

Brawley

Calipatria

Holtville

Westmorland



Calexico

El Centro

Imperial

County of Imperial

MARCH 5, 2012

5:15 PM

REVISED AGENDA

**CITY OF IMPERIAL
200 WEST 9TH STREET
IMPERIAL, CA 92251-1637**

CHAIRPERSON: Sedalia Sanders

EXECUTIVE DIRECTOR: Mark Baza

Individuals wishing accessibility accommodations at this meeting, under the Americans with Disabilities Act (ADA), may request such accommodations to aid hearing, visual, or mobility impairment by contacting ICTC offices at (760) 592-4494. Please note that 48 hours advance notice will be necessary to honor your request.

I. CALL TO ORDER AND ROLL CALL

II. EMERGENCY ITEMS

- A. Discussion/Action of emergency items, if necessary.

III. PUBLIC COMMENTS

Any member of the public may address the Commission for a period not to exceed three minutes on any item of interest not on the agenda within the jurisdiction of the Commission. The Commission will listen to all communication, but in compliance with the Brown Act, will not take any action on items that are not on the agenda.

IV. CONSENT CALENDAR

- A. Approval of Minutes for September 28, 2011 Page 4

V. REPORTS

- A. LTA Executive Director

VI. ACTION CALENDAR

- A. Adoption of the Imperial County Local Transportation Authority Annual Financial Reports for the Fiscal Years June 30, 2008; June 30, 2009; and June 30, 2010 Pages 7-17

It is requested that the LTA review and approve the following after public comment, if any:

1. FY 2007-08 Imperial County Local Transportation Annual Financial Report.

***1405 N. Imperial Ave., Suite 1, El Centro, CA 92243
Phone: (760) 592-4494, Fax: (760) 592-4497***

2. FY 2008-09 Imperial County Local Transportation Annual Financial Report.
3. FY 2009-10 Imperial County Local Transportation Annual Financial Report.
4. Direct staff to proceed with the FY 2009-10 year end adjustment disbursement.

B. Approval and Adoption of the Local Transportation Authority Bond Financing Pages 19-220

It is recommended that the LTA Board adopt the following Resolution entitled:

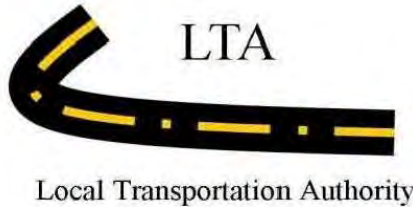
1. “Resolution Authorizing the issuance and sale of not to exceed \$58,500,000 Aggregate principal amount of Imperial County Local Transportation Authority Sales Tax Revenue Bonds in one or more series, approval of an indenture, and supplemental indentures, a purchase contract, a continuing disclosure agreement, pledge agreements, an amended and restated agreement for the State Administration of Retail Transactions and Use Tax and Preliminary Official Statement, and authorizing official actions and execution of documents related thereto”

VII. ADJOURNMENT

- A. Motion to Adjourn

IV. CONSENT CALENDAR

A. APPROVAL OF MINUTES FOR SEPTEMBER 28, 2011



DRAFT MINUTES FOR SEPTEMBER 28, 2011

VOTING MEMBERS PRESENT:

City of Calexico	Luis J. Castro
City of Calipatria	Hector Cervantes
City of El Centro	Sedalia Sanders (Chairperson)
City of Holtville	David Bradshaw
City of Imperial	Mark Gran
City of Westmorland	Larry Ritchie
County of Imperial	Jack Terrazas
County of Imperial	Michael W. Kelley
Director	Mark Baza (non-voting)

OTHERS PRESENT: Cristi Lerma, Secretary, Kathi Williams, David Salgado

I. CALL TO ORDER AND ROLL CALL

Meeting was called to order by Chair Sedalia Sanders at 7:40 p.m. and roll call was taken.

II. EMERGENCY ITEMS

None

III. PUBLIC COMMENTS

No public comment

IV. CONSENT CALENDAR

- A. A motion was made by [Gran](#) and seconded by [Bradshaw](#) to approve the minutes for June 22, 2011, **Motion Carried** unanimously.

V. REPORTS

- A. Executive Director Reports

- Mr. Baza commented that the LTA member agencies bond financing efforts should be finalized at the October meeting.
- The Self Help Counties Coalition Focus on the Future Conference will be held in November in San Francisco, CA.

VI. ACTION CALENDAR

- A. Extension of the Legal Services Agreement FY 2011-12; County of Imperial and the Local Transportation Authority (LTA).

Mr. Baza briefly stated that this agreement will provide the LTA with legal services for FY 2011-12, with a set cost of \$5000.00. The contract can be amended during the fiscal year if necessary.

It was recommended that the LTA take the following actions, after review of any public comment, if any:

1. Authorize the Chairperson to sign the agreement for legal services between the County of Imperial and the Local Transportation Authority for an annual cost not to exceed \$5000.00 effective July 1, 2011 through June 30, 2012.
2. Direct staff to forward the agreement to the County of Imperial.

A motion was made by [Gran](#) and seconded by [Ritchie](#), **Motion Carried** unanimously.

VII. ADJOURNMENT

Motion was made to adjourn by [Gran](#) and seconded by [Bradshaw](#), **Motion Carried** unanimously.
Meeting Adjourned at 7:45 p.m.

VI. ACTION CALENDAR

A. ADOPTION OF THE IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY ANNUAL FISCAL REPORTS FOR THE FY'S JUNE 30, 2008; JUNE 30, 2009; AND JUNE 30, 2010

Brawley

Calipatria

Holtville

Westmorland



Local Transportation Authority

Calexico

El Centro

Imperial

County of Imperial

March 1, 2012

Sedalia Sanders, Chairperson
Local Transportation Authority
1405 N. Imperial Ave., Suite 1
El Centro, CA 92243

SUBJECT: Adoption of the Imperial County Local Transportation Authority Annual Financial Audits for the Fiscal Years June 30, 2008; June 30, 2009; and June 30, 2010

Dear Members of the Authority:

According to Section VIII of the original ordinance, the Local Transportation Authority (LTA) must conduct fiscal audits of its financial activities on an annual basis. The ordinance states: *"An annual independent audit shall be conducted to assure that the revenues expended by the Authority under this section are necessary and reasonable in carrying out its responsibility under the Ordinance."*

Attached, please find the following annual financial reports performed by the CPA firm, Hutchinson and Bloodgood:

- LTA Annual Financial Report, for fiscal year ended June 20, 2008
- LTA Annual Financial Report, for fiscal year ended June 20, 2009
- LTA Annual Financial Report, for fiscal year ended June 20, 2010

In Fiscal Years 2007-08, 2008-09, 2009-2010 the audits cover the time period while the administration was performed by the County of Imperial. The Imperial County Transportation Commission became the administrator of this program in Fiscal Year 2010-11.

As a course of conducting the audit for FY 2009-10, it was noted that adjustments requiring further disbursements are necessary in order to fully allocate the funds to the member agencies. The table below indicates the agencies and corresponding amounts:

Brawley	\$ 274,586.11
Calexico	\$ 300,057.53
Calipatria	\$ 54,778.17
El Centro	\$ 333,642.98
Holtville	\$ 91,678.42
Imperial	\$ 117,981.58
Westmorland	\$ 47,655.03
2% transit	\$ 44,405.83
State Hwys	\$ 10,078.22
Total	\$1,309,403.15

1405 N. Imperial Ave., Suite 1, El Centro, CA 92243

Phone: (760) 592-4494, Fax: (760) 592-4497

Sedalia Sanders, Chairperson
Local Transportation Authority

(2)

March 1, 2012

It is requested that the LTA review and approve the following:

1. FY 2007-08 Imperial County Local Transportation Annual Financial Report.
2. FY 2008-09 Imperial County Local Transportation Annual Financial Report.
3. FY 2009-10 Imperial County Local Transportation Annual Financial Report.
4. Direct staff to proceed with the FY 2009-10 year end adjustment disbursement.

Sincerely,



MARK BAZA
Executive Director

Attachments

MB/cl



HUTCHINSON and
BLOODGOOD LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

3205 South Dogwood Avenue
El Centro, CA 92243
t 760.352.1021 f 760.352.3325
www.hbllp.com

INDEPENDENT AUDITORS' REPORT

Honorable Board Members
Imperial County Local Transportation Authority
El Centro, California

We have audited the accompanying financial statements of the Imperial County Local Transportation Authority, as of and for the year ended June 30, 2008. These financial statements are the responsibility of the Imperial County Local Transportation Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Imperial County Local Transportation Authority, as of June 30, 2008, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The schedules of Estimated Revenues 2008 - 2010 and the schedule of Five-Year Program of Projects have not been subjected to the audit procedures applied in the audit of the general purpose financial statements and accordingly, we express no opinion on them.

In connection with our examination, we also performed, to the extent applicable, tests of compliance with the "By-laws of the Imperial County Local Transportation Authority" and the "Imperial County Local Transportation Retail Transactions and Use Tax Ordinance and Transportation Authority Expenditure Plan".

In our opinion, the Imperial County Local Transportation Authority is in compliance with the applicable laws, rules, and regulations with the exceptions noted in the Findings and Recommendations for the fiscal year ended June 30, 2008.

Hutchinson and Bloodgood LLP

March 15, 2011



INDEPENDENT AUDITORS' REPORT

Honorable Board Members
Imperial County Local Transportation Authority
El Centro, California

We have audited the accompanying financial statements of the Imperial County Local Transportation Authority, as of and for the year ended June 30, 2009. These financial statements are the responsibility of the Imperial County Local Transportation Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Imperial County Local Transportation Authority, as of June 30, 2009, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The schedules of Estimated Revenues 2008 - 2010 and the schedule of Five-Year Program of Projects have not been subjected to the audit procedures applied in the audit of the general purpose financial statements and accordingly, we express no opinion on them.

In connection with our examination, we also performed, to the extent applicable, tests of compliance with the "By-laws of the Imperial County Local Transportation Authority" and the "Imperial County Local Transportation Retail Transactions and Use Tax Ordinance and Transportation Authority Expenditure Plan".

In our opinion, the Imperial County Local Transportation Authority is in compliance with the applicable laws, rules, and regulations with the exceptions noted in the Findings and Recommendations for the fiscal year ended June 30, 2009.

Hutchinson and Bloodgood LLP

November 29, 2011



INDEPENDENT AUDITORS' REPORT

Honorable Board Members
Imperial County Local Transportation Authority
El Centro, California

We have audited the accompanying financial statements of the Imperial County Local Transportation Authority, as of and for the year ended June 30, 2010. These financial statements are the responsibility of the Imperial County Local Transportation Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Imperial County Local Transportation Authority, as of June 30, 2010, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The schedules of Estimated Revenues 2009 - 2010 and the schedule of Five-Year Program of Projects have not been subjected to the audit procedures applied in the audit of the general purpose financial statements and accordingly, we express no opinion on them.

In connection with our examination, we also performed, to the extent applicable, tests of compliance with the "By-laws of the Imperial County Local Transportation Authority" and the "Imperial County Local Transportation Retail Transactions and Use Tax Ordinance and Transportation Authority Expenditure Plan".

In our opinion, the Imperial County Local Transportation Authority is in compliance with the applicable laws, rules, and regulations with the exceptions noted in the Findings and Recommendations for the fiscal year ended June 30, 2010.

Hutchinson and Bloodgood LLP

March 2, 2012

RESOLUTION NO. _____

**A RESOLUTION OF THE IMPERIAL COUNTY LOCAL TRANSPORTATION
AUTHORITY APPROVING THE FISCAL YEAR 2007-08 AUDITED FINANCIAL
STATEMENTS OF THE AUTHORITY**

WHEREAS, on July 27, 2008, the Imperial County Local Transportation Authority (the “Authority”) adopted Ordinance No. 1-2008 (the “Ordinance”) providing for a local retail transactions and use tax;

WHEREAS, the Ordinance requires that the Authority, on an annual basis, select a professional audit firm to prepare the Authority’s audited financial statements;

WHEREAS, the audited financial statements for the fiscal year 2007-08 (the “Audit”) have been prepared by Hutchinson and Bloodgood LLP, certified public accountants and consultants, and presented to and received by the Board; and

WHEREAS, the Board requires that the Authority approve the Audit;

NOW, THEREFORE BE IT RESOLVED by the Imperial County Local Transportation Authority that the Audit is hereby approved.

The foregoing resolution was introduced and adopted at a regular meeting of the Imperial County Local Transportation Authority held on _____, 2012 by the following vote, to wit:

AYES: _____

NOES: _____

ABSENT: _____

DATED: _____, 2012

Chairperson of the Board of the Imperial
County Local Transportation Authority

ATTEST:

Clerk of the Board of the Imperial
County Local Transportation Authority

RESOLUTION NO. _____

**A RESOLUTION OF THE IMPERIAL COUNTY LOCAL TRANSPORTATION
AUTHORITY APPROVING THE FISCAL YEAR 2008-09 AUDITED FINANCIAL
STATEMENTS OF THE AUTHORITY**

WHEREAS, on July 27, 2008, the Imperial County Local Transportation Authority (the “Authority”) adopted Ordinance No. 1-2008 (the “Ordinance”) providing for a local retail transactions and use tax;

WHEREAS, the Ordinance requires that the Authority, on an annual basis, select a professional audit firm to prepare the Authority’s audited financial statements;

WHEREAS, the audited financial statements for the fiscal year 2008-09 (the “Audit”) have been prepared by Hutchinson and Bloodgood LLP, certified public accountants and consultants, and presented to and received by the Board; and

WHEREAS, the Board requires that the Authority approve the Audit;

NOW, THEREFORE BE IT RESOLVED by the Imperial County Local Transportation Authority that the Audit is hereby approved.

The foregoing resolution was introduced and adopted at a regular meeting of the Imperial County Local Transportation Authority held on _____, 2012 by the following vote, to wit:

AYES: _____

NOES: _____

ABSENT: _____

DATED: _____, 2012

Chairperson of the Board of the Imperial
County Local Transportation Authority

ATTEST:

Clerk of the Board of the Imperial
County Local Transportation Authority

RESOLUTION NO. _____

**A RESOLUTION OF THE IMPERIAL COUNTY LOCAL TRANSPORTATION
AUTHORITY APPROVING THE FISCAL YEAR 2009-10 AUDITED FINANCIAL
STATEMENTS OF THE AUTHORITY**

WHEREAS, on July 27, 2008, the Imperial County Local Transportation Authority (the “Authority”) adopted Ordinance No. 1-2008 (the “Ordinance”) providing for a local retail transactions and use tax;

WHEREAS, the Ordinance requires that the Authority, on an annual basis, select a professional audit firm to prepare the Authority’s audited financial statements;

WHEREAS, the audited financial statements for the fiscal year 2009-10 (the “Audit”) have been prepared by Hutchinson and Bloodgood LLP, certified public accountants and consultants, and presented to and received by the Board; and

WHEREAS, the Board requires that the Authority approve the Audit;

NOW, THEREFORE BE IT RESOLVED by the Imperial County Local Transportation Authority that the Audit is hereby approved.

The foregoing resolution was introduced and adopted at a regular meeting of the Imperial County Local Transportation Authority held on _____, 2012 by the following vote, to wit:

AYES: _____

NOES: _____

ABSENT: _____

DATED: _____, 2012

Chairperson of the Board of the Imperial
County Local Transportation Authority

ATTEST:

Clerk of the Board of the Imperial
County Local Transportation Authority

VI. ACTION CALENDAR

B. APPROVAL AND ADOPTION OF THE LOCAL TRANSPORTATION AUTHORITY BOND FINANCING

Brawley

Calipatria

Holtville

Westmorland



Local Transportation Authority

Calexico

El Centro

Imperial

County of Imperial

March 1, 2012

Sedalia Sanders, Chairperson
Local Transportation Authority
1405 N. Imperial Ave., Suite 1
El Centro, CA 92243

SUBJECT: Approval and Adoption of the Local Transportation Authority Bond Financing

Dear Members of the Authority:

In 1989, the Imperial County Local Transportation Authority (the "Authority") adopted an ordinance implementing a one-half cent retail transactions and use tax within the County of Imperial (the "County") for a period of 20 years, which commenced on April 1, 1990 and expired on March 31, 2010 (the "Measure D Sales Tax"). A ballot measure relating to the implementation of the Measure D Sales Tax was passed by the voters of the County in November 1989. In 2008, the Authority adopted an ordinance to extend the Measure D Sales Tax for an additional 40 year term, commencing on April 1, 2010 and expiring on March 31, 2050. A measure regarding the extension of the Measure D Sales Tax was passed by the voters of the County in November 2008. In conjunction with the Measure D Sales Tax extension in 2008, the Authority also adopted an Expenditure Plan, which provides how the revenues from the Measure D Sales Tax (the "Measure D Sales Tax Revenues") are allocated among the Cities of Brawley, Calexico, Calipatria, El Centro, Holtville, Imperial and Westmorland and the County (each, a "Local Agency").

Under California law, the Authority is permitted to issue bonds on behalf of a Local Agency that is payable from the Measure D Sales Tax Revenues that are allocable to such Local Agency. The Cities of Brawley, Calexico, Calipatria, Imperial and the County of Imperial (each, a "Participating Local Agency") have identified certain street and highway projects that need to be undertaken and have requested that the Authority issue a series of bonds on its respective behalf of each Participating Local Agency that shall be payable solely from the portion of the Measure D Sales Tax Revenues allocable to that Participating Local Agency (the "Bonds").

In connection with the issuance of the Bonds, the Authority will enter into an agreement with each Participating Local Agency, whereby such Participating Local Agency pledges its share of the Measure D Sales Revenues (the "Pledged Measure D Sales Tax Revenues") to the repayment of its Series of Bonds (the "Pledge Agreement"). The Authority, in turn, will enter into an agreement with the Trustee (defined below) that provides for the issuance of the Bonds and pledges the Pledged Measure D Sales Tax Revenues for the repayment of the Bonds (the "Indenture"). Further, to allow for each Participating Local Agency to have a Series of Bonds payable solely from its respective Pledged Measure D Sales Tax Revenues, the Authority will enter into a separate supplemental indenture for each of the five Participating Local Agencies (each, a "Supplemental Indenture").

1405 N. Imperial Ave., Suite 1, El Centro, CA 92243
Phone: (760) 592-4494, Fax: (760) 592-4497

Under each Supplemental Indenture, the Authority shall create a Series of Bonds on behalf of a specific Participating Local Agency that will be payable from that Participating Local Agency's Pledged Measure D Sales Tax Revenues. To ensure that the Trustee receives the Pledged Measure D Sales Tax Revenues, the Authority will enter into an Amended and Restated Agreement for the State Administration of Retail Transactions and Use Tax (the "Sales Tax Administration Agreement") with the State Board of Equalization, whereby the Authority will agree to have all Measure D Sales Tax Revenues sent directly to the Trustee.

The Authority shall sell the Bonds to Cabrera Capital Markets, LLC, as underwriter (the "Underwriter") pursuant to a contract (the "Purchase Contract"). The Underwriter will then sell the Bonds to investors. To help facilitate the marketing and sale of the Bonds, Fulbright & Jaworski L.L.P., as Disclosure Counsel, with the assistance of the Authority, will prepare a Preliminary Official Statement and a Final Official Statement, each of which provides information about the Bonds, the Authority, the Measure D Sales Tax and other pertinent information. The Authority shall also enter into a continuing disclosure agreement (the "Continuing Disclosure Agreement"), in which the Authority agrees to provide certain information to investors on an annual basis and to provide notice of the occurrence of certain events that are considered material to investors. The provision of annual operating information by the Authority required by the Continuing Disclosure Agreement allows the Underwriter to comply with United States Securities and Exchange Commission regulations.

In addition, the Authority has determined that the requirement to provide prospective forecasts regarding Measure D Sales Tax Revenues is fiscally impractical and outside of the scope of the Authority's responsibilities. Therefore, the Authority desires to amend the Expenditure Plan to delete the provision, found in Section 5.A thereof, that requires the Authority to provide each Local Agency with an annual estimate of its share of Measure D Sales Tax Revenues for the succeeding five years.

A brief summary of the legal documents follows:

Pledge Agreement – The Pledge Agreement is an agreement between the Authority and each Participating Local Agency whereby such Participating Local Agency agrees to pledge its Measure D Sales Tax Revenues for repayment of the Bonds and assigns such Pledged Measure D Sales Tax Revenues to the bond trustee as long as the Bonds are outstanding.

Indenture and Supplemental Indentures – The purpose of the Indenture and each Supplemental Indenture (collectively, the "Indenture") is to assign certain duties to The Bank of New York Mellon Trust Company, N.A. (the "Trustee") and to establish the way in which persons owning the Bonds will be paid on their investment. Each Indenture is a contract between the Authority and the Trustee for the benefit of bond owners. The Authority appoints the Trustee as its agent to receive payments from the State Board of Equalization and to divide these payments among the registered owners of the Bonds, according to the interest and principal payments due to each of them. The Trustee will accept for deposit a portion of the amount equal to the net proceeds of sale of each Series of Bonds from the Underwriter at closing and will deposit such moneys in the respective Project accounts of each Participating Local Agency to implement the improvements being financed with the proceeds of the Bonds (each, a "Project"). The Bonds may be executed and delivered at a fixed rate of interest in accordance with the terms set forth in the Indenture. The Trustee administers the funds established under the Indenture and will provide regular reports regarding fund balances and disbursements to the respective Participating Local Agencies, including each Participating Local Agency's project account.

Purchase Contract - Under this document, which will be signed the day of the pricing of the Bonds (or the day following pricing); the Underwriter agrees to purchase all of the Bonds from the Authority at an established price and underwriting discount. Immediately prior to the Authority's executing the Purchase Contract, the Underwriter will "price" the Bonds in the public market — that is, to identify the interest

rate which the Bonds will represent when sold to investors. A final underwriting discount (the Underwriter's fee) will be established at the same time and incorporated into the terms of the Purchase Contract.

Preliminary and Final Official Statement - There has also been submitted to the Authority a form of preliminary official statement for the Bonds, which contains information, statistics, and summaries regarding the Bonds and the Authority that prospective purchasers of the Bonds are likely to need in order to make an investment decision. Bond Counsel will prepare this document and the final form of the Preliminary Official Statement (a "Final Official Statement") once the pricing and sale of the Bonds is complete. The data included in the Official Statement needs to be reviewed by staff and the summaries and content are reviewed by us and by Underwriter's Counsel. Related to the Official Statement and appended thereto is a Continuing Disclosure Agreement which is a requirement of the United States Securities and Exchange Commission in long-term financings such as that for the Bonds. The Continuing Disclosure Agreement is an agreement between the Authority and the future owners of the Bonds regarding information to be made available to such owners during the term of the Bonds. The obligation of the Authority to supply material information continues until the Bonds are paid in full and can be met by certain annual and material event filings described in the Continuing Disclosure Agreement.

FISCAL IMPACT:

There should not be any significant fiscal impacts to the Authority due to the issuance of the Bonds.

It is recommended that the LTA Board adopt the following Resolution entitled:

1. "Resolution Authorizing the issuance and sale of not to exceed \$58,500,000 Aggregate principal amount of Imperial County Local Transportation Authority Sales Tax Revenue Bonds in one or more series, approval of an indenture, and supplemental indentures, a purchase contract, a continuing disclosure agreement, pledge agreements, an amended and restated agreement for the State Administration of Retail Transactions and Use Tax and Preliminary Official Statement, and authorizing official actions and execution of documents related thereto"

Sincerely,



MARK BAZA
Executive Director

Attachment

MB/cl

**AMENDED AND RESTATED AGREEMENT FOR STATE ADMINISTRATION
OF RETAIL TRANSACTIONS AND USE TAX**

Dated as of March 1, 2012

The Imperial County Local Transportation Authority (hereinafter called the “Authority”) has adopted, and the voters of the County of Imperial have approved by the required two-thirds vote, Ordinance 1-2008, named the “Imperial County Retail Transactions and Use Tax Ordinance” (hereafter called the “Authority Ordinance”), a copy of which is attached hereto. To carry out the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code and the Authority Ordinance, the State Board of Equalization (hereinafter called the “Board”) and the Authority do agree as follows:

ARTICLE I

DEFINITIONS

Unless the context requires otherwise, wherever the following terms appear in this Agreement, they shall be interpreted to mean the following:

1. “Agreement” shall mean this Amended and Restated Agreement for State Administration of Retail Transactions and Use Tax.
2. “Authority Ordinance” shall mean Ordinance 1-2008, named the “Imperial County Retail Transactions and Use Tax Ordinance” as amended from time to time, or as deemed to be amended from time to time pursuant to Revenue and Taxation Code Section 7262.2.
3. “Authority taxes” shall mean the transactions and use taxes, penalties, and interest imposed under an ordinance specifically authorized by Revenue and Taxation Code Section 7285.5, and in compliance with Part 1.6, Division 2 of the Revenue and Taxation Code.

4. “Indenture” shall mean that Indenture, dated as of July 1, 2011, between the Authority and the Trustee (as defined hereafter), as amended and supplemented from time to time.

ARTICLE II

ADMINISTRATION AND COLLECTION

OF DISTRICT TAXES

A. Administration. The Board and the Authority agree that the Board shall perform exclusively all functions incident to the administration and operation of the Authority Ordinance.

B. Other Applicable Laws. The Authority agrees that all provisions of law applicable to the administration and operation of the State Sales and Use Tax Law which are not inconsistent with Part 1.6 of Division 2 of the Revenue and Taxation Code shall be applicable to the administration and operation of the Authority Ordinance. The Authority agrees that money collected pursuant to the Authority Ordinance may be deposited into the State Treasury to the credit of the Retail Sales Tax Fund and may be drawn from that Fund for any authorized purpose, including making refunds, compensating and reimbursing the Board pursuant to Article IV of this Agreement, and transmitting to the Authority the amount to which the Authority is entitled.

C. Transmittal of Money.

1. For the period during which the tax is in effect, and except as otherwise provided herein, all Authority taxes collected under the provisions of the Authority Ordinance shall be transmitted to the Authority or the Trustee, as authorized by the Authority, periodically as promptly as feasible, but not less often than twice in each calendar quarter. The first month in which payment hereunder shall be made to the Trustee is October 1, 2011. Transmittals made to

the Trustee shall be made via same day deposit program or by wire transfer of funds in accordance with written instructions from the Trustee.

2. For periods subsequent to the expiration date of the tax, whether by the Authority's self-imposed limits or by final judgment of any court of the State of California holding that Authority Ordinance is invalid or void, all Authority taxes collected under the provisions of the Authority Ordinance shall be transmitted to the Authority not less than twice each calendar quarter.

3. Transmittal may be made by mail or electronic funds transfer to an account of the Authority or the Trustee, designated and authorized by the Authority. A statement shall be furnished at least quarterly indicating the amounts withheld pursuant to Article IV of this Agreement.

4. Notwithstanding anything herein to the contrary, so long as any bonds issued by the Authority secured by a pledge of all or a portion of the taxes imposed under the Authority Ordinance (the "Bonds") are outstanding, all Authority taxes collected under the provisions of the Authority Ordinance shall be transmitted directly to The Bank of New York Mellon Trust Company, N.A., as the initial trustee under the Indenture, and thereafter to the bank corporation, banking association or other financial institution serving as trustee for the benefit of the owners of the Bonds pursuant to the Indenture, including any successor (the "Trustee"). The corporate trust office of the initial Trustee is set forth in Article V, Section A hereof, and the account of the Trustee into which transmittals of the taxes shall be made is as follows:

Via Fed Wire

The Bank of New York Mellon

ABA # 021000018

Account # GLA 111-565

Further Credit Account # 831235 - Imperial County LTA Sales Tax Rev

Via ACH
The Bank of New York Mellon
ABA # 021000018
CAS # 8900300094
Account # 831235
Reference: Imperial County LTA
Attention: Teresa Fructuoso

If any successor to The Bank of New York Mellon Trust Company, N.A. is selected as the Trustee, the Authority shall give written notice to the Board of the name of the Trustee, the address of the corporate trust office of the Trustee and the account of the Trustee into which transmittals of the taxes shall be made. The Board shall assume that Bonds are outstanding unless the Authority and the Trustee have both delivered 30 days' written notice to the Board stating that no Bonds remain outstanding under the Indenture.

D. Rules. The Board shall prescribe and adopt such rules and regulations as in its judgment are necessary or desirable for the administration and operation of the Authority Ordinance and the distribution of Authority taxes collected thereunder.

E. Preference. Unless the payor instructs otherwise, and except as otherwise provided in this Agreement, the Board shall give no preference in applying money received for state sales and use taxes, state-administered local sales and use taxes, and the Authority transactions and use taxes owed by a taxpayer, but shall apply moneys collected to the satisfaction of the claims of the State of California, cities, counties, cities and counties, redevelopment agencies, other districts and the Authority as their interests appear.

F. Security. The Board agrees that any security which it hereafter requires to be furnished by taxpayers under the State Sales and Use Tax Law will be upon such terms that it also will be available for the payment of the claims of the Authority for Authority taxes owing to it as its interest appears. The Board shall not be required to change the terms of any security now held by it and the Authority shall not participate in any security now held by the Board.

G. Records of the Board. When requested by resolution of the legislative body of the Authority under Section 7056 of the Revenue and Taxation Code, the Board agrees to permit authorized personnel of the Authority to examine the records of the Board, including the name, address, and account number of each seller holding a seller's permit with a registered business location in the Authority, pertaining to the ascertainment of transactions and use taxes collected for the Authority. Information obtained by the Authority from examination of the Board's records shall be used by the Authority only for purposes related to the collection of transactions and use taxes by the Board pursuant to this Agreement.

H. Annexation. The Authority agrees that the Board shall not be required to give effect to an annexation, for the purpose of collecting, allocating, and distributing Authority transactions and use taxes, earlier than the first day of the calendar quarter which commences not less than two months after notice to the Board. The notice shall include the name of the county or counties annexed to the extended Authority boundary. If the Authority shall annex an area, the boundaries of which are not coterminous with a county or counties, the notice shall include a description of the area annexed and two maps of the Authority showing the area annexed and the location address of the property nearest to the extended Authority boundary on each side of every street or road crossing the boundary.

ARTICLE III

ALLOCATION OF TAX

A. Allocation. In the administration of the Board's contracts with all districts that impose transactions and use taxes imposed under ordinances, which comply with Part 1.6 of Division 2 of the Revenue and Taxation Code:

1. Any payment not identified as being in payment of liability owing to a designated district or districts may be apportioned among the districts as their interests appear, or, in the discretion of the Board, to all districts with which the Board has contracted using ratios reflected by the distribution of district taxes collected from all taxpayers.

2. All Authority taxes collected as a result of determinations or billings made by the Board, and all amounts refunded or credited may be distributed or charged to the respective districts in the same ratio as the taxpayer's self-declared district taxes for the period for which the determination, billing, refund, or credit applies.

B. Vehicles, Vessels, and Aircraft. For the purpose of allocating use tax with respect to vehicles, vessels, or aircraft, the address of the registered owner appearing on the application for registration or on the certificate of ownership may be used by the Board in determining the place of use.

ARTICLE IV

COMPENSATION

The Authority agrees to pay to the Board as the Board's cost of administering the Authority Ordinance such amount as is provided for by law (including, without limitation, Revenue and Taxation Code Sections 7272 and 7273 and Government Code Section 11256). Such amounts shall be deducted from the taxes collected by the Board for the Authority.

ARTICLE V

MISCELLANEOUS PROVISIONS

A. Communications. Communications and notices may be sent by first class United States mail to the addresses listed below or to such other addresses as the parties may from time to time designate. A notification is complete when deposited in the mail.

Communications and notices to be sent to the Board shall be addresses to:

State Board of Equalization
P.O. Box 942879
Sacramento, California 94279-0073
Attention: Executive Director

Communications and notices to be sent to the Authority shall be addressed to:

Imperial County Local Transportation Authority
1405 N. Imperial Ave., Suite 1
El Centro, California 92243
Attention: Executive Director

Communications and notices to be sent to the Trustee shall be addressed to:

The Bank of New York Mellon Trust Company, N.A.
700 South Flower Street, Suite 500
Los Angeles, California 900071
Attention: Teresa Fructuoso

B. Term. This Agreement shall take effect on August 31, 2011. This Agreement shall continue until December 31 next following the expiration date of the Authority Ordinance, and shall thereafter be renewed automatically from year to year until the Board completes all work necessary to the administration of the Authority Ordinance and has received and disbursed all payment due under that ordinance.

C. Notice of Repeal of Ordinance. The Authority shall give the Board written notice of the repeal of the Authority Ordinance not less than 110 days prior to the operative date of the repeal.

D. Third Party Beneficiary. The parties hereto agree that the Trustee, in its capacity as trustee for the holders of the Bonds, is recognized as a third-party beneficiary of the provisions set forth in Article II, Section C(1) and (4).

ARTICLE VI

ADMINISTRATION OF THE TAXES IF THE

DISTRICT ORDINANCE IS CHALLENGED AS BEING INVALID

A. Impoundment of Funds.

1. If and when a legal action is begun challenging the validity of the imposition of the tax, the Authority shall deposit in an interest-bearing escrow account all proceeds transmitted to it under Article II. C., until a court of competent jurisdiction renders a final and non-appealable judgment that the tax is valid.

2. If the tax is determined to be unconstitutional or otherwise invalid, the Authority shall transmit to the Board the moneys retained in escrow, including any accumulated interest, within ten days of the judgment of the trial court in the litigation awarding costs and fees becoming final and non-appealable.

B. Costs of Administration. Should a final judgment be entered in any court of the State of California, holding that the Authority Ordinance is invalid or void and requiring a rebate or refund to taxpayers of any taxes collected under the terms of this Agreement, the parties mutually agree that:

1. The Board may retain all payments made by the Authority to the Board to prepare to administer the Authority Ordinance.

2. The Authority will pay to the Board and allow the Board to retain Board's costs of administering the Authority Ordinance in the amounts set forth in Article IV of this Agreement.

3. The Authority will pay to the Board or to the State of California the amount of any taxes plus interest and penalties, if any, that the Board or the State of California may be required to rebate or refund to taxpayers.

4. The Authority will pay to the Board its costs for rebating or refunding such taxes, interest, or penalties. The Board's costs shall include its additional cost for developing procedures for processing the rebates or refunds, its costs of actually making these refunds, designing and printing forms, and developing instructions for the Board's staff for use in making these rebates or refunds and any other costs incurred by the Board which are reasonably appropriate or necessary to make those rebates or refunds. These costs shall include the Board's direct and indirect costs as specified by Section 11256 of the Government Code.

