Bonds under the 2014A Standby Letter of Credit. In the event such Suspension Event is cured prior to becoming an Immediate Termination Event, the Available Amount and the obligation of the 2014A Liquidity Facility Provider to honor any Liquidity Drawing Certificate to purchase Eligible Bonds under the 2014A Standby Letter of Credit shall thereupon be reinstated (unless the 2014A Standby Letter of Credit shall otherwise have expired or terminated or the Available Amount and/or the 2014A Standby Letter of Credit shall otherwise have been terminated or suspended as provided in the 2014A Liquidity Facility).

(d) ***Authority Obligations and the 2014A Liquidity Facility Provider's Rights Following Immediate Termination Event, Notice Termination Event or Suspension Event.*** (i) Upon the occurrence of an Event of Default, Rating Event or Secondary Coverage Event, all amounts owed to the 2014A Liquidity Facility Provider under the 2014A Reimbursement Agreement and under any 2014A Liquidity Facility Bonds and with respect to the 2014A Standby Letter of Credit shall bear interest at the Default Rate until paid, (ii) immediately upon the occurrence of an Immediate Termination Event, the 2014A Liquidity Facility Provider may by written notice to the Authority declare all amounts owed to the 2014A Liquidity Facility Provider under the 2014A Reimbursement Agreement and with respect to the 2014A Liquidity Facility Bonds and the 2014A Standby Letter of Credit to be immediately due and payable whereupon such amounts shall be immediately due and payable (provided, that the obligations of the Authority under the 2014A Reimbursement Agreement and under the 2014A Liquidity Facility Bonds and with respect to the 2014A Liquidity Facility shall be and become automatically and immediately due and payable without such notice upon the occurrence of an Event of Insolvency) and (iii) upon the occurrence of an Event of Default, Rating Event or Secondary Coverage Event, the 2014A Liquidity Facility Provider shall have all remedies provided at law or equity, including, without limitation, the right of set off and specific performance. On or following a Notice Termination Event (excluding, for this provision only, a Secondary Coverage Event) or Suspension Event, (i) the 2014A Liquidity Facility Provider may by written notice to the Authority declare all amounts payable to the 2014A Liquidity Facility Provider under the 2014A Reimbursement Agreement (other than amounts payable with respect to the 2014A Liquidity Facility Bonds) and with respect to the 2014A Liquidity Facility to be due and payable on the Notice Termination Date (with respect to a Notice Termination Event) or as specified by the 2014A Liquidity Facility Provider (with respect to a Suspension Event), and (ii) all amounts payable with respect to the 2014A Liquidity Facility Bonds shall automatically become due and payable in full on the Bank Purchase Date, Initial Mandatory Redemption Date or the Accelerated Redemption Date, as applicable, as set forth in the 2014A Reimbursement Agreement. The 2014A Liquidity Facility Provider shall promptly provide written notice to the Trustee and the Authority of any acceleration of the amounts due under the 2014A Reimbursement Agreement.

Additional Rights

In the event that the Authority enters into any credit agreement, reimbursement agreement, bond purchase agreement, liquidity agreement or other agreement or instrument (or any amendment, supplemental or modification thereto), with any Person, under which such Person or Persons undertakes to make loans, extend credit or liquidity to the Authority or to purchase securities pursuant to such agreement in connection with any Bonds, Parity Bonds or Parity Obligations, which agreement or instrument provides any such Person with additional or more restrictive covenants; additional or more restrictive termination events, suspension events or events of default; additional or more expansive remedies (other than pricing or interest rate increases) and/or additional or more expansive

security/collateral provisions (collectively, the “*Additional Rights*”) than are provided to the 2014A Liquidity Provider in the 2014A Liquidity Facility, the Authority shall promptly notify the 2014A Liquidity Facility Provider of such Additional Rights and, if within 30 days after such notice the 2014A Liquidity Facility Provider so requests, the Authority, the Trustee and the 2014A Liquidity Facility Provider shall promptly enter into an amendment to the 2014A Liquidity Facility to incorporate such Additional Rights, effective immediately after any applicable requirements of the Indenture have been satisfied, including, without limitation, any mandatory tender of the Series 2014A Bonds. Notwithstanding anything to the contrary set forth in the 2014A Liquidity Facility, the obligations of the 2014A Liquidity Facility Provider under the 2014A Liquidity Facility may not be immediately terminated or suspended other than as a result of a Termination Event or a Suspension Event (in each case, as such terms are defined as of the Conversion Date or as amended pursuant to any amendment to the 2014A Liquidity Facility and, in connection with such amendment, the then current ratings on the Series 2014A Bonds supported by the 2014A Standby Letter of Credit have been confirmed by each rating agency then rating such Series 2014A Bonds and the holders of the Series 2014A Bonds have received the requisite notice of such amendments as required by the Indenture). Notwithstanding the foregoing, if any Additional Rights modifies, amends or adds to the Immediate Termination Events, Suspension Events or conditions precedent to the obligation of the 2014A Liquidity Facility Provider to honor a liquidity drawing certificate under the 2014A Standby Letter of Credit in effect as to the 2014A Liquidity Facility, then, for purposes of the Indenture, such incorporation of such provision will result in the 2014A Liquidity Facility being deemed a Substitute Liquidity Facility for all purposes of the Indenture, and in no event shall such Additional Rights become part of the 2014A Liquidity Facility until the mandatory tender resulting from such delivery of a Substitute Liquidity Facility has occurred and the 2014A Liquidity Provider has honored any properly presented and conforming Liquidity Drawing(s) under the 2014A Standby Letter of Credit resulting from such substitution in accordance with the terms of the 2014A Liquidity Facility and the Indenture.

Substitution of Alternate 2014A Liquidity Facility

Pursuant to the provisions of the Indenture, the Authority may, at any time, deliver a replacement for a 2014A Liquidity Facility (such replacement being hereinafter referred to as an “Alternate 2014A Liquidity Facility”) upon satisfaction of certain conditions set forth in the Indenture. The Authority shall provide written notice to the Trustee of any proposed substitution of an Alternate 2014A Liquidity Facility, and the Trustee shall mail notice of such proposed substitution to the Holders of affected Series 2014A Bonds at least 15 days prior to the effective date of such substitution.

Pursuant to the provisions of the Indenture, the affected Series 2014A Bonds will be subject to mandatory tender for purchase on the date such Alternate 2014A Liquidity Facility shall take effect; provided there shall be no mandatory tender for purchase of such Series 2014A Bonds on the effective date of the provision of the Alternate 2014A Liquidity Facility if the Authority has received a Rating Confirmation on the Series 2014A Bonds. The Authority is not required to maintain the 2014A Liquidity Facility with respect to the Series 2014A Bonds in an Index Rate Period, a Term Rate Period for which there is no Liquidity Facility, or a Fixed Rate Period.

SACRAMENTO TRANSPORTATION AUTHORITY

General

The Authority was created in 1988 as a local transportation authority pursuant to the Act. The Authority is primarily responsible for administering the Sacramento County Transportation Expenditure Plan 2009-2039 (the “2004 Expenditure Plan”). See “SACRAMENTO COUNTY TRANSPORTATION EXPENDITURE PLAN” below. The Authority also administers the Sacramento Metropolitan Freeway

Service Patrol program in cooperation with the California Department of Transportation and the California Highway Patrol. This program's primary objective is to reduce traffic congestion caused by roadway incidents. The Authority Governing Board and staff also serve as the Governing Board and staff of the Sacramento Abandoned Vehicle Service Authority which provides funding to participating local jurisdictions for the abatement of abandoned vehicles and vehicle parts on streets and private property. The Authority is the only local countywide transportation agency and, therefore, provides a number of other functions related to setting priorities for the expenditure of specific state and federal transportation funds in the County.

By resolution of the Board of Supervisors of the County, adopted pursuant to the Act, the Governing Board of the Authority is determined in the following manner: five members are appointed by the Board of Supervisors of the County; five members are appointed by the City Council of the City of Sacramento; two members are appointed by the City of Elk Grove; one member is appointed collectively by the City Councils of the Cities of Galt and Isleton; and one member is appointed by each of the City Councils of the Cities of Citrus Heights, Folsom and Rancho Cordova. In addition, the city council of an existing or future city within the County that attains an incorporated population of 50,000 is entitled to appoint one member to the Governing Body of the Authority. A city may also appoint an additional member to the Governing Body of the Authority (up to a maximum of five members) for every 100,000 increment in its incorporated population above the threshold population of 50,000.

The current Governing Board of the Authority is comprised of 16 members: five members of the Board of Supervisors of the County; five members of the City Council of the City of Sacramento; two members of the City Council of the City of Elk Grove; one member of the City Council of the City of Galt, representing the City of Galt and the City of Isleton; and one member each of the City Councils of the Cities of Citrus Heights, Folsom and Rancho Cordova. Pursuant to the Act, members of the Governing Board of the Authority serve staggered terms of not more than four years. The Act requires a two-thirds vote of the Governing Board of the Authority in order to issue any limited tax bonds including any Additional Bonds.

Administrative Staff

Key members of the Authority's administrative staff include the following:

NORMAN HOM – Executive Director since April 2017. Mr. Hom manages the day-to-day operations of the Sacramento Transportation Authority under the direction of a sixteen-member Governing Board of elected officials. Mr. Hom has served the Authority since 1994 in the capacities of Associate Planner, Senior Transportation Administrator and Principal Administrator. His prior experience also includes planning positions with the City of Fairfield and the City of Lodi. Mr. Hom holds a B.S.B.A. degree in Regional Development and a Master of Arts degree in Urban Geography, both from the University of Arizona. Mr. Hom has announced his retirement as Executive Director of the Authority effective as of the end of 2019; the Board of the Authority has approved Will Kempton, former Director of the California Department of Transportation and CEO of the Orange County Transportation Authority to act as the new Executive Director of the Authority commencing on the effective date of Mr. Hom's retirement.

TIMOTHY JONES – Chief Financial Officer since May 2018. Mr. Jones manages all of the Authority's financial reporting and day-to-day accounting functions. From June 2016 through April 2018 he served the Authority as Accounting/Finance Manager. Prior to joining the Authority, he worked for 10 years as an audit supervisor for the California State Auditor's Office.

JENNIFER DOLL - Administrative Services Officer since June 2016. Ms. Doll manages the Sacramento Metropolitan Freeway Service Patrol program and the Sacramento Abandoned Vehicle Abatement Program and provides general administrative support. Ms. Doll was elected and served as Chair of the Statewide Motorist Aid Committee from October 2017-October 2018. Prior to her current appointment, Ms. Doll served the Authority since 2013 as Executive Assistant. Ms. Doll holds a B.A. degree from California State University, Sacramento.

WILLIAM BURKE – General Counsel for the Authority since March 1, 2009 and Deputy County Counsel for the County of Sacramento since October 2005. Prior to joining County Counsel, Mr. Burke worked for Remy, Thomas, Moose & Manley, LLP, an environmental law firm located in Sacramento. Mr. Burke graduated from the University of California, Davis, School of Law in 2000 and holds a B.A. in political science from the University of California, San Diego.

THE SALES TAX

Authorization, Application and Collection of the 2004 Measure A Sales Tax

In November of 2004, more than 75% of the voters in the County voting on such ballot measure approved Measure A (“2004 Measure A”), implementing a 30-year half-cent sales tax that became effective on April 1, 2009 and which expires on March 31, 2039. The 2004 Measure A Sales Tax is a special retail transactions and use tax of one half of one percent (0.5%) of the gross receipts of retailers from the sale of all tangible personal property sold at retail in the County and a use tax at the same rate upon the storage, use or other consumption in the County of such property purchased from any retailer for storage, use or other consumption in the County, subject to certain exceptions. The 2004 Measure A Sales Tax is authorized under the Authority’s Ordinance No. STA 04-01 (the “2004 Ordinance”). As part of the 2004 Ordinance, the Authority also adopted a new Sacramento County Transportation Expenditure Plan 2009-2039 (the “2004 Transportation Expenditure Plan”) which governs the expenditure of the 2004 Measure A Sales Tax and the 2004 Measure A Impact Fee (as defined below). See “SACRAMENTO COUNTY TRANSPORTATION EXPENDITURE PLAN” below.

Collection of the 2004 Measure A Sales Tax is administered by the California Department of Tax and Fee Administration (“CDTFA”) which imposes a charge for administration. The Authority has authorized the CDTFA to make payment of Sales Tax Revenues directly to the Trustee after deducting the costs of administering the 2004 Measure A Sales Tax. The Taxpayer Transparency and Fairness Act of 2017 restructured the Board of Equalization, which previously administered the collection of the 2004 Measure A Sales Tax, into three separate entities: the Board of Equalization, the CDTFA and the Office of Tax Appeals. Since July 1, 2017, collection of the 2004 Measure A Sales Tax has been administered by the CDTFA pursuant to an agreement with the Authority. Upon receipt of the Sales Tax Revenues, the Trustee will retain the Sales Tax Revenues. Once the Trustee applies the Sales Tax Revenues to meet the payment requirements required by the Indenture, the balance of the Sales Tax Revenues will then be forwarded to the Authority to be applied by the Authority for all lawful Authority purposes.

The amount retained by the CDTFA as its administration fee for the fiscal year ended June 30, 2018 was \$1,315,240 and for the fiscal year ended June 30, 2019 was \$1,372,450.

Historical 1988 Measure A Sales Tax Revenues and 2004 Measure A Sales Tax Revenues

In November of 1988, the eligible voters in Sacramento County voting on the ballot measure approved Measure A (“1988 Measure A”) implementing a twenty-year, half-cent sales tax (the “1988 Measure A Sales Tax”) through Ordinance No. STA-0002 that became effective April 1, 1989 and which expired on March 31, 2009. The 1988 Measure A Sales Tax was levied against the same sales tax base as

the 2004 Measure A Sales Tax. Collection of the 1988 Measure A Sales Tax was also administered by **CDTFA**. The 2004 Ordinance provides that there will be no concurrent assessment of the 1988 Measure A Sales Tax and the 2004 Measure A Sales Tax.

The following table shows 1988 Measure A Sales Tax Revenues and 2004 Measure A Sales Tax Revenues reported by the Authority from Fiscal Year ended June 30, 1990 to Fiscal Year ended June 30, 2019.