5. Costs may be accounted for in any manner, which conforms to the internal accounting and personnel records maintained by the Board. The billings for such costs may be presented in summary form. Detailed records will be retained for audit and verification by the Authority.

6. Any dispute as to the amount of costs incurred by the Board in refunding taxes shall be referred to the Director of Finance of the State of California for resolution and the Director's decision shall be final.

7. Costs incurred by the Board in connection with such refunds shall be billed by the Board on or before the 25th day of the second month following the month in which the judgment of a court of the State of California holding Authority's Ordinance invalid or void becomes final. Thereafter, the Board shall bill the Authority on or before the 25th of each month for all costs incurred by the Board for the preceding calendar month. The Authority shall pay to the Board the amount of such costs on or before the last day of the succeeding month and shall

pay to the Board the total amount of taxes, interest, and penalties refunded or paid to taxpayers, together with the Board costs incurred in making those refunds.

[SIGNATURE PAGE TO AMENDED AND RESTATED AGREEMENT FOR STATE
ADMINISTRATION OF RETAIL TRANSACTIONS AND USE TAX]

IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY

By: _____
Executive Director

STATE BOARD OF EQUALIZATION

By: _____
Executive Director

ACKNOWLEDGEMENT BY THE TRUSTEE

The Trustee hereby acknowledges the provisions of this Amended and Restated Agreement for State Administration of Retail Transactions and Use Tax as they relate to it as Trustee hereunder.

Dated: _____, 2012

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee

By: _____
Authorized Officer

RESOLUTION NO. ____

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$58,500,000 AGGREGATE PRINCIPAL AMOUNT OF IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY SALES TAX REVENUE BONDS IN ONE OR MORE SERIES, APPROVAL OF AN INDENTURE AND SUPPLEMENTAL INDENTURES, A PURCHASE CONTRACT, A CONTINUING DISCLOSURE AGREEMENT, PLEDGE AGREEMENTS, AN AMENDED AND RESTATED AGREEMENT FOR THE STATE ADMINISTRATION OF RETAIL TRANSACTIONS AND USE TAX AND A PRELIMINARY OFFICIAL STATEMENT, AND AUTHORIZING OFFICIAL ACTIONS AND EXECUTION OF DOCUMENTS RELATED THERETO

WHEREAS, the Imperial County Local Transportation Authority (“Authority”) is a local transportation authority duly organized and existing pursuant to the Local Transportation Authority and Improvement Act (constituting Division 19 of the Public Utilities Code of the State of California) (the “Act”);

WHEREAS, pursuant to the provisions of the Act, the Authority adopted Ordinance No. 1-89, known as the Imperial County Retail Transactions and Use Tax Ordinance (hereinafter referred to as the “Measure D Ordinance”) on July 26, 1989;

WHEREAS, the Measure D Ordinance provided for the imposition of a retail transactions and use tax (the “Measure D Sales Tax”) at the rate of one-half of one percent (1/2%) for a period not to exceed 20 years from the date of commencement of collection of the Measure D Sales Tax, such Measure D Sales Tax to be applicable in the incorporated and unincorporated territory of the County of Imperial (the “County”);

WHEREAS, the Measure D Sales Tax was approved by more than two-thirds of the voters of the County voting on the Measure D Sales Tax at the general election held in the County on November 7, 1989, and such Measure D Sales Tax became effective on April 1, 1990 and expired on March 31, 2010;

WHEREAS, pursuant to the provisions of the Act, the Authority adopted Ordinance No. 1-2008 on July 28, 2008 (hereinafter referred to as the “Ordinance”), which provided for the extension of the Measure D Sales Tax for a period not to exceed forty (40) years, commencing on April 1, 2010;

WHEREAS, in conjunction with the adoption of the Ordinance, the Authority adopted an expenditure plan providing for the expenditure of the proceeds of the Measure D Sales Tax (such expenditure plan, as supplemented and amended from time to time pursuant to its terms, being hereinafter referred to as the “Expenditure Plan”);

WHEREAS, the extension of the Measure D Sales Tax was approved by more than two-thirds of the voters of the County voting on the Measure D Sales Tax at the general election held in the County on November 4, 2008;

WHEREAS, pursuant to the Ordinance, extension of the period of collection of the Measure D Sales Tax commenced on April 1, 2010 and will expire on March 31, 2050;

WHEREAS, pursuant to the provisions of the Act and the Ordinance, the Authority is authorized to issue limited tax bonds secured by and payable from the proceeds of a portion of the Measure D Sales Tax allocable to each Participating Local Agency (defined below), net of administrative fees deducted by the State of California Board of Equalization (the “SBOE”) for the collection of the Measure D Sales Tax (generally, the “Allocable Sales Tax Revenues”);

WHEREAS, the Authority hereby determines to issue and deliver at the request of, and for the benefit of, each of the County, the City of Brawley (“Brawley”), the City of Calipatria (“Calipatria”), the City of Calexico, (“Calexico”) and the City of Imperial (“Imperial”) (each, a “Participating Agency”), one or more series of bonds entitled “Imperial County Local Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds)” (collectively, the “Bonds”) with such series designations and other additions and modifications as may be appropriate, to finance (i) the cost of projects authorized in the Expenditure Plan, (ii) a bond reserve fund for each series of Bonds and (iii) the costs of issuance incurred in connection with the Bonds;

WHEREAS, the Authority has determined to issue a separate series of Bonds for each Participating Agency, with each such Series of Bonds payable solely from the Allocable Sales Tax Revenues of such Participating Agency;

WHEREAS, the Authority has determined to issue, on behalf of Brawley, a series of Bonds in the aggregate principal amount not to exceed Nine Million Five Hundred Thousand Dollars (\$9,500,000);

WHEREAS, the Authority has determined to issue, on behalf of Calexico, a series of Bonds in the aggregate principal amount not to exceed Sixteen Million Five Hundred Thousand Dollars (\$16,500,000);

WHEREAS, the Authority has determined to issue, on behalf of Calipatria, a series of Bonds in the aggregate principal amount not to exceed Three Million Dollars (\$3,000,000);

WHEREAS, the Authority has determined to issue, on behalf of Imperial, a series of Bonds in the aggregate principal amount not to exceed Seven Million Dollars (\$7,000,000);

WHEREAS, the Authority has determined to issue, on behalf of the County, a series of Bonds in the aggregate principal amount not to exceed Twenty-Two Million Five Hundred Thousand Dollars (\$20,000,000);

WHEREAS, in furtherance of the issuance of the Bonds, the Authority proposes to enter into separate Pledge Agreements for each series of Bonds with each Participating Local Agency (each, a “Pledge Agreement”), which commits such Participating Local Agency’s Allocable Sales Tax Revenues to the repayment of a series of Bonds;

WHEREAS, the Authority hereby further determines that the Bonds shall be issued pursuant to an Indenture (the “Indenture”), between the Authority and The Bank of New York

Mellon Trust Company, N.A. (the “Trustee”), and such Supplemental Indentures as necessary to issue the Bonds of each series, each supplementing the Indenture (each, a “Supplemental Indenture”), each by and between the Authority and the Trustee;

WHEREAS, to set forth the terms of sale of the Bonds, the Authority proposes to enter into one or more Bond Purchase Contracts (the “Purchase Contract”) with Cabrera Capital Markets, LLC, as underwriter for the Bonds (the “Underwriter”);

WHEREAS, the Indenture provides that the Trustee will receive collections of the Allocable Sales Tax Revenues directly from the SBOE, and the Authority intends to accomplish this pursuant to an Amended and Restated Agreement for State Administration of Retail Transactions and Use Tax (the “Sales Tax Administration Agreement”) between the Authority and the SBOE;

WHEREAS, to provide information about the Bonds, the Authority will prepare a Preliminary Official Statement (the “Preliminary Official Statement”) and a final Official Statement (the “Official Statement”);

WHEREAS, in connection with the sale of the Bonds, Securities and Exchange Commission Rule 15c2-12 (the “Rule”) requires the Underwriter to confirm that the Authority will undertake certain continuing disclosure obligations as set forth in the Continuing Disclosure Agreement relating to the Bonds (the “Continuing Disclosure Agreement”); and

WHEREAS, the Authority desires to authorize the execution and delivery of certain documents and the performance of such acts as may be necessary to effect the issuance and sale of the Bonds;

NOW THEREFORE, THE BOARD OF DIRECTORS OF THE IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY RESOLVES:

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

Section 2. The issuance by the Authority of not to exceed \$58,500,000 aggregate principal amount of the Bonds, in accordance with the provisions set forth in the Indenture and each Supplemental Indenture, in one or more series, is hereby authorized and approved.

Section 3. The proposed form of Indenture, in substantially the form on file with the Clerk of the Board of Directors of the Imperial County Local Transportation Authority (the “Board”) and made a part hereof as though set forth in full, is hereby approved. Each of the Chairperson of the Board, the Executive Director or the designee of any of them (each, an “Authorized Officer”) is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Indenture, in substantially such form, with such changes therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The proposed forms of Supplemental Indentures, in substantially the forms on file with the Clerk of the Board and made a part hereof as though set forth in full, are hereby

approved. The structure, dated date, maturity date or dates (not to exceed June 1, 2032), tax-exempt fixed interest rate or rates (true interest cost not to exceed 5.50%) or methods of determining the same, interest payment dates, forms, registration privileges, place or places of payment, terms of redemption, provisions for reserve funds, if any, additional series designation and number thereof and other terms of the Bonds shall be (subject to the foregoing limitations) as provided in the Indenture and each Supplemental Indenture as finally executed and delivered.

Each Authorized Officer is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver each Supplemental Indenture, in substantially such forms, with such changes therein, as the Authorized 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 Purchase Contract, in substantially the form on file with the Clerk of the Board and made a part hereof as though set forth in full, is hereby approved. Each Authorized Officer is hereby authorized and directed, for and in the name and on behalf of the Authority, to sell the Bonds to the Underwriter pursuant to the Purchase Contract with the Underwriter's discount or compensation not to exceed 1.00% of the principal amount of the Bonds sold thereunder and to execute and deliver the Purchase Contract, in substantially such form, with such changes therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. The proposed form of Preliminary Official Statement, in substantially the form on file with the Clerk of the Board and made a part hereof as though set forth in full, is hereby approved. Each Authorized Officer is hereby authorized and directed to execute and deliver to the Underwriter a certificate deeming the Preliminary Official Statement, in substantially the form on file with the Clerk and presented to this meeting and with such changes as any Authorized Officer approves in the interest of the Authority, final within the meaning of the Rule. The Underwriter is hereby authorized to distribute the Preliminary Official Statement in the form so deemed final and the Official Statement referenced below. Each Authorized Officer is hereby authorized and directed, for and in the name and on behalf of the Authority, to cause the preparation of the Official Statement, in final form, and to execute and deliver the Official Statement, in substantially the form of the Preliminary Official Statement, with such changes therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. The proposed form of Continuing Disclosure Agreement, in substantially the form on file with the Clerk of the Board and made a part hereof as though set forth in full, is hereby approved. Each Authorized Officer is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Continuing Disclosure Agreement in substantially such form, with such changes therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 8. The proposed forms of Pledge Agreements, in substantially the forms on file with the Clerk of the Board and made a part hereof as though set forth in full, are hereby approved. Each Authorized Officer is hereby authorized and directed, for and in the name and

on behalf of the Authority, to execute and deliver each Pledge Agreement in substantially such form, with such changes therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 9. The proposed form of Sales Tax Administration Agreement, in substantially the form on file with the Clerk of the Board and made a part hereof as though set forth in full, is hereby approved. Each Authorized Officer is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Sales Tax Administration Agreement in substantially such form, with such changes therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 10. The Expenditure Plan is hereby amended, pursuant to Section 10 thereof, to delete Section 5A of the Expenditure Plan, which requires the Authority to provide the Participating Agencies, the City of El Centro, the City of Holtville and the City of Westmorland with an annual estimate of their respective shares of Measure D Sales Tax for the next succeeding five years, and, as of the date hereof, the Authority shall not be required to provide such estimates.

Section 11. Each Authorized Officer is hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions, including procurement of a municipal bond insurance policy, if any, and execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, deem necessary or advisable to consummate the lawful issuance and sale of the Bonds and the consummation of the transactions as described herein.

Section 12. 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 issuance of the Bonds, including, without limitation, any of the foregoing that may be necessary or desirable in connection with any investment of proceeds of the Bonds, or any agreements with paying agents or the Trustee or any similar action may be given or taken by any Authorized Officer without further authorization or direction by the Authority, and each Authorized Officer 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 Officer may deem necessary or desirable to further the purposes of this Resolution.

Section 13. All actions heretofore taken by the officers, employees and agents of the Authority with respect to the issuance and sale of the Bonds are hereby ratified, confirmed and approved. The officers, employees and agents of the Authority are hereby authorized and directed, jointly and severally, for and in the name and on behalf of the Authority, to do any and all things and to take any and all actions and to execute and deliver any and all agreements, certificates and documents, including, without limitation, any tax certificates or agreements, any agreements for depository services, and any agreements for rebate compliance services, which they, or any of them, may deem necessary or advisable in connection with the issuance and sale

of the Bonds and otherwise to carry out, give effect to and comply with the terms and intent of the Act, the Ordinance, this Resolution, the Bonds and the documents approved hereby.

Section 14. The Authority hereby confirms, ratifies and approves the appointment of Fulbright & Jaworski L.L.P. as bond counsel and disclosure counsel to the Authority in connection with the issuance and sale of the Bonds in accordance with an engagement letter on file with the Executive Director of the Authority.

Section 15. The effective date of this Resolution shall be the date of its adoption.

Chairperson of the Board of the Imperial
County Local Transportation Authority

ATTEST:

Clerk of the Board of the Imperial
County Local Transportation Authority

**[\$Principal Amount]
IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY
SALES TAX REVENUE BONDS (LIMITED TAX BONDS)
SERIES 2012**

PURCHASE CONTRACT

[Pricing Date]

Imperial County Local Transportation Authority
1405 North Imperial Avenue, Suite 1
El Centro, CA 92243

Ladies and Gentlemen:

Cabrera Capital Markets, LLC (the “Underwriter”) offers to enter into this Purchase Contract (the “Purchase Contract”) with you, the Imperial County Local Transportation Authority (the “Authority”), for the purchase by the Underwriter of \$[Principal Amount] aggregate principal amount of the Imperial County Local Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds) Series 2012 (the “Bonds”).

This offer is made subject to written acceptance by the Authority at or prior to 11:59 p.m., California time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the Authority at any time prior to the acceptance hereof by the Authority. Upon such acceptance this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon the Authority and the Underwriter.

Section 1. Purchase and Sale. Upon the terms and conditions and in reliance on the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase, and the Authority hereby agrees to issue and direct The Bank of New York Mellon Trust Company (the “Trustee”) to authenticate and deliver to the Underwriter, all (but not less than all) of the \$[Principal Amount] aggregate principal amount of the Bonds at the aggregate purchase price of \$_____ (representing the aggregate principal amount of the Bonds, plus/minus a reoffering premium/discount of \$_____ and less an Underwriter’s discount of \$_____) (the “Purchase Price”). The purchase price for each series of Bonds is set forth in Exhibit A hereto.

The Bonds shall be as described in the Official Statement and the Indenture (each as herein defined) and shall be issued and secured under and pursuant to an Indenture, dated as of [As Of Date] (the “Master Indenture”), and certain Supplemental Indentures, each dated as of [As Of Date] (the “Supplemental Indentures” and, together with the Master Indenture, the “Indenture”), each by and between the Authority and the Trustee. The principal amounts, maturities and interest rates with respect to the Bonds are as set forth in Exhibit B hereto. The proceeds of the Bonds will be used to (i) finance a the costs associated with certain transportation projects of the City of Brawley, the City of Calipatria, the City of Calexico and the City of

Imperial and the County of Imperial (collectively, the “Local Agencies”), (ii) fund a bond reserve fund for the Bonds, and (iii) pay costs of issuance of the Bonds.

Each of the Local Agencies will enter into a Pledge Agreement, dated as of [As Of Date] (each a “Pledge Agreement”), by and between such Local Agency and the Authority, pursuant to which the Local Agency will pledge and assign its Allocable Sales Tax Revenues (as defined in the Indenture) to the Trustee for payment of debt service on the Bonds to be issued on behalf of the Local Agency. The execution and delivery of the Pledge Agreement and the issuance of the Bonds, together with certain actions related thereto, have been authorized by a resolution of each of the Local Agencies (each a “Local Agency Resolution”).

To facilitate payment of the Local Agencies’ Allocable Sales Tax Revenues by the California State Board of Equalization (the “Board of Equalization”) to the Trustee, the Authority will enter into an Amended and Restated Agreement for State Administration of Retail Transactions and Use Tax (the “Sales Tax Administration Agreement”) with the Board of Equalization. The execution and delivery of the Indenture, the Pledge Agreement, the Sales Tax Administration Agreement, the Continuing Disclosure Agreement, dated as of [As Of Date] (the “Continuing Disclosure Agreement” and, together with this Purchase Contract, the Indenture, the Pledge Agreement and the Sales Tax Administration Agreement, the “Authority Legal Documents”), by and between the Authority and the Trustee, as dissemination thereunder, and this Purchase Contract, the issuance of the Bonds and certain matters relating thereto have been authorized by a resolution of the Authority dated [Authority Resolution Date] (the “Authority Resolution”). The Pledge Agreements and the Letters of Representations of the Local Agencies set forth in Exhibit C hereto and made a part of this Purchase Contract by this reference (the “Letter of Representations”) are referred to collectively herein as the “Local Agencies Legal Documents”. The Authority Legal Documents and the Local Agencies Legal Documents are referred to collectively herein as the “Legal Documents”. Capitalized terms not otherwise defined herein shall have the meanings as defined in the Indenture.

[Municipal bond insurance policy provisions to be incorporated if municipal bond insurance policy is obtained.]

Section 2. Delivery of the Official Statement and Other Documents.

(a) The Authority agrees to cause to be delivered to the Underwriter as many copies of the Official Statement relating to the Bonds, signed on behalf of the Authority by a duly authorized officer of the Authority, as the Underwriter shall reasonably request in order to comply with Rule 15c2-12(b)(4) promulgated by the U. S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the “Rule”), and the rules of the Municipal Securities Rulemaking Board (the “MSRB”). The Authority agrees to deliver such Official Statements within seven (7) business days after the execution of this Purchase Contract, and no later than three (3) business days prior to the date of Closing, provided, however, that failure by the Authority to so deliver such Official Statements due to any action or failure to act of the Underwriter or its counsel shall not constitute a breach hereunder. The Authority hereby ratifies and consent to the use by the Underwriter, prior to the date hereof, of the Preliminary Official Statement (herein defined).

(b) The Authority hereby authorizes the approval of the Official Statement by execution thereof by a duly authorized officer of the Authority. By execution of this Purchase Contract, the Authority confirms that the Preliminary Official Statement dated [POS Date] with respect to the Bonds (together with the appendices thereto, any documents incorporated therein by reference and any supplements or amendments thereto, the "Preliminary Official Statement") was deemed final for purposes of the Rule. The Authority represent that the information (excluding the statements and information under the caption "Book-Entry System," and in Appendix E – "Book-Entry System" and any information relating to the Underwriter provided by the Underwriter in writing for inclusion in the Preliminary Official Statement) contained in the Preliminary Official Statement was as of its date, and is as of the date hereof, true and correct in all material respects and such information did not and does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Preliminary Official Statement, with such changes and amendments as are mutually agreed to by the Authority and the Underwriter, including the cover page, inside cover page, the appendices and all information incorporated therein by reference, is herein referred to as the "Official Statement".

(c) The Underwriter shall give notice to the Authority on the date after which no participating underwriter, as such term is defined in the Rule, remains obligated to deliver Official Statements pursuant to paragraph (b)(4) of the Rule.

(d) Prior to the earlier of (i) receipt of notice from the Underwriter pursuant to Section 2(c) hereof that Official Statements are no longer required under the Rule or (ii) 25 days after the Closing (as hereinafter defined), but not thereafter, the Authority shall provide the Underwriter with such information regarding the Authority, its current financial condition and the ongoing operations, including the Allocable Sales Tax Revenues and the projects to be financed with proceeds of the Bonds, as the Underwriter may reasonably request.

Section 3. The Closing. At 8:00 a.m., California Time, on [Closing Date], or at such other time or on such earlier or later date as the Authority and the Underwriter mutually agree upon, the Authority and the Trustee will deliver or cause to be delivered to the Underwriter the Bonds in book-entry form through or otherwise in care of the facilities of The Depository Trust Company, New York, New York ("DTC"), duly executed and authenticated, and the other documents hereinafter mentioned shall be delivered at the offices of Fulbright & Jaworski L.L.P. in Los Angeles, California, or at such other location as shall have been mutually agreed upon by the Authority and the Underwriter. Subject to the terms and conditions hereof, the Underwriter will accept delivery of the Bonds and pay the Purchase Price thereof by federal funds to the order of the Trustee as set forth in Section 1 hereof (such delivery of and payment for the Bonds is herein called the "Closing").

Section 4. Public Offering. The Underwriter agrees to make a bona fide public offering of all of the Bonds at their principal amount. The Underwriter reserves the right to change such initial public offering prices or yields as the Underwriter deems necessary following the initial public offering period in connection with the marketing of the Bonds. The Authority, on behalf of itself and the Local Agencies, hereby authorizes the Underwriter to use the forms or copies of the Legal Documents and the Official Statement and the information contained therein in

connection with the public offering and sale of the Bonds. The Authority hereby ratifies and confirm their authorization of the distribution and use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering and sale of the Bonds.

Section 5. Authority Representations, Warranties and Agreements. The Authority represents and warrants to the Underwriter as follows:

(a) Due Organization and Existence; Legal, Valid and Binding Obligations. The Authority is a joint powers authority, duly organized and validly existing under that certain joint exercise of powers agreement (the “Joint Powers Agreement”) and the Constitution and the laws of the State of California and has all necessary power and authority to adopt the Authority Resolution and enter into and perform its duties under the Authority Legal Documents, the Authority Resolution has been adopted and has not been rescinded, and the Authority Legal Documents, when executed and delivered by the respective parties thereto, will constitute legal, valid and binding obligations of the Authority in accordance with their respective terms except as enforcement against the Authority may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors’ rights generally and by the application of equitable principles if equitable remedies are sought.

(b) No Conflict. The adoption of the Authority Resolution and the execution and delivery of the Authority Legal Documents and compliance with the provisions thereof, will not in any material respect conflict with, or constitute a breach of or default under, the Authority’s duties under the Authority Legal Documents, the Authority Resolution or any law, administrative regulation, court decree, resolution, charter, by-laws or other agreement to which the Authority is subject or by which it or any of its property is bound.

(c) No Consents Required. Except as may be required under blue sky or other securities laws of any state, or except with respect to any permits or approvals heretofore received which are in full force and effect or the requirement for which is otherwise disclosed in the Official Statement, there is no consent, approval, authorization or other order of, or filing with, or certification by, any governmental authority, board, agency or commission or other regulatory authority having jurisdiction over the Authority, required for the adoption of the Authority Resolution and the sale and issuance of the Bonds or the consummation by the Authority of the other transactions contemplated by the Official Statement, the Authority Resolution or the Authority Legal Documents.

(d) No Litigation. There is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or to the knowledge of the Authority, threatened against the Authority to restrain or enjoin the delivery of the Bonds or in any way contesting or affecting the validity of the Authority Legal Documents, the Authority Resolution or the Bonds or contesting the powers of the Authority to enter into or perform its obligations under any of the foregoing.

(e) Official Statement Correct and Complete. The information contained in the Preliminary Official Statement is, and in the Official Statement will be as of its date and as of the Closing Date, true and correct in all material respects and such information does not contain any

untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) Blue Sky Cooperation. The Authority agrees to cooperate with the Underwriter in endeavoring to qualify the Bonds for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Underwriter may request; *provided, however*, that the Authority shall not be required to execute a special or general consent to service of process in any jurisdiction in which it is not now so subject or to qualify to do business in any jurisdiction where it is not now so qualified.

(g) Due Approval of the Official Statement Distribution. By official action of the Authority prior to or concurrently with the execution hereof, the Authority has duly approved the distribution of the Preliminary Official Statement and the Official Statement, has duly adopted the Authority Resolution and has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in the Authority Legal Documents and the consummation by it of all other transactions contemplated by the Official Statement, the Authority Resolution and the Authority Legal Documents.

(h) No Breach or Default. The Authority is not in breach of or in default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject which breach or default would have a material and adverse impact on the Authority's ability to perform its obligations under the Authority Legal Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument.

(i) Agreement to Notify Underwriters Regarding Official Statement. The Authority will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect any such amendment or supplement without the consent of the Underwriter. The Authority will advise the Underwriter promptly of the institution of any proceedings known to it seeking to prohibit or otherwise affect the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(j) Agreement to Amend Official Statement. If at any time from the date hereof to and including 25 days after the end of the underwriting period described below when, in the opinion of the Underwriter, an amendment or supplement to the Official Statement should be delivered in connection with the offer or sale of the Bonds, any event occurs, of which the Authority has knowledge, as a result of which the Official Statement as then amended or supplemented would include an untrue statement of a material fact, or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority will prepare an amendment or supplement to the Official Statement; *provided*, that all expenses thereby incurred (including printing expenses) will be paid for by the Authority.

(k) Amendments to Official Statement Correct and Complete. If the information contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subparagraph, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date twenty-five days after the end of the underwriting period, the portions of the Official Statement so supplemented or amended will be true and correct in all material respects and such information will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the information therein, in the light of the circumstances under which it was made, not misleading.

(l) No Default. The Authority represents that it is not, and has not been at any time, in default as to principal or interest with respect to any indebtedness for borrowed money issued or guaranteed by it.

(m) Agreement to Preserve Tax Exemption. The Authority covenants that it will not take any action which would cause interest with respect to the Bonds to be included in the gross income of Owners for federal income tax purposes or to be subject to federal income taxation or California personal income taxes (other than to the extent the Bonds will be subject to federal income taxation as described under the caption "Tax Matters" in the Official Statement).

(n) Authority Financial Statements. The financial statements of, and other financial information regarding, the Authority in the Official Statement fairly present the financial condition and results of the operations of the Authority as of the dates and for the periods therein set forth and the audited financial statements have been prepared in accordance with generally accepted accounting principles as consistently applied.

(o) Continuing Disclosure Compliance. Except as disclosed in the Preliminary Official Statement and the Official Statement, the Authority has not failed to comply in the last five years, in any material respect, with any of its continuing disclosure undertakings pursuant to the Rule.

Section 6. Underwriter's Representations, Warranties and Agreements. The Underwriter represent, warrant to and agree with the Authority that, as of the date of hereof and as of the Closing Date:

(a) The execution and delivery hereof and the consummation of the transactions contemplated hereby do not and will not violate any of the prohibitions set forth in Rule G-37 promulgated by the MSRB;

(b) All reports required to be submitted to the MSRB pursuant to Rule G-37 have been and will be submitted to the MSRB;

(c) The Underwriter has not paid or agreed to pay, nor will they pay or agree to pay, any entity, company, firm, or person, other than a bona fide officer, agent or employee working for the Underwriter, any compensation, fee, gift or other consideration contingent upon or resulting from the award of or entering into this Purchase Contract; and

(d) Representatives of the Authority have responded fully to the Underwriter's requests for information and there are no pending or unanswered requests for information from the Authority.

Section 7. Conditions to the Obligations of the Underwriter. The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties and agreements of the Authority contained herein and the Local Agencies contained in their respective Letters of Representations, the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing, the performance by the Authority and the Local Agencies of their respective obligations hereunder and under the Letters of Representations, and the opinions of Fulbright & Jaworski L.L.P., Los Angeles, California ("Bond Counsel"), counsel to the Trustee, counsels to the Local Agencies, counsel to the Authority and counsel to the Underwriter described hereafter. Accordingly, the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon and subject to (i) the performance by the Local Agencies, the Authority and the Trustee of their respective obligations to be performed hereunder and under such documents and instruments as shall reasonably be requested by the Underwriter or counsel to the Underwriter at or prior to the Closing and (ii) the accuracy in all material respects, in the reasonable judgment of the Underwriter, of the representations and warranties of the Authority herein and the Local Agencies in their respective Letters of Representations, and shall also be subject to the following additional conditions:

(a) **Bring-down of Representations.** The representations, warranties and agreements of the Authority contained herein and the Local Agencies contained in their respective Letters of Representations shall be true, complete and correct on the date hereof and on and as of the date of the Closing.

(b) **Authorization, Execution and Delivery of Documents.** At the Closing, the Legal Documents, the Bonds and the Official Statement shall have been duly authorized, executed and delivered by the respective parties thereto, in substantially the forms heretofore submitted to the Underwriter, with only such changes as shall have been agreed to in writing by the Underwriter, and said agreements shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, and each shall be in full force and effect.

(c) **No Amendment of Official Statement.** At the Closing, the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter.

(d) **No Material Adverse Change.** At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or in the operations of the Authority, from that set forth in the Official Statement, that makes it, in the reasonable judgment of the Underwriter, impracticable to market the Bonds on the terms and in the manner contemplated by the Official Statement.

(e) **Marketability Adversely Affected.** In the judgment of the Underwriter, between the date hereof and the Closing, the marketability of the Bonds at the initial offering prices set

forth on Exhibit B attached hereto shall not have been materially adversely affected by reason of any of the following:

(1) Legislation, Judicial Decisions or Rulings. An amendment to the Constitution of the United States or the Constitution of the State of California shall have been passed or legislation enacted, introduced in the Congress or in the legislature of the State of California or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made:

(i) Regarding Federal Tax Exemption – by or on behalf of the Treasury Department of the United States or the Internal Revenue Service, with the purpose or effect, directly or indirectly, of imposing federal income taxation upon payments of the general character of the Allocable Sales Tax Revenues as would be received by the Trustee or upon such interest as would be received by the Owners of the Bonds; or

(ii) Regarding State Tax Exemption – by or on behalf of the State of California or the California Franchise Tax Board, with the purpose or effect, directly or indirectly, of imposing California personal income taxation upon payments of the general character of the Allocable Sales Tax Revenues as would be received by the Trustee or upon such interest as would be received by the Owners of the Bonds; or

(iii) Regarding Federal or State Tax Rates – by or on behalf of the Treasury Department of the United States or the Internal Revenue Service or by or on behalf of the State of California or the California Franchise Tax Board, with the purpose or effect, directly or indirectly, of changing the federal or State of California income tax rates, respectively; or

(iv) Regarding Securities Registration Exemption – by or on behalf of the U.S. Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended (the “Act”), or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended;

(2) War. The United States’ engagement, alone or as a participant, in an outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis the effect of which in the Underwriter’s reasonable judgment makes it impracticable or impossible to proceed with the solicitation of offers to purchase the Bonds on the terms and in the manner contemplated by the Official Statement;

(3) Banking Moratorium. The declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(4) Securities Exchange Restrictions. Trading generally shall have been suspended or materially limited on or by the New York Stock Exchange or other national securities exchange, or the imposition by the New York Stock Exchange or other national

securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds or obligations of the general character of the Bonds, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, underwriters;

(5) Regarding Federal Securities Laws. An order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, issued or made to the effect that the execution, delivery, offering or sale of obligations of the general character of the Bonds, or the execution, delivery, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of any federal securities law as amended and then in effect;

(6) Official Statement Untrue or Incomplete. Any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material respect any material statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(7) Certain Amendments to the Official Statement. An event described in Section 5(j) hereof occurs prior to the Closing which, in the reasonable judgment of the Underwriter, requires or has required a supplement or amendment to the Official Statement; or

(8) Action by Rating Agencies. Any downgrading, suspension or withdrawal, or any official statement as to a possible downgrading, suspension or withdrawal, of any rating by Moody's Investors Service ("Moody's"), Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), or Fitch Ratings ("Fitch") of any obligations of the Authority (excluding obligations for which the Authority acts merely as a conduit issuer), including the Bonds.

(f) At or prior to the Closing, the Underwriter shall have received the following documents, in each case satisfactory in form and substance to them and their counsel:

(1) Opinion of Bond Counsel. The approving opinion of Bond Counsel in substantially the form included as Appendix F to the Official Statement, dated the date of Closing, addressed to the Authority and the Underwriter (or a reliance letter to the Underwriter);

(2) Supplementary Opinion of Bond Counsel. A supplementary opinion of Bond Counsel, dated the date of Closing, addressed to the Authority and the Underwriter, substantially in the form attached as Exhibit D hereto;

(3) Opinion of Disclosure Counsel. An opinion of Fulbright & Jaworski L.L.P., as Disclosure Counsel to the Authority, addressed to the Authority and the Underwriter, dated the date of Closing, to the effect that no information came to the attention of the attorneys in such firm rendering legal services in connection with such issuance which caused such attorneys to believe that the Official Statement as of its date and as of the Closing Date (excluding therefrom financial, engineering and statistical data; forecasts, projections, estimates,

assumptions and expression of opinions; statements relating to DTC and its book-entry system; and the statements contained in Appendix A – Audited Financial Statements of the Imperial County Local Transportation Authority for the Fiscal Year Ended [June 30, 2010/2011] and the Imperial County Local Transportation Authority Measure D Fund for the Fiscal Year Ended [June 30, 2010/2011]” and Appendix E – “Book-Entry System,” as to all of which we express no view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(4) Opinions of Counsels to Local Agencies. Opinions of the respective Counsels to each Local Agency, dated the date of Closing, in form and substance satisfactory to the Underwriter, addressed to the Authority, the Trustee and the Underwriter, to the effect that:

(i) Due Organization and Existence – the Local Agency is a political subdivision of the State of California duly organized and validly existing under the Constitution and the laws of the State of California;

(ii) Due Adoption – the Local Agency Resolution approving and authorizing the execution and delivery of the Local Agency Legal Documents and issuance of the Bonds on behalf of the Local Agency was duly adopted at a meeting of the governing board of the Local Agency, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout;

(iii) No Litigation – there is no action, suit or proceeding pending or, to the best knowledge of such Counsel, threatened against the Local Agency to (i) restrain or enjoin the execution or delivery of the Bonds on behalf of the Local Agency or the Local Agency Legal Documents, (ii) in any way contesting or affecting the validity of the Bonds to be issued on behalf of the Local Agency, the Local Agency Legal Documents, the Local Agency Resolution or the authority the Local Agency to enter into the Local Agency Legal Documents, or (iii) in any way contesting or affecting the powers of the Local Agency in connection with any action contemplated by the Local Agency Resolution or the Local Agency Legal Documents;

(iv) No Conflict – the execution and delivery of the Local Agency Legal Documents and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Local Agency a breach of or default under any agreement or other instrument to which the Local Agency is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Local Agency is subject;

(v) Due Authorization, Execution and Delivery; Legal, Valid and Binding Agreements – the Local Agency Legal Documents have been duly authorized, executed and delivered by the Local Agency, and, assuming due authorization, execution and delivery by the other parties thereto constitute legal, valid and binding agreements of the Local Agency enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors’ rights generally and by the application of equitable

principles if equitable remedies are sought and by the limitations on legal remedies imposed on actions against counties in the State of California; and

(vi) No Consents Required – no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California other than the Local Agency governing board, is required for the valid authorization, execution and delivery of the Local Agency Legal Documents;

(5) Opinion of Counsel to the Authority. An opinion of counsel to the Authority, dated the date of Closing, in form and substance satisfactory to the Underwriter, addressed to the Authority, the Trustee and the Underwriter, to the effect that:

(i) Due Organization and Existence – the Authority is a joint powers authority, duly organized and validly existing under the Joint Powers Agreement and the Constitution and the laws of the State of California;

(ii) Due Adoption – the Authority Resolution was duly adopted at a meeting of the Board of Directors of the Authority, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout;

(iii) No Litigation – except as disclosed in the Official Statement, there is no action, suit or proceeding pending or, to the best of the undersigned's knowledge, threatened against the Authority to (i) restrain or enjoin the execution or delivery of any of the Bonds or the Authority Legal Documents, (ii) in any way contesting or affecting the validity of the Bonds, the Authority Legal Documents, the Authority Resolution or the authority the Authority to enter into the Authority Legal Documents, or (iii) in any way contesting or affecting the powers of the Authority in connection with any action contemplated by the Official Statement, the Authority Resolution or the Authority Legal Documents;

(iv) No Conflict – the execution and delivery of the Authority Legal Documents, the approval of the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject;

(v) Due Authorization, Execution and Delivery; Legal, Valid and Binding Agreements – the Authority Legal Documents have been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery by the other parties thereto constitute legal, valid and binding agreements of the Authority enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and by the application of equitable principles if equitable remedies are sought and by the limitations on legal remedies imposed on actions against counties in the State of California;

(vi) No Consents Required – Official Statement, Authority Legal Documents – no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California other than the Board of Directors of the Authority, is required for the valid authorization, execution and delivery of the Authority Legal Documents and the approval of the Official Statement; and

(vii) Official Statement – based upon examinations which he has made and his discussions in conferences with certain officials of the Authority and others with respect to the Official Statement and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement (including the Appendices attached thereto), nothing has come to his attention which would lead him to believe that Official Statement (other than financial and statistical data therein and incorporated therein by reference, and other than information relating to the DTC Book-Entry System, as to which no opinion need be expressed) as of the date of the Official Statement and as of the date of Closing, contained or contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that no opinion is expressed concerning statements and information relating to DTC and its book-entry system;

(6) Opinion of Trustee’s Counsel. An opinion of counsel to the Trustee, dated the date of Closing, in form and substance satisfactory to the Underwriter, addressed to the Authority and the Underwriter, to the effect that:

(i) Due Organization and Existence – the Trustee is a national banking association duly organized, validly existing and in good standing under the laws of the United States having full power and authority and being qualified to enter into, accept and administer the trust created under the Indenture;

(ii) Due Authorization, Execution and Delivery – the Indenture has been duly authorized, executed and delivered by the Trustee and constitutes the valid and binding obligation of the Trustee enforceable against the Trustee in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors’ rights generally and by the application of equitable principles if equitable remedies are sought;

(iii) No Conflict – the execution, delivery and performance of the Indenture will not conflict with or cause a default under any law, ruling, agreement, administrative regulation or other instrument by which the Trustee is bound;

(iv) No Additional Approvals Required – all authorizations and approvals required by law and the articles and bylaws of the Trustee in order for the Trustee to execute and deliver and perform its obligations under the Indenture have been obtained; and

(7) Opinion of Underwriter’s Counsel. The opinion of Hawkins Delafield & Wood LLP, Los Angeles, California, counsel for the Underwriter, dated the date of Closing and addressed to the Underwriter, satisfactory in form and substance to the Underwriter.

(8) Local Agency No Litigation Certificate. A certificate, dated the date of Closing, signed by a duly authorized official of each Local Agency satisfactory in form and substance to the Underwriter and counsel to the Underwriter, to the effect that no action, suit or proceeding is pending or, to the best of his or her knowledge, threatened against such Local Agency (a) to restrain or enjoin the execution or delivery of any of the Local Agency Legal Documents, (b) in any way contesting or affecting the validity of the Bonds to be issued on behalf of the Local Agency, the Local Agency Legal Documents, or the authority of the Local Agency to enter into the Legal Documents, or (c) in any way contesting or affecting the powers of the Local Agency in connection with any action contemplated by the Official Statement or this Purchase Contract.

(9) Authority No Litigation Certificate. A certificate, dated the date of Closing, signed by a duly authorized official of the Authority satisfactory in form and substance to the Underwriter and counsel to the Underwriter, to the effect that no action, suit or proceeding is pending or, to the best of his or her knowledge, threatened against the Authority (a) to restrain or enjoin the execution or delivery of any of the Bonds or the Authority Legal Documents, (b) in any way contesting or affecting the validity of the Bonds, the Authority Legal Documents, or the authority of the Authority to enter into the Authority Legal Documents, or (c) in any way contesting or affecting the powers of the Authority in connection with any action contemplated by the Official Statement or this Purchase Contract;

(10) Legal Documents. Two copies of certified transcripts of the record of proceedings relating to the Bonds.

(11) Official Statement. Two (2) copies of the Official Statement.

(12) Trustee Resolution. Two (2) certified copies of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Bonds and the Indenture.

(13) Trustee's Representations, Warranties and Agreements. A certificate of the Trustee dated the date of Closing that as of the date of Closing:

(i) Due Organization and Existence – the Trustee is duly organized and existing as a national banking association under the laws of the United States of America, in good standing under the laws of the State, and has the full power and authority to enter into and perform its duties under the Legal Documents to which the Trustee is a party and to execute and deliver the Bonds to the Underwriter pursuant to the terms of the Indenture;

(ii) Due Authorization; Valid and Binding Obligations – the Trustee is duly authorized to enter into the Legal Documents to which it is a party;

(iii) No Conflict – the execution and delivery by the Trustee of the Legal Documents to which the Trustee is a party, and compliance with the terms thereof, will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over

the Trustee or any of its activities or properties, which conflict breach or default would materially adversely affect the ability of the Trustee to perform its obligations under the Legal Documents to which the Trustee is a party or (except with respect to the lien of the Indenture) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee;

(iv) Consents – exclusive of federal or state securities laws and regulations, other than routine filings required to be made with governmental agencies in order to preserve the Trustee’s authority to perform a trust business (all of which routine filing, to the best of the Trustee’s knowledge, have been made), no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee is or will be required for the execution and delivery by the Trustee of the Legal Documents to which the Trustee is a party or the execution and delivery of the Bonds; and

(v) No Litigation – no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, is pending or threatened against the Trustee or in any way affecting the existence of the Trustee or the titles of its directors or officers to their respective offices, or seeking to restrain or enjoin the Trustee’s participation in, or in any way contesting the powers of the Trustee with respect to, the transactions contemplated by the Bonds and the Indenture, including the issuance, sale or delivery of the Bonds or the application of proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the Bonds or the Indenture;

(14) Resolutions. A certified copy of each Local Agency Resolution and a certified copy of the Authority Resolution;

(15) Local Agency Bring-Down Certificate. A certificate of an authorized officer of each Local Agency, dated the date of Closing, confirming as of such date the representations and warranties of the Local Agency contained in Exhibit C to this Purchase Contract;

(16) Authority Bring-Down Certificate. A certificate of an authorized officer of the Authority, dated the date of Closing, confirming as of such date the representations and warranties of the Authority contained in this Purchase Contract;

(17) Ratings. Evidence from S&P that the Bonds have been rated “___” by such agency;

(18) Tax Certificate. Arbitrage certification by the Authority in form and substance acceptable to Bond Counsel;

(19) Joint Exercise of Powers Agreement. A certified copy of the joint exercise of powers agreement pursuant to which the Authority was formed, together with the Notice of Joint Powers Agreement filed with the Secretary of State of the State of California in connection therewith;

(20) Blue Sky Survey. A copy of the Preliminary and Final Blue Sky Survey with respect to the Bonds;

(21) CDIAC Notices. Evidence of required filings with the California Debt and Investment Advisory Commission;

(22) Miscellaneous. Such additional legal opinions, certificates, proceedings, instruments and other documents as Bond Counsel and counsel for the Underwriter may reasonably request to evidence compliance with legal requirements, the truth and accuracy, as of the time of Closing, of the representations and warranties contained herein and in the Official Statement and the due performance or satisfaction by the Trustee, the Authority and the Local Agencies at or prior to such time of all agreements then to be performed and all conditions then to be satisfied.

(g) All matters relating to this Purchase Contract, the Bonds and the sale thereof, the Official Statement, the Legal Documents and the consummation of the transactions contemplated by this Purchase Contract shall have been approved by the Underwriter and counsel for the Underwriter, such approval not to be unreasonably withheld.

If the conditions to the Underwriter's obligations contained in this Purchase Contract are not satisfied or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the Authority shall have any further obligations hereunder except that the respective obligations of the Authority and the Underwriter set forth in Section 8 and Section 9 hereof shall continue in full force and effect.

Section 8. Expenses.

(a) The Authority shall pay or reimburse all costs and expenses incident to the execution and delivery of the Bonds to the Underwriter, including, but not limited to: (i) the fees and expenses of the Authority and its Counsel; (ii) the fees and expenses of the Authority and its Counsel; (iii) the fees and expenses of Bond Counsel and Disclosure Counsel; (iv) all costs and expenses incurred in connection with the preparation, printing and delivery of the Bonds; (v) all expenses in connection with the preparation, printing, distribution and delivery of the Preliminary Official Statement, the Official Statement and any amendment or supplement thereto; (vi) the fees and expenses of the Trustee and its Counsel; (vii) bond insurance premium, if any; (viii) rating fees; (ix) CUSIP Bureau fees; (x) DTC, MSRB, California Municipal Statistics, California Public Securities Association and Public Securities Association fees; (xi) the Underwriter's disbursements for telephone conference calls and out-of-state travel and lodging undertaken at the request of the Authority and/or the Authority; and (xii) expenses incurred on behalf of the employees of the Authority or the Authority which are incidental to the issuance of the Bonds, including, but not limited to, meals, transportation and lodging of those employees. All other fees and expenses of the Underwriter except as provided in paragraph (b) below.

(b) The Underwriter shall pay: (i) all advertising expenses in connection with the public offering of the Bonds; (ii) the fees and expenses of counsel to the Underwriter, including their fees in connection with the qualification of the Bonds for sale under the Blue Sky or other securities laws and regulations of various jurisdictions; (iii) California Debt and Investment

Advisory Commission fees; and (iv) all other expenses incurred by it in connection with its public offering and distribution of the Bonds.

Section 9. Indemnification.

(a) To the extent permitted by law, the Authority agrees to indemnify and hold harmless the Underwriter and its officers and employees (collectively, the “Indemnified Persons,” and individually, an “Indemnified Person”) from and against any losses, claims, damages or liabilities to which any Indemnified Person may become subject insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of, or are based upon, any untrue statement or alleged untrue statement of a material fact contained in the Official Statement or arise out of, or are based upon, the omission or alleged omission to state therein a material fact necessary to make the statements therein not misleading, and will reimburse each Indemnified Person for any legal or other expenses reasonably incurred by such Indemnified Person in investigating, defending or preparing to defend any such action or claim; provided, however, that the Authority shall not be liable in any such case as to any Indemnified Person to the extent that any such loss, claim, damage or liability arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in the Official Statement, in reliance upon and in conformity with written information furnished to the Authority by or on behalf of any Indemnified Person specifically for inclusion therein; and provided further, however, that the indemnity with respect to the Official Statement shall not inure to the benefit of the Underwriter on account of any loss, expense, liability or claim arising from the sale of the Bonds by the Underwriter to any person if a copy of the Official Statement (as amended or supplemented, or as proposed by the Authority to be amended or supplemented, if the Authority shall have furnished, or in the case of such proposed amendment or supplement, if the Authority shall have furnished, to the Underwriter at least one full business day prior to confirmation of such sale by the Underwriter an amended Official Statement or amendments or supplements to the Official Statement relating to the untrue statement or alleged untrue statement or omission or alleged omission for which indemnity is sought, as the case may be) shall not have been sent or given to such person at or prior to the confirmation of the sale of such Series 2011A Bonds to such person.

(b) Promptly after receipt by an Indemnified Person under paragraph (a) of this Section of notice of the commencement of any action, such Indemnified Person shall, if a claim in respect thereof is to be made against the Authority under such paragraph, notify the Authority in writing of the commencement thereof. In case any such action shall be brought against any Indemnified Person, and such Indemnified Person shall notify the Authority of the commencement thereof, the Authority shall be entitled to participate in and, to the extent that it wishes, to assume the defense of, with counsel satisfactory to such Indemnified Person, and after notice from the Authority to such Indemnified Person of its election so to assume the defense thereof, the Authority shall not be liable to such Indemnified Person under paragraph (a) of this Section for any legal or other expenses subsequently incurred by such Indemnified Person in connection with the defense thereof other than reasonable costs of any investigation; provided, however, that if the named parties to any such action (including any impleaded parties) include both the Indemnified Persons and the Authority, and the Indemnified Persons or the Authority shall have reasonably concluded that there may be one or more legal defenses available to it which are different from or additional to those available to the Authority, the Indemnified

Persons shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of the Indemnified Persons; provided further, however, that the Authority shall not, in connection with any one such action or separate but substantially similar or related actions arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys at any point in time for the Indemnified Persons.

(c) The Underwriter agrees to indemnify and hold harmless the Authority and its officers and employees to the same extent as the indemnity from the Authority to the Indemnified Persons described in paragraph (a) of this Section but only with respect to information relating to the Underwriter furnished in writing by the Underwriter or on their behalf, which includes certain information furnished for the inside and outside of the cover of the Official Statement and under the caption “Underwriting” as set forth in the Official Statement. In case any action shall be brought against the Authority in respect of which indemnity may be sought against the Underwriter, the Underwriter shall have the rights and duties given to the Authority and the Authority shall have the rights and duties given to the Underwriter by paragraph (b) of this Section and the term “Indemnified Person” shall include the Authority and its officers and employees.

Section 10. Notices.

(a) Trustee. Any notice or other communication to be given to the Trustee under this Purchase Contract may be given by delivering the same in writing to The Bank of New York Mellon Trust Company, [Trustee’s Address].

(b) Underwriters. Any such notice or other communication to be given to the Underwriter may be given by delivering the same to Cabrera Capital Markets, LLC, 633 West 5th Street, Suite 1180, Los Angeles, California 90071, Attention: Gary Cabello and Carmen Vargas.

(c) Authority. Any notice or communication to be given the Authority under this Purchase Contract may be given by delivering the same to the Imperial County Local Transportation Authority, 1405 North Imperial Avenue, Suite 1, El Centro, California 92243, Attention: Mark Baza, Executive Director.

All notices or communications hereunder by any party shall be given and served upon each other party.

Section 11. Acknowledgment. The Authority and the Local Agencies each acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm’s-length commercial transaction among the Local Agencies, the Authority and the Underwriter, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, each of the Underwriter is and has been acting solely as a principal and is not acting as the agent or fiduciary of the Local Agencies or the Authority, (iii) the Underwriter have not assumed an advisory or fiduciary responsibility in favor of the Local Agencies or the Authority with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto

(irrespective of whether the Underwriter have provided other services or is currently providing other services to the Local Agencies or the Authority on other matters) and the Underwriter have no obligation to the Local Agencies or the Authority with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Contract and (iv) the Authority and each Local Agency has consulted their own legal, financial and other advisors to the extent they have deemed appropriate. Further, the Underwriter hereby informs the Authority and the Local Agencies and the Authority and the Local Agencies each hereby acknowledges that the Underwriter is not acting as a Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended) to any Local Agency or the Authority in connection with the matters contemplated by this Purchase Contract.

Section 12. Counterparts. This Purchase Contract may be executed by anyone or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all of such counterparts shall together constitute one and the same instrument.

Section 13. Successors and Assigns. This Purchase Contract will inure to the benefit of and be binding upon the parties and their successors (including any successors or assigns of the Underwriter), and will not confer any rights upon any other person.

Section 14. Survival. The provisions Section 8 and Section 9 hereof shall survive termination or cancellation of this Purchase Contract. All representations, warranties and agreements of the Authority, the Local Agencies or the Underwriter pursuant to this Purchase Contract shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of the Underwriter; (ii) delivery of and payment for the Bonds pursuant to this Purchase Contract; or (iii) termination of this Purchase Contract but only to the extent provided by the last paragraph of Paragraph 7 hereof, regarding preconditions of Closing.

Section 15. Governing Law. This Purchase Contract shall be governed by, and construed in accordance with, the laws of the State of California.

Section 16. No Personal Liability. No officer of any Local Agency, the Authority or designee thereof shall incur any personal liability for approving or executing this Purchase Contract, taking any action or omitting to take any action required or permitted hereunder or otherwise by reason of or in connection with the Bonds, the Legal Documents or any of the transactions or other matters contemplated by any of the foregoing.

Section 17. Headings. The headings of the sections of this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

Section 18. Parties in Interest; Force and Effect. This Purchase Contract is made solely for the benefit of the Authority and the Underwriter (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof.

Section 19. Entire Agreement. This Purchase Contract when accepted by you in writing as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the Authority and the Underwriter (including the successors or assigns thereof). No other person shall acquire or have any right hereunder or by virtue hereof.

Section 20. Unenforceable Provisions. If any provision of this Purchase Contract shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperable or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Purchase Contract invalid, inoperative or unenforceable to any extent whatsoever.

Acceptance of the terms of this Purchase Contract shall be signified by execution below by an authorized officer of the Authority.

Very truly yours,

CABRERA CAPITAL MARKETS, LLC

By: _____

Name:

Title:

Accepted:

IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY

By: _____

Name:

Title:

EXHIBIT A

PURCHASE PRICE FOR EACH SERIES OF BONDS

	<u>City of Brawley</u>	<u>City of Calipatria</u>	<u>City of Calexico</u>	<u>City of Imperial</u>	<u>County of Imperial</u>
Series Designation	Series A	Series B	Series C	Series D	Series E
Principal Amount	\$[Series A Par]	\$[Series B Par]	\$[Series C Par]	\$[Series D Par]	\$[Series E Par]
Plus/Minus Reoffering Premium/Discount					
Minus Underwriter's Discount					
Purchase Price	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

EXHIBIT B

**\$(Principal Amount)
IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY
SALES TAX REVENUE BONDS (LIMITED TAX BONDS)
SERIES 2012**

Maturity (May 1)	Principal Amount	Interest Rate	Yield
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EXHIBIT C
LETTER OF REPRESENTATIONS OF
LOCAL AGENCY

[Pricing Date]

Cabrera Capital Markets, LLC
633 West 5th Street, Suite 1180
Los Angeles, California 90071

Ladies and Gentlemen:

The [Local Agency] (the “Local Agency”) proposes to cause the issuance and delivery of \$[Local Agency Principal Amount] aggregate principal amount of Imperial County Local Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds) Series 2012 (the “Local Agency Bonds”).

The Local Agency Bonds are being issued pursuant to an Indenture, dated as of [As Of Date] (the “Master Indenture”), and a _____ Supplemental Indenture, dated as of [As Of Date] (the “Supplemental Indenture” and, together with the Master Indenture, the “Indenture”), each by and between the Imperial County Local Transportation Authority (the “Authority”) and The Bank of New York Mellon Trust Company, as trustee thereunder (the “Trustee”). In connection with the issuance of the Local Agency Bonds, the Local Agency will enter a Pledge Agreement, dated as of [As Of Date] (the “Pledge Agreement”), by and between the Local Agency and the Authority, pursuant to which the Local Agency will pledge and assign its Allocable Sales Tax Revenues (as defined in the Indenture) to the Trustee for payment of debt service on the Local Agency Bonds. To facilitate payment of the Local Agency’s Allocable Sales Tax Revenues by the California State Board of Equalization (the “Board of Equalization”) to the Trustee, the Authority will enter into an Amended and Restated Agreement for State Administration of Retail Transactions and Use Tax (the “Sales Tax Administration Agreement”) with the Board of Equalization. The execution and delivery of the Indenture, the Pledge Agreement, the Sales Tax Administration Agreement, the Continuing Disclosure Agreement, dated as of [As Of Date] (the “Continuing Disclosure Agreement”), by and between the Authority and the Trustee, as dissemination thereunder, and this Purchase Contract, the issuance of the Local Agency Bonds and certain matters relating thereto have been authorized by a resolution of the Authority dated [Authority Resolution Date] (the “Authority Resolution”). The execution and delivery of the Pledge Agreement and issuance of the Local Agency Bonds, together with certain actions related thereto, have been authorized by a resolution of the Local Agency (the “Local Agency Resolution”).

The Pledge Agreement and this Letter of Representations (this “Letter of Representations”) are referred to collectively herein as the “Local Agency Legal Documents”. Capitalized terms not otherwise defined herein shall have the meanings as defined in the Indenture.

The Local Agency Bonds are to be sold by the Authority pursuant to the Purchase Contract, dated [Pricing Date] (the “Purchase Contract”), by and between the Authority and Cabrera Capital Markets, LLC (the “Underwriter”).

To facilitate your entering into the Purchase Contract and to induce you to purchase the Local Agency Bonds as contemplated therein, the Local Agency hereby represents, warrants and agrees with you as follows:

- (a) Due Organization and Operation; Legal, Valid and Binding Obligations. The Local Agency is a political subdivision of the State of California duly organized and operating pursuant to the Constitution and laws of the State of California and has all necessary power and authority to adopt the Local Agency Resolution, execute, deliver and perform its obligations under the Local Agency Bonds, and to enter into and perform its duties under the Local Agency Legal Documents. The Local Agency Resolution has been adopted and has not been rescinded, and the Local Agency Legal Documents, when executed and delivered by the respective parties thereto, will constitute legal, valid and binding obligations of the Local Agency enforceable against the Local Agency in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors’ rights generally and by the application of equitable principles if equitable remedies are sought.
- (b) No Conflict. The adoption of the Local Agency Resolution and the execution and delivery of the Local Agency Legal Documents, and compliance with the provisions thereof, will not in any material respect conflict with, or constitute a breach of or default under, the Local Agency’s duties under the Local Agency Legal Documents, the Local Agency Resolution or any law, administrative regulation, court decree, resolution, by-laws or other agreement to which the Local Agency is subject or by which it or any of its property is bound.
- (c) No Consents Required. After due inquiry, except as may be required under blue sky or other securities laws of any state, or with respect to any permits or approvals heretofore received which are in full force and effect, there is no consent, approval, authorization or other order of, or filing with, or certification by, any governmental authority, board, agency or commission or other regulatory authority having jurisdiction over the Local Agency, other than the approval and authorization of the governing board of the Local Agency, required for the adoption of the Local Agency Resolution and execution and delivery of the Local Agency Legal Documents or the consummation by the Local Agency of the other transactions contemplated by the Local Agency Bonds, the Local Agency Resolution or the Local Agency Legal Documents.
- (d) No Litigation. There is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or, to the knowledge of the Local Agency, threatened against the Local Agency to restrain or enjoin the delivery of the Local Agency Bonds, or in any way contesting or

affecting the validity of the Local Agency Legal Documents, the Local Agency Resolution or the Local Agency Bonds, or contesting the powers of the Local Agency to enter into or perform its obligations under any of the foregoing.

- (e) No Breach or Default. The Local Agency is not in breach of or in default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution agreement or other instrument to which the Local Agency is a party or is otherwise subject which breach or default would have a material and adverse impact on the Local Agency's ability to perform its obligations under the Local Agency Bonds or the Local Agency Legal Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument. Also, the adoption of the Local Agency Resolution and the execution and delivery of the Local Agency Legal Documents, and compliance with the provisions hereof and thereof, will not in any material respect conflict with, or constitute a breach of or default under, the Local Agency's duties under the Local Agency Resolution or any law, administrative regulation, court decree, resolution, by-laws or other agreement to which the Local Agency is subject or by which it or any of its property is bound.
- (f) No Default. The Local Agency represents that it is not, and has not been at any time, in default as to principal or interest with respect to any indebtedness for borrowed money issued on its behalf or guaranteed by it.
- (g) Agreement to Preserve Tax Exemption. The Local Agency covenants that it will not take any action which would cause interest with respect to the Local Agency Bonds to be subject to federal income taxation or California personal income taxes (other than to the extent the Local Agency Bonds will be subject to federal income taxation as described under the caption "Tax Matters" in the Official Statement).

Very truly yours,

[Local Agency]

By: _____

Name:

Title:

EXHIBIT D

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[Closing Date]

Imperial County Local Transportation Authority
1405 North Imperial Avenue, Suite 1
El Centro, CA 92243

Cabrera Capital Markets, LLC
633 West 5th Street, Suite 1180
Los Angeles, California 90071

Ladies and Gentlemen:

This opinion is addressed to you pursuant to Section 7(f)(2) of the Purchase Contract (together with the Letter of Representations attached thereto), dated [Pricing Date] (the “Purchase Contract”), by and between Cabrera Capital Markets, LLC (the “Undenvriter”) and the Imperial County Local Transportation Authority (the “Authority”) providing for the purchase and sale of the \$[Principal Amount] aggregate principal amount of Imperial County Local Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds) Series 2012 (the “Bonds”). The Bonds are being issued and secured pursuant to an Indenture, dated as of [As Of Date] (the “Master Indenture”), and certain Supplemental Indentures, each dated as of [As Of Date] (the “Supplemental Indentures” and, together with the Master Indenture, the “Indenture”), each by and between the Authority and the The Bank of New York Mellon Trust Company. Capitalized terms used and otherwise not defined herein shall have the meanings set forth in the Purchase Contract.

We deliver herewith a copy of our approving opinion, dated the date hereof and addressed to the Authority, as to the validity of the Bonds. This will confirm that you may rely on such opinion as though the same were addressed to you.

We are the opinion that:

1. The statements contained in the Official Statement under the captions “The Bonds,” “Security and Sources of Payment for the Bonds” (except for any information relating to DTC and its book-entry system), and “Tax Matters” and in Appendix C – “Summary of Certain Provisions of the Indenture” insofar as such statements expressly summarize certain provisions of the Bonds, the Indenture and the opinion of such counsel concerning certain federal tax matters relating to the Bonds, are accurate in all material respects.

2. The Purchase Contract has been duly executed and delivered by the County and (assuming due authorization, execution and delivery against the other parties thereto) is a valid and binding agreement of the County, except as limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the

State of California, and except for any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained therein.

3. The Bonds are not subject to the registration requirements of the Act and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended.

This letter is delivered to you and is solely for the your benefit and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person.

Respectfully submitted,

FIFTH SUPPLEMENTAL INDENTURE

between

IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY

and

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee**

Dated as of [dated as of] 1, 2012

Relating to

**\$_____ Principal Amount of
Imperial County Local Transportation Authority
Sales Tax Revenue Bonds (Limited Tax Bonds), Series 2012E**

(Supplemental to the Indenture dated as of [dated as of] 1, 2012)

Fifth Supplemental Indenture
(Supplemental to the Indenture dated as of July 1, 2012)
\$ _____
Imperial County Local Transportation Authority
Sales Tax Revenue Bonds (Limited Tax Bonds),
Series 2012E

This Fifth Supplemental Indenture, dated as of [dated as of] (this “Supplemental Indenture”), between the Imperial County Local Transportation Authority (the “Issuer”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”);

W I T N E S S E T H:

WHEREAS, this Supplemental Indenture is supplemental to the Indenture, dated as of July 1, 2012 (the “Indenture”), between the Issuer and the Trustee;

WHEREAS, the Indenture provides that the Issuer may issue limited tax bonds (as defined in Section 1.02 of the Indenture, the “Bonds”) from time to time as authorized by a supplemental indenture;

WHEREAS, in accordance with the Act (as such term is defined in the Indenture) and pursuant to Article III of the Indenture, the Board has determined to issue its Imperial County Local Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds), Series 2012E (the “Series 2012E Bonds”), in the aggregate principal amount of \$ _____, to finance the costs of the Series 2012E Project (defined herein);

WHEREAS, the Issuer has duly authorized the execution and delivery of this Supplemental Indenture and the issuance of the Series 2012E Bonds pursuant hereto and the Indenture by resolution duly passed and adopted by a two-thirds vote of the governing body of the Issuer as required by Section 180252 of the Act;

WHEREAS, the Issuer hereby determines that the provisions of the Indenture relating to the issuance of the Series 2012E Bonds have been complied with;

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

NOW, THEREFORE, the parties hereto agree, as follows:

ARTICLE 12

DEFINITIONS

SECTION 12.01 Definitions.

(A) **Definitions.** Capitalized terms used herein and not defined herein shall have the meanings ascribed to such terms in Section 1.02 of the Indenture.

(B) **Additional Definitions.** Unless the context otherwise requires, the following terms shall, for all purposes of this Supplemental Indenture, have the following meanings:

Authorized Denomination means \$5,000 or any integral multiple thereof.

County means the County of Imperial, California.

County Sales Tax Revenues means the Pledged Allocable Sales Tax Revenues of the County.

County Sales Tax Revenue Account means the Participating Agency Sales Tax Revenue Account by that name established within the Pledged Allocable Sales Tax Revenue Fund pursuant to Section 13.11.

Series 2012E Bond Reserve Fund means the fund by that name established pursuant to Section 13.07 hereof.

Series 2012E Bond Reserve Requirement means, as of any date of calculation, an amount equal to the least of (i) ten percent (10%) of the proceeds of the Series 2012E Bonds (or if the amount of original issue discount or original issue premium applicable to the Series 2012E Bonds exceeds two percent (2%), ten percent (10%) of the issue price of the Series 2012E Bonds), (ii) one hundred twenty-five percent (125%) of average Annual Debt Service on the Series 2012E Bonds, and (iii) Maximum Annual Debt Service on the Series 2012E Bonds.

Series 2012E Costs of Issuance Fund means the fund by that name established pursuant to Section 13.05.

Series 2012E Fees and Expense Account means the Participating Agency Fees and Expense Account by that name established within the Fees and Expense Fund pursuant to Section 13.14.

Series 2012E Interest Account means the Participating Agency Interest Account by that name established within the Interest Fund pursuant to Section 13.12.

Series 2012E Interest Payment Date means each June 1 and December 1, commencing [June]1, 2012.

Series 2012E Principal Account means the Participating Agency Principal Account by that name established within the Principal Fund pursuant to Section 13.13.

Series 2012E Project means a component of the Project funded with the proceeds of the Series 2012E Bonds and more fully described in Schedule I hereto.

Series 2012E Project Fund means the fund by that name established pursuant to Section 13.06 hereof.

Series 2012E Record Date means the fifteenth day of the calendar month prior to the calendar month in which a Series 2012E Interest Payment Date occurs, whether or not such day is a Business Day.

Series 2012E Redemption Account means the account by that name established within the Redemption Fund pursuant to Section 13.15.

ARTICLE 13

TERMS OF SERIES 2012 BONDS

SECTION 13.01 Authorization and Terms of Series 2012E Bonds. (A) The Issuer hereby authorizes the creation and issuance of a fifth Series of Bonds, such Series of Bonds to be Current Interest Bonds, to be known as the “Imperial County Local Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds), Series 2012E,” and to be issued in the aggregate principal amount of \$_____ in accordance with the Act and pursuant to the Indenture for the purpose of financing the costs of the Series 2012E Project.

(B) The Series 2012E Bonds shall be issued in fully registered form, in Authorized Denominations and shall be initially registered in the name of “Cede & Co.,” as nominee of the Securities Depository. The Trustee shall assign a letter or number or letter and number, or a combination thereof to each Series 2012E Bond to distinguish it from other Series 2012E Bonds. Registered ownership of the Series 2012E Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Section 2.10, or if the use of a Securities Depository is discontinued, in accordance with the provisions set forth in Section 2.05.

The Series 2012E Bonds shall be dated as of their date of delivery, shall bear interest from their date of delivery at the following rates per annum and shall mature on June 1 in the following years in the following amounts:

Maturity Date (June 1)	Principal Amount	Interest Rate
[2012]	\$	%
2013		
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		

Interest on the Series 2012E Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months and shall be payable on each Series 2012E Interest Payment Date by check mailed by first class mail on such Series 2012E Interest Payment Date to the Owner thereof as of the close of business on the Series 2012E Record Date or, upon the written request of any Owner of \$1,000,000 or more in aggregate principal amount of Series 2012E Bonds who has provided the Trustee with wire transfer instructions, by wire transfer to an account within the United States on each Series 2012E Interest Payment Date, to the Owner thereof as of the close of business on the Record Date. Notwithstanding the foregoing, however, for so long as a Securities Depository is utilized, interest hereon and principal hereof shall be payable in accordance with the payment procedures established pursuant by such Securities Depository.

Principal on the Series 2012E Bonds shall be payable when due upon presentation and surrender thereof at the Corporate Trust Office of the Trustee in lawful money of the United States of America.

SECTION 13.02 Form of Series 2012E Bonds. The Series 2012E Bonds and the certificates of authentication to be executed thereon shall be in substantially such form as is set forth as Exhibit A to this Supplemental Indenture. The Series 2012E Bond numbers, maturity dates and interest rates shall be inserted therein in conformity with Section 13.01.

SECTION 13.03 Issuance of the Series 2012E Bonds. At any time after the execution and delivery of this Supplemental Indenture, the Issuer may execute and the Trustee

shall authenticate and deliver the Series 2012E Bonds in an aggregate principal amount of \$_____ upon the order of the Issuer.