**Sacramento Transportation Authority
Historical 1988 Measure A and 2004 Measure A Sales Tax Revenues
Fiscal Years Ended June 30, 1990 - 2019⁽¹⁾**

Fiscal Year Ended June 30	1988 Measure A and 2004 Measure A Sales Tax Revenues ⁽¹⁾	Percent Increase (Decrease)
1990	\$ 55,324,666	-
1991	51,583,341	(3.27)%
1992	50,691,901	(1.73)
1993	54,645,978	7.80
1994	51,883,457	(5.05)
1995	56,072,450	8.07
1996	59,086,587	5.37
1997	60,427,602	2.27
1998	65,056,187	7.66
1999	69,163,509	6.31
2000	77,964,580	12.72
2001	87,928,731	9.17
2002	84,500,999	0.53
2003	89,974,536	3.58
2004	97,159,755	8.42
2005	102,385,507	5.34
2006	109,688,836	7.44
2007	105,366,507	(2.96)
2008	101,155,680	(3.92)
2009	89,395,168	(8.77)
2010	81,413,982	(11.26)
2011	87,299,421	4.49
2012	92,239,996	7.53
2013	97,390,177	5.58
2014	100,063,237	2.74
2015	105,564,247	5.50
2016	110,707,633	4.87
2017	116,877,996	5.57
2018	119,187,748	1.98
2019	\$131,757,081	10.5

Source: Audited financial statements with exception of 2019 which is unaudited

⁽¹⁾ 1988 Measure A Sales Tax Revenues expired on March 31, 2009. Totals for Fiscal Year 2008-09 include both 1988 Measure A Sales Tax Revenues and 2004 Measure A Sales Tax Revenues.

For a summary of historical taxable retail sales within the County see the table under the section “Commercial Activity” in APPENDIX B of this Official Statement.

Historically, the 2004 Measure A Sales Tax Revenues for a quarterly period were paid to the Authority over a four month period, with advances approximating tax receipts for a particular month being made two months later and a clean-up payment being made for the quarter in the third month of the subsequent quarter. For example, the 2004 Measure A Sales Tax Revenues representing sales activity generally occurring in the April, May and June 2017 quarter were paid to the Authority in four payments occurring in June (representing the advance for April), July (representing the advance for May), and August (representing the advance for June with a true-up payment for the fourth quarter occurring in September 2017). In May 2018, CDTFA implemented a new Centralized Revenue Opportunity System (“CROS”), which changed the allocation schedule and resulted in tax distributions to local governments being accelerated. Under CROS, the 2004 Measure A Sales Tax Revenues for a quarterly period are paid to the Authority over a three month period, with advances approximating tax receipts for a particular month being made two months later and a clean-up payment being made for the quarter in the second month of the subsequent quarter. For example, the 2004 Measure A Sales Tax Revenues representing sales activity generally occurring in April, May and June 2018 were paid to the Authority in three payments occurring in June (representing the advance for April), July (representing the advance for May) and August (representing the advance for June and the clean-up payment for the fourth quarter).

Since the implementation of the CROS, the amount of 2004 Measure A Sales Tax Revenues received by the Authority on a monthly basis has been from time to time inconsistent with the amount received for prior comparable monthly period. Specifically, CDTFA was unable to process some fourth quarter FY 2018 sales tax returns until FY 2019. As a result, approximately \$2.3 million remitted to the Authority during FY 2019 was attributable to FY 2018. However, on a year-over-year basis the receipts are generally consistent with the prior years. See the table of historical 2004 Measure A Sales Tax Revenues on the preceding page.

For Fiscal Year ended June 30, 2019, the Authority received \$131,757,081 of 2004 Measure A Sales Tax Revenues, a 10.5% increase from Fiscal Year ended June 30, 2018. However, if the aforementioned \$2.3 million had been remitted to the Authority when expected, revenue in FY 2019 would have been approximately \$129.5 million, and the Authority would have realized a year-to-year growth rate of approximately 6.6% from FY 2018 revenue at \$121.5 million. For Fiscal Year ending June 30, 2020, the Authority projects to receive approximately the same amount of 2004 Measure A Sales Tax Revenues as received in Fiscal Year ended June 30, 2019.

The following table shows the amount of Sales Tax Revenues collected on a quarterly basis for Fiscal Years 2017-2018 and 2018-2019 and the percentage increase or decrease from the previous fiscal year quarter and the same quarter from the prior fiscal year.

**Sacramento Transportation Authority
Quarterly Historical 2004 Measure A Sales Tax Revenues
Fiscal Years Ended June 30, 2018 and June 30, 2019**

	1 st Quarter (July 1 – September 30)	2 nd Quarter (October 1 – December 31)	3 rd Quarter (January 1 – March 31)	4 th Quarter (April 1 – June 30)
2018	\$ 26,416,000	\$32,538,608	\$31,243,049	\$28,990,092
2019	\$ 34,639,905	\$34,366,726	\$30,258,544	\$32,491,906
% FY 2018-19 Change from previous quarter same Fiscal Year	19.49%	-.079	-11.95%	7.38%%
% FY 2018-19 Change from same quarter prior Fiscal Year	31.13%	5.62%	-3.15%	12.08%%

Source: The Authority.

Assuming audited 2004 Measure A Sales Tax Revenues of \$TBD for the Fiscal Year ended June 30, 2019 will remain level for the life of the Series 2014A Bonds and using the Debt Service Schedule set forth above under “DEBT SERVICE SCHEDULE,” 2004 Measure A Sales Tax Revenues will be TBD times annual debt service in Fiscal Year ended June 30, 2020 on the Series 2015A Bonds, the Series 2014A Bonds, the Series 2012 Bonds and the Series 2009C Bonds and TBD times maximum annual debt service on the Series 2015A Bonds, the Series 2014A Bonds, the Series 2012 Bonds and the Series 2009C Bonds.

Neither the Authority’s independent auditors, nor any other independent accountants or any other persons, have compiled, examined or performed any procedures with respect to the unaudited financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the unaudited financial information.

SACRAMENTO COUNTY TRANSPORTATION EXPENDITURE PLAN

General

With the adoption of 2004 Measure A and the 2004 Measure A Sales Tax, County voters also approved the Sacramento Countywide Transportation Mitigation Fee Program which authorized the imposition of a mitigation fee on certain new commercial and residential development in Sacramento County (the “2004 Measure A Impact Fee”) to assist in funding road and transit system improvements needed to accommodate projected growth and development. Pursuant to the 2004 Ordinance, the Authority developed, in coordination with all local government jurisdictions, a process to identify the appropriate impact fees to be charged and each local government jurisdiction adopted and implemented the resulting fee program within its jurisdiction effective April 1, 2009.

No 2004 Measure A Impact Fees are pledged under the Indenture. The Series 2014A Bonds are not secured by the 2004 Measure A Impact Fees.

Application of the 2004 Measure A Sales Tax and the 2004 Measure A Impact Fee is governed by the 2004 Ordinance. As part of the 2004 Ordinance, the Governing Board adopted and County voters approved the Sacramento County Transportation Expenditure Plan 2009-2039 (the “2004 Expenditure Plan”). In July 2009, the Governing Board updated the revenue projections from the 2004 Measure A Sales Tax used in the 2004 Expenditure Plan.

Under the 2004 Expenditure Plan, 2004 Measure A Sales Taxes and 2004 Measure A Impact Fees are allocated among certain transportation, public transit and environmental mitigation programs. These allocations are made after required deposits of Sales Tax Revenues are made to funds held under the Indenture for payments of the Bonds and other obligations secured by Sales Tax Revenues, as described under “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS – Revenue Fund; Allocation of Sales Tax Revenues” above. A brief description of the allocations and each program is set forth below.

After deduction of all required CDTFA fees and authorized costs, revenues received from 2004 Measure A Sales Taxes (after deposits to the Revenue Fund as described under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS—Revenue Fund; Allocation of Sales Tax Revenues”) and 2004 Measure A Impact Fees are to be distributed by formula allocation to local government and transit agencies as described in the 2004 Expenditure Plan. Any remaining funds received are maintained and expended by the Authority at the discretion of the Governing Board.

Allocation of the 2004 Measure A Sales Taxes (after such deposits to the Revenue Fund) and 2004 Measure A Impact Fees is as described below.

Local Road Maintenance, Safety and Congestion Relief Program. 38% of the 2004 Measure A Sales Tax revenue and 35% of the 2004 Measure A Impact Fee revenue is allocated to the Authority’s Local Road Maintenance, Safety and Congestion Relief Program. These revenues are further allocated as follows:

30% of 2004 Measure A Sales Tax revenue is to be distributed among local jurisdictions for city street and county road maintenance. Distribution among the cities and unincorporated County area is to be based 75% on relative population and 25% on total street and road mileage. The formula will be updated annually based upon California Department of Finance estimates of population for cities and counties. Under the 2004 Expenditure Plan, evidence of maintenance of effort is required. Each local jurisdiction receiving funds is required to file with the Authority a pavement and bridge maintenance system report on a biennial basis regarding progress in maintaining local streets and roads. The report is to be in a form which can be audited on a biennial basis by the Independent Taxpayer Oversight Committee (“ITOC”) established under the 2004 Expenditure Plan. See – “*Independent Taxpayer Oversight Committee*” below. As of May 2019, it was estimated that over the life of the 2004 Expenditure Plan 30% of the 2004 Measure A Sales Tax revenue would be approximately \$1,206,567,738 (2019 dollars).

The remaining 8% of the 2004 Measure A Sales Tax revenue and the entire 35% of the 2004 Measure A Impact Fee revenue is allocated to local arterial safety and traffic operations improvements program. The 8% portion of the Sales Tax Revenues is further divided. 5% is to be expended under the local arterial program to fund arterial safety, operational, streetscaping, bicycle and pedestrian improvements, improved accessibility for the disabled and upgrades of arterials to urban standards. The remaining 3% of Sales Tax Revenues is allocated to fund traffic control system improvements, high priority pedestrian and vehicle safety projects and emergency vehicle preemption systems. As of May 2019, it was estimated that over the life of the 2004 Expenditure Plan, 35% of the 2004 Measure A Impact Fees would generate approximately \$79,056,889 (2019 dollars) and 8% of the Sales Tax Revenues would be approximately \$321,751,397 (2019 dollars).

Transit Congestion Relief Program. 38.25% of 2004 Measure A Sales Tax revenue and 20% of 2004 Measure A Impact Fee revenue is allocated to fund transit capital improvements and provide funding for operating and maintaining those improvements. These funds are to be directly subvented to Sacramento Regional Transit based on a five-year transit capital and operating business plan to be

updated annually as recommended by the Sacramento Regional Transit District and approved by the Governing Board. It was estimated as of May 2019 that over the life of the 2004 Expenditure Plan, approximately \$1,538,373,866 (2019 dollars) would be available from 2004 Measure A Sales Tax revenue and approximately \$45,175,365 (2019 dollars) from 2004 Measure A Impact Fees.

Freeway Safety and Congestion Relief Program. 12% of 2004 Measure A Sales Tax revenue and 20% of 2004 Measure A Impact Fee revenue is allocated to fund congestion relief projects on the freeway system in the County. The program is separated into two general categories: regional bus and carpool lane connections and extensions and local freeway interchange congestion relief upgrades. As of May 2019, it was estimated that over the life of the 2004 Expenditure Program, approximately \$482,627,095 (2019 dollars) in 2004 Measure A Sales Tax revenue and approximately \$45,175,365 (2019 dollars) in 2004 Measure A Impact Fees would be available to fund this program.

Other Programs. The remaining portions of the 2004 Measure A Sales Tax and 2004 Measure A Impact Fee revenues are to be allocated to a variety of other transportation and transit-related programs such as senior and disabled transportation services, safety, streetscaping, pedestrian and bicycle facilities, the transportation-related air-quality program, the smart growth incentive program, environmental mitigation and for general program administration and costs of the Independent Taxpayer Oversight Committee.

Independent Taxpayer Oversight Committee. Adoption of 2004 Measure A resulted in the creation of an Independent Taxpayer Oversight Committee (“ITOC”). Pursuant to the 2004 Expenditure Plan, the Authority and each agency receiving an allocation of 2004 Measure A Sales Tax revenue is required to undergo an annual audit supervised by the ITOC performed in accordance with generally accepted auditing standards and government auditing standards issued by the Comptroller of the United States. Compliance audits are also required to ensure that each agency is expending the funds in accordance with 2004 Measure A guidelines.

Future Financing Plans

The Authority anticipates that the 2004 Expenditure Plan will be funded through a combination of pay-as-you-go and bond financing. The current Plan of Finance for the 2004 Expenditure Plan does not contemplate issuing any more debt. The Plan of Finance for the 2004 Expenditure Plan assumes compliance with the Indenture requirements for the issuance of additional Bonds secured by the Sales Tax Revenues. Based on actual receipts of projected revenues, including Sales Tax Revenues, as well as the results of updates to the 2004 Expenditure Plan, plans regarding the timing and principal amount of additional Bonds may be modified. The principal amount of additional Bonds or other financing instruments to be subsequently issued by the Authority and the timing of any such issuance or issuances will be determined by the Authority based on a variety of factors including the costs and timing of design and construction of the transportation projects to be financed and the resources then available. The issuance of additional Bonds is subject to the requirements of the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS – Additional Bonds and Parity Obligations.”

RISK FACTORS

Economy of the County and the State

The Series 2014A Bonds are secured by a pledge of Sales Tax Revenues, which consist of the 2004 Measure A Sales Tax less an administrative fee paid to the CDTFA. The level of Sales Tax Revenues collected at any time is dependent upon the level of retail sales within the County, which level

of retail sales is, in turn, dependent upon the level of economic activity in the County and in the State generally. As a result, any substantial deterioration in the level of economic activity within the County or in the State could have a material adverse impact upon the amount of Sales Tax Revenues and therefore upon the ability of the Authority to pay principal of and interest on the Series 2014A Bonds. For certain information relating to economic conditions within the County see APPENDIX B - "INFORMATION REGARDING THE COUNTY OF SACRAMENTO" which is the most current information available from the sources cited therein; however, the information in APPENDIX B has not been updated to reflect the most recent economic conditions which may exist in the County.

The Sales Tax

With limited exceptions, the 2004 Measure A Sales Tax is imposed upon the same transactions and items subject to the sales tax levied statewide by the State. The State Legislature or the voters within the State, through the initiative process, could change or limit the transactions and items upon which the statewide sales tax and the 2004 Measure A Sales Tax are imposed. Such changes or amendments could have either an adverse or beneficial impact on the Sales Tax Revenues. The Authority is not currently aware of any proposed legislative change which would have a material adverse effect on Sales Tax Revenues. See also "Proposition 218" below. For a further description of the 2004 Measure A Sales Tax, see "THE SALES TAX."