SECTION 13.04 Application of Proceeds of the Series 2012E Bonds. The proceeds of the sale of the Series 2012E Bonds, \$_____, comprised of \$_____ aggregate principal amount, plus/minus original issue premium/discount of \$_____, less an underwriter's discount of \$_____, shall be deposited with the Trustee and shall be held in trust and set aside or transferred by the Trustee as follows:

(A) The Trustee shall deposit in the Series 2012E Costs of Issuance Fund, which is established pursuant to Section 13.05, the sum of \$_____.

(B) The Trustee shall deposit in the Series 2012E Project Fund, which is established pursuant to Section 13.06, the sum of \$_____.

(C) The Trustee shall deposit in the Series 2012E Bond Reserve Fund, which is established pursuant to Section 13.07, the sum of \$_____, representing the amount necessary to fund the Series 2012E Bond Reserve Requirement.

SECTION 13.05 Establishment and Application of the Series 2012E Costs of Issuance Fund. There is hereby established and maintained with the Trustee a fund designated as the "Series 2012E Costs of Issuance Fund." Amounts in the Series 2012E Costs of Issuance Fund shall be disbursed by the Trustee to pay for Costs of Issuance incurred in connection with issuance of the Series 2012E Bonds upon Requisition of the Issuer, such Requisition to be in substantially such form as is set forth in Exhibit B hereto. Each Requisition shall be numbered sequentially and shall state the name and address of each payee, the amount for each payment and the purpose for each payment and shall further state that such costs have not previously been paid. Each such Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Any amounts remaining in the Series 2012E Costs of Issuance Fund one hundred eighty (180) days after the date of issuance of the Series 2012E Bonds shall be transferred to the Series 2012E Project Fund, or if the Series 2012E Project Fund shall have been closed, to the County Sales Tax Revenue Account.

SECTION 13.06 Establishment and Application of the Series 2012E Project Fund. (A) There is hereby established and maintained with the Trustee a fund designated as the "Series 2012E Project Fund." The moneys in the Series 2012E Project Fund shall be used and withdrawn to pay costs of the Series 2012E Project.

(B) Before any payment from the Series 2012E Project Fund shall be made by the Trustee, the Issuer shall file or cause to be filed with the Trustee a Requisition of the Issuer, such Requisition to be in substantially such form as is set forth in Exhibit C hereto. Each such Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

(C) When the Issuer determines that the Series 2012E Project has been completed, a Certificate of the Issuer shall be delivered to the Trustee by the Issuer stating: (i) the fact and date of such completion; (ii) that all of the costs thereof have been determined and paid (or that

all of such costs have been paid less specified claims which are subject to dispute and for which a retention in the Series 2012E Project Fund is to be maintained in the full amount of such claims until such dispute is resolved); and (iii) that the Trustee is to transfer the remaining balance in the Series 2012E Project Fund, less the amount of any such retention, to the Series 2012E Bond Reserve Fund, to the extent of any deficiency therein, and then to the County Sales Tax Revenue Account.

SECTION 13.07 Establishment, Funding and Application of the Series 2012E Bond Reserve Fund; Bond Reserve Requirement for the Series 2012E Bonds. There is hereby established and maintained with the Trustee a fund designated as the “Series 2012E Bond Reserve Fund.” All amounts in the Series 2012E Bond Reserve Fund (including all amounts which may be obtained from any Reserve Facility on deposit in the Series 2012E Bond Reserve Fund) shall be used and withdrawn by the Trustee solely: (i) for the purpose of making up any deficiency in the Series 2012E Interest Account or the Series 2012E Principal Account relating to the Series 2012E Bonds; or, (ii) together with any other moneys available therefor, (x) for the payment of all of the Series 2012E Bonds then Outstanding, (y) for the defeasance or redemption of all or a portion of the Series 2012E Bonds then Outstanding; provided, however, that if funds on deposit in the Series 2012E Bond Reserve Fund are applied to the defeasance or redemption of a portion of the Series 2012E Bonds, the amount on deposit in the Series 2012E Bond Reserve Fund immediately subsequent to a partial defeasance or redemption shall equal the Series 2012E Bond Reserve Requirement applicable to all Series 2012E Bonds Outstanding immediately subsequent to such partial defeasance or redemption, or (z) for the payment of the final principal and interest payment of the Series 2012E Bonds.

SECTION 13.08 Investment of Funds; Investment Earnings. The Trustee shall invest funds on deposit in the Series 2012E Bond Reserve Fund, the Series 2012E Costs of Issuance Fund and the Series 2012E Project Fund and in accordance with the provisions set forth in Section 5.11. Investment earnings on each such Fund shall be applied by the Trustee in accordance with the provisions set forth in Section 5.11.

SECTION 13.09 Optional Redemption of Series 2012E Bonds. The Series 2012E Bonds maturing on or prior to June 1, 2012 shall not be subject to redemption prior to their respective stated maturities. The Series 2012E Bonds maturing on or after June 1, 2012 shall be subject to redemption prior to their respective stated maturities, at the option of the Issuer, from any source of available funds, as a whole or in part on any date (and if in part, in such amount and such order of maturity as the Issuer shall specify and within a maturity by lot or by such other method as the Issuer may direct in Authorized Denominations), on or after June 1, 2012, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium.

SECTION 13.10 Pledge of County Sales Tax Revenues. Pursuant to Section 5.01 of the Indenture, as security for the payment of all amounts owing on the Series 2012E Bonds, there are irrevocably pledged to the Trustee, all (i) County Sales Tax Revenues and (ii) all amounts, including proceeds of the Series 2012E Bonds, held on deposit in the funds and accounts established hereunder and under the Indenture relating to the Series 2012E Bonds (except for amounts held in the Rebate Fund), subject to the provision of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in

the Indenture. The County Sales Tax Revenues and the amounts held pursuant to the preceding sentence shall immediately be subject to this pledge, and this pledge shall constitute a first lien on and security interest in such collateral which shall immediately attach to the collateral and be effective, binding and enforceable against the Issuer and the County and all others asserting the rights therein, to the extent set forth, and in accordance with, this Supplemental Indenture irrespective of whether those parties have notice of this pledge and without the need for any physical delivery, recordation, filing or further act.

SECTION 13.11 Establishment of the County Sales Tax Revenue Account; Application of County Sales Tax Revenues. There is hereby established and maintained with the Trustee an account to be designated as the “County Sales Tax Revenue Account” established under the Sales Tax Revenue Fund and shall be administered by the Trustee pursuant to Sections 5.01 and 5.02 of the Indenture. Such County Sales Tax Revenues held in the County Tax Sales Tax Revenue Account shall be allocated and applied pursuant to the terms of Section 5.02 of the Indenture.

SECTION 13.12 Establishment of the Series 2012E Interest Account and Application of the Series 2012E Interest Account. There is hereby established and maintained with the Trustee an account to be designated as the “Series 2012 Interest Account” established under the Interest Fund that shall be administered by the Trustee pursuant to Section 5.02(A)(1) of the Indenture. Amounts in the Series 2012E Interest Account shall be applied pursuant to Section 5.03 of the Indenture. Following the Closing Date, the Trustee shall make an initial deposit of \$_____, representing amounts received from the County into the Series 2012E Interest Account.

SECTION 13.13 Establishment of the Series 2012E Principal Account. There is hereby established and maintained with the Trustee an account to be designated as the “Series 2012 Principal Account” established under the Principal Fund that shall be administered by the Trustee pursuant to Section 5.02(A)(2) of the Indenture. Amounts in the Series 2012E Principal Account shall be applied pursuant to Section 5.04 of the Indenture.

SECTION 13.14 Establishment of the Series 2012E Fees and Expense Account. There is hereby established and maintained with the Trustee an account to be designated as the “Series 2012E Fees and Expense Account” established under the Fees and Expenses Fund and shall be administered by the Trustee pursuant to Section 5.02(A)(5) of the Indenture. Amounts in the Series 2012E Fees and Expense Account shall be applied pursuant to Section 5.07 of the Indenture.

SECTION 13.15 Establishment of the Series 2012E Redemption Account. There is hereby established and maintained with the Trustee an account to be designated as the “Series 2012E Redemption Account” established under the Redemption Fund that shall be administered by the Trustee pursuant to Section 5.08 of the Indenture. Amounts in the Series 2012E Redemption Account shall be applied pursuant to Section 5.08 of the Indenture.

ARTICLE 14

MISCELLANEOUS PROVISIONS

SECTION 14.01 Terms of Series 2012E Bonds Subject to the Indenture. Except as in this Supplemental Indenture expressly provided, every term and condition contained in the

Indenture shall apply to this Supplemental Indenture and to the Series 2012E Bonds with the same force and effect as if the same were herein set forth, [with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Supplemental Indenture].

This Supplemental Indenture and all the terms and provisions herein contained shall form part of the Indenture as fully and with the same effect as if all such terms and provisions had been set forth in the Indenture. The Indenture is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby.

SECTION 14.02 Effective Date of Supplemental Indenture. This Supplemental Indenture shall take effect upon its execution and delivery.

SECTION 14.03 Execution in Counterparts. This Supplemental Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

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

IMPERIAL COUNTY LOCAL
TRANSPORTATION AUTHORITY

By: _____
Executive Director

_____, as Trustee

By: _____
Authorized Officer

Schedule I

Description of Series 2012E Project

The Series 2012E Project consists of the institution of [the transportation facilities and service improvements within the County, including highway improvements, public transit improvements and local street maintenance and improvements and related transportation programs, and the payment of all costs incidental to or connected with the accomplishment of such purpose including, without limitation, engineering, inspection, legal, fiscal agent, financial consultant and other fees, bond and other reserve funds, working capital, bond interest estimated to accrue during construction and for a period not to exceed one (1) year thereafter and expenses for all proceedings for the authorization, issuance and sale of the Series 2012E Bonds].

Exhibit A

[Form of Series 2012E Bond]

No. _____

\$ _____

**IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY
REVENUE BOND (LIMITED TAX BOND),
SERIES 2012E**

Maturity Date	Interest Rate Per Annum	Dated Date	CUSIP Number
June 1, _____	____%	July __, 2012	

Registered Owner: CEDE & CO.

Principal Amount: _____ DOLLARS

IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY, a local transportation authority duly established and existing under and pursuant to the laws of the State of California (the “Issuer”), for value received, hereby promises to pay to the registered holder named above or registered assigns, on the maturity date specified above (unless this Bond shall have been called for redemption and payment of the redemption price made or provided for), the principal amount specified above, together with interest thereon from the dated date specified above until the principal hereof shall have been paid, at the interest rate per annum specified above, payable on [June] 1, 2012, and semiannually thereafter on June 1 and December 1 in each year (each, an “Interest Payment Date”), but only out of the Pledged Allocable Sales Tax Revenues and other assets pledged therefor as specified in the Indenture, dated as of July 1, 2012, as supplemented and amended from time to time pursuant to its terms, including as supplemented and amended by the Fifth Supplemental Indenture thereto, dated as of July 1, 2012 (hereinafter collectively referred to as the “Indenture”), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (together with any successor trustee, the “Trustee”). All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Indenture.

Interest hereon is payable in lawful money of the United States of America by check mailed by first-class mail on each Interest Payment Date to the registered holder as of the close of business on the applicable Record Date. The principal hereof is payable when due in lawful money of the United States of America upon presentation hereof at the Corporate Trust Office of the Trustee. Notwithstanding the foregoing, however, for so long as a Securities Depository is utilized, interest hereon and principal hereof shall be payable in accordance with the payment procedures established pursuant by such Securities Depository.

This Bond is one of a duly authorized issue of Imperial County Local Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds) (the “Bonds”) issued pursuant to the provisions of the Local Transportation Authority and Improvement Act, constituting Division 19 of the California Public Utilities Code, as amended from time to time (the “Act”), and the

Indenture. Said authorized issue of Bonds is not limited in aggregate principal amount, except as otherwise provided in the Indenture, and consists or may consist of one or more Series of varying denominations, dates, maturities, interest rates and other provisions, as in the Indenture provided, all issued or to be issued pursuant to the Indenture. This Bond is a Current Interest Bond of the Series and designation indicated above (each, a “Series 2012E Bond”), which Series of Bond is limited in aggregate principal amount to _____ (\$_____).

Reference is hereby made to the Indenture and to the Act for a description of the terms on which the Bonds are issued and to be issued, the provisions with regard to the nature and extent of the pledge of Pledged Allocable Sales Tax Revenues and the rights of the registered holders of the Bonds. All the terms of the Indenture and the Act are hereby incorporated herein and constitute a contract between the Issuer and the registered holders from time to time of this Series 2012E Bond, and to all the provisions thereof the registered holder of this Series 2012E Bond, by such registered holder’s acceptance hereof, consents and agrees. Additional Bonds may be issued, and other indebtedness may be incurred, on a parity with the Bonds, including the Series 2012E Bonds, but only subject to the conditions and limitations contained in the Indenture.

The Bonds and the interest thereon (to the extent set forth in the Indenture), together with any Parity Obligations hereafter issued or incurred by the Issuer, and the interest thereon, are payable from, and are secured by a charge and lien on the Pledged Allocable Sales Tax Revenues. All of the Bonds and Parity Obligations are equally secured by a pledge of, and charge and lien upon, all of the Pledged Allocable Sales Tax Revenues, and the Pledged Allocable Sales Tax Revenues constitute a trust fund for the security and payment of the interest on and principal of the Bonds, but nevertheless out of Pledged Allocable Sales Tax Revenues certain amounts may be applied for other purposes as provided in the Indenture.

The Bonds are limited obligations of the Issuer and are payable solely, both as to principal and interest and as to any redemption premiums upon the redemption thereof, from the Pledged Allocable Sales Tax Revenues and certain funds held by the Trustee under the Indenture and the Issuer is not obligated to pay the Bonds except from such Pledged Allocable Sales Tax Revenues and such funds. The general fund of the Issuer is not liable, and the credit or taxing power (other than as described above) of the Issuer is not pledged, for the payment of the Bonds or their interest. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Issuer or any of its income or receipts, except the Pledged Allocable Sales Tax Revenues and certain funds held under the Indenture.

The Series 2012E Bonds are subject to redemption prior to their respective stated maturities on the dates, at the prices, and following such notice as are set forth in the Indenture.

The Series 2012E Bonds are issuable as fully registered Bonds in Authorized Denominations. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Indenture, this Series 2012E Bond may be exchanged for a like aggregate principal amount of Series 2012E Bonds of other Authorized Denominations of the same tenor, maturity and interest rate.

This Series 2012E Bond is transferable or exchangeable for other Authorized Denominations by the registered holder hereof, in person or by its attorney duly authorized in writing, at the Corporate Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Series 2012E Bond. Upon such transfer a new fully registered Series 2012E Bond or Series 2012E Bonds, of Authorized Denomination or Denominations, of the same Series, tenor, maturity and interest rate for the same aggregate principal amount will be issued to the transferee in exchange herefor.

The Issuer and the Trustee may deem and treat the registered holder hereof as the absolute owner hereof for all purposes, and the Issuer and the Trustee shall not be affected by any notice to the contrary.

The rights and obligations of the Issuer and of the registered holders of the Bonds may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Indenture, which provide, in certain circumstances, for modifications and amendments without the consent of, or notice to, the registered holders of Bonds.

It is hereby certified and recited that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Series 2012E Bond, and in the issuing of this Series 2012E Bond, do exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State of California, and that this Series 2012E Bond, together with all other indebtedness of the Issuer pertaining to the Pledged Allocable Sales Tax Revenues, is within every debt and other limit prescribed by the Constitution and the statutes of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture or the Act.

This Series 2012E Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Trustee.

IN WITNESS WHEREOF, the IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY has caused this Series 2012E Bond to be executed in its name and on its behalf by the manual or facsimile signature of the Chairperson of the Board of Directors of the Imperial County Local Transportation Authority and the manual or facsimile signature of the Auditor-Controller of the Imperial County Local Transportation Authority and has caused this Series 2012E Bond to be dated the date set forth above.

IMPERIAL COUNTY LOCAL
TRANSPORTATION AUTHORITY

By: _____
Chairperson

By: _____
Auditor-Controller

[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the within-mentioned Indenture and authenticated on the date set forth below.

Dated: _____.

_____, as Trustee

By: _____
Authorized Officer

[FORM OF DTC LEGEND]

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

[FORM OF ASSIGNMENT]

For value received _____, whose taxpayer identification number is _____, does hereby sell, assign and transfer unto _____ the within Bond and hereby irrevocably constitute and appoint _____ attorney, to transfer the same on the books of the Issuer at the office of the Trustee, with full power of substitution in the premises.

NOTE: The signature to this Assignment must correspond with the name on the face of the within Registered Bond in every particular, without alteration or enlargement or any change whatsoever.

Dated: _____

Signature Guaranteed by:

NOTE: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program as shall be acceptable to the Trustee.

Exhibit B

[Form of Requisition – Series 2012E Costs of Issuance Fund]

REQUISITION NO. ____

Series 2012E Costs of Issuance Fund

The undersigned, _____, hereby certifies as follows:

1. I am _____ of the Imperial County Local Transportation Authority, a local transportation authority duly established and existing under the laws of the State of California (the “Issuer”).

2. Pursuant to the provisions of the Indenture, dated as of July 1, 2012, as supplemented by that certain Fifth Supplemental Indenture, dated as of July 1, 2012 (together, the “Indenture”), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), I am an Authorized Representative (as such term is defined in the Indenture) of the Issuer and I am delivering this Requisition on behalf of the Issuer.

3. The undersigned hereby requests that the Trustee pay from the Series 2012E Costs of Issuance Fund established pursuant to Section 13.05 of the Indenture the amounts specified in Schedule I hereto to the persons identified in Schedule I.

4. The undersigned hereby certifies that: (i) obligations in the amounts stated in Schedule I have been incurred by the Issuer and are presently due and payable; (ii) each item is a proper charge against the Series 2012E Costs of Issuance Fund; and (iii) each item has not been previously paid from the Series 2012E Costs of Issuance Fund.

Dated: _____.

IMPERIAL COUNTY LOCAL
TRANSPORTATION AUTHORITY

By: _____
Authorized Representative

Schedule I

Series 2012E Costs of Issuance Fund

To	Amount	Purpose	Wire or Payment Instructions
	\$		

Exhibit C

[Form of Requisition – Series 2012E Project Fund]

REQUISITION NO. ____

Series 2012E Project Fund

The undersigned, _____ hereby certifies as follows:

1. I am the _____ of the Imperial County Local Transportation Authority, a local transportation authority duly established and existing under the laws of the State of California (the “Issuer”).

2. Pursuant to the provisions of the Indenture, dated as of July 1, 2012, as supplemented by that certain Fifth Supplemental Indenture, dated as of July 1, 2012 (together, the “Indenture”), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), I am an Authorized Representative (as such term is defined in the Indenture) of the Issuer and I am delivering this Requisition on behalf of the Issuer.

3. The undersigned, acting on behalf of the Issuer, does hereby request disbursement of funds from the Series 2012E Project Fund, created pursuant to Section 13.06 of the Indenture, in connection with the payment of the costs of the Series 2012E Project (as such term is defined in the Indenture).

TOTAL DISBURSEMENT AMOUNT REQUESTED: \$ _____

4. The undersigned, acting on behalf of the Issuer, hereby certifies that: (a) the costs of the Series 2012E Project in the amount set forth herein have been incurred by the Issuer or the County and are presently due and payable; and (b) that each item is a proper charge against the Series 2012E Project Fund and has not been previously paid from the Series 2012E Project Fund.

5. The undersigned, acting on behalf of the Issuer, hereby certifies that there has not been filed with or served upon the Issuer notice of any lien, right to lien, or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the parties identified on Schedule I to this Requisition, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen’s or mechanics’ liens accruing by mere operation of law.

6. This Requisition is authorized and acknowledged by the County of Imperial (the “County”) as evidenced by the signature of _____, an Authorized Representative of the County authorized to execute this Requisition on behalf of the County.

7. The undersigned, acting on behalf of the County, hereby certifies that: (a) the costs of the Series 2012E Project in the amount set forth herein have been incurred by the Issuer or the County and are presently due and payable; and (b) that each item is a proper charge against the Series 2012E Project Fund and has not been previously paid from the Series 2012E Project Fund.

8. Payment should be made in accordance with the instructions set forth on Schedule I hereto.

Dated: _____.

IMPERIAL COUNTY LOCAL
TRANSPORTATION AUTHORITY

By: _____
Authorized Representative

COUNTY OF IMPERIAL

By: _____
Authorized Representative

Schedule I

Series 2012E Project Fund

Party to be Paid	Payment Amount	Nature of Expenditure	Payment Instructions
	\$		

INDENTURE

between

IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY

and

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
as Trustee**

Dated as of [as of date] 1, 2012

Relating To

**Imperial County Local Transportation Authority
Sales Tax Revenue Bonds (Limited Tax Bonds)**

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INDENTURE

This INDENTURE, dated as of [as of date] 1, 2012 (as more fully defined in Section 1.02 hereof, this “Indenture”), between the IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY, a local transportation authority duly established and existing under the laws of the State of California (the “Issuer”), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under and by virtue of the laws of the state of California, as trustee (the “Trustee”);

WITNESSETH:

WHEREAS, on July 26, 1989, the Issuer adopted Ordinance No. 1-89, known as the Imperial County Local Retail Transaction and Use Tax Ordinance (the “1989 Ordinance”), pursuant to the provisions of Section 180000 through 180264, inclusive, of the Public Utilities Code of the State of California (as more fully defined in Section 1.02 hereof, the “Act”), which 1989 Ordinance provided for the imposition of a retail transactions and use tax (the “Measure D Sales Tax”) applicable in the incorporated and unincorporated territory of the County of Imperial (the “County”) in accordance with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code of the State of California, at the rate of one-half of one percent (1/2%) for a period not to exceed twenty (20) years from the date of commencement of collection;

WHEREAS, the Measure D Sales Tax was approved by more than two-thirds of the electors voting on a ballot measure (“Measure D”) to authorize such Measure D Sales Tax at the general election held in the County on November 7, 1989;

WHEREAS, by its terms the 1989 Ordinance became effective at the close of the polls on November 7, 1989, the date of the election at which Measure D was approved;

WHEREAS, pursuant to the 1989 Ordinance, the collection of the Measure D Sales Tax commenced on April 1, 1990 and expired on March 31, 2010;

WHEREAS, on July 28, 2008, the Issuer adopted Ordinance No. 1-2008 (the “Ordinance”), pursuant to the provisions of the Act which Ordinance extended the Measure D Sales Tax for a period not to exceed forty (40) years, with such period commencing April 1, 2010, and expiring not later than March 31, 2050;

WHEREAS, the extension of the Measure D Sales Tax was approved by more than two-thirds of the electors voting on a ballot measure (the “Measure”) to authorize such extension of Measure D Sales Tax at the general election held in the County on November 4, 2008;

WHEREAS, by its terms the Ordinance became effective on November 4, 2008;

WHEREAS, the Issuer is authorized by Section 180250 of the Act and by the Ordinance to issue limited tax bonds from time to time secured by, and payable from, revenues of the Measure D Sales Tax (as more fully defined in Section 1.02 hereof, the “Measure D Sales Tax Revenues”);

WHEREAS, the Issuer has determined to enter into this Indenture to provide for the authentication and delivery in one or more Series of certain limited tax bonds (the “Bonds”), to establish and declare the terms and conditions upon which a Series and other obligations secured by the Measure D Sales Tax shall be issued and secured and to secure the payment of the principal thereof, premium, if any, and interest on the Bonds of a Series and Parity Obligations secured by the Measure D Sales Tax;

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

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

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that to secure the payment of the principal of, premium, if any, and the interest on all Bonds at any time issued, authenticated and delivered hereunder, to secure the payment of Parity Obligations and to provide the terms and conditions under which all property, rights and interests hereby assigned and pledged are to be dealt with and disposed of, and to secure performance and observance of the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and in consideration of the premises and of the material covenants herein contained and of the purchase and acceptance of the Bonds by the owners thereof, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Issuer does hereby agree and covenant with the Trustee for the benefit of the respective owners, from time to time, of the Bonds, or any part thereof, and for the benefit of the holders of Parity Obligations, as follows:

ARTICLE 1

EQUALITY OF SECURITY; DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

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

SECTION 1.02. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Indenture and of any Supplemental Indenture

and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

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

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

Act 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.

Allocable Sales Tax Revenues means the portion of Measure D Sales Tax Revenues allocable under the Ordinance to each Local Agency.

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

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

Assumed Debt Service, in respect of a Series, means for any Fiscal Year the aggregate amount of principal and interest that would be payable on all Bonds of that Series if each Excluded Principal Payment were amortized on a substantially level debt service basis for a period commencing on the date of calculation of such Assumed Debt Service and ending on the earlier of (i) the date specified by the Issuer, which date may be the final maturity date of such Series of Bonds, or (ii) the Tax Expiration Date, such Assumed Debt Service to be calculated based on a fixed interest rate equal to the rate at which fixed rate Bonds bearing the same terms and security as the Series could be sold, as set forth in a certificate of a financial advisor or investment banker, delivered to the Trustee, who may rely conclusively on such certificate, such certificate to be delivered within thirty (30) days of the date of calculation.

Authorized Denomination, with respect to any Series of Bonds, shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series.

Authorized Representative means the Chairperson of the Board, the Executive Director, or such other person as may be designated to act on behalf of the Issuer by a written certificate

furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Issuer by an Authorized Representative.

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

Board means the Board of Directors of the Issuer.

Bonds means any of the Imperial County Local Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds) authorized by, and at any time Outstanding under, this Indenture.

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

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

Bond Reserve Requirement with respect to a Series issued pursuant to a Supplemental Indenture under which a Bond Reserve Fund has been established has the meaning specified in that Supplemental Indenture.

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

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

Certificate, Statement, Request, Requisition or Order of the Issuer means, respectively, a written certificate, statement, request, requisition or order signed in the name of the Issuer by an Authorized Representative. If and to the extent required by Section 1.03, each such instrument shall include the statements provided for in Section 1.03.

Code means the Internal Revenue Code of 1986, and the regulations applicable thereto or issued thereunder, or any successor to the Internal Revenue Code of 1986. Reference to any

particular Code section shall, in the event of such a successor Code, be deemed to be reference to the successor to such Code section.

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

Corporate Trust Office or **corporate trust office** means the corporate trust office of the Trustee at 700 South Flower Street, Suite 500, Los Angeles, California 90017, or such other or additional offices as may be designated by the Trustee from time to time; provided, however, that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is then conducted.

Costs of Issuance, in respect of a Series, means all items of expense directly or indirectly payable by or reimbursable to the Issuer and allocable to the authorization, execution, sale and delivery of that Series, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, travel expenses and costs relating to rating agency meetings and other meetings concerning such Series, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, surety, insurance, credit enhancement and liquidity costs, and any other cost, charge or fee in connection with the initial delivery of the Series or any Parity Obligation in respect thereof.

Costs of Issuance Fund, in respect of a Series, means a fund by that name established pursuant to the provisions of the respective Supplemental Indenture to pay Costs of Issuance with respect to that Series.

Counterparty means a Person that has entered into an Interest Rate Swap Agreement with the Issuer.

County means the County of Imperial, California.

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

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

Current Interest Bond means a Bond of any Series designated as Current Interest Bonds in the respective Supplemental Indenture and on which interest is paid to the Owners thereof on a periodic basis no less frequently than annually prior to maturity.

Debt Service, when used with respect to any Series, means, as of any date of calculation and with respect to any Fiscal Year, the sum of (1) the interest falling due on Bonds of that Series during such Fiscal Year and (2) the principal of or Mandatory Sinking Account Payments required with respect to Bonds of that Series becoming due during such Fiscal Year; computed on the assumption that no portion of any Bond of that Series will be retired during that Fiscal Year other than by reason of the application of such scheduled payments; provided, however, that for purposes of the calculation:

(a) Excluded Principal Payments (and any interest related thereto payable from the same source as the Excluded Principal Payments) is excluded from the calculation and, in lieu thereof, Assumed Debt Service is included in the calculation;

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

(c) if twenty percent (20%) or more of the principal of the Bonds of such Series is not due until the Maturity Date of the Bonds of such Series, principal and interest on such Bonds may, at the option of the Issuer, be treated as if such principal and interest were due based upon a level amortization of such principal and interest over the term of the Bonds of such Series;

(d) if any Bond of a Series bears, or if any Bond proposed to be issued on a parity with Bonds of such Series will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on that Bond is excluded or expected to be excluded from gross income for federal income tax purposes, the interest rate on that Bond is assumed to be the interest rate listed in The Bond Buyer "25 Revenue Bond Index" published on a date selected by the Issuer, which date shall be no earlier than the first day of the calendar month preceding the date of sale of that Bond and no later than the date of sale of that Bond, plus twenty-five (25) basis points or if such index is not published on the date of sale of that Bond, at the interest rate listed in such index published immediately prior to the date of sale of such Bonds of a Series plus twenty-five (25) basis points (provided, however, that if such index is no longer published, the interest rate on that Bond is assumed to be a rate determined based upon an index to be designated by the Issuer in writing to the Trustee);

(e) if any Bond of a Series bears, or if any Bond proposed to be issued on a parity with Bonds of that Series will bear, interest at a variable interest rate for which an Interest Rate Swap Agreement is not in place and the interest on that Bond is included or expected to be included in gross income for federal income tax purposes, the interest rate on that Bonds is assumed to be equal to 110% of the average One Month USD LIBOR Rate during the three (3) months preceding the month of sale of that Bond (provided, however, that if the One Month USD LIBOR Rate is no longer available, the interest rate on the Bond is assumed to be a rate designated by the Issuer in writing to the Trustee;

(f) with respect to any Bond bearing interest, or expected to bear interest, at a variable interest rate for which an Interest Rate Swap Agreement is in place, if (i) the interest rate on that Bond, plus (ii) the payments received and made by the Issuer under an Interest Rate Swap Agreement with respect to such Bond, are expected to produce a synthetic fixed rate to be paid by the Issuer (e.g., an interest rate swap under which the Issuer pays a fixed rate and receives a variable rate that is expected to equal or approximate the rate of interest on the Bond), the Bond is assumed to bear interest at the synthetic fixed rate for the duration of the Interest Rate Swap Agreement;

(g) if any Bond of a Series bears, or are expected to bear, a fixed interest rate and an Interest Rate Swap Agreement is entered into with respect to that Bond, if (i) the interest rate on such fixed interest rate Bonds, plus (ii) the payments received and made by the Issuer under an Interest Rate Swap Agreement with respect to such fixed interest rate Bond, are expected to produce a synthetic variable rate to be paid by the Issuer (e.g., an interest rate swap under which the Issuer pays a variable rate and receives a fixed rate that is expected to equal or approximate the rate of interest on such fixed interest rate Bond), the fixed interest rate Bond is assumed to bear interest at that synthetic variable rate for the duration of the Interest Rate Swap Agreement calculated as provided in subparagraph (c) or subparagraph (d), as applicable, above; and

(h) interest payments are excluded to the extent that such interest payments are to be paid from the proceeds of Bonds of the Series held by the Trustee or other fiduciary as capitalized interest specifically to pay such interest, and principal and interest payments on Bonds of the Series are excluded to the extent those payments are to be paid from amounts on deposit with the Trustee or other fiduciary in escrow specifically therefor or are to be paid from Pledged Allocable Sales Tax Revenues then held on deposit by the Trustee.

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

Event of Default means any of the events specified in Section 7.01.

Excess Pledged Allocable Sales Tax Revenues means Pledged Allocable Sales Tax Revenues in excess of the amount required to be transferred to the Funds and Accounts established pursuant to a Supplemental Indenture for the repayment of a Series of Bonds.

Excluded Principal Payments means each payment of principal of Bonds of a Series that the Issuer determines (in the Supplemental Indenture) that the Issuer intends to pay not from Pledged Allocable Sales Tax Revenues (such as commercial paper, balloon indebtedness or bond anticipation notes) but from future debt obligations of the Issuer, grants from the State or federal government, or any agency or instrumentality thereof, or any other source of funds of the Issuer, upon which determination of the Issuer the Trustee may conclusively rely. No such determination shall affect the security for the Bonds of the Series or the obligation of the Issuer to make such payments from Pledged Allocable Sales Tax Revenues. No payment of principal of any Bond may be determined to be an Excluded Principal Payment unless it is due on or prior to the later of _____, 20__ or the Tax Expiration Date.

Expenditure Plan means The Imperial County Local Transportation Authority Retail Transactions and Use Tax Expenditure Plan attached as an exhibit to the Ordinance, and incorporated therein, as supplemented and amended from time to time.

Expenditure Plan Program Allocations means amounts allocated from the Measure D Sales Tax Revenues to administrative expenses of the Issuer, state highway improvements within the County and transit projects prior to the allocation of Measure D Sales Tax Revenues to each Local Agency pursuant to the Expenditure Plan.

Fees and Expenses Fund means the fund by that name established pursuant to Section 5.02.

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

Fitch means Fitch Ratings, and its successors and assigns; provided, however, that if that corporation has been dissolved or liquidated or is no longer performing the functions of a securities rating agency, then the term “Fitch” means any other nationally recognized securities rating agency selected by the Issuer.

Indenture means this Indenture, dated as of _____ 1, 2012, between the Issuer and the Trustee, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Indenture delivered pursuant to the provisions hereof.

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

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

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

Interest Payment Date, with respect to a Series, has the meaning specified in the respective Supplemental Indenture.

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

Investment Securities means any of the following:

- A. The following obligations may be used as Investment Securities for all purposes, including defeasance investments in refunding escrow accounts:
- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below);
 - (2) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America;
 - (3) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including
 - Export-Import Bank
 - Farm Credit System Financial Assistance Corporation
 - Rural Economic Community Development Administration (formerly the Farmers Home Administration)
 - General Services Administration
 - U.S. Maritime Administration
 - Small Business Administration
 - Government National Mortgage Association (GNMA)
 - U.S. Department of Housing & Urban Development (PHA's)
 - Federal Housing Administration
 - Federal Financing Bank; and
 - (4) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
 - Senior debt obligations rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
 - Obligations of the Resolution Funding Corporation (REFCORP)
 - Senior debt obligations of the Federal Home Loan Bank System
 - Senior debt obligations of other Government Sponsored Agencies approved by each Credit Enhancement Provider then providing Credit

Enhancement or Liquidity Provider then providing a Liquidity Facility for a Series of Bonds.

- B. The following obligations may be used as Investment Securities for all purposes other than defeasance investments in refunding escrow accounts:
- (1) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating (ratings on holding companies are not considered as the rating of the banks) on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's and "P-1" by Moody's and maturing no more than three hundred sixty (360) days after the date of purchase;
 - (2) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1" by Standard & Poor's or "P-1" by Moody's and which matures not more than two hundred seventy (270) days after the date of purchase;
 - (3) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by Standard & Poor's including funds for which the Trustee or an affiliate provides investment advice or other services;
 - (4) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and
 - (A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Standard & Poor's and Moody's or any successors thereto; or
 - (B) (i) which are fully secured as to principal and interest and prepayment premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and prepayment premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified prepayment date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and prepayment premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;
 - (5) General obligations of states with a rating of at least "A2/A" or higher by both Moody's and Standard & Poor's;

- (6) Any investment agreement with a financial institution or insurance company which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated (or the parent company or guarantor of which is rated) in either of the two highest long-term Rating Categories by Moody's and Standard & Poor's;
- (7) The Local Agency Investment Fund managed by the Treasurer of the State of California, as referred to in Section 16429.1 of the Government Code of the State but only to the extent such investment is registered in the name of the Trustee;
- (8) Shares in a common law trust, commonly referred to as CAMP, established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended;
- (9) The commingled investment fund of the County of Imperial, California, which is administered in accordance with the investment policy of the County as established by the County Auditor-Controller-Treasurer-Tax Collector, as permitted by Section 53601 of the Government Code of the State, copies of which policy are available upon written request to said County Auditor-Controller-Treasurer-Tax Collector;
- (10) Any other forms of investments, including repurchase agreements, approved in writing by each Credit Enhancement Provider then providing Credit Enhancement for a Series of Bonds; and
- (11) Any other investments which meet the criteria established by applicable published investment guidelines issued by a Rating Agency then rating the applicable Series of Bonds.

Issuer means the Imperial County Local Transportation Authority, a local transportation authority duly established and existing under the laws of the State.

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

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

Liquidity Facility Provider means, with respect to a Series, the commercial bank, insurance company, pension fund or other financial institution issuing (or having primary

obligation, or acting as agent for the financial institutions obligated, under) a Liquidity Facility then in effect with respect to that Series.

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

Local Agency means any or each of the City of Brawley, the City of Calexico, the City of Calipatria, the City of El Centro, the City of Holtville, the City of Imperial, the City of Westmorland or the County.

Mandatory Sinking Account Payment means, with respect to Term Bonds of a maturity of a Series, the amount required under the respective Supplemental Indenture to be deposited by the Issuer in a Sinking Account for the redemption of those Term Bonds.

Maintenance of Effort means the amount, as required by Section 6 of the Expenditure Plan, that each Local Agency must budget for and expend in each fiscal year for street and road purposes.

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

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

Maximum Rate means (a) the lesser of (i) twelve percent (12%) and (ii) the maximum rate of interest that may legally be paid on the Bonds from time to time and (b) the maximum rate of interest that may legally be paid on the Liquidity Facility Bonds from time to time.

Measure has the meaning set forth in the Recitals hereto.

Measure D has the meaning set forth in the Recitals hereto.

Measure D Sales Tax has the meaning set forth in the Recitals hereto.

Measure D Sales Tax Revenues means the amounts available for distribution to the Issuer after the date of issuance of the Bonds on account of the Measure D Sales Tax after deducting amounts payable by the Issuer to the State Board of Equalization for costs and expenses for its services in connection with the Measure D Sales Tax imposed pursuant to Section 180201 of the Act and the Ordinance. Measure D Sales Tax Revenues do not include any funds or assets of the Issuer except Measure D Sales Tax Revenues; provided, however, that in accordance with the provisions set forth in Section 3.02 hereof, the Issuer by Supplemental Indenture may provide for additional revenues or assets of the Issuer to be included in the definition of Measure D Sales Tax Revenues hereunder.

Measure D Sales Tax Revenue Fund means the fund by that name established by the Trustee pursuant to Section 5.01(B) of this Indenture.

Monthly Allocation Certificate means a certificate of the Issuer provided to the Trustee, in substantially the form attached as Exhibit B, identifying the Expenditure Plan Program Allocations, the Non-Pledged Measure D Sales Tax Revenues to be released to the Authority for distribution to the Non-Participating Agencies, the Pledged Allocable Sales Tax Revenues to be transferred from the Measure D Sales Tax Revenue Fund to the Funds and Accounts established under this Indenture and each Supplemental Indenture, and the Excess Pledged Allocable Sales Tax Revenues to be released by the Authority to the Participating Agencies.

Moody's means Moody's Investors Service, a corporation duly organized and existing under the laws of the State of Delaware, and its successors and assigns; provided, however, that if that corporation has been dissolved or liquidated or is no longer performing the functions of a securities rating agency, then the term "Moody's" means any other nationally recognized securities rating agency selected by the Issuer.

Non-Participating Agency means each Local Agency not pledging and assigning its Allocable Sales Tax Revenues to a Series of Bonds under this Indenture.

Non-Pledged Measure D Sales Tax Revenues means the Expenditure Plan Program Allocation and the Measure D Sales Tax Revenues attributable to each Non-Participating Agency pursuant to the Expenditure Plan.

Notice of Receipt means the written notice provided by the Trustee to the Issuer of receipt of Measure D Sales Tax Revenues substantially in the form attached as Exhibit A hereto.

Notice Parties means, as and to the extent applicable, the Issuer, the Trustee, and, if the notice being given relates to Bonds of a Series, each of the Credit Enhancement Provider, if any, the auction agent, if any, the broker-dealer, if any, the Liquidity Facility Provider, if any, the Reserve Facility Provider, if any, and the remarketing agent, if any, for those Bonds.

One Month USD LIBOR Rate means the British Banker's Association average of interbank offered rates in the London market for deposits in U. S. dollars for a one month period as reported in *The Wall Street Journal* or, if not reported in such newspaper, as reported in such other source as may be selected by the Issuer.

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

Ordinance means that certain ordinance No. 2008-1, adopted by the Board on July 28, 2008, pursuant to the provisions of Section 180000 through Section 180264, inclusive, of the Act, as now in effect and as it may from time to time hereafter be amended or supplemented pursuant to its terms.

Outstanding, when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.09) all Bonds of a Series theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture and a Supplemental Indenture

except: (1) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the Issuer shall have been discharged in accordance with Section 10.02, including Bonds (or portions of Bonds) referred to in Section 11.10; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture; provided, however, that if the principal of or interest due on any Bonds shall be paid by the Credit Enhancement Provider or Liquidity Facility Provider pursuant to the Credit Enhancement or Liquidity Facility issued in connection with such Bonds, such Bonds shall remain Outstanding for all purposes and shall not be considered defeased or otherwise satisfied or paid by the Issuer and the pledge of Pledged Allocable Sales Tax Revenues and all covenants, agreements and other obligations of the Issuer to the Owners shall continue to exist and shall run to the benefit of such Credit Enhancement Provider or Liquidity Facility and such Credit Enhancement Provider or Liquidity Facility Provider shall be subrogated to the rights of such Owners.

Owner whenever used herein with respect to a Bond, means the person in whose name the Bond is registered pursuant to this Indenture.

Participating Agency means each Local Agency that has pledged its Sales Tax Revenues in connection with the issuance of a Series of Bonds under this Indenture.

Participating Agency Fees and Expense Account with respect to each Series of Bonds shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Participating Agency Interest Account with respect to each Series of Bonds shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Participating Agency Principal Account with respect to each Series of Bonds shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Participating Agency Sales Tax Revenue Account with respect to each Series of Bonds shall have the meaning specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Participating Underwriter means any of the original underwriters of a Series of Bonds required to comply with Rule 15c2-12.

Parity Obligations means (i) any indebtedness, installment sale obligation, lease obligation or other obligation of the Issuer for borrowed money or (ii) any 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 by a lien and charge on the Pledged Allocable Sales Tax Revenues of a Participating Agency subordinate to the lien and charge upon the Pledged Allocable Sales Tax Revenues which secures the respective Bonds of a Series, Parity Obligations and payment of principal and interest on Subordinate Obligations) entered into in connection with a Series of Bonds, in each case incurred in

accordance with Section 3.05(C) and having an equal lien and charge upon the Pledged Allocable Sales Tax Revenues of such Participating Agency and therefore payable on a parity with the respective Bonds of a Series (whether or not any respective Bonds of a Series are Outstanding).

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

Pledged Allocable Sales Tax Revenues means the portion of Measure D Sales Tax Revenues allocable under the Ordinance to the applicable Participating Agency pledged pursuant to a Supplemental Indenture to the repayment of a Series of Bonds.

Pledged Allocable Sales Tax Revenue Fund means the fund by that name established by the Trustee pursuant to Section 5.01(B) of this Indenture.

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

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

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

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

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

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

Rebate Fund means that fund by that name established pursuant to Section 5.09.

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

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

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

Redemption Fund means the fund by that name established pursuant to Section 5.08.

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

Refunding Bonds means a Series of Bonds or a portion of a Series of Bonds issued pursuant to the provisions set forth in Section 3.04.

Repositories means the public or private entity or entities designated as a repository or repositories in a Continuing Disclosure Agreement entered into in connection with a Series of Bonds.

Reserve Facility means any insurance policy, letter of credit or surety bond issued by a Reserve Facility Provider, meeting the requirements set forth in Section 5.05 hereof, and delivered to the Trustee in satisfaction of all or a portion of the Bond Reserve Requirement applicable to one or more Series of Bonds.

Reserve Facility Provider means any issuer of a Reserve Facility.

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

Rule 15c2-12 means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as supplemented and amended from time to time.

Securities Depository means The Depository Trust Company, New York, New York, or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depository, or no such depositories, as the Issuer may designate in a request of the Issuer delivered to the Trustee.

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

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

Sinking Account, in respect of a Series, means an account by that name established in the Principal Fund pursuant to Section 5.04 for the payment of Term Bonds of that Series.

Standard & Poor's or **S&P** means Standard & Poor's Financial Services LLC, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns; provided, however, that if that corporation has been dissolved or liquidated or is no longer performing the functions of a securities rating agency, then the term "Standard & Poor's" or "S&P" means any other nationally recognized securities rating agency selected by the Issuer.

State means the State of California.

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

Subordinate Obligations means any obligations issued or incurred in accordance with Section 3.05(D).

Subordinate Obligations Fund means the fund by that name established pursuant to Section 5.02.

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

Tax Certificate, in respect of a Series, means a certificate of that name delivered by the Issuer at the time of issuance and delivery of that Series, as the same may be amended or supplemented in accordance with its terms.

Tax Expiration Date means March 31, 2050 or such later date to which the levy of the Measure D Sales Tax is extended in accordance with the Act.

Term Bonds means Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

Trustee means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized under the laws of the United States of America, or its successor, as Trustee, as provided in Section 8.01.

Variable Rate Indebtedness means any indebtedness the interest rate on which is not fixed at the time of incurrence of such indebtedness, and has not at some subsequent date been fixed, at a numerical rate or rates for the entire term of such indebtedness.

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

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

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

ARTICLE 2

THE BONDS

SECTION 2.01. Authorization of Bonds. Bonds may be issued hereunder as fully registered bonds without coupons, in book-entry form or otherwise, from time to time as the issuance thereof is approved by the Issuer. The maximum principal amount of Bonds which may be issued hereunder is subject to any limitations contained in the Act and to the right of the Issuer, which is hereby reserved, to limit the aggregate principal amount of Bonds which may be issued or Outstanding hereunder. The Bonds are designated generally as "Imperial County Local Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds)," each Series thereof to bear such additional designation as may be necessary or appropriate to distinguish such Series from every other Series. The Bonds may be issued in such Series as from time to time shall be established and authorized by the Issuer, subject to the covenants, provisions and conditions herein contained.

SECTION 2.02. Terms of the Bonds. The Bonds of each Series shall bear interest, if any, at such rate or rates or determined in such manner and payable at such intervals as may be determined by the Issuer at the time of issuance thereof pursuant to the Supplemental Indenture under which such Bonds are issued, not to exceed the Maximum Rate, and shall mature and become payable on such date or dates and in such year or years as the Issuer may determine under that Supplemental Indenture. Principal of, premium, if any, and interest on such Bonds

shall be payable in such manner as may be specified in the Supplemental Indenture under which those Bonds are issued. The Bonds of each Series shall be issued in Authorized Denominations.

Unless otherwise provided in the Supplemental Indenture under which a Series is issued, the Bonds of that Series shall be initially registered in the name of “Cede & Co.,” as nominee of the Securities Depository and shall be evidenced by one bond certificate for each maturity of that Series. Registered ownership of any Series, or any portion thereof, may not thereafter be transferred except as set forth in Section 2.10 hereof, or in the event the use of the Securities Depository is discontinued, in accordance with the provisions set forth in Section 2.05 hereof.

SECTION 2.03. Form of Bonds. The Bonds of any Series shall be in such form or forms as may be specified in the Supplemental Indenture under which such Bonds are issued.

SECTION 2.04. Execution of Bonds. The Bonds shall be executed in the name and on behalf of the Issuer by the facsimile or manual signature of the Chairperson of the Board. Unless otherwise provided in any Supplemental Indenture, the Bonds shall then be delivered to the Trustee for authentication by the Trustee. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the Issuer before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee or issued by the Issuer, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Issuer as though those who signed and attested the same had continued to be such officers of the Issuer, and also any Bond may be signed and attested on behalf of the Issuer by such persons as at the actual date of execution of such Bond shall be the proper officers of the Issuer although at the nominal date of such Bond any such person shall not have been such officer of the Issuer.

Except as may be otherwise be provided in a Supplemental Indenture establishing the terms and provisions of a Series, only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form recited in the Supplemental Indenture creating such Series, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of authentication when manually executed by the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.05. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the register required to be kept pursuant to the provisions of Section 2.07, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee.

Whenever any Bond or Bonds shall be surrendered for transfer, the Issuer shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds, of the same Series, tenor, maturity and interest rate and a like aggregate principal amount; provided that, unless otherwise provided in any Supplemental Indenture, no registration of transfer may occur during the period established by the Trustee for selection of Bonds for redemption, or of any Bond or portion of a Bond so selected for redemption. The Trustee shall require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

SECTION 2.06. Exchange of Bonds. Bonds may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of other Authorized Denominations of the same Series, tenor, maturity and interest rate; provided that, unless otherwise provided in any Supplemental Indenture, no exchange may occur during the period established by the Trustee for selection of Bonds for redemption, or of any Bond or portion of a Bond so selected for redemption. The Trustee shall require the Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

SECTION 2.07. Bond Register. Unless otherwise provided in a Supplemental Indenture delivered in connection with a Series, the Trustee shall keep or cause to be kept, at its Corporate Trust Office sufficient books for the registration and transfer of each Series, which shall at all times be open to inspection during normal business hours by the Issuer and each Credit Enhancement Provider or Liquidity Facility Provider upon reasonable prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Bonds as hereinbefore provided.

SECTION 2.08. Temporary Bonds. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bond may be printed or typewritten, shall be of such denomination as may be determined by the Issuer, shall be in registered form and may contain such reference to any of the provisions of this Indenture as may be appropriate. A temporary Bond may be in the form of a single Bond payable in installments, each on the date, in the amount and at the rate of interest established for the Bonds maturing on such date. Every temporary Bond shall be executed by the Issuer and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Issuer issues temporary Bonds, the Issuer will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Corporate Trust Office and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of Authorized Denominations of the same Series, tenor and maturity or maturities. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

SECTION 2.09. Bonds Mutilated; Lost; Destroyed or Stolen. If any Bond shall become mutilated, the Issuer, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like Series, tenor, maturity and interest rate in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by the Trustee and delivered to, or upon the Order of, the Issuer. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Issuer and to the Trustee and, if such evidence be satisfactory to both and indemnity satisfactory to both shall be given, the Issuer, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like Series, tenor, maturity and interest rate in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof upon receipt of the aforementioned indemnity). The Issuer may require payment of a sum not exceeding the actual cost of preparing

each new Bond issued under this Section and of the expenses which may be incurred by the Issuer and the Trustee in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Issuer whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Indenture with all other Bonds secured by this Indenture. Neither the Issuer nor the Trustee shall be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond shall be treated as one and the same.

SECTION 2.10. Use of Securities Depository. Unless otherwise provided in a Supplemental Indenture delivered in connection with a Series, notwithstanding any provision of this Indenture to the contrary:

(A) The Bonds shall be delivered and registered as provided in Section 2.02. Registered ownership of each Bond, or any portion thereof, may not thereafter be transferred except:

(1) To any successor of the Securities Depository or its nominee, or to any substitute depository designated pursuant to clause (2) of this subsection (A) (each, a “substitute depository”); provided, that any successor of the Securities Depository or substitute depository is qualified under any applicable laws to provide the service proposed to be provided by it;

(2) To any substitute depository designated by the Issuer upon (a) the resignation of the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository or (b) a determination by the Issuer that the Securities Depository or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided that any such substitute depository is qualified under any applicable laws to provide the services proposed to be provided by it; or

(3) To any Person as provided below, upon (a) the resignation of the Securities Depository or its successor (or substitute depository or its successor) from its functions as depository; provided that no substitute depository can be obtained or (b) a determination by the Issuer that it is in the best interests of the Issuer to remove the Securities Depository or its successor (or any substitute depository or its successor) from its functions as depository.

(B) In the case of any transfer pursuant to clause (1) or clause (2) of subsection (A) above, upon receipt by the Trustee of the Bonds, and of a Statement of the Issuer to the Trustee, for each old Bond of a Series so received a single new Bond of the same Series shall be executed and delivered in the same principal amount and bearing the same maturity date as of that old Bond, registered in the name of such successor or such substitute depository, or its nominees, as the case may be, all as specified in such Statement of the Issuer. In the case of any transfer pursuant to clause (3) of subsection (A) hereof, upon receipt of the Bonds by the Trustee, and of a Statement of the Issuer to the Trustee, for each old Bond of a Series so received either a single or multiple new Bonds of the same shall be authorized and prepared by the Issuer and

authenticated and delivered by the Trustee bearing the same maturity date and of an aggregate principal amount equal to that of the old Bond, and in such authorized denominations and registered in the names of such Persons as are requested in such a Statement of the Issuer, numbered in such manner as the Trustee shall determine, subject to the limitations of Section 2.02 hereof.

(C) Where any Bond transferred pursuant to subsection (A) has been subject to prior partial redemption or to an advance refunding, the Securities Depository shall make an appropriate notation on the new Bond delivered pursuant to the initial sentence of subsection (B) preceding, in form acceptable to the Trustee, indicating the date and amounts of each such reduction in principal.

(D) The Issuer and the Trustee shall be entitled to treat the Person in whose name any Bond is registered as the Owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Issuer; and the Issuer and the Trustee shall have no responsibility for transmitting payments to, communicating with, notifying or otherwise dealing with any Beneficial Owners of the Bonds. Neither the Issuer nor the Trustee will have any responsibility or obligations, legal or otherwise, to the Beneficial Owners or to any other party including the Securities Depository or its successor (or substitute depository or its successor), except for the Owner of any Bond.

(E) So long as the Outstanding Bonds are registered in the name of Cede & Co. or its registered assign, the Issuer and the Trustee shall cooperate with Cede & Co., as sole registered Owner, and its registered assigns in effecting payment of the principal of, premium, if any, purchase price and interest on the Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

ARTICLE 3

ISSUANCE OF BONDS

SECTION 3.01. Issuance of Bonds. Whenever the Issuer determines to issue a Series, the Issuer (i) shall authorize the execution of a Supplemental Indenture specifying the principal amount, and prescribing the forms of Bonds of that Series and providing the terms, conditions, distinctive designation, denominations, date, maturity date or dates, interest rate or rates (or the manner of determining the same), redemption provisions, tender provisions, if any, and place or places of payment of principal or Redemption Price, if any, of and interest on those Bonds, and any other provisions respecting Bonds of such Series not inconsistent with the terms of this Indenture, (ii) shall execute such Supplemental Indenture and (iii) shall deliver such Supplemental Indenture to the Trustee for execution.

SECTION 3.02. Requirements for Issuance of Additional Series of a Participating Agency. Subsequent to the issuance of a Series of a Participating Agency, the Issuer may in accordance with the terms of the Supplemental Indenture establish one or more additional Series of that Participating Agency, payable by the Issuer from and secured by the pledge of the Allocable Sales Tax Revenues of that Participating Agency equally and ratably

with any other Series of Bonds payable from and secured by the same Pledged Allocable Sales Tax Revenues, and the Issuer may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of such additional Series so established, in such principal amount as shall be determined by the Issuer upon compliance by the Issuer with the following provisions of this Section 3.02, Section 3.03 and any additional requirements set forth in any applicable Supplemental Indenture and subject to the specific conditions set forth below, each of which is hereby made a condition precedent to the issuance of any such additional Series of Bonds:

(A) No Event of Default relating to any Series payable from the Pledged Allocable Sales Tax Revenues to be pledged to such additional Series shall have occurred and then be continuing.

(B) Subject to the provisions of Section 5.05, if the Supplemental Indenture providing for the issuance of the additional Series so requires, either (i) a Bond Reserve Fund is established to provide additional security for that Series of Bonds or (ii) the balance on deposit in an existing Bond Reserve Fund is increased to an amount at least equal to the Bond Reserve Requirement with respect to such Series and all other Series secured by that Bond Reserve Fund and then Outstanding, the Supplemental Indenture providing for the issuance of such additional Series of Bonds shall require deposit of the amount necessary. Such deposit shall be made as provided in the Supplemental Indenture providing for the issuance of such additional Series and may be made from the proceeds of the sale of such additional Series or from other funds and may be satisfied in whole or in part through the provision of a Reserve Facility as provided in Section 5.05.

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

(D) The Issuer shall place on file with the Trustee a Certificate of the Issuer certifying that the amount of Pledged Allocable Sales Tax Revenues of the Participating Agency for a period of twelve (12) consecutive months (selected by the Issuer) during the eighteen (18) months immediately preceding the date on which such additional Series will become Outstanding would have been at least equal to 1.3 times Maximum Annual Debt Service, on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued that are payable from such Pledged Allocable Sales Tax Revenues, which Certificate shall also set forth the computations upon which such Certificate is based; provided, however, that for purposes of calculation of Maximum Annual Debt Service, Interest Rate Swap Agreements that constitute Parity Obligations shall not be included in such calculation.

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

Nothing in this Section or in this Indenture contained shall prevent or be construed to prevent the Issuer through a 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 this Indenture, additional security for the benefit of such additional Series of Bonds or any portion thereof.

If additional assets or revenues are included within the definition of “Measure D Sales Tax Revenues” by a Supplemental Indenture, such additional assets or revenues shall be included in the calculations to be provided in subsection (D) above as if such additional assets or revenues had always been included in “Measure D Sales Tax Revenues,” but only to the extent such amounts are allocable to the Pledged Allocable Sales Tax Revenues.

SECTION 3.03. Proceedings for Issuance of Additional Bonds. Subsequent to the issuance of the first Series of a Participating Agency, before any additional Series of that Participating Agency may be issued and delivered, the Issuer shall have filed each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series have been satisfied).

(A) A Supplemental Indenture authorizing such Series executed by the Issuer;

(B) A Certificate of the Issuer certifying: (i) that no Event of Default with respect to any Outstanding Bonds payable from the Pledged Allocable Sales Tax Revenues to be pledged to such additional Series of Bonds has occurred and is then continuing; and (ii) that the requirements specified in Section 3.02(B) and Section 3.02(C) hereof have been satisfied by the Issuer;

(C) A Certificate of the Issuer certifying (on the basis of computations made no later than the date of sale of such additional Series) that the requirement of Section 3.02(D) is satisfied; and

(D) An Opinion of Bond Counsel to the effect that execution of the Supplemental Indenture has been duly authorized by the Issuer in accordance with this Indenture and that such Series of Bonds, when duly executed by the Issuer and authenticated and delivered by the Trustee, will be valid and binding obligations of the Issuer.

SECTION 3.04. Issuance of Refunding Bonds.

(A) Refunding Bonds may be authorized and issued by the Issuer without compliance with the provisions of Sections 3.02(D) or 3.03(C) hereof; provided, that Maximum Annual Debt Service on all Outstanding Bonds and outstanding Parity Obligations secured by the same Pledged Allocable Sales Tax Revenues following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Outstanding Bonds and outstanding Parity Obligations secured by the same Pledged Allocable Sales Tax Revenues prior to the issuance of such Refunding Bonds. Such Refunding Bonds may be issued in an aggregate principal amount sufficient (together with any additional funds available or to become available) to provide funds for the payment of all or a portion of the following:

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

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

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

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

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

(B) Before such Series of Refunding Bonds shall be issued and delivered pursuant to this Section 3.04, the Issuer shall file each of the documents identified below with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Refunding Bonds have been satisfied):

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

(2) A Certificate of the Issuer certifying: (i) that Maximum Annual Debt Service on all Bonds and Parity Obligations which will be Outstanding following the issuance of such Series of Refunding Bonds secured by the same Pledged Allocable Sales Tax Revenues is less than or equal to Maximum Annual Debt Service on all Bonds and Parity Obligations secured by the same Pledged Allocable Sales Tax Revenues Outstanding prior to the issuance of such Refunding Bonds; and (ii) that the requirements of Sections 3.02(A), (B), and (C) hereof are satisfied.

(3) An Opinion of Bond Counsel to the effect that execution of the Supplemental Indenture has been duly authorized by the Issuer in accordance with this Indenture and that such Series of Refunding Bonds, when duly executed by the Issuer and authenticated and delivered by the Trustee, will be valid and binding obligations of the Issuer.

The proceeds of the sale of the Refunding Bonds shall be applied by the Trustee according to the written direction of the Issuer to the retirement of the respective Outstanding Bonds or Parity Obligations for the refunding of which the Refunding Bonds are issued. All Bonds or Parity Obligations purchased, redeemed or retired by use of funds received from the sale of Refunding Bonds, and all Bonds surrendered to the Trustee against the issuance of Refunding Bonds, shall be canceled and shall not be reissued.

SECTION 3.05. Limitations on the Issuance of Obligations Payable from Pledged Allocable Sales Tax Revenues; Parity Obligations; Subordinate Obligations. The Issuer will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, howsoever denominated, payable in whole or in part from Pledged Allocable Sales Tax Revenues except as set forth below.

(A) Bonds authorized pursuant to Sections 3.01 and 3.02.

(B) Refunding Bonds authorized pursuant to Section 3.04.

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

(1) Such Parity Obligations have been duly and legally authorized;

(2) No Event of Default with respect to Bonds secured by the same Pledged Allocable Sales Tax Revenues used to pay such Parity Obligations shall have occurred and then be continuing, as evidenced by the delivery of a Certificate of the Issuer to that effect, which Certificate of the Issuer shall be filed with the Trustee;

(3) Such Parity Obligations are being issued or incurred either (i) for purposes of refunding in compliance with the requirements for the issuance of Refunding Bonds set forth in Section 3.04 above or (ii) the Issuer shall have placed on file with the Trustee a Certificate of the Issuer, upon which the Trustee may conclusively rely certifying (on the basis of calculations made no later than the date of sale or incurrence of such Parity Obligations, as applicable) that the requirements set forth in Section 3.02(D) relating to the issuance of an additional Series of Bonds have been satisfied with respect to such Parity Obligations, which Certificate shall also set forth the computations upon which such Certificate is based; and

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

Notwithstanding any other provision of this Indenture to the contrary, the execution and delivery of an Interest Rate Swap Agreement shall not be subject to compliance with the provisions set forth in Section 3.05(C)(3) or Section 3.05(C)(4).

(D) Subordinate Obligations are payable as to principal of, premium, if any, interest and reserve fund requirements, if any, only out of Pledged Allocable Sales Tax Revenues after the prior payment of all amounts then required to be paid hereunder from Pledged Allocable Sales Tax Revenues for principal of, premium, if any, interest and reserve fund requirements, if any, for all Outstanding Bonds and Parity Obligations secured or payable from such Pledged Allocable Sales Tax Revenues, as the same become due and payable and at the times and in the manner as required in this Indenture and in the instrument or instruments pursuant to which any Subordinate Obligations were issued or incurred.

(E) Termination payments and fees and expenses on Interest Rate Swap Agreements, Credit Enhancement fees and expenses, Liquidity Facility fees and expenses and other obligations shall be secured by a lien and charge on Pledged Allocable Sales Tax Revenues are subordinate to the lien and charge on such Pledged Allocable Sales Tax Revenues securing Bonds, Parity Obligations and payment of principal of, premium, if any, and interest on Subordinate Obligations unless otherwise provided by the Supplemental Indenture.

(F) An Opinion of Bond Counsel to the effect that execution of the agreement entered into in connection with the Subordinate Obligations has been duly authorized by the Issuer and

that such Subordinate Obligations, when duly executed by the Issuer, will be valid and binding obligations of the Issuer.

SECTION 3.06. Calculation of Maximum Annual Debt Service with Respect to Parity Obligations. For purposes of this Article III, Maximum Annual Debt Service with respect to Parity Obligations shall be determined no later than the date of incurrence of such Parity Obligations utilizing the assumptions set forth in the definition of Debt Service.

SECTION 3.07. Application of Proceeds. Proceeds of each Series of Bonds shall be applied as specified in the Supplemental Indenture pursuant to which such Series of Bonds is issued.

ARTICLE 4

REDEMPTION, TENDER AND PURCHASE OF BONDS

SECTION 4.01. Terms of Redemption, Tender and Purchase. Each Series of Bonds may be made subject to optional or mandatory redemption or mandatory or optional tender and purchase prior to their respective stated maturities, as a whole or in part, at such time or times, upon such terms and conditions and upon such notice and with such effect as may be provided in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

SECTION 4.02. Notice of Redemption. Unless otherwise specified in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds, the Issuer shall notify the Trustee of an optional redemption at least forty-five (45) days prior to the date fixed for optional redemption (unless the Trustee shall agree some lesser number of days for notice of optional redemption), and each notice of redemption (whether optional redemption or mandatory redemption) shall be mailed by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the redemption date, to each Owner and each of the Repositories. A copy of such notice shall also be provided to each of the Notice Parties with respect to the Series of Bonds to which such notice relates. Notice of redemption to the Owners, the Repositories and the applicable Notice Parties shall be given by first class mail. Each notice of redemption shall state the date of such notice, the date of issue of the Series of Bonds to which such notice relates, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity, the distinctive certificate numbers of the Bonds of such maturity, if any, to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on such date there will become due and payable on each of such Bonds the Redemption Price thereof or of the specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. Neither the Issuer nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a

statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Issuer nor the Trustee shall be liable for any inaccuracy in such CUSIP numbers.

Failure by the Trustee to give notice to any Notice Party or any one or more of the Repositories or failure of any Owner, any Notice Party or any Repository to receive notice or any defect in any such notice shall not affect the sufficiency or validity of the proceedings for redemption.

With respect to any notice of optional redemption of a Series delivered pursuant to this Section 4.02 or any provision of any Supplemental Indenture, unless, upon the giving of such notice, such Series (or a portion thereof) shall be deemed to have been paid within the meaning of Article X hereof, such notice may state that such redemption may 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, premium, if any, and interest on, such Series (or portions thereof) to be redeemed, and that if such amounts shall not have been so received the notice shall be of no force and effect and the Issuer shall not be required to redeem such Series (or portions thereof). If such notice of redemption contains such a condition and such amounts are not so received, the redemption shall not be made and the Trustee shall no later than ten (10) Business Days thereafter give notice to the Owners to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the manner in which the notice of redemption was given.

Any notice given pursuant to this Section 4.02 may be rescinded by written notice given to the Trustee by the Issuer and the Trustee shall give notice of such rescission no later than ten (10) Business Days thereafter in the same manner, and to the same Persons, as notice of redemption was given pursuant to this Section 4.02.

SECTION 4.03. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Issuer shall execute (but need not prepare) and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Issuer, a new Bond or Bonds of Authorized Denominations, and of the same Series and maturity, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

SECTION 4.04. Effect of Redemption. Notice of redemption having been duly given, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Series (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Series (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 redemption date, interest on the Series so called for redemption shall cease to accrue, the Series of the Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture and the Owners of such Bonds shall 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 Bonds redeemed pursuant to the provisions of this Article shall be canceled upon surrender thereof by the Trustee.

ARTICLE 5

PLEDGED ALLOCABLE SALES TAX REVENUES

SECTION 5.01. Pledge of Pledged Allocable Sales Tax Revenues; Measure D Sales Tax Revenue Fund; Pledged Allocable Sales Tax Revenue Fund.

(A) Each Series and Parity Obligations with respect thereto shall be secured by Pledged Allocable Sales Tax Revenues of a Participating Agency and as otherwise provided in the applicable Supplemental Indenture under which such Series is issued, subject to the terms and conditions set forth herein. The Pledged Allocable Sales Tax Revenues pledged to the payment of such Series and Parity Obligations shall be applied without priority or distinction of one over the other. The Pledged Allocable Sales Tax Revenues shall constitute a trust fund for the security and payment of such Series and Parity Obligations.

(B) As long as any Bond is Outstanding or any Parity Obligation remains unpaid, the Issuer hereby assigns and shall cause Measure D Sales Tax Revenues to be transmitted by the State Board of Equalization directly to the Trustee. The Trustee shall deposit in a fund, designated as the "Measure D Sales Tax Revenue Fund," which fund the Trustee shall establish and maintain, all Measure D Sales Tax Revenues, when and as received by the Trustee. So long as any Bonds are Outstanding, the Trustee shall each month (or as soon as possible following receipt of Measure D Sales Tax Revenues) deposit the Pledged Allocable Sales Tax Revenues in the applicable funds establish hereunder. Non-Pledged Measure D Sales Tax Revenues shall remain in the Measure D Sales Tax Revenue Fund and shall not be subject to the lien created hereunder.

Within one Business Day of receipt of the Measure D Sales Tax Revenues, the Trustee shall provide the Issuer with the Notice of Receipt. Within two Business Days of receiving the Notice of Receipt, the Issuer shall submit the Monthly Allocation Certificate, and shall instruct the Trustee to deposit such amounts in a trust fund, designated as the "Pledged Allocable Sales Tax Revenue Fund," which fund the Trustee shall establish and maintain, all Pledged Allocable Sales Tax Revenues, when and as received by the Trustee. Within one Business Day of receiving the Monthly Allocation Certificate, the Trustee shall deposit the Pledged Allocable Sales Tax Revenues into the Pledged Allocable Sales Tax Revenue Fund in accordance with the Monthly Allocation Certificate, and on, the same Business Day, shall transfer the Pledged Allocable Sales Tax Revenues of each Participating Agency into the applicable Participating Agency Sales Tax Revenue Account of that Participating Agency.