State and Local Sales Tax

The 2004 Measure A Sales Tax is in addition to the 7.25% sales and use tax levied statewide by the State of California. Combined with the 2004 Measure A Sales Tax, this State sales tax results in transactions in the County being taxed at an effective rate of 7.75%. There could be additional increases in the State sales tax as well as new local sales taxes which could have an adverse effect on consumption resulting in a reduction in the 2004 Measure A Sales Tax.

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 California 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 California for use within the State, subject to certain exceptions.

Proposition 218

On November 5, 1996, voters in the State approved an initiative known as the Right to Vote on Taxes Act ("Proposition 218"). Proposition 218 added Articles XIIC and XIID to the California Constitution. Article XIIC requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, which is defined to include local or regional governmental agencies such as the Authority. The 2004 Measure A Sales Tax received the approval of more than 2/3 of the voters as required by Article XIIC. However, Article XIIC also removes limitations that may have applied to the voter initiative power with regard to reducing or repealing previously authorized taxes. In the opinion of the Authority, however, any attempt by the voters to use the initiative provisions under Proposition 218 to rescind or reduce the levy and collection of the 2004 Measure A Sales Tax in a manner which would prevent the payment of debt service on the Series 2014A Bonds would violate the Impairment Clause of the United States Constitution and, accordingly, would be precluded. The interpretation and application of Proposition 218 to the 2004 Measure A Sales Tax has not been the subject of any court decision.

Further Initiatives

Proposition 218 was adopted as a measure that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, which may affect the Authority's ability to levy and collect the 2004 Measure A Sales Tax.

No Acceleration Provision for the Series 2014A Bonds

The Indenture does not contain a provision allowing for the acceleration of the Series 2014A Bonds in the event of a default in the payment of principal and interest on the Series 2014A Bonds when due. In the event of a default by the Authority, the Trustee on behalf of the Holders of the Series 2014A Bonds, will have the right to exercise remedies other than acceleration, subject to the limitations thereon, set forth in the Indenture. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default and Remedies."

2014A Liquidity Facility Bonds are subject to acceleration under certain circumstances as provided in the 2014A Liquidity Facility. See "THE 2014A LIQUIDITY FACILITY – Remedies."

Renewal of Liquidity Facilities

As described herein in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014A BONDS – Liquidity Arrangements," in connection with the Series 2009C Bonds and Series 2015A Bonds, the Authority has entered into liquidity facility arrangements similar to the 2014A Liquidity Facility, which expire prior to the maturity date of the Series 2009C Bonds and Series 2015A Bonds, respectively.

If the 2009C Liquidity Facility expires, and the Authority is unable to secure a replacement liquidity facility, the Series 2009C Bonds will be subject to mandatory tender for purchase by the holders thereof upon such expiration and the 2009C Liquidity Facility will be accessed to pay the purchase price of such tendered bonds. In such circumstances, subject to the satisfaction of certain conditions, the Authority is required to repay such Series 2009C Bank Bonds over a five year period, at an increased interest rate. (If the conditions are not satisfied in such circumstances, the Series 2009C Bonds will be immediately due and payable.)

If the 2015A Liquidity Facility expires, and the Authority is unable to secure a replacement liquidity facility, the Series 2015A Bonds will be subject to mandatory tender for purchase by the holders thereof upon such expiration and the 2015A Liquidity Facility will be accessed to pay the purchase price of such tendered bonds. In such circumstances, subject to the satisfaction of certain conditions, the Authority is required to repay such Series 2015 Bank Bonds over a five year period, at an increased interest rate. (If the conditions are not satisfied in such circumstances, the Series 2015A Bonds will be immediately due and payable.)

Loss of Tax Exemption

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

Limitations of 2014A Liquidity Facility and Related Risks

The ability to obtain funds under the 2014A Liquidity Facility in accordance with its terms may be limited by federal or state law. Bankruptcy, conservatorship, receivership and similar laws governing financial institutions may prevent or restrict payment under the 2014A Liquidity Facility. The ratings on the Series 2014A Bonds depend on the ratings of the 2014A Liquidity Facility Provider; accordingly, the ratings on the Series 2014A Bonds could be downgraded, withdrawn or placed on credit watch if the 2014A Liquidity Facility Provider was to be downgraded, placed on credit watch or have its credit suspended or withdrawn or were to refuse to perform under the 2014A Liquidity Facility.

The obligation of the 2014A Liquidity Facility Provider under the 2014A Liquidity Facility to purchase unremarketed Series 2014A Bonds 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 2014A Liquidity Facility is not a guaranty to pay the purchase price of the Series 2014A Bonds tendered for purchase. The 2014A Liquidity Facility is a general contract subject to certain conditions and limitations, and is not a letter of credit (as described in the following paragraph). Purchasers of the Series 2014A Bonds should consult their legal counsel for an explanation of the differences between a general contract and a letter of credit or guaranty. The information set forth in this Remarketing Memorandum 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 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. Further, and although there are defenses to payment of letters of credit, such defenses are limited by law to specified circumstances.

In contrast, the 2014A Liquidity Facility is a general contract only. 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. If a dispute were to develop, the 2014A Liquidity Facility Provider will have all defenses allowed by law or in equity to its payment under or other performance of the 2014A Liquidity Facility, including but not limited to disputes (whether valid or not) regarding the authority of any party to enter into or perform the 2014A Liquidity Facility. Laws regarding contracts allow more of such defenses than laws regarding letters of credit do.

The 2014A Liquidity Facility Provider or the Authority may seek to have any future dispute resolved in court and appealed to final judgment before such 2014A Liquidity Facility Provider performs under the 2014A Liquidity Facility. Further, even if the Authority were to prevail against the 2014A Liquidity Facility Provider, a court would not necessarily order such 2014A Liquidity Facility Provider to perform under its 2014A Liquidity Facility; it could instead award damages for breach of contract to the Authority. Any such award would not necessarily be in an amount sufficient to pay the purchase price of the applicable Series of the Series 2014A Bonds. See “THE 2014A LIQUIDITY FACILITY – LIMITATIONS OF THE 2014A LIQUIDITY FACILITY.”

Factors Relating to Swaps

The Authority has entered into the Initial Swaps and has reserved the right to enter into other interest rate swaps or hedge agreements prior to the maturity date of the Series 2014A Bonds that are secured by Sales Tax Revenues on a parity with the Bonds (except for fees, expenses and termination

payments thereunder). Any interest rate swap or other hedge agreement, including the Initial Swaps, to which the Authority is a party may, at any time, have a negative value to the Authority. There are various events that give rights to the Authority and the Counterparties to terminate their respective Interest Rate Swap Agreement. Other swap or hedge agreements entered into by the Authority would likely have early termination rights for both parties. If either a swap or other hedge counterparty or the Authority terminates such an agreement when the agreement has a negative value to the Authority, the Authority would generally be obligated to make a termination payment to the counterparty in the amount of such negative value, and such payment could be substantial. As of September 30, 2019, the mark-to-market aggregate valuation of the Initial Swaps was \$113,654,271.75 (the cost to the Authority to terminate the Initial Swaps). Under the Initial Swaps and any future swaps, the Authority's obligation to make such a termination payment is subordinate to the Authority's obligation to pay the principal of and interest on the Series 2015A Bonds, the Series 2014A Bonds, the Series 2012 Bonds and the Series 2009C Bonds. A counterparty may generally only terminate such an agreement upon the occurrence of defined events of default and termination events, including, without limitation, nonpayment by the Authority or the counterparty, insolvency event of the Authority or the counterparty or in the event rating agencies withdraw or downgrade the ratings of the Authority below specified levels.

Impact of Bankruptcy of the Authority

While an involuntary bankruptcy petition cannot be filed against the Authority, the Authority is authorized to file for bankruptcy under certain circumstances. Should the Authority file for bankruptcy, there could be adverse effects on the holders of the Series 2014A Bonds.

If the Sales Tax Revenues are "special revenues" under the Bankruptcy Code, then Sales Tax Revenues collected after the date of the bankruptcy filing should be subject to the lien of the Indenture. "Special revenues" are defined to include taxes specifically levied to finance one or more projects or systems, excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the governmental entity. If a court determined that the 2004 Measure A Sales Tax was levied to finance the general purposes of the Authority, rather than specific projects, then the Sales Tax Revenues would not be special revenues. No assurance can be given that a court would not hold that the Sales Tax Revenues are not special revenues or that the Series 2014A Bonds are not of a type protected by the "special revenues" provisions of the Bankruptcy Code. Were the Sales Tax Revenues determined not to be "special revenues," or were the Series 2014A Bonds determined to not be protected by the Bankruptcy Code, then Sales Tax Revenues collected after the commencement of a bankruptcy case would likely not be subject to the lien of the Indenture. The holders of the Series 2014A Bonds may not be able to assert a claim against any property of the Authority other than the Sales Tax Revenues, and were these amounts no longer subject to the lien of the Indenture following commencement of a bankruptcy case, then there could thereafter be no amounts from which the holders of the Series 2014A Bonds are entitled to be paid.

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

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

If the Authority has possession of Sales Tax Revenues (whether collected before or after commencement of the bankruptcy) and if the Authority does not voluntarily pay such moneys to the Trustee, it is not entirely clear what procedures the Trustee or the holders of the Series 2014A Bonds would have to follow to attempt to obtain possession of such Sales Tax Revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful.

The Authority may be able to borrow additional money that is secured by a lien on any of its property (including the Sales Tax Revenues), which lien could have priority over the lien of the Indenture, or to cause some of the Sales Tax Revenues to be released to it, free and clear of lien of the Indenture, in each case as long as the bankruptcy court determines that the rights of the Trustee and the holders of the Series 2014A Bonds will be adequately protected.

The Authority may also be able, without the consent and over the objection of the Trustee and the holders of the Series 2014A Bonds, to alter the priority, principal amount, interest rate, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Indenture and the Series 2014A Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

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

Internet Use May Impact Sales Tax Revenues

The increasing use of the Internet to conduct electronic commerce may affect the levels of Sales Tax Revenues. Internet sales of physical products by businesses located in the State, and Internet sales of physical products delivered to the State by businesses located outside of the State are generally subject to the 2004 Measure A Sales Tax. The Authority believes that many of these transactions may avoid taxation either through error or deliberate non-reporting and this potentially reduces the amount of Sales Tax Revenues. As a result, the more that the Internet is used to conduct electronic commerce, along with the failure to collect sales taxes on such Internet purchases, the more that the Authority may experience reductions of Sales Tax Revenues. In 2011, Governor Jerry Brown signed into law a settlement with Amazon.com Inc., one of the largest internet retailers in the State. As a result, beginning in September 2012, Amazon started collecting taxes from its on-line sales in the State, to remit to the State Board of Equalization previously and to the CDTFA presently.

Further, the Supreme Court of the United States (the "Supreme Court") decided a case on June 21, 2018 (*South Dakota v. Wayfair*) concerning out of jurisdiction collection of sales taxes. The Supreme

Court ruled that state and local government have the authority to require out-of-state vendors, with no local physical presence in a state, to collect and remit sales taxes to state and local governments.

However, the Authority believes that some Internet transactions still may avoid taxation and in the future may continue to avoid taxation either through error or deliberate non-reporting, and this potentially reduces the amount of Sales Tax Revenues.

Natural and Manmade Disasters

Seismic events, floods, droughts, wildfires, riots, terrorism or other calamities may occur from time to time in the County. Any such event (or combination of events) may have a negative impact on the County economy and reduce the amount of sales and use taxes collected in the County, and in turn could potentially have a material adverse effect on amount the Sales Tax Revenues received by the Authority.

ABSENCE OF MATERIAL LITIGATION

No litigation is pending or, to the best knowledge of the Authority, threatened against the Authority concerning the validity of the Series 2014A Bonds. The Authority is not aware of any litigation pending or threatened against the Authority questioning the political existence of the Authority or contesting the Authority's ability to impose and collect the 2004 Measure A Sales Tax.

TAX MATTERS

On September 3, 2014, Orrick, Herrington & Sutcliffe LLP, Bond Counsel, delivered its approving opinion with respect to the Series 2014A Bonds. Such opinion speaks only as of its date. In connection with the conversion of the Series 2014A Bonds and delivery of the 2014A Liquidity Facility, Orrick, Herrington & Sutcliffe LLP will deliver an opinion to the Trustee and the 2014 Liquidity Facility Provider, to the effect that the conversion of the Series 2014A Bonds to bear interest in a Weekly Rate Period will not, in and of itself, result in the inclusion of interest on the Series 2014A Bonds in gross income for federal income tax purposes. No opinion will be expressed as to whether interest on any of the Series 2014A Bonds is currently excludable from gross income for federal income tax purposes or as to any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, any of the Series 2014A Bonds. See Appendix E to this Remarketing Memorandum for the form of such opinion.

LEGAL MATTERS

Certain legal matters will be passed upon for the Authority by its General Counsel, by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority and by Nossaman LLP, as Disclosure Counsel, for the 2014A Liquidity Facility Provider by Chapman and Cutler LLP, and for the Remarketing Agent by their counsel, Nixon Peabody LLP. Bond counsel undertakes no responsibility for the accuracy, completeness or fairness of this Remarketing Memorandum.

CONTINUING DISCLOSURE

The Authority has covenanted for the benefit of owners of the Series 2014A Bonds to provide certain financial information and operating data relating to the Authority by not later than two hundred

seventy (270) days after the end of the Authority's fiscal year in each year, commencing with the fiscal year ending June 30, 2019 and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of certain enumerated events will be filed by the Authority with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Remarketing Agent in complying with Securities Exchange Authority Rule 15c2-12(b)(5) (the "Rule"). Within the past five years, the Authority has not failed to comply in all material respects with any previous undertaking with respect to the Rule. See APPENDIX F – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

RATINGS

Fitch Ratings and Standard & Poor's Ratings Services are expected to assign the Series 2014A Bonds: (i) a short term rating of ["F-1" and "A-1,"] respectively, based on the delivery of the 2014A Liquidity Facility by the 2014A Liquidity Facility Provider on the date of the conversion of the Series 2014A Bonds; and (ii) the underlying enhanced long term rating of ["AA+" and "AA+,"] respectively.

A rating is not a recommendation to buy, sell or hold securities and the ratings described above reflect only the views of each rating agency and any explanation of the meaning or significance of any rating should be obtained from the rating agency furnishing the same, at the following addresses: Fitch Ratings at 33 Whitehall Street, New York, NY 10004 and Standard & Poor's Ratings Services at 55 Water Street, New York, New York 10041. The Authority has furnished to the rating agencies certain information, including information not included herein. 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, or other actions of a rating agency relating to its rating on the Series 2014A Bonds may have an adverse effect on the marketability or market price of the Series 2014A Bonds.

The Authority expects to furnish to each rating agency such information and material as it may request. The Authority, however, assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. The failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of a rating on the Series 2014A Bonds. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price and marketability of such Series 2014A Bonds.

FINANCIAL ADVISOR

The Authority has retained Public Financial Management, Inc., San Francisco, California as financial advisor (the "Financial Advisor") in connection with the conversion and remarketing of the Series 2014A Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Remarketing Memorandum.

FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS

Financial information relating to the Authority is included in the Authority's Audited Financial Statements For Year Ended June 30, 2018, which are included as part of Appendix A. The financial statements of the Authority as of June 30, 2018 included in Appendix A in this Remarketing Memorandum have been audited by Crowe LLP, as stated in their report appearing in Appendix A. Crowe LLP was not requested to consent to the inclusion of its report in Appendix A, nor has it

undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Remarketing Memorandum, and no opinion is expressed by Crowe LLP with respect to any event subsequent to the date of its report. For more recent financial information with respect to the collection of Sales Tax Revenues, see “THE SALES TAX—Historical 1988 Measure A Sales Tax Revenues and 2004 Measure A Sales Tax Revenues.”

MISCELLANEOUS

This Remarketing Memorandum is not to be construed as a contract or agreement between the Authority and any purchasers or holders of any of the Series 2014A Bonds. All quotations from and summaries and explanations of the Indenture, 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 which are available upon request from the Trustee.

Any statements in this Remarketing Memorandum involving matters of opinion, estimates, forecasts, projections, or the like, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such opinions or the like will be realized. The agreements of the Authority are fully set forth in the Indenture and this Remarketing Memorandum is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the Series 2014A Bonds.

This Remarketing Memorandum has been authorized and approved by the Authority and duly executed and delivered on its behalf by the Executive Director of the Authority.

SACRAMENTO TRANSPORTATION AUTHORITY

By: _____
Executive Director

APPENDIX A

**SACRAMENTO TRANSPORTATION AUTHORITY
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

APPENDIX B

INFORMATION REGARDING THE COUNTY OF SACRAMENTO

The information in this Appendix B is the most current information available from the sources cited herein. Such information was obtained from the County and from sources the Authority and the Remarketing Agent believe to be reliable as of the latest date when such information was available. The Authority and the Remarketing Agent take no responsibility for the accuracy or completeness of such information.

Population

Population in Sacramento County has grown steadily above that of the California State population as reflected in the following table.

The State Department of Finance estimates Sacramento County population at 1,546,174 as of January 1, 2019. Sacramento County currently has seven incorporated cities: Citrus Heights, Elk Grove, Folsom, Galt, Isleton, Rancho Cordova and Sacramento. Approximately 32.86% of the County's population lives in the City of Sacramento. Approximately 38.43% of the County's population lives in unincorporated areas, giving Sacramento County one of the largest unincorporated populations among all counties in the State.

<u>Area</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Cities:						
Citrus Heights	84,544	86,152	86,871	87,435	87,841	88,095
Elk Grove	160,688	164,369	166,967	170,275	172,347	174,025
Folsom	74,014	75,687	76,754	77,736	78,533	79,835
Galt	24,289	24,856	25,165	25,691	26,296	26,489
Isleton	815	826	825	843	859	871
Rancho Cordova	67,839	70,006	71,586	72,294	73,112	74,471
Sacramento	475,122	483,303	486,154	493,771	500,724	508,172
Unincorporated Area	<u>567,095</u>	<u>579,180</u>	<u>583,804</u>	<u>586,970</u>	<u>590,530</u>	<u>594,216</u>
Total:	1,454,406	1,484,379	1,498,127	1,515,015	1,530,242	1,546,174
% Increase over prior period:	0.8%	2.0%	.92%	1.1%	1.0%	1.0%
State Population:	38,340,074	38,952,462	39,214,803	39,504,609	39,740,508	39,927,315
% Increase over prior period:	0.9%	1.58%	0.67%	0.74%	0.6%	0.5%

Source: California Department of Finance.

Per Capita Income

Sacramento County's population has grown at a faster rate than that of the State since 2014. Growth in Per Capita Personal Income in Sacramento County is consistent with the state and national levels, albeit at lower absolute levels. The Per capita income for the County grew at a compounded annual rate of 3.1% from 2000 to 2017 as shown in the chart below:

**Sacramento County's Median Per Capita Income
Calendar Years 2000 to 2017**

	Sacramento	California	United States
2000	30,014	33,403	30657
2001	31,711	34,083	31589
2002	32,215	34,233	31832
2003	33,435	35,452	32681
2004	34,698	37,364	34251
2005	35,776	39,326	35849
2006	37,541	42,139	38114
2007	38,730	43,669	39844
2008	39,499	43,895	40904
2009	38,327	42,050	39284
2010	38,776	43,617	40546
2011	40,394	46,183	42735
2012	41,659	48,826	44599
2013	42,887	49,259	44851
2014	45,148	52,340	47060
2015	47,811	55,793	48985
2016	48,850	57,625	49883
2017	50,197	60,004	51,731

Source: U.S. Bureau of Economic Analysis, Federal Reserve Economic Data (FRED®), Federal Reserve Bank of St. Louis

Industry and Employment

Three major job categories comprised 56 % of the County's work force during 2018: Government 33.5%, Professional and Business Services 20.1% and Retail Trade 13.1%, based on seasonally unadjusted March 2018 statistics, as summarized in the following table. The County's preliminary unemployment rate (not seasonally adjusted) as of July 2019 was at 4.1% and the Statewide unemployment rate as of July 2019 was 4.1%.

Sacramento County Labor Market Survey
Calendar Years 2014 to 2018 (Annual Averages)
(Amounts Expressed in Thousands)

Industry	2014	2015	2016	2017	2018
Mining and Logging	.2	.1	.2	.1	.2
Construction	28.5	31.0	32.9	35.5	37.8
Manufacturing – Durable Goods	14.2	14.2	14.0	13.8	13.8
Manufacturing - Nondurable Goods	7.1	6.7	7.2	7.3	7.7
Transportation, Warehousing & Utilities	13.0	13.6	14.4	15.2	16.9
Information	10.2	10.0	9.7	8.5	8.4
Wholesale Trade	15.2	15.1	15.7	16.3	17.9
Retail Trade	59.3	62.1	64.1	64.6	64.6
Finance & Insurance	23.0	24.4	24.5	24.2	24.3
Real Estate & Rental & Leasing	8.2	8.3	8.7	9.1	9.4
Professional & Business Services	88.1	88.4	94.4	94.9	98.7
Government	160.7	163.3	164.7	163.8	164.6
Farm	2.6	2.7	2.2	3.2	2.6
Other Services	20.3	20.8	21.2	22.4	23.2
Total:⁽¹⁾	450.6	460.7	473.9	478.9	490.1

Source: California Employment Development Department, Labor Market Information Division.
⁽¹⁾ Totals may not be exact due to independent rounding.

Major Employers

The table below represents the Major Private-Sector Employers for the County of Sacramento. Major private employers in the County of Sacramento include those in electronics, health care services, retail sales, financial and business services and aerospace manufacturing. Major private-sector employers, their products or services and their number of full-time equivalent (FTE) employees in 2019 are reflected in the following table.

Major Private Sector Employers 2019

Company	Type of Business	Number of FTE Employees
Kaiser Permanente	Health Care	17,538
Sutter Health	Health Care	15,505
Dignity Health	Health Care	7,000
Intel Corporation	Semiconductor Manufacturer	6,200
Raley's Inc.	Retail Grocery	5,574
Apple Inc.	Warehousing/Distribution	5,000
Safeway	Grocery Store Chain	3,544
Health Net Inc.	Health Care	3,300
Pacific Gas and Electric Co.	Gas and Electric Utility	2,862
VSP Global.	Vision Care Services	2,844

Source: Sacramento Business Journal, July 2019.

Major public sector employers in the County of Sacramento only, are detailed in the following table.

**Major Public Sector Employers-Sacramento County Only
2019**

Company	Number of FTE Employees
State of California	76,131
UC Davis Health	12,674
Sacramento County	11,330
U.S. Government	10,227
Elk Grove Unified School District	6,381
San Juan Unified School District	5,289
City of Sacramento	4,773
Sacramento Unified School District	4,200
Los Rios Community College District	3,281
Cal State University Sacramento	3,118
Sacramento Municipal Utility District	2,208
Folsom Cordova Unified School District	2,178

Source: Sacramento Business Journal, May 2019.

Commercial Activity

Commercial activity is an important contributor to the County's economy.

**SACRAMENTO COUNTY
Taxable Sales Transactions 2013 Through 2014**

(Amounts Expressed in Thousands of Dollars)

Type of Business	2013	2014
Motor Vehicle and Parts Dealers	\$2,586,596	\$2,797,532
Furniture and Home Furnishings Stores	307,647	340,187
Electronic and Appliance Stores	641,067	664,145
Building Materials and Garden Equip. and Supplies	1,155,301	1,168,008
Food and Beverage Stores	923,645	959,756
Health and Personal Care Stores	420,284	425,648
Gasoline Stations	1,899,358	1,857,065
Clothing and Clothing Accessories Stores	905,514	921,913
Sporting Goods, Hobby, Book, and Music Stores	463,641	448,225
General Merchandise Stores	2,124,820	2,157,986
Miscellaneous Store Retailers	581,804	593,179
Nonstore Retailers	214,417	224,464
Food Service and Drinking Places	<u>1,946,913</u>	<u>2,071,554</u>
Retail and Food Services Total	\$14,171,006	\$14,649,693
All Other Outlets	<u>5,926,089</u>	<u>6,412,208</u>
Total All Outlets	\$20,097,095	\$21,061,901

Source: California Department of Tax and Fee Administration

SACRAMENTO COUNTY
Taxable Sales Transactions 2015 Through 2018

(Amounts Expressed in Thousands of Dollars)

Type of Business	2015	2016	2017	2018
Motor Vehicle and Parts Dealers	\$3,301,484,577	\$3,528,648,561	\$3,671,622,242	\$3,632,818,552
Home Furnishing and Appliance Stores	1,116,793,321	1,190,152,053	1,127,638,533	1,101,628,603
Building Materials and Garden Equipment Supplies	1,275,704,588	1,432,808,906	1,551,120,017	1,571,756,950
Food and Beverage Stores	9,895,461,174	1,001,267,975	1,055,813,722	1,115,406,936
Gasoline Stations	1,575,527,599	1,452,888,759	1,628,014,805	1,882,372,600
Clothing and Clothing Accessories Stores	959,453,511	1,021,647,404	1,037,868,524	1,102,620,347
General Merchandise Stores	2,178,704,582	2,202,578,763	2,289,024,502	2,402,534,736
Food Services and Drinking Places	2,273,721,784	2,437,820,046	2,580,286,025	2,691,148,944
Other Retail Group	1,825,439,037	1,932,718,517	1,993,483,224	2,093,087,260
Total Retail and Food Services	15,396,375,173	16,200,530,984	\$16,934,871,594	\$17,593,374,928
All Other Outlets	6,821,972,482	7,167,643,207	7,675,745,090	7,850,294,336
Total All Outlets	\$22,218,347,655	\$23,368,174,191	\$24,610,616,684	\$25,443,669,294

Source: California Department of Tax and Fee Administration

Agriculture

Agriculture continues to be a factor in the County's economy; however, with the ever-increasing urban and commercial development of the County, agriculture's relative impact on the County's economy has declined in recent years. The gross value of agricultural production in 2017 reached \$495,000,000, a 2.2 % decrease from the previous year.

Migration

Sacramento's housing prices make the region an attractive and affordable choice compared to competing California counties. As shown in the following table, domestic migration has been positive as many Bay area residents migrate to Sacramento for more affordable living.

**Total Net Migration Flow
For Select California Counties
(2009 to 2016)**

Counties	Persons
San Francisco	-76788
Santa Clara	-54655

San Mateo	-7580
Alameda	-342
Sonoma	501
Napa	2017
Marin	18948
Contra Costa	30946
Sacramento	31564

Source: U.S. Bureau of Economic Analysis, Federal Reserve Economic Data (FRED®), Federal Reserve Bank of St. Louis

Construction Activity

The value of building permits issued in the County totaled \$2,469,875,880 in 2018, an increase of 31.39% from the prior year. From 2015 through 2018, the value of nonresidential building permits reflected a total increase of 48.12% and the value of residential building permits reflected a total increase of 67.70%. In addition to annual building permit valuations, the numbers of permits for new dwelling units issued each year from 2015 through July of 2019 are shown in the following table.

SACRAMENTO COUNTY Building Permit Valuations Calendar Year 2015 through 2019 [Amounts Expressed in Thousands]

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019⁽¹⁾</u>
Valuation:					
Residential	897,359,089	950,178,331	1,200,257,188	1,504,929,934	952,106,696
Nonresidential	651,429,306	987,138,579	679,406,600	964,945,946	1,210,346,935
Total:	1,548,788,395	1,937,316,910	1,879,663,788	2,469,875,880	2,162,453,631
New Dwelling Units – No. of Permits:					
Single Family	2,358	2,676	3,174	3,589	2,280
Multiple Family	815	609	1,761	1,272	1,386
Total:	3,173	3,285	4,935	4,861	3,666

Source: Construction Industry Research Board/California Homebuilding Foundation.

⁽¹⁾ Available data through July 2019 only

Property Taxes

Assessed Valuation. The County assesses property values and collects and distributes secured and unsecured property taxes to the County, cities, community redevelopment agencies, special districts and local school districts within the County. California law exempts \$7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since an amount equivalent to the taxes which would have been payable on such exempt values is paid by the State.

The Assessor's Roll lien date for FY 2018-19 roll was January 1, 2018. In past years, assessed valuation in the County grew. However, in FY 2009-10 assessed valuations decreased by 7.05%, and

continued to decrease through FY 2012-13 due to changes in the housing market, with an increase of 6.41% in FY 2017-18. According to the County Assessor's Office the annual assessment roll for 2019-2020 topped \$179 billion, a 6.53% increase over last year, which is the total gross assessed value for Sacramento County as of January 1, 2019*. The following table reflects the FY 2015-16, 2016-17, 2017-18 and 2018-19 actual assessed valuations in the County. A four-year history of actual assessed valuation is also provided below.