If within five Business Days following the transmission of the Notice of Receipt by the Trustee to the Issuer, the Trustee has not received the Monthly Allocation Certificate, the Trustee shall deposit from the Measure D Sales Tax Revenue Fund to the Pledged Allocable Sales Tax Revenue Fund an amount sufficient to make the deposits into the respective Participating Agency Sales Tax Revenue Account of each Participating Agency as required under the Supplemental Indenture or Supplemental Indentures associated with the relevant Series of Bonds Outstanding to the payment of which such Allocable Sales Tax Revenues are pledged. Not later than five Business Days following the transmission of the Notice of Receipt by the Trustee, all Non-Pledged Measure D Sales Tax Revenues and all Excess Pledged Allocable Sales Tax

Revenues not required for deposit under a Supplemental Indenture for the repayment of the any Bonds will be transferred to the Treasurer-Tax Collector of the County, where it shall be distributed to the Local Agencies in accordance with the Ordinance as directed by the Issuer. Following the determination by the Trustee that the Pledged Allocable Sales Tax Revenues were sufficient to make the required deposits identified in the Monthly Allocation Certificate, the Trustee shall confirm in writing, in substantially the form attached as Exhibit C hereto, that such amounts were sufficient and that such deposits and transfers have been made.

The Pledged Allocable Sales Tax Revenues shall be received and held in trust by the Trustee for the benefit of the Owners of the respective Series of Bonds and Parity Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in this Indenture. Investment income on Pledged Allocable Sales Tax Revenues of any Participating Agency held by the Trustee hereunder (other than amounts held in the Rebate Fund or for which particular instructions, such as with respect to a Project Fund, are provided in a Supplemental Indenture), shall also be deposited in the respective Participating Agency Sales Tax Revenue Account. All moneys at any time held in a Participating Agency Sales Tax Revenue Account shall be held in trust for the benefit of the Owners of the applicable Bonds and the holders of applicable Parity Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in this Indenture and the applicable Supplemental Indenture. All Pledged Allocable Sales Tax Revenues released to the Issuer or any Local Agency shall no longer be pledged for the repayment of the Bonds and shall be released from and no longer subject to the lien created hereunder.

(C) The Bonds of any Series are limited obligations of the Issuer and are payable as to principal of, premium, if any, and interest thereof, exclusively from the Pledged Allocable Sales Tax Revenues for such Series of Bonds and any other funds pledged therefor under a Supplemental Indenture. Neither the faith and credit nor the taxing power of the County, the State of California or any political subdivision or public agency thereof, other than the Issuer, to the extent of the Pledge of Pledged Allocable Sales Tax Revenues and other amounts held under the Indenture, is pledged to the payment of the principal of, redemption price or interest on the Bonds.

SECTION 5.02. Allocation of Pledged Allocable Sales Tax Revenues.

(A) So long as any Bond is Outstanding, the Trustee shall each month (or as soon as possible following receipt of Allocable Sales Tax Revenues) deposit such Allocable Sales Tax Revenues in the applicable Participating Agency Sales Tax Revenue Account. The Trustee shall establish, maintain and hold in trust for the benefit of Owners of the applicable Series of Bonds the respective funds and accounts described in this Section 5.02.

(1) **Interest Fund.** The Interest Fund, and within the Interest Fund a Participating Agency Interest Account in respect of each Series, are hereby created. Following deposit of the Pledged Allocable Sales Tax Revenues of a Participating Agency into the applicable Participating Agency Sales Tax Revenue Account, the Trustee shall transfer therefrom to and deposit into the Participating Agency Interest Account in respect of each Series of that Participating Agency as soon as practicable an amount equal to (a) [one-fourth] of the aggregate half-yearly amount of interest becoming due and payable on the Outstanding Bonds of each

Series that are Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness which shall be governed by subparagraph (b) below) during the next ensuing six (6) months (excluding any interest for which there are moneys deposited in that Participating Agency Interest Account and reserved as capitalized interest to pay such interest during said next ensuing six (6) months), until the requisite half-yearly amount of interest becoming due and payable on all such Outstanding Current Interest Bonds of that Series (except for Bonds constituting Variable Rate Indebtedness which shall be governed by subparagraph (b) below) is on deposit in such account; plus (b) the aggregate amount of interest to accrue during that month on Outstanding Variable Rate Indebtedness, calculated, if the actual rate of interest is not known, at the interest rate specified in writing by the Issuer, or if the Issuer has not specified an interest rate in writing, calculated at the maximum interest rate borne by such Variable Rate Indebtedness during the month prior to the month of deposit plus one hundred (100) basis points (provided, however, that the amount of that deposit into that Participating Agency Interest Account for any month may be reduced by the amount by which the deposit therein in the prior month by reason of this clause (b) exceeded the actual amount of interest accrued and paid during that month on such Outstanding Variable Rate Indebtedness and provided further that the amount of such deposit into that Interest Account for any month shall be increased by the amount by which the deposit in the prior month was less than the actual amount of interest accruing during that month on such Outstanding Variable Rate Indebtedness); provided further, that if sufficient Pledged Allocable Sales Tax Revenues are not on deposit in the applicable Participating Agency Sales Tax Revenue Account to permit the Trustee to make the full monthly deposit required by this Section 5.02(A)(1), the Trustee shall deposit as soon as possible thereafter the amount of Pledged Allocable Sales Tax Revenues required for the period from the last monthly deposit for which sufficient Pledged Allocable Sales Tax Revenues were actually deposited to the date of such late deposit.

No deposit need be made into any Participating Agency Interest Account if the amount contained therein is at least equal to the interest to become due and payable therefrom on the Interest Payment Dates falling within the next six (6) months upon all of the Bonds of the applicable Series then Outstanding and on June 1 of each year any excess amounts in the respective Participating Agency Interest Account not needed to pay interest on such date (and not held to pay interest on the applicable Bonds having Interest Payment Dates other than June 1 and December 1) shall be released to the Participating Agency (but excluding, in each case, any moneys on deposit in the Participating Agency Interest Account from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Dates).

(2) Principal Fund; Participating Agency Principal Accounts; Participating Agency Sinking Accounts. The Principal Fund, and within the Principal Fund a Participating Agency Principal Account and a Participating Agency Sinking Account in respect of each Series, are hereby created. Following deposit of the Pledged Allocable Sales Tax Revenues into the applicable Participating Agency Sales Tax Revenue Account, the Trustee shall transfer therefrom to and deposit in the applicable Participating Agency Principal Account as soon as practicable in such month an amount equal to at least (a) [one-eighth] of the aggregate yearly amount of Bond Obligation becoming due and payable on such Bonds that are Serial Bonds having annual maturity dates within the next twelve (12) months until the requisite amount for the next payment is on deposit in each Principal Account and Sinking Account, as

applicable, plus (b) [one-eighth] 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 Bonds that are Term Bonds of a Series secured on a parity by such Pledged Allocable Sales Tax Revenues for which Sinking Accounts shall have been created and for which annual mandatory redemption is required from such Sinking Accounts; provided, that if sufficient Pledged Allocable Sales Tax Revenues are not on deposit in the applicable Participating Agency Sales Tax Revenue Account for the Trustee to make the full monthly deposit required by this Section 5.02(A)(2), the Trustee shall deposit as soon as possible thereafter the amount of Pledged Allocable Sales Tax Revenues required for the period from the last monthly deposit for which sufficient Pledged Allocable Sales Tax Revenues were actually deposited to the date of such late deposit. With respect to a Series of Bonds secured on a parity by such Pledged Allocable Sales Tax Revenues, all of the aforesaid deposits made in connection with future Mandatory Sinking Account Payments shall be made without priority of any payment into any one such Sinking Account over any other such payment.

If the Pledged Allocable Sales Tax Revenues are not sufficient to permit the Trustee to make the required deposits so that moneys in the applicable Participating Agency Principal Account on any principal or mandatory redemption date are equal to the amount of Bond Obligation to become due and payable on the Outstanding Bonds of a Series that are Serial Bonds secured on a parity from such Pledged Allocable Sales Tax Revenues plus the Bond Obligation amount of and redemption premium on the applicable Outstanding Bonds that are Term Bonds of the same Series required to be redeemed or paid at maturity on such date, then such moneys shall be applied by the Trustee by lot in inverse order of maturity, after first deducting for such purposes from Term Bonds any of such Term Bonds required to be redeemed annually as shall have been redeemed or purchased during the preceding 12-month period and any of such Term Bonds required to be redeemed semiannually as shall have been redeemed or purchased during the six-month period ending on such date or the immediately preceding six month period. If the Pledged Allocable Sales Tax Revenues are not sufficient to permit the Trustee to deposit in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts for Bonds secured on a parity by the applicable Participating Agency Pledged Allocable Sales Tax Revenues, then payments into all such Sinking Accounts shall be made by the Trustee by lot in inverse order of maturity, in such proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account during the then current 12-month period bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts during such 12-month period for such Bonds secured on a parity by the applicable Participating Agency Pledged Allocable Sales Tax Revenues.

No deposit need be made into a Participating Agency Principal Account or Participating Agency Sinking Account so long as there are in such account (i) moneys sufficient to pay the Bond Obligations of all Bonds secured on a parity by the applicable Participating Agency Pledged Allocable Sales Tax Revenues that are Serial Bonds issued hereunder and then Outstanding and maturing by their terms within the next twelve (12) months plus (ii) the aggregate of all Mandatory Sinking Account Payments required to be made in such 12-month period, but less any amounts deposited into the applicable Participating Agency Principal Account during such 12-month period and theretofore paid from the respective Participating Agency Principal Account to redeem or purchase Term Bonds of a Series during such 12-month

period. At the beginning of each Fiscal Year and in any event not later than June 1 of each year, the Trustee shall request a Certificate of the Issuer setting forth the principal payments for which deposits will not be necessary pursuant to the preceding sentence and the reason therefor. On June 1 of each year or as soon as practicable thereafter, any excess amounts in the applicable Participating Agency Principal Account not needed to pay principal on such date (and not held to pay principal on the Bonds of a Series having principal payment dates other than June 1) shall be released to the Participating Agency.

(3) **Bond Reserve Fund.** Upon the occurrence of any deficiency in any Bond Reserve Fund, the Trustee shall make such deposit to such Bond Reserve Fund as is required pursuant to Section 5.05(D), each such deposit to be made as soon as possible in each month, until the balance therein is at least equal to the applicable Bond Reserve Requirement.

(4) **Subordinate Obligations Fund.** Upon the written direction of the Issuer, the Trustee shall establish, maintain and hold in trust a separate fund designated as the "Subordinate Obligations Fund." Upon the establishment of the Subordinate Obligations Fund at the direction of the Issuer, 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 Issuer shall specify in writing is necessary to pay principal of and interest due and payable during the following month with respect to Subordinate Obligations then outstanding.

(5) **Fees and Expenses Fund.** Upon the written direction of the Issuer, the Trustee shall establish, maintain and hold in trust a separate fund designated as the "Fees and Expenses Fund." Within such fund, there shall be established a Fees and Expenses Account for each Participating Agency, as shall be further established pursuant to a Supplemental Indenture. Upon the establishment of a Participating Agency Fees and Expenses account at the direction of the Issuer, after the transfers described in (1), (2), (3) and (4) above have been made if the Issuer shall have instructed the Trustee to establish a Subordinate Obligations Fund or after the transfers described in (1), (2) and (3) above have been made if no Subordinate Obligations Funds shall have been established, the Trustee shall deposit as soon as practicable in each month in the Fees and Expenses Fund (i) amounts necessary for payment of fees, expenses and similar charges owing in such month or the following month by the Issuer in connection with the Bonds or any Parity Obligations (excluding termination payments and payments of fees and expenses incurred in connection with Interest Rate Swap Agreements) and (ii) amounts necessary for the payment of fees, expenses and similar charges owing in such month or the following month by the Issuer in connection with Subordinate Obligations. The Issuer shall inform the Trustee of such amounts, in writing, on or prior to the first Business Day of each month.

(B) Any Pledged Allocable Sales Tax Revenues remaining in a Participating Agency Sales Tax Revenue Account after the foregoing transfers described in (1), (2), (3), (4) and (5) of subsection (A) above, except as the Issuer shall otherwise direct in writing or as is otherwise provided in a Supplemental Indenture, shall be transferred to the Participating Agency on the same Business Day as the transfers provided for in Section 5 or as soon as practicable thereafter. The Issuer shall distribute all such remaining portions of the excess amounts of Pledged Allocable Sales Tax Revenues when received by it to the applicable Participating Agency.

(C) If five (5) days prior to any principal payment date, Interest Payment Date or mandatory redemption date the amounts on deposit in the applicable Participating Agency Interest Account, the applicable Participating Agency Principal Account, including the Sinking Accounts therein, and, as and to the extent applicable, any Bond Reserve Fund established in connection with a Series of Bonds with respect to the payments to be made on such upcoming date are insufficient to make such payments, the Trustee shall immediately notify the Issuer, in writing, of such deficiency and direct that the Issuer transfer the amount of such deficiency to the Trustee on or prior to such payment date. The Issuer hereby covenants and agrees to transfer to the Trustee from any available Pledged Allocable Sales Tax Revenues of the applicable Participating Agency in its possession the amount of such deficiency on or prior to the principal payment date, Interest Payment Date or mandatory redemption date referenced in such notice.

SECTION 5.03. Application of Interest Fund. All amounts in a Participating Agency Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds of the applicable Series as it shall become due and payable (including accrued interest on any such Bonds purchased or redeemed prior to maturity pursuant to this Indenture) and making periodic payments on Interest Rate Swap Agreements, as provided in Section 5.10.

SECTION 5.04. Application of Principal Fund.

(A) All amounts in a Participating Agency Principal Account shall be used and withdrawn by the Trustee solely for the purposes of paying the Bond Obligation of the Bonds of the applicable Series when due and payable, except that all amounts in the Sinking Accounts shall be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds of the applicable Series, as provided herein.

(B) The Trustee shall establish and maintain within the Principal Fund a separate account for the Term Bonds of each Series and maturity, designated as the “_____ Sinking Account,” inserting therein the Series and maturity designation of such Bonds. On or before the Business Day prior to any date upon which a Mandatory Sinking Account Payment is due, the Trustee shall transfer the amount of such Mandatory Sinking Account Payment (being the principal thereof, in the case of Current Interest Bonds, and the Accreted Value, in the case of Capital Appreciation Bonds) from the Participating Agency Sales Tax Revenue Account to the applicable Participating Agency Sinking Account. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of such Series and maturity for which such Sinking Account was established, in the manner provided in this Indenture or the Supplemental Indenture pursuant to which such Series of Bonds was created; provided that, at any time prior to giving such notice of such redemption, the Trustee shall, upon receipt of a Request of the Issuer, apply moneys in such Sinking Account to the purchase of Term Bonds of such Series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as is directed by the Issuer, except that the purchase price (excluding accrued interest, in the case of Current Interest Bonds) shall not exceed the principal amount or Accreted Value thereof. If, during the 12-month period (or six-month period with respect to Bonds having

semi-annual Mandatory Sinking Account Payments) immediately preceding such Mandatory Sinking Account Payment date, the Trustee has purchased Term Bonds of such Series and maturity with moneys in such Sinking Account, or, during such period and prior to giving said notice of redemption, the Issuer has deposited Term Bonds of such Series and maturity with the Trustee, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to such Mandatory Sinking Account Payment, such Term Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce such Mandatory Sinking Account Payment. All Term Bonds purchased or deposited pursuant to this subsection shall be cancelled by the Trustee and destroyed by the Trustee and a certificate of destruction shall be delivered to the Issuer by the Trustee. Any amounts remaining in a Sinking Account on June 1 of each year following the redemption as of such date of the Term Bonds for which such account was established shall be withdrawn by the Trustee and transferred as soon as practicable to the Issuer to be used for any lawful purpose. All Term Bonds purchased from a Sinking Account or deposited by the Issuer with the Trustee in a twelve month period ending [November] 30 (or in a six-month period ending November 30 or May 31 with respect to Bonds having semi-annual Mandatory Sinking Account Payments) and prior to the giving of notice by the Trustee for redemption from Mandatory Sinking Account Payments for such period shall be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Term Bonds, if any, occurring on the next June 1 or December 1, then as a credit against such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Issuer. All Term Bonds redeemed by the Trustee from the Redemption Fund shall be credited to such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the Issuer.

SECTION 5.05. Establishment, Funding and Application of Bond Reserve Funds. The Issuer may at its sole discretion at the time of issuance of any Series of Bonds, or at any time thereafter by Supplemental Indenture, provide for the establishment of a Bond Reserve Fund as additional security for a Series of Bonds. Any Bond Reserve Fund so established by the Issuer shall be available to secure one or more Series of Bonds secured by the same Pledged Allocable Sales Tax Revenues as the Issuer shall determine and shall specify in the Supplemental Indenture establishing such Bond Reserve Fund. Any Bond Reserve Fund established by the Issuer shall be held by the Trustee and shall comply with the requirements set forth in this Section 5.05.

(A) In lieu of making the Bond Reserve Requirement deposit applicable to one or more Series of Bonds secured by the same Pledged Allocable Sales Tax Revenues in cash or in replacement of moneys then on deposit in any Bond Reserve Fund (which shall be transferred by the Trustee to the Issuer), or in substitution of any Reserve Facility comprising part of the Bond Reserve Requirement relating to one or more Series of Bonds secured by the same Pledged Allocable Sales Tax Revenues, the Issuer may, at any time and from time to time, deliver to the Trustee an irrevocable letter of credit issued by a bank or other financial institution having unsecured debt obligations rated at the time of delivery of such letter of credit in one of the two highest Rating Categories of Moody's or Standard & Poor's, in an amount, which, together with cash, Investment Securities or other Reserve Facilities, as described in Section 5.05(B), then on deposit in such Bond Reserve Fund, will equal the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates. Such letter of credit shall have a term no less

than three (3) years or, if less, the final maturity of the Bonds in connection with which such letter of credit was obtained and shall provide by its terms that it may be drawn upon as provided in this Section 5.05. At least one (1) year prior to the stated expiration of such letter of credit, the Issuer shall either (i) deliver a replacement letter of credit, (ii) deliver an extension of the letter of credit for at least one (1) additional year or, if less, the final maturity of the Bonds in connection with which such letter of credit was obtained, or (iii) deliver to the Trustee a Reserve Facility satisfying the requirements of Section 5.05(B). Upon delivery of such replacement Reserve Facility, the Trustee shall deliver the then-effective letter of credit to or upon the order of the Issuer. If the Issuer shall fail to deposit a replacement Reserve Facility with the Trustee, the Issuer shall immediately commence to make monthly deposits with the Trustee so that an amount equal to the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates will be on deposit in such Bond Reserve Fund no later than the stated expiration date of the letter of credit. If an amount equal to the Bond Reserve Requirement relating to the Bonds to which such Bond Reserve Fund relates as of the date following the expiration of the letter of credit is not on deposit in such Bond Reserve Fund one (1) week prior to the expiration date of the letter of credit (excluding from such determination the existing letter of credit), the Trustee shall draw on the existing letter of credit to fund the deficiency resulting therefrom in such Bond Reserve Fund.

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

(C) Subject to Section 5.05(E), all amounts in any Bond Reserve Fund (including all amounts which may be obtained from a Reserve Facility on deposit in such Bond Reserve Fund) shall be used and withdrawn by the Trustee, as hereinafter provided: (i) for the purpose of making up any deficiency in the Interest Account or the Principal Account relating to the Bonds of the Series to which such Bond Reserve Fund relates; or (ii) together with any other moneys available therefor, (x) for the payment of all of the Bonds then Outstanding of the Series to which such Bond Reserve Fund relates, (y) for the defeasance or redemption of all or a portion of the Bonds then Outstanding of the Series to which such Bond Reserve Fund relates; provided, however, that if funds on deposit in any Bond Reserve Fund are applied to the defeasance or redemption of a portion of the Series of Bonds to which such Bond Reserve Fund relates, the amount on deposit in the Bond Reserve Fund immediately subsequent to such partial defeasance or redemption shall equal the Bond Reserve Requirement applicable to all Bonds of such Series

Outstanding immediately subsequent to such partial defeasance or redemption, or (z) for the payment of the final principal and interest payment of the Bonds of such Series. Unless otherwise directed in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds, the Trustee shall apply amounts held in cash or Investment Securities in any Bond Reserve Fund prior to applying amounts held in the form of Reserve Facilities in any Bond Reserve Fund, and if there is more than one Reserve Facility being held on deposit in any Bond Reserve Fund, shall, on a pro rata basis with respect to the portion of a Bond Reserve Fund held in the form of a Reserve Facility (calculated by reference to the maximum amount of such Reserve Facility), draw under each Reserve Facility issued with respect to such Bond Reserve Fund, in a timely manner and pursuant to the terms of such Reserve Facility to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the Bond Obligation of, Mandatory Sinking Account Payments with respect to, and interest on the Bonds of the Series to which such Bond Reserve Fund relates when due. If the Trustee has notice that any payment of principal of or interest on a Bond has been recovered from a Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to, and provided that the terms of the Reserve Facility, if any, securing the Bonds of such Series so provide, shall so notify the issuer thereof and draw on such Reserve Facility to the lesser of the extent required or the maximum amount of such Reserve Facility to pay to such Owners the principal of and interest so recovered.

(D) The Trustee shall notify the Issuer of any deficiency in any Bond Reserve Fund (i) due to a withdrawal from such Bond Reserve Fund for purposes of making up any deficiency in the respective Participating Agency Interest Account or the respective Participating Agency Principal Account relating to the Bonds of the Series to which such Bond Reserve Fund relates or (ii) resulting from a valuation of Investment Securities held on deposit in such Bond Reserve Fund pursuant to Section 5.11 and shall request that the Issuer replenish such deficiency or repay any and all obligations due and payable under the terms of any Reserve Facility comprising part of any Bond Reserve Requirement. Upon receipt of such notification from the Trustee, the Issuer shall instruct the Trustee to commence setting aside in each month following receipt of Pledged Allocable Sales Tax Revenues for deposit in the applicable Bond Reserve Fund an amount equal to one-eighth (1/8th) of the aggregate amount of each unreplenished prior withdrawal from such Bond Reserve Fund or decrease resulting from a valuation pursuant to Section 5.11 and shall further instruct the Trustee to transfer to each Reserve Facility Provider providing a Reserve Facility satisfying a portion of the Bond Reserve Requirement relating to the Bonds of the Series to which such Bond Reserve Fund relates, an amount equal to [one-eighth] (1/8th) of the aggregate amount of any unreplenished prior withdrawal on such Reserve Facility, such amount to be transferred by the Trustee as promptly as possible after receipt of the Pledged Allocable Sales Tax Revenues each month, commencing with the month following the Issuer's receipt of notification from the Trustee of withdrawal or decrease resulting from a valuation, as applicable, until the balance on deposit in such Bond Reserve Fund is at least equal to the Bond Reserve Requirement relating to the Bonds of the Series to which such Bond Reserve Fund relates.

(E) Unless the Issuer shall otherwise direct in writing, any amounts in any Bond Reserve Fund in excess of the Bond Reserve Requirement relating to the Bonds of the Series to which such Bond Reserve Fund relates shall be transferred by the Trustee to the respective

Interest Account relating to such Series of Bonds on the Business Day following June 1 of each year; provided, that such amounts shall be transferred only from the portion of such Bond Reserve Fund held in the form of cash or Investment Securities. Upon the direction of the Issuer, amounts on deposit in any Bond Reserve Fund may be applied to the partial defeasance or redemption of the Series of Bonds to which such Bond Reserve Fund relates; provided, however, that if any such amounts are so applied, the amount on deposit in the Bond Reserve Fund immediately subsequent to such partial defeasance or redemption shall equal the Bond Reserve Requirement applicable to all Bonds of such Series Outstanding immediately subsequent to such partial defeasance or redemption. In addition, amounts on deposit in any Bond Reserve Fund shall be transferred by the Trustee to the Issuer upon the defeasance, retirement or refunding of all Bonds of the Series to which such Bond Reserve Fund relates or upon the replacement of cash on deposit in such Bond Reserve Fund with one or more Reserve Facilities in accordance with Section 5.05(A) or Section 5.05(B).

SECTION 5.06. Application of Subordinate Obligations Fund. All moneys in the Subordinate Obligations Fund shall be applied to the payment of principal of and interest on Subordinate Obligations in accordance with, and upon the written directions of, the Issuer.

SECTION 5.07. Application of Fees and Expenses Fund. All amounts in a Participating Agency Fees and Expenses account shall be used and withdrawn by the Trustee solely for the purpose of paying fees, expenses and similar charges owed by the Issuer in connection with Bonds of the applicable Series or any Parity Obligations (excluding termination payments on any Interest Rate Swap Agreement) as such amounts shall become due and payable.

SECTION 5.08. Establishment and Application of Redemption Fund. The Trustee shall establish, maintain and hold in trust a special fund designated as the “Redemption Fund.” In the Redemption Fund, the Trustee shall establish an account for each Participating Agency as provided in a Supplemental Indenture for a Series of Bonds. All moneys deposited by the Issuer with the Trustee for the purpose of optionally redeeming Bonds of any Series shall, unless otherwise directed by the Issuer, be deposited in the applicable Participating Agency Redemption Account. All amounts deposited in a Participating Agency Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds of such Series and maturity as shall be specified by the Issuer in a Request to the Trustee, in the manner, at the times and upon the terms and conditions specified in the Supplemental Indenture pursuant to which the Series of Bonds was created; provided that, at any time prior to giving such notice of redemption, the Trustee shall, upon receipt of a Request of the Issuer, apply such amounts to the purchase of Bonds of such Series at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding, in the case of Current Interest Bonds, accrued interest, which is payable from the respective Participating Agency Interest Account) as is directed by the Issuer, except that the purchase price (exclusive of any accrued interest) may not exceed the Redemption Price or Accreted Value then applicable to such Bonds. All Term Bonds purchased or redeemed from the Redemption Fund shall be allocated to Mandatory Sinking Account Payments applicable to such Series and maturity of Term Bonds as may be specified in a Request of the Issuer.

SECTION 5.09. Rebate Fund. (A) Upon receipt of funds to be applied to the Rebate Requirement, the Trustee shall establish and maintain a fund separate from any other

fund established and maintained hereunder designated as the Rebate Fund. Within the Rebate Fund, the Trustee shall maintain such accounts as shall be necessary in order to comply with the terms and requirements of each Tax Certificate as directed in writing by the Issuer. Subject to the transfer provisions provided in paragraph (D) below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the federal government of the United States of America, and neither the Trustee nor any Credit Enhancement Provider, nor any Liquidity Facility Provider nor any Owner nor any other Person shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Indenture and by the applicable Tax Certificates. The Issuer hereby covenants to comply with the directions contained in each Tax Certificate and the Trustee hereby covenants to comply with all written instructions of the Issuer delivered to the Trustee pursuant to each Tax Certificate (which instructions shall state the actual amounts to be deposited in or withdrawn from the Rebate Fund and shall not require the Trustee to make any calculations with respect thereto). The Trustee shall be deemed conclusively to have complied with the provisions of this Section 5.09(A) if it follows such instructions of the Issuer, and the Trustee shall have no liability or responsibility to enforce compliance by the Issuer with the terms of any Tax Certificate nor to make computations in connection therewith.

(B) Pursuant to each Tax Certificate, an amount shall be deposited in the Rebate Fund by the Issuer so that the balance of the amount on deposit thereto shall be equal to the Rebate Requirement applicable to the Series of Bonds to which such Tax Certificate relates. Computations of each Rebate Requirement shall be furnished by or on behalf of the Issuer to the Trustee in accordance with the applicable Tax Certificate.

(C) The Trustee shall invest all amounts held in the Rebate Fund, pursuant to written instructions of the Issuer, in Investment Securities, subject to the restrictions set forth in the applicable Tax Certificate. Money shall not be transferred from the Rebate Fund except as provided in paragraph (D) below.

(D) Upon receipt of Rebate Instructions, the Trustee shall remit part or all of the balances in the Rebate Fund to the United States of America, as so directed. In addition, if the Rebate Instructions so direct, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as directed by the Rebate Instructions. Any funds remaining in the Rebate Fund after redemption and payment of all of a Series of Bonds and payment and satisfaction of any Rebate Requirement applicable to such Series of Bonds, shall be withdrawn and remitted to the Issuer in accordance with a Request of the Issuer.

(E) Notwithstanding any other provision of the Indenture, including in particular Article X hereof, the obligation to remit the Rebate Requirement applicable to each Series of Bonds to the federal government of the United States of America and to comply with all other requirements of this Section and each Tax Certificate shall survive the defeasance or payment in full of the Bonds.

SECTION 5.10. Payment Provisions Applicable to Interest Rate Swap Agreements. If the Issuer shall enter into an Interest Rate Swap Agreement in connection with a Series of Bonds, the amounts received by the Issuer, if any, pursuant to such Interest Rate Swap

Agreement may be applied to the deposits required hereunder. If the Issuer so designates in a Supplemental Indenture establishing the terms and provisions of such Series of Bonds (or if such Interest Rate Swap Agreement is entered into subsequent to the issuance of such Series of Bonds, if the Issuer so designates in a Certificate of the Issuer delivered to the Trustee concurrently with the execution of such Interest Rate Swap Agreement) amounts payable under such Interest Rate Swap Agreement (excluding termination payments and payments of fees and expenses incurred in connection with Interest Rate Swap Agreements which shall in all cases be payable from, and secured by, Pledged Allocable Sales Tax Revenues on a subordinate basis to Bonds, Parity Obligations and payment of principal and interest and fees and expenses on Subordinate Obligations, unless otherwise provided in a Supplemental Indenture) shall constitute Parity Obligations under this Indenture, and, in such event, the Issuer shall pay or cause to be paid to the Trustee for deposit in the Interest Fund, at the times and in the manner provided by Section 5.02, the amounts to be paid pursuant to such Interest Rate Swap Agreement, as if such amounts were additional interest due on the Series of Bonds to which such Interest Rate Swap Agreement relates, and the Trustee shall pay to the Counterparty to such Interest Rate Swap Agreement, to the extent required thereunder, amounts deposited in the Interest Fund for the payment of interest on the Series of Bonds with respect to which such Interest Rate Swap Agreement was entered into.

SECTION 5.11. Investment in Funds and Accounts. All moneys in any of the funds and accounts held by the Trustee and established pursuant to this Indenture shall be invested, as directed by the Issuer, solely in Investment Securities. All Investment Securities shall, as directed by the Issuer in writing, be acquired subject to the limitations set forth in Section 6.08, the limitations as to maturities hereinafter in this Section set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Issuer. If and to the extent the Trustee does not receive investment instructions from the Issuer with respect to the moneys in the funds and accounts held by the Trustee pursuant to this Indenture, such moneys shall be invested in Investment Securities described in clause (C)(3) of the definition thereof and the Trustee shall thereupon request investment instructions from the Issuer for such moneys.

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

Unless otherwise provided in a Supplemental Indenture establishing the terms and provisions of a Series of Bonds: (i) all interest, profits and other income received from the investment of moneys in a Participating Agency Interest Account representing accrued interest or capitalized interest shall be retained in such Participating Agency Interest Account; (ii) all interest, profits and other income received from the investment of moneys in a Bond Reserve Fund shall be retained in such Bond Reserve Fund to the extent of any deficiency therein, and otherwise shall be transferred to the Interest Account established in connection with the Series of Bonds to which such Bond Reserve Fund relates; (iii) all interest, profits and other income received from the investment of moneys in a Costs of Issuance Fund shall be retained in such Costs of Issuance Fund until such time as such Costs of Issuance Fund is closed, and any

earnings received on a Costs of Issuance Fund subsequent to the closure of such Costs of Issuance Fund shall be transferred to the applicable Participating Agency Interest Account; (iv) all interest, profits and other income received from the investment of moneys in a Project Fund shall be retained in such Project Fund, unless the Issuer shall direct that such earnings be transferred to the Rebate Fund or applicable Interest Account; (v) all interest, profits and other income received from the investment of moneys in the Rebate Fund shall be retained in the Rebate Fund, except as otherwise provided in Section 5.09; (vi) all interest, profits and other income received from the investment of moneys in any Purchase Fund shall be released to the relevant Participating Agency; and (vii) all interest, profits and other income received from the investment of moneys in any other fund or account shall be transferred to the Revenue Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account from which such accrued interest was paid.

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

The Trustee may commingle any of the funds or accounts established pursuant to this Indenture (except the Rebate Fund and any Purchase Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee hereunder shall be accounted for separately as required by this Indenture. The Trustee may act as principal or agent in the making or disposing of any investment and, with the prior written consent of the Issuer, may impose its customary charge therefor. The Trustee may sell at the best possible price or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited. The Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance herewith.

The Issuer acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants the Issuer the right to receive brokerage confirmations of security transactions as they occur, the Issuer specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Issuer periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

ARTICLE 6

COVENANTS OF THE ISSUER

SECTION 6.01. Punctual Payments. The Issuer will punctually pay or cause to be paid the principal or Redemption Price of and interest on all the Bonds, in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, and shall punctually pay or cause to be paid all Mandatory Sinking Account Payments, but in each case only out of Pledged Allocable Sales Tax Revenues and the other assets pledged for such Bonds or Mandatory Sinking Account Payments as provided in this Indenture.

SECTION 6.02. Extension of Payment of Bonds. The Issuer will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any Bonds or claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Issuer to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

SECTION 6.03. Waiver of Laws. The Issuer will not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension of law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Issuer to the extent permitted by law.

SECTION 6.04. Further Assurances. The Issuer will make, execute and deliver any and all such instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

SECTION 6.05. Against Encumbrances. The Issuer will not create any pledge, lien or charge upon any of the Pledged Allocable Sales Tax Revenues having priority over or having parity with the lien of the applicable Bonds of a Series except only as permitted in Section 3.05.

SECTION 6.06. Accounting Records and Financial Statements.

(A) The Issuer will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions relating to the Measure D Sales Tax Revenues. Such books of record and account shall be available for inspection by the Trustee at reasonable hours and under reasonable circumstances.