SACRAMENTO COUNTY
Assessed Valuations
FY 2015-16 to 2018-19
(Amounts Expressed in Thousands)

	Net Assessed Valuation	Reimbursed Exemptions	Total Assessed Valuation**
2015-16			
Local Secured	\$127,611,843,685	\$1,548,235,515	\$129,160,079,200
Utility—Non-unitary	27,746,496	0	27,746,496
Utility—Unitary	1,529,529,526	0	1,529,529,526
Unsecured	5,405,784,107	138,814	5,405,922,921
Total:	\$134,574,903,814	\$1,548,374,329	\$136,123,278,143
2016-17			
Local Secured	\$134,811,563,660	\$1,543,449,705	\$136,355,013,365
Utility—Non-unitary	27,942,739	0	27,942,739
Utility—Unitary	1,543,008,171	0	1,543,008,171
Unsecured	5,442,821,791	140,350	5,442,962,141
Total:	\$141,825,336,361	\$1,543,590,055	\$143,368,926,416
2017-18			
Local Secured	\$143,661,311,070	\$1,533,757,394	\$145,195,068,464
Utility—Non-unitary	28,099,862	0	28,099,862
Utility—Unitary	1,607,493,334	0	1,607,493,334
Unsecured	5,559,533,710	160,398	5,559,694,108
Total:	\$150,856,437,976	\$1,533,917,792	\$152,390,355,768
2018-19			
Local Secured	\$153,560,799,311	\$1,522,807,236	\$155,083,606,547
Utility—Non-unitary	30,351,509	0	30,351,509
Utility—Unitary	1,511,271,847	0	1,511,271,847
Unsecured	6,005,447,529	137,941	6,005,585,470
Total:	\$161,107,870,196	\$1,522,945,177	\$162,630,815,373

Source: California Municipal Statistics, Inc.

*Sacramento County Assessor, (2019, July 29). *2019-20 Sacramento County Property Assessment Roll Tops \$179 Billion*. Retrieved from: <https://assessor.saccounty.net/MediaReleases/Pages/2019-20RollTotalsNR.aspx>

**Net assessed valuation plus state-reimbursed exemptions. Includes property taxes on incremental assessed valuations which are allocated for redevelopment projects, net of property tax shifts to schools.

SACRAMENTO COUNTY
History of Assessed Valuations
FY 2012-13 to 2018-19
(Amounts Expressed in Thousands)

<u>Fiscal Year</u>	<u>Total Assessed Valuation*</u>	<u>%Change</u>
2012-13	\$117,150,562,264	(2.75)%
2013-14	122,505,185,903	4.57
2014-15	130,274,312,888	6.34
2015-16	136,123,278,143	4.49
2016-17	143,368,926,416	5.32
2017-18	152,390,355,768	6.29
2018-19	162,630,815,373	6.72

Source: California Municipal Statistics, Inc.

*Net assessed valuation plus state-reimbursed exemptions. Includes property taxes on incremental assessed valuations which are allocated for redevelopment projects, net of property tax shifts to schools.

Transportation

The County's location and transportation network have contributed to the County's economic growth. The County is traversed by the main east-west and north-south freeways serving northern and central California. Interstate 80 connects Sacramento with the San Francisco Bay Area, Reno, Nevada, and points east. U.S. Highway 50 carries traffic from Sacramento to the Lake Tahoe Area. Interstate 5 is the main north-south route through the interior of California; it runs from Mexico to Canada. California State Highway 99 parallels Interstate 5 through central California and passes through Sacramento.

Transcontinental and intrastate rail service is provided by the Union Pacific Railroad. Passenger rail service is provided by AMTRAK. Bus lines offering intercity as well as local service include Greyhound and Sacramento Regional Transit. Regional Transit also operates an approximately 38.6-mile light rail system.

The Port of Sacramento provides direct ocean freight service to all major United States and world ports, shipping approximately 1 million metric revenue tons of cargo annually and link with the rail and freeway system. It is a deep-water ship channel, located 79 nautical miles northeast of San Francisco. The three major rail links serving Sacramento connect with the Port. Interstate 80 and Interstate 5 are immediately adjacent to the Port.

The County Airport System provides for the planning, development and operation of public air transportation facilities serving Sacramento County and adjoining areas. The Airport System consists of Sacramento International Airport, which as of 2019 has 13 passenger airlines and 7 all-cargo airlines, serving approximately 6.4 million enplaned passengers annually, Executive Airport and Franklin Field for general aviation and Mather Airport for air cargo and general aviation. In 2008, the Sacramento International Airport began construction of a Terminal Modernization Program to address future capacity needs through at least 2020, which will include a new 19-gate Concourse B (netting seven additional gates) and a new landside Terminal B. The new facilities became operational on October 6, 2011.

Sacramento International Airport (SMF) is about 12 miles northwest of downtown Sacramento. The airport is served by 13 passenger airlines, which includes four commuter airlines. Since September 11, 2001, SMF has added four new air carriers (Frontier, Mexicana, Hawaiian and Aloha). As the nation's economy was taking a hard hit in 2008, commercial aviation was challenged by reduced passenger numbers and increased fuel prices and other operating costs. Express Jet, Aloha and Mexicana ceased operation within the span of two years. Executive Airport, located in Sacramento, is a full-service, 680-acre facility serving general aviation. Currently, Mather Airport is served by three all-cargo carriers. In addition to Sacramento International Airport, Executive Airport and Mather Airport, there is one other County operated general airport and numerous private airports.

Education

Public school education is provided by 16 school districts totaling 427 schools, of which (8 are Unified School Districts) plus the County Office of Education and consists of the following types of schools: 231 Elementary; 41 Middle schools; 17 K-12 schools; 48 Secondary (high schools); 4 Youth facilities; 13 Continuation schools; 49 Charter schools; 9 Special Education centers; 3 County Community schools; 4 Community Day schools and 8 Alternative schools. There are approximately 139

private schools in the County with an enrollment of approximately 19,725 as of 2017-2018 (the latest date for which such information is available). Public school enrollment for 2018-2019 is approximately 246,663.

The Los Rios Community College District serves the majority of Sacramento County, as well as portions of El Dorado, Placer, Yolo and Solano Counties. The District maintains four campuses in the County, including American River College, located in the northeastern unincorporated area of Carmichael; Sacramento City College, located in Sacramento; Cosumnes River College, located in the southern area of the City of Sacramento; and Folsom Lake-El Dorado College, located in the northeast area of the County. The 2018 to 2019 school-year enrollment totals at the four campuses were approximately 107,914 students. The southernmost portion of the County is served by the San Joaquin Delta Community College District.

California State University at Sacramento offers four-year programs in business administration, liberal arts, engineering, education and nursing, and master's degrees in service fields. Fall 2018 enrollment was approximately 31,131 students, an increase from Fall 2017's enrollment of 30,661 students. Other higher education facilities located in Sacramento are the University of Phoenix, University of Southern California, McGeorge School of Law which is a branch of the University of the Pacific, University of San Francisco, University of California at Davis Extension, and the Medical Center of the University of California at Davis.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The following information concerning The Depository Trust Company (“DTC”) and DTC’s book-entry system has been obtained from sources that the Authority and the Remarketing Agent believe to be reliable, but neither the Authority nor the Remarketing Agent take responsibility for the accuracy thereof. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in this Remarketing Memorandum and in APPENDIX C – “Summary of Certain Provisions of the Indenture.”

The information concerning DTC set forth herein has been supplied by DTC, and the Authority and the Remarketing Agent assume no responsibility for the accuracy thereof.

Unless a successor securities depository is designated pursuant to the Indenture, DTC acts as Securities Depository for the Series 2014A Bonds. The Series 2014A Bonds were delivered 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 2014A Bond will be delivered for the Series 2014A Bonds and deposited with DTC.

DTC and Its Participants. DTC, the world’s largest 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 corporation” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 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 transfer 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 and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of the Series 2014A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2015A 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 2014A 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 2014A Bonds, except in the event that use of the book-entry system for the Series 2014A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2014A 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 2014A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities 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.

Notices and Other Communications. 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. THE AUTHORITY AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2014A BONDS.

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

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

Redemption Proceeds. Payments of principal and interest with respect to the Series 2014A 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 on interest payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the interest payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

THE TRUSTEE AND THE AUTHORITY SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, ANY BENEFICIAL OWNER OR ANY OTHER PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE SERIES 2014A BONDS UNDER OR THROUGH DTC OR ANY DTC PARTICIPANT, OR ANY OTHER PERSON WHICH IS NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING AN OWNER OF

SERIES 2014A BONDS, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF, AND PREMIUM, IF ANY, OR INTEREST WITH RESPECT TO THE SERIES 2014A BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO OWNERS OF THE SERIES 2014A BONDS UNDER THE INDENTURE; THE SELECTION BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2014A BONDS; ANY CONSENT OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE SERIES 2014A BONDS; OR ANY OTHER PROCEDURES OR OBLIGATIONS OF DTC UNDER THE BOOK-ENTRY SYSTEM.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2014A BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED OWNERS OF THE SERIES 2014A BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2014A BONDS (EXCEPT FOR THE MATTERS UNDER THE CAPTION "TAX MATTERS" HEREIN)

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2014A Bonds, payment of principal and interest with respect to the Series 2014A Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial owner interest in such Series 2014A Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owner is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Discontinuance of Book-Entry System. DTC may discontinue providing its services as securities depository with respect to the Series 2014A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2014A Bonds are required to be printed and delivered as described in the Indenture.

The Authority may decide to discontinue use of the system of book entry-only transfers through DTC (or a successor securities depository). In that event, Series 2014A Bonds will be printed and delivered as described in the Indenture and payment of interest to each Owner who owns of record \$1,000,000 or more in aggregate principal amount of Series 2014A Bonds may be made to such Owner by wire transfer to such wire address within the United States that such Owner may request in writing for all Interest Payment Dates following the 15th day after the Trustee's receipt of such request.

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

October 31, 2019

Sacramento Transportation Authority
Sacramento, California

U.S. Bank National Association,
as Trustee
San Francisco, California

Sumitomo Mitsui Banking Corporation,
acting through its New York Branch,
as Liquidity Facility Provider
New York, New York

Sacramento Transportation Authority
Measure A Sales Tax Revenue Refunding Bonds, Series 2014A (Limited Tax Bonds)

Ladies and Gentlemen:

The Sacramento Transportation Authority Measure A Sales Tax Revenue Refunding Bonds, Series 2014A (Limited Tax Bonds) (the “Bonds”) in the aggregate principal amount of \$106,100,000 were issued by the Sacramento Transportation Authority (the “Issuer”) on September 3, 2014, pursuant to an Indenture, dated as of September 1, 2009 (the “Original Indenture”), as amended and supplemented from time to time to the date hereof, including by the Fourth Supplemental Indenture, dated as of September 1, 2014 (the “Fourth Supplemental Indenture” and collectively with the Original Indenture, the “Indenture”), each 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.

Pursuant to Section 26.06(b)(i)(A), the Bonds are being converted from the Bank Index Rate Period to the Weekly Rate Period (the “Conversion”). In connection with the Conversion, as bond counsel to the Issuer, we have reviewed the Indenture; the Conversion Notice required by the Section 26.06(b)(i)(A) of the Indenture, executed by the Issuer and acknowledged by Wells Fargo Municipal Capital Strategies, LLC, as Purchaser and Holder of 100% of the outstanding principal amount of the Bonds; the Tax Certificate, dated September 3, 2014 (the “Tax Certificate”), by the Authority; opinions of counsel to the Authority and the Bank; certificates of the Authority and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinion set forth herein. The opinion expressed herein is based on an analysis of existing laws, regulations, rulings and court decisions and covers

certain matters not directly addressed by such authorities. Such opinion may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any party 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 any supplements or amendments thereto), including (without limitation) covenants and agreements compliance with which is necessary to assure that actions, omissions or events on and after the date of issuance of the Bonds have not caused and will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We have not undertaken to determine compliance with any of such covenants and agreements or any other requirements of law, and, except as expressly set forth below, we have not otherwise reviewed any actions, omissions or events occurring after the date of issuance of the Bonds or the exclusion of interest on the Bonds from gross income for federal income tax purposes. Accordingly, no opinion is expressed herein as to whether interest on the Bonds is excludable from gross income for federal income tax purposes or as to any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. Nothing in this letter should imply that we have considered or in any manner reaffirm any of the matters covered in any prior opinion we rendered with respect to the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Remarketing Memorandum, dated October 10, 2019, 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 opinion that the Conversion (1) is authorized or permitted under the Indenture and (2) will not, in and of itself, result in the inclusion of interest on the Bonds in gross income for federal income tax purposes.

This opinion is furnished by us as bond counsel to the Issuer solely for purposes of Section 26.06 of the Indenture. No attorney-client relationship has existed or exists between our firm and the Trustee or our firm and the Liquidity Facility Provider in connection with the Bonds or by virtue of this opinion, and we disclaim any obligation to update this opinion.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX F

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”), dated as of October __, 2019, is executed and delivered by the Sacramento Transportation Authority (the “Authority”) in connection with the remarketing of \$106,100,000 aggregate principal amount of Sacramento Transportation Authority Measure A Sales Tax Revenue Bonds, Series 2014A (Limited Tax Bonds) (the “Bonds”). The Bonds were originally issued pursuant to an Indenture, dated as of September 1, 2009, as amended and supplemented, including by a First Supplemental Indenture, dated as of September 1, 2009 (the “First Supplemental Indenture”), a Second Supplemental Indenture, dated as of September 1, 2011 (the “Second Supplemental Indenture”), a Third Supplemental Indenture, dated as of July 1, 2012 (the “Third Supplemental Indenture”), a Fourth Supplemental Indenture, dated as of September 1, 2014 (the “Fourth Supplemental Indenture”) and a Fifth Supplemental Indenture, dated as of March 1, 2015 (the “Fifth Supplemental Indenture”, collectively with the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture and the Fourth Supplemental Indenture and any amendments, the “Indenture”), between the Authority and U.S. Bank National Association, as successor trustee (the “Trustee”). Pursuant to the Indenture, the Authority covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Authority for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Remarketing Agents in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Disclosure Representative” shall mean the designee of the Authority to act as the Disclosure Representative.

“Dissemination Agent” shall mean an entity selected and retained by the Authority, or any successor thereto selected by the Authority. The initial Dissemination Agent shall be U.S. Bank National Association, as trustee under the Indenture.

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

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate and any other event legally required to be reported pursuant to the Rule.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the 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 Remarketing Agents” shall mean any of the Remarketing Agents 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 the same may be 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 Authority shall provide to the Repository, or shall cause the Dissemination Agent to provide to the Repository, not later than 270 days after the end of the Authority’s fiscal year, commencing with the fiscal year ending June 30, 2019, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent. The Authority shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Authority hereunder. The Dissemination Agent may conclusively rely upon such certification of the Authority.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Authority to determine if the Authority is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall send a notice 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) (if the Dissemination Agent is other than the Authority), to the extent appropriate information is available to it, file a report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided .

(e) Notwithstanding any other provision of this Disclosure Certificate, the filing of the Annual Report due after the Annual Report for fiscal year ending June 30, 2018 shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 4. Content of Annual Reports. The Authority's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Authority for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Remarketing Memorandum relating to the Bonds (the "Remarketing Memorandum"), and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An update (as of the most recently ended fiscal year of the Authority) for the table entitled "Sacramento Transportation Authority Historical 1988 Measure A and 2004 Measure A Sales Tax Revenues" set forth in the Remarketing Memorandum under the caption "THE SALES TAX – Historical 1988 Measure A Sales Tax Revenues and 2004 Measure A Sales Tax Revenues."

(c) A summary of all Bonds and Parity Obligations Outstanding as of the most recently ended fiscal year of the Authority.

Any or all of the items listed above may be included by specific reference to other documents, including Remarketing Memorandums of debt issues with respect to which the Authority is an "obligated person" (as defined by the Rule), which have been submitted to the Repository or the SEC. If the document included by reference is a final Remarketing Memorandum, it must be available from the MSRB. The Authority shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this paragraph 5, the Authority shall provide (or cause to be provided) notice to the MSRB of the occurrence of any of the following events numbered 1-18 with respect to Bonds in a timely manner but not later than ten business days after the occurrence of the event. The notice shall be in an electric format and contain such identifying information as is prescribed by the MSRB.

- (1) Principal and interest payment delinquencies;
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties; (a)
- (4) Substitution of credit or liquidity providers, or their failure to perform; (a)
- (5) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) or issuance of adverse tax opinions;
- (6) Tender offers;

- (7) Defeasances;
- (8) Rating changes;
- (9) Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

(10) Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of Bonds or other material events affecting the tax status of Bonds;

- (11) Modifications to rights of Bondholders;
- (12) Bond calls;
- (13) Release, substitution, or sale of property securing repayment of Bonds;
- (14) Non-payment related defaults;
- (15) The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
- (16) Appointment of a successor or additional trustee or the change of name of a trustee;
- (17) Incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material; or
- (18) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

Note:

- (a) *The Authority has not obtained or provided, and does not expect to obtain or provide, any credit enhancements or credit providers for the Bonds.*
- (b) *Any scheduled redemption of Bonds pursuant to mandatory sinking fund redemption requirements does not constitute a Specified Event within the meaning of the Rule.*

(b) The Authority shall provide (or cause to be provided) to the MSRB notice of the occurrence of any of the events listed in subsections 10-16 of paragraph 5(a) with respect to the Bonds, if material in a timely manner but not later than ten business days after the occurrence of the event. Such notice shall be in an electric format and contain such identifying information as is prescribed by the MSRB.

(c) For purposes of the events described in subsection (17) and subsection (18) of paragraph 5(a) above, the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a financial official statement has been provided to the MSRB consistent with the Rule.

(d) The Authority acknowledges that it must make a determination whether a Specified Event listed in subsections 10-16 of paragraph 5(a) is material under applicable federal securities laws in order to determine whether a filing is required under subsections 10-16 of paragraph 5.

SECTION 6. Termination of Reporting Obligation. The obligations of the Authority and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) hereof.

SECTION 7. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time by providing at least 30 days’ notice in writing to the Authority.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Authority may amend this Disclosure Certificate, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of such party, and any provision of this Disclosure Certificate may be waived if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Authority and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Authority shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Authority to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions, as may be necessary and appropriate, including seeking mandate or specific performance by court order, to

cause the Authority to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Authority to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in connection with the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Authority for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Distract, the Bondholders, or any other party. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Remarketing Agents and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SACRAMENTO
TRANSPORTATION AUTHORITY

By: _____

Receipt Acknowledged By:
U.S. BANK NATIONAL ASSOCIATION,
AS DISSEMINATION AGENT

By: _____

EXHIBIT A
NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Sacramento Transportation Authority

Name of Bond Issue: \$106,100,000 Sacramento Transportation Authority Measure A Sales Tax Revenue Bonds, Series 2014A (Limited Tax Bonds)

Date of Initial Remarketing: October __, 2019

NOTICE IS HEREBY GIVEN that the Sacramento Transportation Authority (the "Authority") has not provided an Annual Report with respect to the above-named Bonds as required by that certain to an Indenture, dated as of September 1, 2009, as amended and supplemented, including by a First Supplemental Indenture, dated as of September 1, 2009 (the "First Supplemental Indenture"), a Second Supplemental Indenture, dated as of September 1, 2011 (the "Second Supplemental Indenture"), a Third Supplemental Indenture, dated as of July 1, 2012 (the "Third Supplemental Indenture"), a Fourth Supplemental Indenture, dated as of September 1, 2014 (the "Fourth Supplemental Indenture"), and a Fifth Supplemental Indenture, dated as of March 1, 2015 (the "Fifth Supplemental Indenture", and collectively with the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture and the Fourth Supplemental Indenture and any amendments, the "Indenture"), between the Authority and U.S. Bank National Association, as successor trustee. The Authority anticipates that the Annual Report will be filed by U.S. Bank National Association.

Dated:

U.S. BANK NATIONAL ASSOCIATION,
on behalf of the Authority

By: _____

Its: _____

cc: Sacramento Transportation Authority

APPENDIX G

THE 2014A LIQUIDITY FACILITY PROVIDER

Sumitomo Mitsui Banking Corporation (*Kabushiki Kaisha Mitsui Sumitomo Ginko*) (“**SMBC**”) is a joint stock corporation with limited liability (*Kabushiki Kaisha*) under the laws of Japan. The registered head office of SMBC is located at 1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan.

SMBC was established in April 2001 through the merger of two leading banks, The Sakura Bank, Limited and The Sumitomo Bank, Limited. In December 2002, Sumitomo Mitsui Financial Group, Inc. (“**SMFG**”) was established through a stock transfer as a holding company under which SMBC became a wholly-owned subsidiary. **SMFG reported ¥203,659,146 million (US\$1.83 trillion) in consolidated total assets as of March 31, 2019.**

SMBC is one of the world’s leading commercial banks and provides an extensive range of banking services to its customers in Japan and overseas. In Japan, SMBC accepts deposits, makes loans and extends guarantees to corporations, individuals, governments and governmental entities. It also offers financing solutions such as syndicated lending, structured finance and project finance. SMBC also underwrites and deals in bonds issued by or under the guarantee of the Japanese government and local government authorities, and acts in various administrative and advisory capacities for certain types of corporate and government bonds. Internationally, SMBC operates through a network of branches, representative offices, subsidiaries and affiliates to provide many financing products, including syndicated lending and project finance.

The New York Branch of SMBC is licensed by the New York State Department of Financial Services to conduct branch banking business at 277 Park Avenue, New York, New York, and is subject to examination by the New York State Department of Financial Services and the Federal Reserve Bank of New York.

Financial and Other Information

Audited consolidated financial statements for SMFG and its consolidated subsidiaries for the fiscal year 2018 ended March 31, 2019, as well as other corporate data, financial information and analyses, are available in English on SMFG's website at www.smfg.co.jp/english. An unaudited quarterly consolidated financial statement for SMFG as of and for the three months ended June 30, 2019 is attached to this Appendix G.

The information herein has been obtained from SMBC, which is solely responsible for its content. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of SMBC since the date hereof, or that the information contained or referred to herein is correct as of any time subsequent to its date.

THE 2014A LIQUIDITY FACILITY IS AN OBLIGATION OF SMBC AND IS NOT AN OBLIGATION OF SMFG. NO SUBSIDIARY OR AFFILIATE CONTROLLED BY SMFG, EXCEPT SMBC, IS OBLIGATED TO MAKE PAYMENTS UNDER THE 2014A LIQUIDITY FACILITY.

The information contained in this Appendix G relates to and has been obtained from SMBC, and is furnished solely to provide limited introductory information regarding SMBC, and does not purport to be comprehensive. Any financial information provided in this Appendix G is qualified in its entirety by the detailed information appearing in the Annual Securities Report referenced above. The information set forth in this Appendix G shall not create any implication that there has been no change in the affairs of

SMBC since the date of this Remarketing Memorandum, or that the information contained or referred to in this Appendix G is correct as of any time subsequent to its date.

SMBC HAS PROVIDED THE INFORMATION SET FORTH IN THIS APPENDIX G FOR INCLUSION IN THIS REMARKETING MEMORANDUM AND HAS NOT PROVIDED ANY OTHER INFORMATION SET FORTH IN THIS REMARKETING MEMORANDUM. SMBC HAS NOT REVIEWED AND DOES NOT GUARANTEE THE ACCURACY OF ANY INFORMATION SET FORTH IN THIS REMARKETING MEMORANDUM OTHER THAN THE INFORMATION WITH RESPECT TO SMBC SET FORTH IN THIS APPENDIX G.

SUMITOMO MITSUI FINANCIAL GROUP

Unaudited Quarterly Consolidated Financial Statements as of and for the three months ended June 30, 2019

This document contains “forward-looking statements” (as defined in the U.S. Private Securities Litigation Reform Act of 1995), regarding the intent, belief or current expectations of Sumitomo Mitsui Financial Group, Inc. (“the Company”) and its management with respect to the Company’s future financial condition and results of operations. In many cases but not all, these statements contain words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “probability,” “risk,” “project,” “should,” “seek,” “target,” “will” and similar expressions. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those expressed in or implied by such forward-looking statements contained or deemed to be contained herein. The risks and uncertainties which may affect future performance include: deterioration of Japanese and global economic conditions and financial markets; declines in the value of the Company’s securities portfolio; incurrence of significant credit-related costs; the Company’s ability to successfully implement its business strategy through its subsidiaries, affiliates and alliance partners; and exposure to new risks as the Company expands the scope of its business. Given these and other risks and uncertainties, you should not place undue reliance on forward-looking statements, which speak only as of the date of this document. The Company undertakes no obligation to update or revise any forward-looking statements. Please refer to the Company’s most recent disclosure documents such as its annual report on Form 20-F and other documents submitted to the U.S. Securities and Exchange Commission, as well as its earnings press releases, for a more detailed description of the risks and uncertainties that may affect its financial conditions, its operating results, and investors’ decisions.

**UNAUDITED QUARTERLY
CONSOLIDATED FINANCIAL STATEMENTS (JAPANESE GAAP)**

QUARTERLY CONSOLIDATED BALANCE SHEETS

	Millions of yen		Millions of U.S. dollars
	March 31, 2019	June 30, 2019	June 30, 2019
Assets:			
Cash and due from banks	¥ 57,411,276	¥ 58,018,346	\$ 538,453
Call loans and bills bought	2,465,744	1,552,415	14,408
Receivables under resale agreements	6,429,365	5,959,002	55,304
Receivables under securities borrowing transactions	4,097,473	3,583,687	33,259
Monetary claims bought	4,594,578	4,625,271	42,926
Trading assets	5,328,778	6,778,464	62,909
Money held in trust	390	366	3
Securities	*2 24,338,005	*2 24,076,935	223,452
Loans and bills discounted	*1 77,979,190	*1 77,964,216	723,566
Foreign exchanges	1,719,402	2,329,290	21,618
Lease receivables and investment assets	247,835	256,908	2,384
Other assets	7,307,305	7,796,441	72,357
Tangible fixed assets	1,504,703	1,501,670	13,937
Intangible fixed assets	769,231	793,314	7,363
Net defined benefit asset	329,434	336,206	3,120
Deferred tax assets	40,245	20,731	192
Customers' liabilities for acceptances and guarantees	9,564,993	9,451,934	87,721
Reserve for possible loan losses	(468,808)	(472,682)	(4,387)
Total assets	<u>¥ 203,659,146</u>	<u>¥ 204,572,522</u>	<u>\$ 1,898,585</u>

QUARTERLY CONSOLIDATED BALANCE SHEETS

	Millions of yen		Millions of U.S. dollars
	March 31, 2019	June 30, 2019	June 30, 2019
Liabilities and net assets:			
Liabilities:			
Deposits	¥122,325,038	¥121,432,599	\$ 1,126,985
Negotiable certificates of deposit	11,165,486	10,931,951	101,457
Call money and bills sold	1,307,778	1,435,254	13,320
Payables under repurchase agreements	11,462,559	10,782,691	100,071
Payables under securities lending transactions	1,812,820	1,675,108	15,546
Commercial paper	2,291,813	2,136,549	19,829
Trading liabilities	4,219,293	4,730,915	43,906
Borrowed money	10,656,897	11,547,138	107,166
Foreign exchanges	1,165,141	1,294,507	12,014
Short-term bonds	84,500	172,500	1,601
Bonds	9,227,367	9,131,716	84,749
Due to trust account	1,352,773	1,578,275	14,648
Other liabilities	4,873,630	6,411,607	59,504
Reserve for employee bonuses	70,351	28,933	269
Reserve for executive bonuses	3,091	—	—
Net defined benefit liability	31,816	33,325	309
Reserve for executive retirement benefits	1,374	1,056	10
Reserve for point service program	23,948	24,698	229
Reserve for reimbursement of deposits	7,936	5,798	54
Reserve for losses on interest repayment	147,594	137,418	1,275
Reserves under the special laws	2,847	2,847	26
Deferred tax liabilities	378,220	373,969	3,471
Deferred tax liabilities for land revaluation	30,259	30,237	281
Acceptances and guarantees	9,564,993	9,451,934	87,721
Total liabilities	<u>192,207,534</u>	<u>193,351,035</u>	<u>1,794,441</u>
Net assets:			
Capital stock	2,339,443	2,339,443	21,712
Capital surplus	739,047	691,542	6,418
Retained earnings	5,992,247	6,075,295	56,383
Treasury stock	(16,302)	(68,274)	(634)
Total stockholders' equity	<u>9,054,436</u>	<u>9,038,005</u>	<u>83,879</u>
Net unrealized gains (losses) on other securities	1,688,852	1,624,151	15,073
Net deferred gains (losses) on hedges	(54,650)	(5,675)	(53)
Land revaluation excess	36,547	36,497	339
Foreign currency translation adjustments	50,379	8,617	80
Accumulated remeasurements of defined benefit plans	(7,244)	(6,534)	(61)
Total accumulated other comprehensive income	<u>1,713,884</u>	<u>1,657,056</u>	<u>15,379</u>
Stock acquisition rights	4,750	4,062	38
Non-controlling interests	<u>678,540</u>	<u>522,362</u>	<u>4,848</u>