(B) The Issuer will furnish the Trustee, within six (6) months after the end of each Fiscal Year, the financial statements of the Issuer, including the financial statements relating to the Measure D Sales Tax Fund established by the Issuer pursuant to the provisions of the Ordinance, for such Fiscal Year, together with the report of an independent certified public accountant stating that the financial statements have been prepared in accordance with generally accepted accounting principles and that such accountant's examination of the financial statements was performed in accordance with generally accepted auditing standards and a Certificate of the Executive Director of the Issuer stating that no event which constitutes an Event of Default or which with the giving of notice or the passage of time or both would constitute an Event of Default has occurred and is continuing as of the end of such Fiscal Year, or specifying the nature of such event and the actions taken and proposed to be taken by the Issuer to cure such default. Thereafter, a copy of such financial statements will be furnished to any Owner upon written request to the Issuer, which copy of the financial statements may, at the sole discretion of the Issuer, be provided by means of posting such financial statements on an internet site that provides access to the Owners.

SECTION 6.07. Collection of Measure D Sales Tax Revenues.

(A) The Issuer covenants and agrees that it has duly levied the Measure D Sales Tax in accordance with the Act, pursuant to and in accordance with the Ordinance, duly passed and adopted by the Issuer. Such Ordinance has not and will not be amended, modified or altered so long as any of the Bonds are Outstanding in any manner which would reduce the amount of or timing of receipt of Measure D Sales Tax Revenues, and the Issuer will continue to levy and collect the Measure D Sales Tax to the full amount permitted by law. The Issuer further covenants that the Issuer has entered into an agreement with the State Board of Equalization under and pursuant to which the State Board of Equalization will process and supervise collection of the Measure D Sales Tax and will transmit Measure D Sales Tax Revenues directly to the Trustee. Such agreement will be continued in effect so long as any of any Bonds are Outstanding and shall not be amended, modified or altered without the written consent of the Trustee so long as any of the Bonds are Outstanding. The Issuer will receive and hold in trust for (and remit immediately to) the Trustee any Pledged Allocable Sales Tax Revenues paid to the Issuer by the State Board of Equalization.

(B) Pledged Allocable Sales Tax Revenues received by the Trustee shall be allocated pursuant to Section 5.02 and shall be transmitted to the Issuer in accordance with Section 5.02(B); provided that, during the continuance of an Event of Default, any Pledged Allocable Sales Tax Revenues received by the Trustee for the affected Series of Bonds shall be applied first to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and pursuing remedies, including reasonable compensation of its agents, attorneys and counsel, which costs and expenses shall be paid from the applicable Participating Agency Sales Tax Revenue Account, and second, to deposit into the applicable Participating Agency Interest Account and applicable Participating Agency Principal Account and to the payment of Parity Obligations as more fully set forth in Section 7.02.

(C) The Issuer covenants and agrees to separately account for all Pledged Allocable Sales Tax Revenues and to provide to the Trustee access to such accounting records at reasonable hours and under reasonable circumstances.

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

SECTION 6.08. Tax Covenants. The Issuer covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code; provided that, prior to the issuance of any Series of Bonds, the Issuer may exclude the application of the covenants contained in this Section 6.08 and Section 5.09 to such Series of Bonds. The Issuer will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Issuer, or take or omit to take any action that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code. To that end, the Issuer will comply with all requirements of the Tax Certificate relating to each Series of the Bonds. If at any time the Issuer is of the opinion that for purposes of this Section 6.08 it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under this Indenture, the Issuer shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, the Issuer agrees that there shall be paid from time to time all amounts required to be rebated to the federal government of the United States of America pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Bonds from time to time. The Issuer specifically covenants to pay or cause to be paid to the federal government of the United States of America the Rebate Requirement with respect to each Series of Bonds at the times and in the amounts determined under and as described in the Tax Certificate executed and delivered in connection with such Series of Bonds.

Notwithstanding any provision of this Section 6.08, Section 5.09 and a Tax Certificate, if the Issuer shall receive an Opinion of Bond Counsel to the effect that any action required under this Section 6.08, Section 5.09 or any Tax Certificate is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the Issuer and the Trustee may rely conclusively on such opinion in complying with the provisions hereof, and the covenants hereunder shall be deemed to be modified to that extent.

Notwithstanding any provisions of this Indenture, including particularly Article X, the covenants and obligations set forth in this Section 6.08 shall survive the defeasance of the Bonds.

SECTION 6.09. Continuing Disclosure. Upon the issuance of any Series of Bonds requiring an undertaking under Rule 15c2-12, the Issuer hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed and delivered in connection with such Series of Bonds. Notwithstanding any other provision of the Indenture to the contrary, failure of the Issuer to comply with the provisions of any Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee shall, at the written request of any Participating Underwriter or of the Owners of at least twenty-five (25%) aggregate principal amount of any Series of Bonds then Outstanding (but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has

been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, reasonable fees and expenses of its attorneys), or any Owner or beneficial owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Section 6.09.

SECTION 6.10. Allocation for State Highway Improvements. The Issuer covenants that, so long as any Bonds remain Outstanding, the Issuer shall not increase the amount of Measure D Sales Tax Revenues allocated to state highway improvement projects in an amount that would result in the estimated Pledged Allocable Sales Tax Revenues for the next succeeding Fiscal Year to decline below an amount that is at least equal to 1.3 times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding.

SECTION 6.11. Allocation for Transit Improvements. The Issuer covenants that, so long as any Bonds remain Outstanding, the Issuer shall not increase the amount of Measure D Sales Tax Revenues allocated to transit projects above the two percent (2%) allocation required by the Ordinance to an amount that would result in the estimated Pledged Allocable Sales Tax Revenues for the upcoming Fiscal Year to decline below an amount that is at least equal to 1.3 times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding.

SECTION 6.12. Maintenance of Effort. The Issuer covenants, that so long as any Bonds remain Outstanding, the Issuer will cause the certified public accounting firm contracted to prepare its annual audit to calculate the respective Maintenance of Effort amount for each Local Agency for the next succeeding Fiscal Year. Such accounting firm will certify as to whether such Local Agency has both budgeted and expended its required Maintenance of Effort amount for the immediately prior Fiscal Year.

ARTICLE 7

EVENTS OF DEFAULT AND REMEDIES

SECTION 7.01. Events of Default. The following events shall be Events of Default in respect of any Series of Bonds:

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

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

(C) failure of the Issuer to observe or perform any covenant, condition, agreement or provision in this Indenture, as modified by any Supplemental Indenture in respect of such Series, on its part to be observed or performed in respect of such Series, other than as referred to in subsection (A) or (B) of this Section, for a period of sixty (60) days after written notice,

specifying such failure and requesting that it be remedied, has been given to the Issuer by the Trustee or by any Credit Enhancement Provider or Liquidity Facility Provider in respect of that Series; except that, if such failure can be remedied but not within such sixty (60) day period and if the Issuer has taken all action reasonably possible to remedy such failure within such sixty (60) day period, such failure shall not become an Event of Default for so long as the Issuer shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee;

(D) the occurrence of any payment default under any agreement governing any Parity Obligation in respect of any Bond of such Series continues beyond the grace period, if any, provided for with respect to such default;

(E) the filing by the Issuer of a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or an assignment by the Issuer for the benefit of creditors, or the admission by the Issuer in writing to its insolvency or inability to pay debts as they mature or the consent by the Issuer in writing to the appointment of a trustee or receiver for itself;

(F) the entry by a court of competent jurisdiction of an order, judgment or decree declaring the Issuer insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Issuer, or approving a petition filed against the Issuer seeking reorganization of the Issuer under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof;

(G) under the provisions of any other law for the relief or aid of debtors, the assumption by any court of competent jurisdiction of custody or control of the Issuer or of Pledged Allocable Sales Tax Revenues in respect of such Series, which custody or control is not terminated within sixty (60) days from the date of assumption of such custody or control; or

(H) the repeal or amendment of all or any portion of the provisions of the Act relating to the Measure D Sales Tax, being Sections 180250 to 180264, inclusive, of the Act unless the Issuer has determined that such repeal or amendment does not materially and adversely affect the rights of Owners of Bonds of such Series.

SECTION 7.02. Application of Pledged Allocable Sales Tax Revenues and Other Funds After Default. If an Event of Default occurs and is continuing in respect of any Series of Bonds, the Issuer shall immediately transfer to the Trustee all Pledged Allocable Sales Tax Revenues securing that Series of Bonds to which the Event of Default relates held by it and the Trustee shall apply all Pledged Allocable Sales Tax Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture and the Supplemental Indenture in respect of such Series (excluding the Rebate Fund and any Purchase Fund and except as otherwise provided in this Indenture) as follows and in the following order:

(1) to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of such Series and Parity Obligations in respect thereof, including the costs and expenses of the Trustee and the Owners in declaring such Event of

Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under this Indenture and the Supplemental Indenture;

(2) to the payment of the whole amount of Bond Obligation and accrued interest then due on the Bonds and Parity Obligations of such Series (upon presentation of such Bonds and Parity Obligations to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Indenture (including Section 9.02), with interest on such Bond Obligation and accrued interest, at the rate or rates of interest borne by the applicable Bonds and on Parity Obligations, to the payment to the persons entitled thereto of all installments of interest then due and the unpaid principal or Redemption Price of any Bonds and Parity Obligations which has become due, whether at maturity, by call for redemption or otherwise, in the order of their due dates, with interest on the overdue Bond Obligation and Parity Obligations at the rate borne by the applicable Bonds and Parity Obligations, and, if the amount available is not sufficient to pay in full all the applicable Bonds and Parity Obligations due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Accreted Value (plus accrued interest) due on such date to the persons entitled thereto, without any discrimination or preference.

SECTION 7.03. Trustee to Represent Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Indenture, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Owners, the Trustee in its discretion may, and, with respect to any Series of Bonds for which a Credit Enhancement or Liquidity Facility has been provided, upon the written request of the Credit Enhancement Provider providing such Credit Enhancement or the Liquidity Facility Provider providing such Liquidity Facility, or if such Credit Enhancement Provider is then failing to make a payment required pursuant to such Credit Enhancement or if such Liquidity Facility Provider is then failing to meet its obligations established pursuant to such Liquidity Facility, upon the written request of the Owners of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under this Indenture, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the applicable Pledged Allocable Sales Tax Revenues and other assets pledged under this Indenture, pending such proceedings; provided, however, that, with respect to any Series of Bonds for which a Credit Enhancement or Liquidity Facility has been provided, the Trustee may only act with the consent of the Credit Enhancement Provider providing such Credit Enhancement or the Liquidity Facility Provider providing such Liquidity Facility. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted

and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture (including Section 7.05).

SECTION 7.04. Owners' Direction of Proceedings. Notwithstanding anything in this Indenture to the contrary (except provisions relating to the rights of a Credit Enhancement Provider or Liquidity Facility Provider to direct proceedings for a respective Series of Bonds as set forth in Section 7.10 hereof), the Owners of a majority in aggregate amount of Bond Obligation of the Bonds of a Series then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder in respect of such Series, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction, and that the Trustee shall have the right to decline to follow any such direction that in the opinion of the Trustee would be unjustly prejudicial to Owners or holders of Parity Obligations of or in respect of such Series that are not parties to such direction.

SECTION 7.05. Limitation on Owners' Right to Sue. No Owner of any Bond of a Series has the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Act or any other applicable law with respect to such Bond, unless: (1) that Owner has given to the Trustee written notice of the occurrence of an Event of Default with respect to such Bond; (2) the Owners of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding with respect to such Series have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Owner or said Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee has refused or omitted to comply with such request for a period of sixty (60) days after such written request was received by, and said tender of indemnity was made to, the Trustee; provided further, however, that no Owner shall have any right to institute any such suit, action or proceeding at law or in equity unless each Credit Enhancement Provider providing a Credit Enhancement and each Liquidity Provider providing a Liquidity Facility with respect to that Series of Bonds, which Credit Enhancement or Liquidity Facility is in full force and effect and under which the Credit Enhancement Provider providing such Credit Enhancement or Liquidity Facility Provider providing such Liquidity Facility is not then failing to make a payment as required in connection therewith, has first provided its written consent to such action.

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

and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

SECTION 7.06. Absolute Obligation of the Issuer. Nothing in Section 7.05 or in any other provision of this Indenture, or in the Bonds, contained shall affect or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal or Redemption Price of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of Pledged Allocable Sales Tax Revenues for such Bonds and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

SECTION 7.07. Termination of Proceedings. In case any proceedings taken by the Trustee, any Credit Enhancement Provider or Liquidity Facility Provider; or any one or more Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, any Credit Enhancement Provider or Liquidity Facility Provider; or the Owners, then in every such case the Issuer, the Trustee, each Credit Enhancement Provider or Liquidity Facility Provider; and the Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Issuer, the Trustee, each Credit Enhancement Provider or Liquidity Facility Provider; and the Owners shall continue as though no such proceedings had been taken.

SECTION 7.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee, to any Credit Enhancement Provider or Liquidity Facility Provider; or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.09. No Waiver of Default. No delay or omission of the Trustee, any Credit Enhancement Provider or Liquidity Facility Provider; or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee, to any Credit Enhancement Provider or Liquidity Facility Provider; or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient. No waiver of any Event of Default hereunder, whether by Trustee or by any Credit Enhancement Provider or Liquidity Facility Provider; or by the Owners, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

SECTION 7.10. Credit Enhancement Provider or Liquidity Facility Provider; Directs Remedies Upon Event of Default. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as defined herein, the Credit Enhancement Provider then providing Credit Enhancement or the Liquidity Facility Provider then providing a Liquidity Facility for any Series of Bonds shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Bonds secured by such Credit Enhancement or granted to the Trustee for the benefit of the Owners of the Bonds

secured by such Credit Enhancement; provided, that the Credit Enhancement Provider's or Liquidity Facility Provider's consent shall not be required as otherwise provided herein if such Credit Enhancement Provider or Liquidity Facility Provider is in default of any of its payment obligations as set forth in the Credit Enhancement provided by such Credit Enhancement Provider or Liquidity Facility provided by such Liquidity Facility Provider.

ARTICLE 8

THE TRUSTEE

SECTION 8.01. Appointment, Duties, Immunities and Liabilities of Trustee.

(A) The Bank of New York Mellon Trust Company, N.A. is hereby appointed as Trustee under this Indenture and hereby accepts the trust imposed upon it as Trustee hereunder and to perform all the functions and duties of the Trustee hereunder, subject to the terms and conditions set forth in this Indenture. The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants shall be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(B) The Issuer may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (E) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and each Credit Enhancement Provider then providing a Credit Enhancement or each Liquidity Facility Provider then providing a Liquidity Facility for any Series of Bonds, and thereupon shall appoint a successor Trustee by an instrument in writing, such appointment to be subject to receipt of the written consent of each Credit Enhancement Provider then providing a Credit Enhancement or each Liquidity Facility Provider then providing a Liquidity Facility for any Series of Bonds, which consent shall not be unreasonably withheld.

For so long as a Credit Enhancement or Liquidity Facility is in full force and effect with respect to any Series of Bonds and the Credit Enhancement Provider providing such Credit Enhancement or the Liquidity Facility Provider providing a Liquidity Facility is not then failing to make a payment as required in connection therewith, the Issuer shall remove the Trustee upon the written request of any Credit Enhancement Provider or any Liquidity Facility Provider by giving written notice of such removal to the Trustee and each Credit Enhancement Provider or Liquidity Facility Provider then supporting any Series of Bonds, and thereupon, the Issuer shall appoint a successor Trustee by an instrument in writing, such appointment to be subject to

receipt of the written consent of each Credit Enhancement Provider or Liquidity Facility Provider then supporting any Series of Bonds, which consent shall not be unreasonably withheld.

(C) The Trustee may at any time resign by giving written notice of such resignation to the Issuer and each Credit Enhancement Provider or Liquidity Facility Provider then supporting any Series of Bonds and by giving the Owners notice of such resignation by mail at the addresses shown on the registration books maintained by the Trustee. Upon receiving such notice of resignation, the Issuer shall promptly appoint a successor Trustee by an instrument in writing, such appointment to be subject to receipt of the written consent of each Credit Enhancement Provider or Liquidity Facility Provider then supporting any Series of Bonds, which consent shall not be unreasonably withheld; provided, that the Credit Enhancement provided by such Credit Enhancement Provider or Liquidity Facility provided by such Liquidity Facility Provider is in full force and effect and such Credit Enhancement Provider or Liquidity Facility Provider is not then failing to make a payment as required in connection therewith.

(D) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee; provided, that such appointment shall be subject to receipt of the written consent of each Credit Enhancement Provider or Liquidity Facility Provider providing a Liquidity Facility supporting any Series of Bonds, which consent shall not be unreasonably withheld, and provided further that the Credit Enhancement provided by such Credit Enhancement Provider or Liquidity Facility provided by such Liquidity Facility Provider is in full force and effect and the Credit Enhancement Provider or the Liquidity Facility Provider is not then failing to make a payment as required in connection therewith. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture, shall signify its acceptance of such appointment by executing and delivering to the Issuer, each Credit Enhancement Provider or Liquidity Facility Provider then supporting any Series of Bonds and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Request of the Issuer or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Issuer shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Issuer shall give notice of the succession of such Trustee to the trusts hereunder by mail to the Owners at the addresses shown on the registration books maintained by the Trustee. If the Issuer fails to mail such notice

within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Issuer.

(E) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a national banking association, trust company or bank having the powers of a trust company having (or, if such national banking association, trust company or bank is a member of a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least one hundred million dollars (\$100,000,000), and subject to supervision or examination by federal or state authority. If such national banking association or trust company or bank or bank holding company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such national banking association or trust company or bank or bank holding company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (E), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

SECTION 8.02. Accounting Records and Monthly Statements. The Trustee shall keep proper books of record and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement, allocation and application of the moneys related to the Bonds, including proceeds of each Series of Bonds and moneys derived from, pledged to, or to be used to make payments on each Series of Bonds. Such records shall specify the account or fund to which each deposit and each investment (or portion thereof) held by the Trustee is allocated and shall set forth, in the case of each investment security, (a) its purchase price, (b) identifying information, including par amount, coupon rate, and payment dates, (c) the amount received at maturity or its sale price, as the case may be, including accrued interest, (d) the amounts and dates of any payments made with respect thereto, and (e) the dates of acquisition and disposition or maturity. The Trustee shall furnish the Issuer with a monthly statement which shall include a summary of all deposits and all investment transactions related to each Series of Bonds then Outstanding, such statement to be provided to the Issuer no later than the tenth (10th) Business Day of the month following the month to which such statement relates, the first such monthly statement to be provided by the tenth (10th) Business Day of the month immediately following the month in which the initial Series of Bonds is delivered by the Trustee pursuant to the provisions of this Indenture.

SECTION 8.03. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (E) of Section 8.01, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8.04. Liability of Trustee.

(A) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Issuer, and the Trustee assumes no responsibility for the correctness of the same (other than the certificate of authentication of the Trustee on each Bond), and makes no representations as to the validity or sufficiency of this Indenture, or of the Bonds, as to the sufficiency of the Pledged Allocable Sales Tax Revenues or the priority of the lien of this Indenture thereon, or as to the financial or technical feasibility of any portion of the Project and shall not incur any responsibility in respect of any such matter, other than in connection with the duties or obligations expressly herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence, willful misconduct or breach of the express terms and conditions hereof. The Trustee and its directors, officers, employees or agents may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner of a Bond may be entitled to take, with like effect as if the Trustee was not the Trustee under this Indenture. The Trustee may in good faith hold any other form of indebtedness of the Issuer, own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of the Issuer and make disbursements for the Issuer and enter into any commercial or business arrangement therewith, without limitation.

(B) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts. The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder.

(C) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(D) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any Credit Enhancement Provider or Liquidity Facility Provider or any of the Owners pursuant to the provisions of this Indenture, including, without limitation, the provisions of Article VII hereof, unless such Credit Enhancement Provider or Liquidity Facility Provider or such Owners shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby; provided, however, that no security or indemnity shall be requested or required for the Trustee to deliver a notice to obtain funds under the Credit Enhancement delivered in connection with any Series of Bonds in order to pay principal of and interest on such Series of Bonds.

(E) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder or in the exercise of its rights or powers.

(F) The Trustee shall not be deemed to have knowledge of and shall not be required to take any action with respect to, any Event of Default (other than an Event of Default described in subsections (A) or (B) of Section 7.01) or event which would, with the giving of notice, the passage of time or both, constitute an Event of Default, unless the Trustee shall have actual knowledge of such event or shall have been notified of such event by the Issuer, any Credit Enhancement Provider then providing a Credit Enhancement or Liquidity Facility Provider then providing a Liquidity Facility for a Series of Bonds or the Owners of twenty-five percent (25%) of an Outstanding Series of Bonds. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain, monitor or inquire as to the performance or observance by the Issuer of the terms, conditions, covenants or agreements set forth in Article VI hereof (including, without limitation, the covenants of the Issuer set forth in Section 5.09 and 6.08 hereof, other than the covenants of the Issuer to make payments with respect to the Bonds when due as set forth in Section 6.01 and to file with the Trustee when due, such reports and certifications as the Issuer is required to file with the Trustee hereunder.

(G) No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(H) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, requisition, bond, debenture, coupon or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuer, personally or by agent or attorney.

(I) The Trustee shall not be responsible for:

(1) the application or handling by the Issuer of any Pledged Allocable Sales Tax Revenues or other moneys transferred to or pursuant to any Requisition or Request of the Issuer in accordance with the terms and conditions hereof;

(2) the application and handling by the Issuer of any other fund or account designated to be held by the Issuer hereunder;

(3) any error or omission by the Issuer in making any computation or giving any instruction pursuant to Section 5.09 and Section 6.09 hereof and may rely conclusively on the Rebate Instructions and any computations or instructions furnished to it by the Issuer in connection with the requirements of Section 5.09, Section 6.09 and each Tax Certificate;

(4) the construction, operation or maintenance of any portion of the Project by the Issuer.

(J) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article VIII.

(K) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay in the performance of such obligations due to unforeseeable causes arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control and without its fault or negligence, including, but not limited to, acts of God, acts of the public enemy or terrorists, earthquakes, fires, floods, war, civil or military disturbances, sabotage, epidemics, quarantine restrictions, riots, interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications service, accidents, labor disputes, acts of civil or military authority or governmental actions affecting the performance of its duties under this Indenture, it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

(L) The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any official statement, offering memorandum or other disclosure material prepared or distributed with respect to the Bonds.

SECTION 8.05. Right of Trustee to Rely on Documents and Opinions. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, including, without limitation, counsel of or to the Issuer, and may request an opinion of counsel, with regard to legal questions, including, without limitation, legal questions relating to proposed modifications or amendments of this Indenture, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, including, without limitation, matters relating to proposed modifications or amendments of this Indenture, the Trustee may request a Certificate of the Issuer and such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by such Certificate of the Issuer, and such Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable. The Trustee may also rely conclusively on any report, statement, requisition, facsimile transmission, electronic mail or certification of any certified public accountant, investment banker, financial consultant, or other expert selected by the Issuer or selected by the Trustee with due care in connection with matters required to be proven or ascertained in connection with its administration of the trusts created hereby.

SECTION 8.06. Compensation and Indemnification of Trustee. The Issuer covenants to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of the powers and duties hereunder of the Trustee, including, without limitation, the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer or

exchange of Bonds, and the Issuer will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or willful misconduct. The Issuer, to the extent permitted by law, shall indemnify, defend and hold harmless the Trustee against any loss, damages, liability or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the acceptance or administration of the trusts created hereby, including costs and expenses (including attorneys' fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder. The rights of the Trustee and the obligations of the Issuer under this Section 8.06 shall survive the discharge of the Bonds and this Indenture and the resignation or removal of the Trustee.

ARTICLE 9

MODIFICATION OR AMENDMENT OF THIS INDENTURE

SECTION 9.01. Amendments Permitted.

(A) This Indenture and the rights and obligations of the Issuer, the Owners of the Bonds (or of any Series) and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Issuer and the Trustee may enter into with the written consent of: (i) each Credit Enhancement Provider then providing a Credit Enhancement or Liquidity Facility Provider then providing a Liquidity Facility for any Series of Bonds; provided, that the Credit Enhancement provided by such Credit Enhancement Provider or the Liquidity Facility provided by such Liquidity Provider is in full force and effect and the Credit Enhancement Provider or the Liquidity Provider is not then failing to make a payment as required in connection therewith; or (ii) the Owners of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Indenture is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding shall have been filed with the Trustee; provided, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under this Section; and provided further, that if the Credit Enhancement provided for any Series of Bonds is in full force and effect and if the Credit Enhancement Provider providing such Credit Enhancement or Liquidity Facility Provider then providing such Liquidity Facility is not failing to make a payment as required in connection therewith, such Credit Enhancement Provider or Liquidity Facility Provider shall also consent in writing to such modification or amendment, which consent shall not be unreasonably withheld.

No such modification or amendment shall (a) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any redemption premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected, or (b) reduce the percentage of Bond Obligation the consent of the

Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the applicable Pledged Allocable Sales Tax Revenues and other assets pledged under this Indenture for such Series of Bonds prior to or on a parity with the lien created by this Indenture, or deprive the Owners of such Bonds of the lien created by this Indenture on such Pledged Allocable Sales Tax Revenues and other assets (in each case, except as expressly provided in this Indenture), without the consent of the Owners of all of the Bonds then Outstanding relating to such Series. It shall not be necessary for the consent of the Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution and delivery by the Issuer and the Trustee of any Supplemental Indenture pursuant to this Section 9.01(A), the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture to the Owners of the Bonds at the addresses shown on the registration books of the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(B) This Indenture and the rights and obligations of the Issuer, of the Trustee and of the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Issuer may adopt without the consent of any Owners, Credit Enhancement Provider or Liquidity Facility Provider, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Issuer in this Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Issuer;

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

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

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

(5) to make modifications or adjustments necessary, appropriate or desirable to provide for the issuance or incurrence, as applicable, of Capital Appreciation Bonds, Parity Obligations, Subordinate Obligations or Variable Rate Indebtedness, with such interest rate, payment, maturity and other terms as the Issuer may deem desirable; subject to the provisions of Section 3.02, Section 3.03 and Section 3.05;

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

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

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

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

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

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

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

(13) to modify, alter, amend or supplement this Indenture in any other respect, including amendments which would otherwise be described in Section 9.01(A) hereof, if the effective date of such amendments is a date on which all Bonds affected thereby are subject to mandatory tender for purchase pursuant to the provisions of this Indenture or if notice of the proposed amendments is given to Owners of the affected Bonds at least thirty (30) days before the proposed effective date of such amendments and, on or before such effective date, such Owners have the right to demand purchase of their Bonds pursuant to the provisions of this Indenture or if all Bonds affected thereby are in an auction mode and a successful auction is held following notice of such amendment; and

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

Any Supplemental Indenture entered into pursuant to this Section shall be deemed not to materially adversely affect the interest of the Owners of a Series of Bonds so long as (i) all Bonds in such Series of Bonds are secured by a Credit Enhancement and (ii) each Credit Enhancement Provider or Liquidity Facility Provider shall have given its written consent to such Supplemental Indenture as provided in Section 9.01(A).

SECTION 9.02. Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to this Article, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Issuer, the Trustee and all Owners of Bonds shall

thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and as to each such Bond all the terms and conditions of each Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 9.03. Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after any Supplemental Indenture becomes effective pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Issuer and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such execution and presentation of such Bond for such purpose at the Corporate Trust Office or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bond. If the Supplemental Indenture shall so provide, new Bonds so modified conform, in the opinion of the Issuer and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Issuer and authenticated by the Trustee, and upon demand of the Owners of any Bonds then Outstanding shall be exchanged at the Corporate Trust Office, without cost to any Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amounts of the same Series, tenor and maturity.

SECTION 9.04. Amendment of Particular Bonds. The provisions of this Article shall not prevent any Owner from accepting any amendment as to the particular Bonds held by such Owner, provided that due notation thereof is made on such Bonds.

ARTICLE 10

DEFEASANCE

SECTION 10.01. Defeasance. Bonds of any Series or a portion thereof may be paid and defeased by the Issuer in any of the following ways:

- (A) by paying or causing to be paid the Bond Obligations of and interest on such Outstanding Bonds, as and when the same become due and payable;
- (B) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem such Outstanding Bonds of a Series; or
- (C) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds of a Series.

If the Issuer shall pay all Series for which any Bonds are Outstanding and also pay or cause to be paid all other sums payable hereunder by the Issuer, then and in that case, at the election of the Issuer (evidenced by a Certificate of the Issuer, filed with the Trustee, signifying the intention of the Issuer to discharge all such indebtedness and this Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, this Indenture and the pledge of Pledged Allocable Sales Tax Revenues relating to such Bonds and other assets made under this Indenture and all covenants, agreements and other obligations of the Issuer

under this Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon Request of the Issuer, the Trustee shall cause an accounting for such period or periods as may be requested by the Issuer to be prepared and filed with the Issuer and shall execute and deliver to the Issuer all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the applicable Participating Agency all moneys or securities or other property held by it pursuant to this Indenture that are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

SECTION 10.02. Discharge of Liability on a Bond. Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), then all liability of the Issuer in respect of such Bond shall cease, terminate and be completely discharged; provided that if such Bond is to be redeemed prior to maturity, notice of such redemption has been given as in Article IV provided or provision satisfactory to the Trustee has made for the giving of such notice, and provided further that the Owner of such Bond shall thereafter be entitled to the payment of the principal of, premium, if any, and interest on such Bond, and the Issuer shall remain liable for such payment, but only out of such money or securities deposited with the Trustee for their payment.

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

Notwithstanding anything in this Section 10.02 to the contrary, if the Bond Obligation of or interest on a Series of Bonds shall be paid by a Credit Enhancement Provider pursuant to the Credit Enhancement issued in connection with such Series of Bonds, the obligations of the Issuer shall not be deemed to be satisfied or considered paid by the Issuer by virtue of such payments, and the right, title and interest of the Issuer herein and the obligations of the Issuer hereunder shall not be discharged and shall continue to exist and to run to the benefit of such Credit Enhancement Provider, and such Credit Enhancement Provider shall be subrogated to the rights of the Owners of the Bonds of such Series.

SECTION 10.03. Deposit of Money or Securities. Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust money or securities in the necessary amount to pay or redeem any Bond, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to this Indenture and shall be:

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

(B) Investment Securities described in clause (A) of the definition thereof the principal of and interest on which when due will, together with any cash on deposit therein, in the opinion of an independent certified public accountant delivered to the Trustee (as confirmed by a verification report upon which verification report the Trustee may conclusively rely), will provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on that Bond as each payment of such principal, Redemption Price or interest becomes due; provided that, in the case of any Bond that is to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in Article IV, or provision satisfactory to the Trustee has been made for the giving of such notice; provided, in each case, that the Trustee has been irrevocably instructed (by the terms of this Indenture or by Request of the Issuer) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

SECTION 10.04. Payment of Bonds After Discharge of Indenture. Any moneys held by the Trustee in trust for the payment of the principal, Redemption Price, or interest on any Bond and remaining unclaimed for one (1) year after such principal, Redemption Price, or interest has become due and payable (whether at maturity or upon call for redemption as provided in this Indenture), if such moneys were so held at such date, or one (1) year after the date of deposit of moneys for the payment of such principal, Redemption Price or interest on any Bond if such moneys were deposited after the date when such Bond became due and payable, shall be repaid to the Issuer free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Issuer as aforesaid, the Trustee may (at the cost of the Issuer) first mail to the Owners of any Bonds remaining unpaid at the addresses shown on the registration books maintained by the Trustee a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Issuer of the moneys held for the payment thereof. All moneys held by or on behalf of the Trustee for the payment of principal or Accreted Value of or interest or redemption premium on any Bond, whether at redemption or maturity, shall be held in trust for the account of the Owner thereof and the Trustee shall not be required to pay Owner any interest on, or be liable to the Owner or any other person (other than the Issuer) interest earned on, moneys so held. Any interest earned thereon shall belong to the applicable Participating Agency and shall be deposited upon receipt by the Trustee into the applicable Participating Agency Sales Tax Revenue Account.

ARTICLE 11

MISCELLANEOUS

SECTION 11.01. Liability of Issuer Limited. Notwithstanding anything in this Indenture or in the Bonds contained, the Issuer shall not be required to advance any moneys derived from any source other than the Pledged Allocable Sales Tax Revenues and other assets pledged hereunder and under any Supplemental Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal or Redemption Price of or interest on the Bonds or for any other purpose of this Indenture.

SECTION 11.02. Successor Is Deemed Included in All References to Predecessor. Whenever in this Indenture either of the Issuer or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Issuer or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.03. Limitation of Rights. Nothing expressed in or implied by this Indenture is intended or to be construed to give to any Person other than the Issuer, the Trustee, each Credit Enhancement Provider, each Liquidity Facility Provider, the Owners of the Bonds and the holders of any Parity Obligations, including each Counterparty, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Issuer, the Trustee, each Credit Enhancement Provider, each Liquidity Facility Provider, the Owners of the Bonds and the holders of any Parity Obligations, including each Counterparty.

SECTION 11.04. Waiver of Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 11.05. Destruction or Delivery of Canceled Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Issuer of any Bonds, the Trustee may, in its sole discretion, in lieu of such cancellation and delivery, destroy such Bonds, and deliver a certificate of such destruction to the Issuer.

SECTION 11.06. Severability of Invalid Provisions. If any one or more of the provisions contained in this Indenture or in the Bonds is held by a court of proper jurisdiction to be invalid, illegal or unenforceable in any respect, then such provisions or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

SECTION 11.07. Notice to Issuer and Trustee. Any notice to or demand upon the Trustee may be served or presented, and such demand may be made, at the Corporate Trust Office of the Trustee. Any notice to or demand upon the Issuer, shall be deemed to have been sufficiently given or served for all purposes by being deposited, first-class mail postage prepaid, in a post office letter box, addressed to the Issuer at 155 South Eleventh Street, El Centro, California 92243, Attention: Executive Director (or such other address as may have been filed in writing by the Issuer with the Trustee). Any such communication may also be served or presented by facsimile or electronic mail, and shall be effective upon the confirmation by facsimile or electronic mail, or in writing, of the receipt of such communication.

SECTION 11.08. Evidence of Rights of Owners. Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Owners may be in any number of concurrent instruments of substantially similar effect and may be signed or executed by such Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Issuer if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the bond registration books held by the Trustee. The Trustee may establish a record date as of which to measure consent of the Owners to determine whether the requisite consents are received.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Issuer in accordance therewith or reliance thereon.