Total net assets	<u>11,451,611</u>	<u>11,221,487</u>	<u>104,144</u>
Total liabilities and net assets	<u>¥203,659,146</u>	<u>¥204,572,522</u>	<u>\$ 1,898,585</u>

QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

Three months ended June 30	Millions of yen		Millions of U.S. dollars
	2018	2019	2019
Ordinary income	¥1,426,372	¥1,334,510	\$ 12,385
Interest income	578,790	625,540	5,805
Interest on loans and discounts	384,609	446,534	4,144
Interest and dividends on securities	85,399	68,240	633
Trust fees	1,086	1,002	9
Fees and commissions	302,911	307,293	2,852
Trading income	47,293	63,959	594
Other operating income	425,980	273,844	2,541
Other income	*1 70,310	*1 62,868	583
Ordinary expenses	1,094,479	1,073,067	9,959
Interest expenses	245,182	322,841	2,996
Interest on deposits	98,903	128,398	1,192
Fees and commissions payments	48,959	52,569	488
Trading losses	1,154	—	—
Other operating expenses	341,631	214,209	1,988
General and administrative expenses	428,772	432,641	4,015
Other expenses	*2 28,778	*2 50,805	472
Ordinary profit	331,893	261,442	2,426
Extraordinary gains	*3 136	*3 22,010	204
Extraordinary losses	*4 1,405	*4 1,069	10
Income before income taxes	330,624	282,383	2,621
Income taxes	82,937	60,688	563
Profit	247,687	221,695	2,057
Profit attributable to non-controlling interests	20,602	5,967	55
Profit attributable to owners of parent	¥ 227,084	¥ 215,727	\$ 2,002

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Three months ended June 30	Millions of yen		Millions of U.S. dollars
	2018	2019	2019
Profit	¥ 247,687	¥ 221,695	\$ 2,057
Other comprehensive income	67,608	(55,999)	(520)
Net unrealized gains (losses) on other securities	107,188	(65,526)	(608)
Net deferred gains (losses) on hedges	(8,639)	53,910	500
Foreign currency translation adjustments	(1,322)	(45,657)	(424)
Remeasurements of defined benefit plans	(2,804)	748	7
Share of other comprehensive income of affiliates	(26,813)	525	5
Total comprehensive income	<u>315,295</u>	<u>165,695</u>	<u>1,538</u>
Comprehensive income attributable to owners of parent	275,153	158,949	1,475
Comprehensive income attributable to non-controlling interests	40,142	6,746	63

NOTES TO UNAUDITED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(Basis of presentation)

Sumitomo Mitsui Financial Group, Inc. (“the Company”) was established on December 2, 2002 as a holding company for the SMBC group through a statutory share transfer (*kabushiki iten*) of all of the outstanding equity securities of Sumitomo Mitsui Banking Corporation (“SMBC”) in exchange for the Company’s newly issued securities. The Company is a joint stock corporation with limited liability (*Kabushiki Kaisha*) incorporated under the Companies Act of Japan. Upon formation of the Company and completion of the statutory share transfer, SMBC became a direct wholly owned subsidiary of the Company.

The Company has prepared the accompanying consolidated financial statements in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards (“IFRS”).

The accounts of overseas subsidiaries and affiliated companies are, in principle, integrated with those of the Company’s accounting policies for purposes of consolidation unless they apply different accounting principles and standards as required under U.S. GAAP or IFRS, in which case a certain limited number of items are adjusted based on their materiality.

These consolidated financial statements are translated from the consolidated financial statements contained in the quarterly securities report filed under the Financial Instruments and Exchange Act of Japan (“FIEA based financial statements”) except for the addition of U.S. dollar figures.

Amounts less than 1 million yen have been rounded down. As a result, the totals in Japanese yen shown in the financial statements do not necessarily agree with the sum of the individual amounts.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at June 30, 2019 which was ¥107.75 to US\$1. These translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at that rate.

(Changes in the scope of consolidation or in the scope of equity method)

- (1) Significant changes in the scope of consolidation
Not applicable.
- (2) Significant changes in the scope of equity method

Daiwa SB Investments Ltd. was excluded from the scope of equity method affiliates from the three months ended June 30, 2019 as it ceased to be an affiliate due to a merger.

(Applied special accounting methods used for preparing quarterly consolidated financial statements)

Accounting treatment of tax expenses

The Company and certain domestic consolidated subsidiaries calculated tax expenses by multiplying Income before income taxes by an effective tax rate that was reasonably estimated by applying tax effect accounting to estimated Income before income taxes for the fiscal year ending March 31, 2020 including the period for the three months ended June 30, 2019.

Amounts of Income taxes include Income taxes-deferred.

(Notes to quarterly consolidated balance sheets)

***1 Risk-monitored loans**

Risk-monitored loans at March 31, 2019 and June 30, 2019 were as follows:

	Millions of yen	
	March 31, 2019	June 30, 2019
Bankrupt loans	¥ 12,806	¥ 14,549
Non-accrual loans	456,802	462,457
Past due loans (3 months or more)	13,444	15,821
Restructured loans	193,427	209,359
Risk-monitored loans	¥ 676,481	¥ 702,188

The amounts of loans presented above are the amounts before deduction of reserve for possible loan losses.

***2 Guaranteed amount to privately-placed bonds**

The amounts guaranteed by SMBC and its banking subsidiaries to privately-placed bonds (stipulated by Article 2-3 of the Financial Instruments and Exchange Act) in “Securities” at March 31, 2019 and June 30, 2019 were as follows:

	Millions of yen	
	March 31, 2019	June 30, 2019
Guaranteed amount to privately-placed bonds	¥ 1,662,777	¥ 1,622,205

(Notes to quarterly consolidated statements of income)

***1 Other income**

“Other income” for the three months ended June 30, 2018 and 2019 included the following:

<u>Three months ended June 30, 2018</u>	<u>Millions of yen</u>	<u>Three months ended June 30, 2019</u>	<u>Millions of yen</u>
Gains on sales of stocks	¥ 33,015	Gains on sales of stocks	¥ 37,186

***2 Other expenses**

“Other expenses” for the three months ended June 30, 2018 and 2019 included the following:

Three months ended June 30, 2018	Millions of yen	Three months ended June 30, 2019	Millions of yen
Write-off of loans	¥ 18,147	Provision for reserve for possible loan losses	¥ 23,031

***3 Extraordinary gains**

“Extraordinary gains” for the three months ended June 30, 2018 and 2019 included the following:

Three months ended June 30, 2018	Millions of yen	Three months ended June 30, 2019	Millions of yen
Gains on disposal of fixed assets	¥ 136	Gains on step acquisitions	¥ 21,997

***4 Extraordinary losses**

“Extraordinary losses” for the three months ended June 30, 2018 and 2019 included the following:

Three months ended June 30, 2018	Millions of yen	Three months ended June 30, 2019	Millions of yen
Losses on impairment of fixed assets	¥ 610	Losses on impairment of fixed assets	¥ 650
Losses on disposal of fixed assets	613	Losses on disposal of fixed assets	419

(Notes to quarterly consolidated statements of cash flows)

Quarterly consolidated statements of cash flows are not prepared for the three months ended June 30, 2019. “Depreciation” (including amortization of intangible fixed assets other than goodwill) and “Amortization of goodwill” for the three months ended June 30, 2018 and 2019 are as follows:

Three months ended June 30	Millions of yen	
	2018	2019
Depreciation	¥ 70,701	¥ 50,803
Amortization of goodwill	5,725	4,337

(Notes to stockholders' equity)

Dividends paid in the three months ended June 30, 2018

Date of resolution	Type of shares	Cash dividends	Cash dividends per share	Record date	Effective date	Source of dividends
Ordinary general meeting of shareholders held on June 28, 2018	Common stock	¥ 126,950	¥ 90	March 31, 2018	June 29, 2018	Retained earnings

Dividends paid in the three months ended June 30, 2019

Date of resolution	Type of shares	Cash dividends	Cash dividends per share	Record date	Effective date	Source of dividends
Ordinary general meeting of shareholders held on June 27, 2019	Common stock	¥ 132,582	¥ 95	March 31, 2019	June 28, 2019	Retained earnings

(Notes to segment and other related information)

[Segment information]

1. Information on profit and loss amount by reportable segment

	Millions of yen					Total
	Wholesale Business Unit	Retail Business Unit	International Business Unit	Global Markets Business Unit	Head office account and others	
Three months ended June 30, 2018						
Consolidated gross profit	¥ 182,380	¥ 315,662	¥ 163,711	¥ 105,497	¥ (48,117)	¥ 719,133
Expenses	(86,009)	(258,271)	(78,680)	(13,125)	7,314	(428,772)
Others	9,408	1,398	9,692	4,543	(1,014)	24,028
Consolidated net business profit	¥ 105,779	¥ 58,789	¥ 94,724	¥ 96,915	¥ (41,817)	¥ 314,389

- Notes: 1. Figures shown in the parenthesis represent the loss.
2. "Others" includes equity in profit and loss of affiliates and cooperated profit and loss based on internal managerial accounting.
3. "Head office account and others" includes profit or loss to be eliminated as inter-segment transactions.

	Millions of yen					Total
	Wholesale Business Unit	Retail Business Unit	International Business Unit	Global Markets Business Unit	Head office account and others	
Three months ended June 30, 2019						
Consolidated gross profit	¥ 144,341	¥ 302,568	¥ 159,833	¥ 135,020	¥ (59,742)	¥ 682,021
Expenses	(68,978)	(252,729)	(90,719)	(14,279)	(5,936)	(432,641)
Others	10,468	430	15,465	6,902	(13,469)	19,796
Consolidated net business profit	¥ 85,830	¥ 50,270	¥ 84,579	¥ 127,644	¥ (79,147)	¥ 269,176

- Notes: 1. Figures shown in the parenthesis represent the loss.
2. "Others" includes equity in profit and loss of affiliates and cooperated profit and loss based on internal managerial accounting.
3. "Head office account and others" includes profit or loss to be eliminated as inter-segment transactions.

2. Difference between total amount of consolidated net business profit by reportable segment and ordinary profit on quarterly consolidated statements of income (adjustment of difference)

<u>Three months ended June 30, 2018</u>	Millions of yen	
Consolidated net business profit	¥	314,389
Other ordinary income (excluding equity in gains of affiliates)		46,282
Other ordinary expenses		(28,778)
Ordinary profit on quarterly consolidated statements of income	¥	331,893

Note: Figures shown in the parenthesis represent the loss.

<u>Three months ended June 30, 2019</u>	Millions of yen	
Consolidated net business profit	¥	269,176
Other ordinary income (excluding equity in gains of affiliates)		43,071
Other ordinary expenses		(50,805)
Ordinary profit on quarterly consolidated statements of income	¥	261,442

Note: Figures shown in the parenthesis represent the loss.

(Notes to financial instruments)

There are no significant matters to be disclosed regarding financial instruments.

(Notes to securities)

The amounts shown in the following tables include negotiable certificates of deposit classified as “Cash and due from banks” and beneficiary claims on loan trust classified as “Monetary claims bought,” in addition to “Securities” stated in the consolidated balance sheets.

1. Bonds classified as held-to-maturity

<u>March 31, 2019</u>	Millions of yen		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
Japanese government bonds	¥ 280,247	¥ 281,136	¥ 888
Japanese local government bonds	—	—	—
Japanese corporate bonds	—	—	—
Other	—	—	—
Total	¥ 280,247	¥ 281,136	¥ 888

Note: The fair values are based on their market prices and others at the end of the fiscal year.

<u>June 30, 2019</u>	Millions of yen		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
Japanese government bonds	¥ 260,202	¥ 260,962	¥ 759
Japanese local government bonds	—	—	—
Japanese corporate bonds	—	—	—
Other	—	—	—

Total ¥ 260,202 ¥ 260,962 ¥ 759

Note: The fair values are based on their market prices and others at the end of the period.

2. Other securities

March 31, 2019	Millions of yen		
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)
Stocks	¥ 1,444,638	¥ 3,347,577	¥ 1,902,938
Bonds	8,923,365	8,983,731	60,365
Japanese government bonds	6,211,070	6,234,326	23,255
Japanese local government bonds	98,428	99,164	735
Japanese corporate bonds	2,613,866	2,650,240	36,374
Other	10,725,378	11,083,416	358,038
Total	¥ 21,093,383	¥ 23,414,725	¥ 2,321,342

- Notes:
- Consolidated balance sheet amounts of stocks (including foreign stocks) are carried at their average market prices during the final month of the fiscal year, and bonds and others are carried at their fiscal year-end market prices.
 - Net unrealized gains on other securities shown above include losses of ¥12,277 million for the fiscal year ended March 31, 2019 which are recognized in the earnings by applying fair value hedge accounting.
 - Consolidated balance sheet amounts of other securities whose fair values are extremely difficult to determine are as follows:

March 31, 2019	Millions of yen
Stocks	¥ 139,051
Other	246,765
Total	¥ 385,817

These amounts are not included in "2. Other securities" since there are no market prices and it is extremely difficult to determine their fair values.

- In light of the "Practical Solution on Measurement of Fair Value for Financial Assets" (ASBJ Practical Issue Task Force No. 25), the fair values of floating rate government bonds are based on the present value of future cash flows (the government bond yield is used to discount and estimate future cash flows). Bond yield and yield volatility are the main price parameters.

June 30, 2019	Millions of yen		
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)
Stocks	¥ 1,417,783	¥ 3,149,594	¥ 1,731,811
Bonds	8,985,408	9,051,977	66,568
Japanese government bonds	6,207,018	6,234,379	27,360
Japanese local government bonds	121,671	122,422	750
Japanese corporate bonds	2,656,718	2,695,175	38,457
Other	10,524,871	10,970,524	445,653
Total	¥ 20,928,062	¥ 23,172,096	¥ 2,244,033

- Notes:
- Quarterly consolidated balance sheet amounts of stocks (including foreign stocks) are carried at their average market prices during the final month of the period, and bonds and others are carried at their period-end market prices.
 - Net unrealized losses on other securities shown above include losses of ¥11,751 million for the three months ended June 30, 2019 that are recognized in the earnings by applying fair value hedge accounting.
 - Consolidated balance sheet amounts of other securities whose fair values are extremely difficult to determine are as follows:

June 30, 2019	Millions of yen
Stocks	¥ 140,466
Other	255,059
Total	¥ 395,525

These amounts are not included in "2. Other securities" since there are no market prices and it is extremely difficult to determine their fair values.

4. In light of the “Practical Solution on Measurement of Fair Value for Financial Assets” (ASBJ Practical Issue Task Force No. 25), the fair values of floating rate government bonds are based on the present value of future cash flows (the government bond yield is used to discount and estimate future cash flows). Bond yield and yield volatility are the main price parameters.

3. Write-down of securities

Bonds classified as held-to-maturity and other securities (excluding securities whose fair values are extremely difficult to determine) are considered as impaired if the fair value decreases materially below the acquisition cost and such decline is not considered as recoverable. The fair value is recognized as the consolidated balance sheet amount and the amount of write-down is accounted for as valuation loss. Valuation losses for the fiscal year ended March 31, 2019 and for the three months ended June 30, 2019 were ¥9,013 million and ¥3,583 million, respectively. The rule for determining “material decline” is as follows and is based on the classification of issuers under the rules of self-assessment of assets.

Bankrupt/Effectively bankrupt/Potentially bankrupt issuers:	Fair value is lower than acquisition cost.
Issuers requiring caution:	Fair value is 30% or lower than acquisition cost.
Normal issuers:	Fair value is 50% or lower than acquisition cost.
Bankrupt issuers:	Issuers that are legally bankrupt or formally declared bankrupt.
Effectively bankrupt issuers:	Issuers that are not legally bankrupt but regarded as substantially bankrupt.
Potentially bankrupt issuers:	Issuers that are not bankrupt now, but are perceived to have a high risk of falling into bankruptcy.
Issuers requiring caution:	Issuers that are identified for close monitoring.
Normal issuers:	Issuers other than the above 4 categories of issuers.

(Notes to money held in trust)

1. Money held in trust classified as held-to-maturity

Fiscal year ended March 31, 2019

There are no corresponding transactions.

Three months ended June 30, 2019

There are no corresponding transactions.

2. Other money held in trust (Other than trading and held to maturity)

	Millions of yen		
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)
March 31, 2019			

Other money held in trust	¥	390	¥	390	—
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Note: Consolidated balance sheet amount is measured at fair value based on its market price and others at the end of the fiscal year.

June 30, 2019	Millions of yen		
	Acquisition cost	Consolidated balance sheet amount	Net unrealized gains (losses)
Other money held in trust	¥ 366	¥ 366	—

Note: Quarterly consolidated balance sheet amount is measured at fair value based on its market price and others at the end of the period.

(Notes to derivative transactions)

(1) Interest rate derivatives

March 31, 2019	Millions of yen		
	Contract amount	Fair Value	Valuation gains (losses)
Listed			
Interest rate futures	¥ 59,431,284	¥ 618	¥ 618
Interest rate options	134,241,530	22,079	22,079
Over-the-counter			
Forward rate agreements	54,470,715	(542)	(542)
Interest rate swaps	444,871,798	294,408	294,408
Interest rate swaptions	12,036,115	(480)	(480)
Caps	59,064,895	(51,326)	(51,326)
Floors	2,193,601	780	780
Other	9,288,882	28,837	28,837
Total	/	¥ 294,374	¥ 294,374

Note: The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income. Derivative transactions to which the hedge accounting method is applied are not included in the table above.

June 30, 2019	Millions of yen		
	Contract amount	Fair Value	Valuation gains (losses)
Listed			
Interest rate futures	¥ 97,479,668	¥ (1,031)	¥ (1,031)
Interest rate options	160,307,366	14,081	14,081
Over-the-counter			
Forward rate agreements	75,362,356	4	4
Interest rate swaps	458,415,099	385,641	385,641
Interest rate swaptions	12,063,197	(7,742)	(7,742)
Caps	60,239,746	(26,161)	(26,161)
Floors	2,625,168	308	308
Other	9,496,502	25,115	25,115
Total	/	¥ 390,215	¥ 390,215

Note: The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the quarterly consolidated statements of income. Derivative transactions to which the hedge accounting method is applied are not included in the table above.

(2) Currency derivatives

March 31, 2019	Millions of yen		
	Contract amount	Fair value	Valuation gains (losses)
Listed			
Currency futures	¥ 3,942	¥ 21	¥ 21
Over-the-counter			
Currency swaps	46,383,650	82,884	76,881
Currency swaptions	1,158,840	855	855
Forward foreign exchange	81,510,434	24,012	24,012
Currency options	5,708,189	5,294	5,294
Total	/	¥ 113,069	¥ 107,066

Note: The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income. Derivative transactions to which the hedge accounting method is applied are not included in the table above. In addition, transactions related to financial assets and liabilities denominated in foreign currencies and recognized in the consolidated balance sheets, or transactions related to financial assets and liabilities denominated in foreign currencies which have been eliminated in the consolidation are not included in the above table.

June 30, 2019	Millions of yen		
	Contract amount	Fair value	Valuation gains (losses)
Listed			
Currency futures	¥ 2,891	¥ 814	¥ 814
Over-the-counter			
Currency swaps	49,827,239	48,041	62,642
Currency swaptions	1,135,522	1,348	1,348
Forward foreign exchange	77,023,959	(73,713)	(73,713)
Currency options	5,552,695	8,047	8,047
Total	/	¥ (15,462)	¥ (860)

Note: The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the quarterly consolidated statements of income. Derivative transactions to which the hedge accounting method is applied are not included in the table above. In addition, transactions related to financial assets and liabilities denominated in foreign currencies and recognized in the quarterly consolidated balance sheets, or transactions related to financial assets and liabilities denominated in foreign currencies which have been eliminated in the consolidation are not included in the above table.

(3) Equity derivatives

March 31, 2019	Millions of yen		
	Contract amount	Fair value	Valuation gains (losses)
Listed			
Equity price index futures	¥ 931,225	¥ 2,088	¥ 2,088
Equity price index options	1,259,342	(27,469)	(27,469)
Over-the-counter			
Equity options	721,754	(1,529)	(1,529)
Equity index forward contracts	8,094	554	554
Equity index swaps	322,428	13,521	13,521
Total	/	¥ (12,835)	¥ (12,835)

Note: The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income. Derivative transactions to which the hedge accounting method is applied are not included in the table above.

June 30, 2019	Millions of yen		
	Contract amount	Fair value	Valuation gains (losses)
Listed			
Equity price index futures	¥ 1,201,661	¥ 1,973	¥ 1,973
Equity price index options	1,214,247	(23,140)	(23,140)
Over-the-counter			
Equity options	699,091	(809)	(809)
Equity index forward contracts	12,411	212	212
Equity index swaps	335,756	13,948	13,948
Total	/	¥ (7,815)	¥ (7,815)

Note: The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the quarterly consolidated statements of income. Derivative transactions to which the hedge accounting method is applied are not included in the table above.

(4) Bond derivatives

March 31, 2019	Millions of yen		
	Contract amount	Fair value	Valuation gains (losses)
Listed			
Bond futures	¥ 3,901,032	¥ (2,233)	¥ (2,233)
Bond futures options	491,611	(541)	(541)
Over-the-counter			
Bond forward contracts	1,328	2	2
Bond options	1,100,342	(1,033)	(1,033)
Total	/	¥ (3,805)	¥ (3,805)

Note: The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income. Derivative transactions to which the hedge accounting method is applied are not included in the table above.

June 30, 2019	Millions of yen		
	Contract amount	Fair value	Valuation gains (losses)
Listed			
Bond futures	¥ 5,452,176	¥ (28)	¥ (28)
Bond futures options	247,490	(181)	(181)
Over-the-counter			
Bond options	693,218	126	126
Total	/	¥ (83)	¥ (83)

Note: The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the quarterly consolidated statements of income. Derivative transactions to which the hedge accounting method is applied are not included in the table above.

(5) Commodity derivatives

March 31, 2019	Millions of yen		
	Contract amount	Fair value	Valuation gains (losses)
Listed			
Commodity futures	¥ 28,823	¥ 30	¥ 30
Over-the-counter			
Commodity swaps	183,117	1,915	1,915
Commodity options	13,714	(388)	(388)
Total	/	¥ 1,556	¥ 1,556

- Notes:
1. The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income. Derivative transactions to which the hedge accounting method is applied are not included in the table above.
 2. Underlying assets of commodity derivatives are fuels and metals.

June 30, 2019	Millions of yen		
	Contract amount	Fair value	Valuation gains (losses)
Listed			
Commodity futures	¥ 63,672	¥ (24)	¥ (24)
Over-the-counter			
Commodity swaps	175,284	1,853	1,853
Commodity options	8,975	(374)	(374)
Total	/	¥ 1,453	¥ 1,453

- Notes:
1. The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the quarterly consolidated statements of income. Derivative transactions to which the hedge accounting method is applied are not included in the table above.
 2. Underlying assets of commodity derivatives are fuels and metals.

(6) Credit derivative transactions

March 31, 2019	Millions of yen		
	Contract amount	Fair value	Valuation gains (losses)
Over-the-counter			
Credit default options	¥ 1,504,765	¥ (651)	¥ (651)
Total	/	¥ (651)	¥ (651)

Note: The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the consolidated statements of income. Derivative transactions to which the hedge accounting method is applied are not included in the table above.

June 30, 2019	Millions of yen		
	Contract amount	Fair value	Valuation gains (losses)
Over-the-counter			
Credit default options	¥ 1,621,285	¥ (1,964)	¥ (1,964)
Total	/	¥ (1,964)	¥ (1,964)

Note: The above transactions are valued at fair value and the valuation gains (losses) are accounted for in the quarterly consolidated statements of income. Derivative transactions to which the hedge accounting method is applied are not included in the table above.

(Business combination)

<Business combination through acquisition>

Merger between Sumitomo Mitsui Asset Management Company, Limited and Daiwa SB Investments Ltd.

On April 1, 2019, Sumitomo Mitsui Asset Management Company, Limited (“SMAM”), a consolidated subsidiary of the Company, merged with Daiwa SB Investments Ltd. (“DSBI”), an equity method affiliate of the Company, under a merger agreement concluded on September 28, 2018 between SMAM and DSBI. The trade name of the merged company is Sumitomo Mitsui DS Asset Management Company, Limited.

The outline of the merger is as follows:

1. Outline of the business combination

- (1) Name of the acquired company and its business

Name: Daiwa SB Investments Ltd.

Business: Investment management (discretionary/advisory) and investment trust fund management

- (2) Main reasons for the business combination

The asset management business is undergoing global growth, and the investment management capabilities and services desired by clients are progressively becoming more sophisticated. The merger aims to establish an asset management company that combines the strengths and expertise of SMAM and DSBI, and offers the highest quality of investment management performance and services based on its fiduciary duties, in order to address the aforesaid client needs.

- (3) Date of the business combination

April 1, 2019

- (4) Legal form of the business combination

The structure of the merger is an absorption-type merger with SMAM as the surviving company and DSBI as the absorbed company.

- (5) Name of the entity after the business combination

Sumitomo Mitsui Financial Group, Inc.

- (6) The ratio of acquired voting rights

Ratio of voting rights owned by the Company immediately prior to the business combination: 48.96%

Ratio of voting rights increased on the date of business combination: 1.16%

Ratio of voting rights after the merger: 50.12%

- (7) Grounds for deciding on the acquirer
The Company owns a majority of the voting rights of Sumitomo Mitsui DS Asset Management Company, Limited.

2. Period of the acquired company's financial result included in the quarterly consolidated statements of income of the Company

From April 1, 2019 to June 30, 2019

3. Acquisition cost and consideration of the acquired company

Fair value at the business combination of the common shares of DSBI held by the Company immediately prior to the business combination	40,111 million yen
Consideration (shares of SMAM) for the common shares of DSBI additionally acquired by the Company on the date of business combination	958 million yen
Acquisition cost of the acquired company	41,070 million yen

4. Merger ratio according to the type of shares, method of calculation of merger ratio and number of shares delivered

- (1) Type of shares and merger ratio
Common share SMAM 1: DSBI 4.2156
- (2) Method of calculation of merger ratio
SMAM and DSBI conducted careful discussion on the merger ratio following a comprehensive consideration of the financial condition, asset condition and future prospects of the two companies based on the analysis by each third party appraiser regarding merger ratio, Ernst & Young Transaction Advisory Services Co., Ltd., appointed by SMAM, and PwC Advisory LLC, appointed by DSBI. As a result, SMAM and DSBI concluded that the merger ratio was appropriate and reached an agreement.
- (3) Number of shares delivered
Common share of SMAM 16,230,060 stocks

5. Difference between acquisition cost and total amount of acquisition cost of each transaction

Acquisition cost	41,070 million yen
Sum of acquisition costs of each transaction resulting in the acquisition	19,072 million yen
Difference (gains on step acquisitions)	21,997 million yen

6. Amount of goodwill, reason for recognizing goodwill, amortization method and the period

- (1) Amount of goodwill
17,022 million yen
- (2) Reason for recognizing goodwill
The Company accounted for the difference between the acquisition cost and fair value of the acquired net assets on the date of the business combination as goodwill.

- (3) Amortization method and the period
Goodwill is amortized using the straight-line method over 14 years.

(Per share data)

Earnings per share, earnings per share (diluted) and each calculation method are as follows:

<u>Three months ended June 30</u>	<u>Millions of yen, except per share data and number of shares</u>	
	<u>2018</u>	<u>2019</u>
(i) Earnings per share	¥ 161.78	¥ 155.24
[The calculation method]		
Profit attributable to owners of parent	227,084	215,727
Amount not attributable to common stockholders	—	—
Profit attributable to owners of parent concerning common stock	227,084	215,727
Average number of common stock during the period (in thousands)	1,403,702	1,389,636
(ii) Earnings per share (diluted)	¥ 161.67	¥ 155.14
[The calculation method]		
Adjustment for profit attributable to owners of parent	(3)	(7)
Adjustment of dilutive shares issued by consolidated subsidiaries and equity method affiliates	(3)	(7)
Increase in the number of common stock (in thousands)	927	846
Stock acquisition rights (in thousands)	927	846

(Significant Subsequent Events)

There are no significant subsequent events to be disclosed.

(Others)

Not applicable.