SECTION 11.09. Disqualified Bonds. In determining whether the Owners of the requisite aggregate amount of Bonds of any Series concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds of that Series that are owned or held by or for the account of the Issuer, or by any other obligor on the Bonds of that Series, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Issuer or any other obligor on such Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. In connection with any demand, request, direction, consent or waiver under this Indenture, the Trustee may request that an Authorized Representative of the Issuer specify in a Certificate delivered to the Trustee those Bonds that are disqualified pursuant to the provisions set forth above. Any such Certificate provided in response to a request of the Trustee may be conclusively relied upon by the Trustee. Bonds so owned that have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee establishes to the satisfaction of the Trustee that the pledge has the right to vote such Bonds and that the pledgee is not a person directly or indirectly controlled by, or under direct or indirect common control with, the Issuer or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

SECTION 11.10. Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal, Redemption Price or purchase price due on any date with respect to particular Bonds (or portions of Bonds in the case of registered Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its

books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of Section 10.04.

SECTION 11.11. Funds and Accounts. Any fund required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof or any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the corporate trust industry, to the extent practicable, and with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

SECTION 11.12. Limitations on Rights of Credit Enhancement Providers, Liquidity Facility Providers, Reserve Facility Providers. A Supplemental Indenture establishing the terms and provisions of a Series of Bonds may provide that any Credit Enhancement Provider, Liquidity Facility Provider or Reserve Facility Provider may exercise any right under this Indenture given to the Owners of the Bonds to which such Credit Enhancement, Liquidity Facility or Reserve Facility relates. All provisions under this Indenture authorizing the exercise of rights by a Credit Enhancement Provider, a Liquidity Facility Provider or a Reserve Facility Provider with respect to consents, approvals, directions, waivers, appointments, requests or other actions, shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Enhancement Provider, Liquidity Facility Provider or Reserve Facility Provider were not mentioned therein (i) during any period during which there is a default by such Credit Enhancement Provider, Liquidity Facility Provider or Reserve Facility Provider under the applicable Credit Enhancement, Liquidity Facility or Reserve Facility or (ii) after the applicable Credit Enhancement, Liquidity Facility or Reserve Facility shall at any time for any reason cease to be valid and binding on the provider thereof, or shall be declared to be null and void by final judgment of a court of competent jurisdiction, or after the Credit Enhancement, Liquidity Facility or Reserve Facility has been rescinded, repudiated by the provider thereof or terminated, or after a receiver, conservator or liquidator has been appointed for the provider thereof. All provisions relating to the rights of a Credit Enhancement Provider, Liquidity Facility Provider or Reserve Facility Provider shall be of no further force and effect if all amounts owing to such Credit Enhancement Provider, Liquidity Facility Provider or Reserve Facility Provider shall have been paid pursuant to the terms of the applicable Credit Enhancement, Liquidity Facility or Reserve Facility and such Credit Enhancement, Liquidity Facility or Reserve Facility shall no longer be in effect.

SECTION 11.13. Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Indenture.

All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Indenture as a whole and

not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

SECTION 11.14. Waiver of Personal Liability. No Board member, officer, agent or employee of the Issuer or the Trustee shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such Board member, officer, agent or employee of the Issuer or the Trustee from the performance of any official duty provided by law or by this Indenture.

SECTION 11.15. Governing Law. This Indenture shall be construed and governed in accordance with the laws of the State of California.

SECTION 11.16. Business Day. Except as specifically set forth in this Indenture or a Supplemental Indenture, transfers which would otherwise become due on any day which is not a Business Day shall become due or shall be made on the next succeeding Business Day with the same effect as if made on such prior date.

SECTION 11.17. Effective Date of Indenture. This Indenture shall take effect upon its execution and delivery.

SECTION 11.18. Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

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

IMPERIAL COUNTY LOCAL
TRANSPORTATION AUTHORITY

By: _____
Executive Director

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By: _____
Authorized Officer

EXHIBIT A

**FORM OF NOTICE OF TRUSTEE REGARDING
RECEIPT OF SALES TAX REVENUE FROM
THE STATE BOARD OF EQUALIZATION**

The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), hereby is providing notice to the Imperial County Local Transportation Authority of our receipt of \$_____, of Measure D Sales Tax Revenues, from the California State Board of Equalization on _____, 20____.

Dated: _____, 20__

THE BANK OF NEW YORK MELLON
TRUST, N.A., as Trustee

By: _____
Authorized Officer

EXHIBIT B

**FORM OF CERTIFICATE OF AUTHORITY REGARDING
MONTHLY ALLOCATION OF SALES
TAX REVENUES**

The Trustee is hereby instructed to allocate the Measure D Sales Tax Revenues received by the Trustee on _____, 20__ pursuant to the following schedule:

Dated: _____, 20__

IMPERIAL COUNTY LOCAL
TRANSPORTATION AUTHORITY

By: _____
Authorized Officer

MONTHLY SALES TAX REVENUES

<u>Purpose</u>	<u>Allocation</u>
Measure D Sales Tax Revenues	
Expenditure Plan Program Allocations:	
1) [1%] Administrative Expenses of the Authority	\$
2) [5%] State Highway Improvements	\$
3) Transit Projects (2% of Allocation to Local Agencies)	\$
Subtotal:	\$
Non-Pledged Measure D Sales Tax Revenues:	
City of El Centro	\$
City of Holtville	\$
City of Westmorland	\$
Subtotal:	\$
Total Amount from Measure D Sales Tax Revenue Fund to be Released to the County:	\$
 Pledged Allocable Sales Tax Revenue:	
 Deposits to Brawley Sales Tax Revenue Account	
Series 2012A Interest Account	\$
Series 2012A Principal Account	\$
Series 2012A Fees and Expenses Account	\$
Series 2012A Redemption Account	\$
Brawley Excess Pledged Allocable Sales Tax Revenue	\$
 Deposits to Calexico Sales Tax Revenue Account	
Series 2012B Interest Account	\$
Series 2012B Principal Account	\$
Series 2012B Fees and Expenses Account	\$
Series 2012B Redemption Account	\$
Calexico Excess Pledged Allocable Sales Tax Revenue	\$

Deposits to Calipatria Sales Tax Revenue Account	
Series 2012C Interest Account	\$
Series 2012C Principal Account	\$
Series 2012C Fees and Expenses Account	\$
Series 2012C Redemption Account	\$
Calipatria Excess Pledged Allocable Sales Tax Revenue	\$
Deposits to Imperial Sales Tax Revenue Account	
Series 2012D Interest Account	\$
Series 2012D Principal Account	\$
Series 2012D Fees and Expenses Account	\$
Series 2012D Redemption Account	\$
Imperial Excess Pledged Allocable Sales Tax Revenue	\$
Deposits to County Sales Tax Revenue Account	
Series 2012E Interest Account	\$
Series 2012E Principal Account	\$
Series 2012E Fees and Expenses Account	\$
Series 2012E Redemption Account	\$
County Excess Pledged Allocable Sales Tax Revenues	\$
Subtotal Excess Pledged Allocable Sales Tax Revenue to be	\$
Released the County:	
Total Amount to be Released to the County:	\$

EXHIBIT C

FORM OF NOTICE OF TRUSTEE REGARDING MONTHLY DEPOSIT OF SALES TAX REVENUES

The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), hereby is providing notice to Imperial County Local Transportation Authority, that the Pledged Allocable Sales Tax Revenues were sufficient to make all transfers and deposits identified in the certificate of the Authority, dated ____, 20__, which is attached hereto.

Dated: ____, 20__

THE BANK OF NEW YORK MELLON
TRUST, N.A., as Trustee

By: _____
Authorized Officer

ATTACHMENT I

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2012

NEW ISSUE—BOOK-ENTRY ONLY

Rating: See ~~RATING~~ herein

In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel to the Authority, under existing law interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the tax covenants described herein, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. See, however, "TAX EXEMPTION" herein regarding certain other tax considerations.

\$ _____
IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY
SALES TAX REVENUE BONDS (LIMITED TAX BONDS)

\$ _____
Series 2012A
(City of Brawley)

\$ _____
Series 2012B
(City of Calexico)

\$ _____
Series 2012C
(City of Calipatria)

\$ _____
Series 2012D
(City of Imperial)

\$ _____
Series 2012E
(County of Imperial)

Dated: Date of Delivery

Due: as shown on the inside cover

The bonds of each Series set forth above (collectively, the ~~Bonds~~) are being issued by the Imperial County Local Transportation Authority (the ~~Authority~~) pursuant to an Indenture, dated as of _____ 1, 2012 (the ~~Master Indenture~~), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the ~~Trustee~~), and separate Supplemental Indentures, each dated as of _____ 1, 2012 (each, a ~~Supplemental Indenture~~ and, together with the Master Indenture, the ~~Indenture~~). Proceeds of the Bonds will be applied to: (i) finance certain costs associated with certain transportation projects for the Participating Agencies (herein defined), as described herein, (ii) fund a bond reserve fund for each Series of Bonds, and (iii) pay costs of issuance of each Series of Bonds. See ~~SECURITY AND SOURCES OF PAYMENT FOR THE BONDS~~, ~~ESTIMATED SOURCES AND USES OF FUNDS~~ and ~~PLAN OF FINANCE~~ herein.

Interest on the Bonds will be payable on June 1 and December 1 of each year, commencing [June]1, 2012. The Bonds will be issued as fully registered bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as Owner of the Bonds and nominee for The Depository Trust Company (~~DTC~~), New York, New York. Purchasers will not receive certificates representing their interest in the Bonds purchased. The principal or redemption price of and interest on the Bonds is payable by wire transfer to DTC which, in turn, will remit such principal, redemption price and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the Bonds.

The Bonds are subject to redemption prior to maturity. See ~~THE BONDS – Redemption~~ herein.

Each Series of Bonds is a limited obligation of the Authority secured solely by a pledge of the Pledged Allocable Sales Tax Revenues of the Participating Agency of the related Series of Bonds (as defined herein) and certain amounts held by the Trustee in certain funds and accounts established under the Indenture. The Measure D Sales Tax (as defined herein) to which the Pledged Allocable Sales Tax Revenues relate was approved by more than two-thirds of the electorate of the County of Imperial voting on the ballot measure on November 4, 2008. The Measure D Sales Tax expires on March 31, 2050. The Pledged Allocable Sales Tax Revenues pledged to a Series of Bonds will not be available for the payment of principal of, redemption price or interest on any other Series of Bonds. See ~~SECURITY AND SOURCES OF PAYMENT FOR THE BONDS~~ herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OF IMPERIAL, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, OTHER THAN THE AUTHORITY, TO THE EXTENT OF THE PLEDGE OF THE PLEDGED ALLOCABLE SALES TAX REVENUES AND OTHER AMOUNTS HELD UNDER THE INDENTURE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PRICE OR INTEREST ON THE BONDS.

This cover page contains certain information for general reference only. It is not a summary of the security or terms of this issue. Investors must read the entire Official Statement to obtain information essential to make an informed investment decision with respect to the Bonds.

The Bonds are offered by the Underwriter when, as and if issued by the Authority, subject to approval of legality by Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed on for the Authority by County Counsel and by Fulbright & Jaworski L.L.P., Los Angeles, California, Disclosure Counsel to the Authority, and for the Underwriter by its counsel Hawkins Delafield & Wood LLP, Los Angeles, California. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about _____, 2012.

Dated: _____, 2012

Cabrera Capital Markets, LLC

* Preliminary; subject to change.

\$ _____ *

**IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY
SALES TAX REVENUE BONDS (LIMITED TAX BONDS), SERIES 2012A**

Maturity Date (<u>[June] 1</u>)	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	CUSIP (<u>45272E</u>)[†]
2012]				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				

[Additional pages to be added as structure is confirmed.]

* Preliminary; subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Underwriter nor the Authority is responsible for the selection or correctness of the CUSIP numbers set forth herein.

No dealer, salesman or any other person has been authorized by the Imperial County Local Transportation Authority (the "Authority") or Cabrera Capital Markets, LLC, underwriter of the Bonds (the "Underwriter"), to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the Underwriter.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Neither the delivery of this Official Statement nor the sale of any of the Bonds implies that the information herein is correct as of any time subsequent to the date hereof. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose.

The information set forth herein has been obtained from the Authority and other sources believed to be reliable. All summaries contained herein of the Indenture (as defined herein) or other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. All statements made herein are made as of the date of this document by the Authority except statistical information or other statements where some other date is indicated in the text.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement 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 Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL ON THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as “~~plan~~,” “~~expect~~,” “~~estimate~~,” “~~project~~,” “~~budget~~” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the Authority in any way, regardless of the level of optimism communicated in the information. Such forward-looking statements include, but are not limited to, the projections of any future operating results of the Authority included herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY

BOARD OF DIRECTORS

Sedalia Sanders, Chairperson	City of El Centro
Hector Cervantes, Vice Chairperson	City of Calipatria
George Nava	City of Brawley
Bill Hodge	City of Calexico
David Bradshaw	City of Holtville
Mark Gran	City of Imperial
Larry Ritchie	City of Westmorland
Michael W. Kelley	County of Imperial
Jack Terrazas	County of Imperial

ADMINISTRATIVE STAFF

Mark Baza, Executive Director
Kathi Williams, Senior Transit Planner/Finance Manager

Bond Counsel and Disclosure Counsel

Fulbright & Jaworski L.L.P.
Los Angeles, California

Underwriter

Cabrera Capital Markets, LLC
Los Angeles, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

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OFFICIAL STATEMENT

\$ _____ *

IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY
SALES TAX REVENUE BONDS (LIMITED TAX BONDS), SERIES 2012

\$ _____ *
Series 2012A
(City of Brawley)

\$ _____ *
Series 2012B
(City of Calexico)

\$ _____ *
Series 2012C
(City of Calipatria)

\$ _____ *
Series 2012D
(City of Imperial)

\$ _____ *
Series 2012E
(County of Imperial)

INTRODUCTION

General

This Official Statement, which includes the cover page and the appendices hereto, sets forth certain information in connection with the offering by the Imperial County Local Transportation Authority (the “~~A~~uthority”) of the respective Series of sales tax revenue bonds identified above (collectively, the “~~B~~onds”). Each Series of Bonds is payable solely from the Pledged Allocable Sales Tax Revenues (defined below) of the Participating Agency (as defined herein) of the relevant Series. Pledged Allocable Sales Tax Revenues pledged to the repayment of a Series of Bonds will not be available for the principal of, redemption price and interest on any other Series of Bonds. The Series 2012A Bonds are payable from the Pledged Allocable Sales Tax Revenues of the City of Brawley (“~~B~~rawley”). The Series 2012B Bonds are payable from the Pledged Allocable Sales Tax Revenues of the City of Calexico (“~~C~~alexico”). The Series 2012C Bonds are payable from the Pledged Allocable Sales Tax Revenues of the City of Calipatria (“~~C~~alipatria”). The Series 2012D Bonds are payable from the Pledged Allocable Sales Tax Revenues of the City of Imperial (“~~I~~mperial”). The Series 2012E Bonds are payable from the Pledged Allocable Sales Tax Revenues of the County of Imperial (“~~C~~ounty”). Depending upon the context, Pledged Allocable Sales Tax Revenues means either the Pledged Allocable Sales Tax Revenues pledged to the repayment of a Series of Bonds, or, collectively, the Pledged Allocable Sales Tax Revenues of the Participating Agencies.

The Bonds of each Series are being issued pursuant to an Indenture, dated as of _____ 1, 2012 (the “~~M~~aster Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “~~T~~rustee”), as supplemented by a separate Supplemental Indenture for each Series of Bonds, each dated as of _____ 1, 2012 (each, a “~~S~~upplemental Indenture” and, together with the Master Indenture, the “~~I~~ndenture”), each between the Authority and the Trustee.

Authority for Issuance

The Bonds are being issued by the Authority under and pursuant to the Local Transportation Authority and Improvement Act, Division 19 (Section 180000 *et seq.*) of the Public Utilities Code of the State of California (the “~~S~~tatute”), as amended or supplemented (the “~~A~~ct”), the Ordinance (as defined herein) and Measure D (as defined herein).

* Preliminary; subject to change.

Purpose and Application of Proceeds

The proceeds of the Bonds will be used to: (i) finance a portion of the costs associated with certain transportation projects for the Participating Agencies, (ii) fund a bond reserve fund for each Series of Bonds, and (iii) pay certain costs of issuance for each Series of Bonds. See —SECURITY AND SOURCES OF PAYMENT FOR THE BONDS,” —ESTIMATED SOURCES AND USES OF FUNDS” and —PLAN OF FINANCE” herein.

Security

Each Series of Bonds is a limited obligation of the Authority secured solely by a pledge of Pledged Allocable Sales Tax Revenues of the respective Participating Agency for such Series. Each Series of the Bonds are further secured by a pledge of amounts held by the Trustee on deposit in certain funds and the respective accounts of each Participating Agency under the Indenture and each Supplemental Indenture. See —SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein. The Bonds and any additional bonds hereafter authorized by, and at any time Outstanding under the Indenture, are referred to collectively herein as the —Bonds”. Additional Bonds and other obligations secured by a pledge of the Pledged Allocable Sales Tax Revenues on parity with a Series of the Bonds may hereafter be issued or incurred. See —SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds and Parity Obligations” herein.

Definitions

For the purposes of the forepart of this Official Statement, the following terms shall have the meanings ascribed below. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in APPENDIX C – —SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Definitions” or, if not defined therein, in the Indenture.

—Allocable Sales Tax Revenues” means the portion of Measure D Sales Tax Revenues allocable under the Ordinance to each Local Agency.

—Excess Pledged Allocable Sales Tax Revenues” means Pledged Allocable Sales Tax Revenues in excess of the amount required to be transferred to the Funds and Accounts established pursuant to a Supplemental Indenture for the repayment of a Series of Bonds.

—Expenditure Plan Program Allocations” means amounts allocated from the Measure D Sales Tax Revenues to administrative expenses of the Authority, state highway improvements within the County and transit projects prior to the allocation of Measure D Sales Tax Revenues to each Local Agency pursuant to the Expenditure Plan.

—Local Agency” means, any or each of, the Brawley, Calexico, Calipatria, the City of El Centro, the City of Holtville, the City of Imperial, the City of Westmorland or the County.

—Measure D” means the ballot measure imposing the Measure D Sales Tax that was approved by more than two-thirds of the electorate of the County voting on such ballot measure in November 2008.

—Measure D Sales Tax” means the retail transactions and use tax applicable in the incorporated and unincorporated territory of 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 for a period not to exceed forty (40) years, commencing on April 1, 2010, and expiring on March 31, 2050, pursuant to the Ordinance.

—~~Measure~~ Measure D Sales Tax Revenues” means the amounts available for distribution to the Authority after the date of issuance of the Bonds on account of the Measure D Sales Tax after deducting amounts payable by the Authority to the California State Board of Equalization for costs and expenses for its services in connection with the Measure D Sales Tax imposed pursuant to the Section 180201 of the Act and the Ordinance.

—~~Non~~Participating Agency” means each Local Agency not pledging and assigning its Allocable Sales Tax Revenue in connection with the issuance of a Series of Bonds.

—~~Non~~Pledged Measure D Sales Tax Revenues” means the Expenditure Plan Program Allocation and the Measure D Sales Tax Revenues attributable to each Non-Participating Agency pursuant to the Expenditure Plan.

—~~Ordinance~~” means Ordinance 1-2008 —~~The~~Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance and Expenditure Plan,” adopted by the Authority on July 28, 2008.

—~~Pa~~rticipating Agency” means, respectively, Brawley, Calexico, Calipatria, Imperial and the County.

—~~P~~ledged Allocable Sales Tax Revenues” means the portion of the Measure D Sales Tax Revenues allocable under the Ordinance to the applicable Participating Agency pledged pursuant to a Supplemental Indenture to the repayment of a Series.

Limited Obligations

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, OTHER THAN THE AUTHORITY, TO THE EXTENT OF THE PLEDGE OF THE PLEDGED ALLOCABLE SALES TAX REVENUES AND OTHER FUNDS PLEDGED UNDER THE INDENTURE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

References

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

THE BONDS

General

Each Series will be dated their date of delivery, will bear interest at the rates and will mature on the dates set forth on the inside cover of this Official Statement. Interest on each Series of the Bonds will be payable on [June] 1, 2012 and semiannually thereafter on each June 1 and December 1 (each an —~~Interest~~ Payment Date”). Interest on each Series will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds will be issued in fully registered form and will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company (~~—DC~~”), New York, New York, the securities depository for the Bonds. Purchases of the Bonds are to be made in book-entry form in the

principal amount of \$5,000 or any integral multiple thereof. See APPENDIX E – —BOOK-ENTRY SYSTEM.”

Redemption

Optional Redemption. Each Series of the Bonds maturing on or prior to June 1, 20__ shall not be subject to redemption prior to their respective stated maturities. Each Series of the Bonds maturing on or after June 1, 20__ shall be subject to redemption prior to their respective stated maturities, at the option of the Authority, from any source of available funds, as a whole or in part on any date (and if in part, in such amount and such order of maturity as the Authority shall specify and within a maturity by lot or by such other method as the Authority may direct and in Authorized Denominations), on or after June 1, 20__, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium.

Notice of Redemption; Conditional Notice. Notice of redemption shall be mailed by the Trustee, not less than 30 nor more than 60 days prior to the redemption date, (i) to the respective Owners of any Series of the Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee by first class mail, and (ii) to each of the Repositories by first class mail; provided, however, that failure to give such notice to any Repository or the failure of any Owner or Repository to receive such notice or any defect in any such notice, will not affect the sufficiency or validity of the proceedings for redemption.

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

Any notice given pursuant to the provisions of the Indenture may be rescinded by written notice given to the Trustee by the Authority and the Trustee shall give notice of such rescission no later than ten (10) Business Days thereafter in the same manner, and to the same Persons, as notice of such redemption was given.

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

Each Series is a limited obligation of the Authority secured by a pledge of Pledged Allocable Sales Tax Revenues of the Participating Agency related to the relevant Series and amounts held by the Trustee in certain funds and accounts established under the Indenture and the respective Supplemental Indenture, excluding the Rebate Fund. The Authority shall not be required to advance any moneys derived from any source other than Pledged Allocable Sales Tax Revenues and the amounts held by the Trustee in the funds and accounts established under the Indenture, excluding amounts in the Rebate Fund and any Purchase Fund, and pledged under the Indenture, including interest earnings on such amounts, whether for the payment of the principal or Redemption Price of or interest on the relevant Series of the Bonds or for any other purpose of the Indenture.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, OTHER THAN THE AUTHORITY, TO THE EXTENT OF THE PLEDGED ALLOCABLE SALES TAX REVENUES AND OTHER FUNDS PLEDGED UNDER THE INDENTURE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON, THE BONDS.

Pledge of Pledged Allocable Sales Tax Revenues and Certain Funds Held by Trustee

Pursuant to the Indenture, each Series shall be secured by Pledged Allocable Sales Tax Revenues and otherwise as provided in the applicable Supplemental Indenture, subject to the terms and conditions set forth therein. The Authority has agreed in the Indenture to punctually pay or cause to be paid the principal or Redemption Price of and interest on all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture and shall punctually pay or cause to be paid all Mandatory Sinking Account Payments, but in each case only out of Pledged Allocable Sales Tax Revenues and the other assets pledged for such Bonds or Mandatory Sinking Account Payments as provided in this Indenture. Pursuant to the Supplemental Indenture for the applicable Series of Bonds, the pledge of Pledged Allocable Sales Tax Revenues constitutes a first lien on the Pledged Allocable Sales Tax Revenues to secure the relevant Series of Bonds and Parity Obligations. The pledge of Pledged Allocable Sales Tax Revenues is irrevocable until all Bonds of the applicable Series issued under the Indenture, and all Parity Obligations payable from the applicable Pledged Allocable Sales Tax Revenues are no longer Outstanding. The Pledged Allocable Sales Tax Revenues pledged to the payment of applicable Series and Parity Obligations shall be applied without priority or distinction of one over the other and the Pledged Allocable Sales Tax Revenues shall constitute a trust fund for the security and payment of such Series and Parity Obligations. For a more detailed description of the Measure D Sales Tax and projected receipts of the Measure D Sales Tax and Pledged Allocable Sales Tax Revenues, see ~~THE MEASURE D SALES TAX~~ herein. The Measure D Sales Tax Revenues allocable to Local Agencies other than the Participating Agencies are not pledged to, and will not be available for payment of, the Bonds.

Measure D Sales Tax Revenue Fund; Allocation of Measure D Sales Tax Revenues

As long as any Bonds are Outstanding or any Parity Obligations remain unpaid pursuant to the Indenture, the Authority hereby assigns and shall cause Measure D Sales Tax Revenues to be transmitted by the State Board of Equalization directly to the Trustee. The Trustee shall deposit in a fund, designated as the ~~Measure D Sales Tax Revenue Fund,~~ which fund the Trustee shall establish and maintain, all Measure D Sales Tax Revenues, when and as received by the Trustee. Non-Pledged Measure D Sales Tax Revenues shall remain in the Measure D Sales Tax Revenue Fund and shall not be subject to the lien created under the Indenture.

Within one Business Day of receipt of the Measure D Sales Tax Revenues, the Trustee shall provide the Authority with the Notice of Receipt. Within two Business Days of receiving the Notice of Receipt, the Authority shall submit the Monthly Allocation Certificate, and shall instruct the Trustee to deposit such amounts in a trust fund, designated as the ~~—Pledged Allocable Sales Tax Revenue Fund,~~” which fund the Trustee shall establish and maintain, all Pledged Allocable Sales Tax Revenues, when and as received by the Trustee. Within one Business Day of receiving the Monthly Allocation Certificate, the Trustee shall deposit the Pledged Allocable Sales Tax Revenues into the Pledged Allocable Sales Tax Revenue Fund in accordance with the Monthly Allocation Certificate, and on, the same Business Day, shall deposit the Pledged Allocable Sales Tax Revenues into the applicable Participating Agency Sales Tax Revenue Account for the applicable Participating Agency.

If within five Business Days following the transmission of the Notice of Receipt by the Trustee to the Authority, the Trustee has not received the Monthly Allocation Certificate, the Trustee shall deposit from the Measure D Sales Tax Revenue Fund to the Pledged Allocable Sales Tax Revenue Fund an amount sufficient to make the deposits into the respective accounts of the Participating Agencies as required under the Supplemental Indenture or Supplemental Indentures associated with the relevant Series of Bonds Outstanding to the payment of which such Pledged Allocable Sales Tax Revenues are pledged. Not later than [five] Business Days following the transmission of the Notice of Receipt by the Trustee, all Non-Pledged Measure D Sales Tax Revenues and all Excess Allocable Sales Tax Revenues not required for deposit under a Supplemental Indenture for the repayment of the Bonds will be transferred to the Treasurer-Tax Collector of the County, where it shall be distributed to the Local Agencies in accordance with the Ordinance as directed by the Authority. Following the determination by the Trustee that the Pledged Allocable Sales Tax Revenues were sufficient to make the required deposits identified in the Monthly Allocation Certificate, the Trustee shall confirm in writing, in substantially the form attached to the Indenture, that such amounts were sufficient and that such deposits and transfers have been made.

The Pledged Allocable Sales Tax Revenues shall be received and held in trust by the Trustee for the benefit of the Owners of the respective Series and Parity Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture. Investment income on Pledged Allocable Sales Tax Revenues of any Participating Agency held by the Trustee under the Indenture (other than amounts held in the Rebate Fund or for which particular instructions, such as with respect to a Project Fund, are provided in a Supplemental Indenture), shall also be deposited in the respective Participating Agency Sales Tax Revenue Account. All moneys at any time held in a Participating Agency Sales Tax Revenue Account shall be held in trust for the benefit of the Owners of the applicable Bonds and the holders of applicable Parity Obligations and shall be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture and the applicable Supplemental Indenture. All Pledged Allocable Sales Tax Revenues released to the Authority or any Local Agency shall no longer be pledged for the repayment of the Bonds and shall be released from and no longer subject to the lien created under the Indenture. See APPENDIX C – ~~—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE~~ – Indenture – Allocation of Sales Tax Revenues.”

So long as any Bonds remain Outstanding, following receipt and deposit of the Pledged Allocable Sales Tax Revenues in the applicable Participating Agency Sales Tax Revenue Account in each month (or as soon as possible following the receipt of Pledged Allocable Sales Tax Revenues), the Trustee is required to set aside such Pledged Allocable Sales Tax Revenues in the following respective accounts, amounts and order of priority (provided that deficiencies in any previously required deposit may be made up prior to the deposit to a fund subsequent in priority and further provided that set asides or transfers required with respect to outstanding Parity Obligations shall be made on a parity basis as provided in the Indenture):

1. Interest Accounts. The Indenture requires the Trustee to make monthly deposits in the applicable Participating Agency Interest Account in an amount equal to (a) 1/4 of the

aggregate half-yearly amount of interest becoming due and payable on Outstanding Current Interest Bonds of each Series of Bonds during the next ensuing six-month period, plus (b) the aggregate amount of interest to accrue during that month on Outstanding variable rate bonds 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 bonds during the month prior to the date of deposit plus one hundred (100) basis points; subject to such adjustments as are provided pursuant to the provisions of the Indenture. See APPENDIX C – —SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Indenture – Allocation of Sales Tax Revenues.”

2. Principal Accounts; Sinking Accounts. The Indenture also requires the Trustee to make monthly deposits in the applicable Participating Agency Interest Account in an amount equal to at least (a) 1/8 of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding of the applicable Series that are Serial Bonds having annual maturity dates within the next twelve (12) months until the requisite amount for the next payment is on deposit in each Principal Account and Sinking Account, as applicable, plus (b) 1/8 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 Bonds that are Term Bonds of a Series for which Sinking Accounts shall have been created and for which annual mandatory redemption is required from such Sinking Accounts; provided that if sufficient Pledged Allocable Sales Tax Revenues are not on deposit in the applicable Participating Agency Sales Tax Revenue Account for the Trustee to make the monthly deposit required by the Indenture, the Trustee shall deposit as soon as possible thereafter the amount of Pledged Allocable Sales Tax Revenues required for the period from the last monthly deposit for which Pledged Allocable Sales Tax Revenues were actually deposited to the date of such late deposit. All deposits made in connection with future Mandatory Sinking Account Payments shall be made without priority of any payment into any one such Sinking Account over any other such payment with respect to a Series of Bonds secured on a parity from such Pledged Allocable Sales Tax Revenues.

No deposit need be made into Participating Agency Principal Account or the Participating Agency Sinking Account so long as there are in such account (i) moneys sufficient to pay the Bond Obligations of all Bonds secured on a parity by the applicable Participating Agency Pledged Allocable Sales Tax Revenues that are 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 applicable Participating Agency Principal Account during such 12-month period and theretofore paid from the respective Participating Agency Principal Account to redeem or purchase Term Bonds of a Series during such 12-month period. At the beginning of each fiscal year and in any event not later than June 1 of each year, the Trustee shall request a certificate of the Authority setting forth the principal payments for which deposits will not be necessary pursuant to the preceding sentence and the reason therefor. On June 1 of each year or as soon as practicable thereafter, any excess amounts in the applicable Participating Agency Principal Account not needed to pay principal on such date (and not held to pay principal on the Bonds of a Series having principal payment dates other than June 1) shall be released to the Participating Agency. See APPENDIX C – —SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Indenture – Allocation of Sales Tax Revenues.”

3. Bond Reserve Funds. The Indenture also requires the Trustee to make deposits to any of the Bond Reserve Funds. See —Bond Reserve Funds” below and APPENDIX C – —SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Indenture – Establishment and Application of Funds and Accounts” and — Funding and Application of Bond Reserve Funds.”

4. Subordinate Obligations Fund. If the Authority issues Subordinate Obligations, the Authority may direct the Trustee to establish a Subordinate Obligations Fund. The Trustee shall deposit in the Subordinate Obligations Fund in each month such amount as the Authority shall specify in writing is necessary to pay principal of and interest due and payable during the following month with respect to Subordinate Obligations then outstanding.

5. Fees and Expenses Fund. If the Authority has directed the Trustee to establish the Fees and Expenses account for the applicable Participating Agency, after the transfers described above have been made, the Trustee shall deposit as soon as practicable in each month in the applicable Fees and Expenses account amounts necessary for payment of fees, expenses and similar charges owing in such month or the following month by the Authority in connection with the applicable Series of Bonds or any Parity Obligation (excluding termination payments on Interest Rate Swap Agreements).

Any Pledged Allocable Sales Tax Revenues remaining in Participating Agency Sales Tax Revenue Account after the foregoing transfers described in (1), (2), (3), (4) and (5) above, except as the Authority shall otherwise direct in writing or as is otherwise provided in a Supplemental Indenture, shall be transferred to the Participating Agency on the same Business Day or as soon as practicable thereafter. The Authority shall distribute all such remaining portions of the excess amounts of Pledged Allocable Sales Tax Revenues when received by it to the applicable Participating Agency.

If five (5) days prior to any principal payment date, Interest Payment Date or mandatory redemption date the amounts on deposit in the applicable Participating Agency Interest Account, the applicable Participating Agency Principal Account, including the Sinking Accounts therein, and, as and to the extent applicable, any Bond Reserve Fund established in connection with a Series of Bonds with respect to the payments to be made on such upcoming date are insufficient to make such payments, the Trustee shall immediately notify the Authority, in writing, of such deficiency and direct that the Authority transfer the amount of such deficiency to the Trustee on or prior to such payment date. The Authority agrees to transfer to the Trustee from any available Pledged Allocable Sales Tax Revenues in its possession the amount of such deficiency on or prior to the principal payment date, Interest Payment Date or mandatory redemption date referenced in such notice.

See APPENDIX C – —SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Indenture – Allocation of Sales Tax Revenues” for a more complete discussion.

Bond Reserve Funds

The Authority may at its sole discretion at the time of issuance of any Series of Bonds or at any time thereafter by Supplemental Indenture provide for the establishment of a Bond Reserve Fund as additional security for a Series of Bonds. Any Bond Reserve Fund so established by the Authority shall be available to secure one or more Series secured by the same Pledged Allocable Sales Tax Revenues as the Authority shall determine and shall specify in the Supplemental Indenture establishing such Bond Reserve Fund.

Each Supplemental Indenture establishes a Bond Reserve Fund, which will secure the applicable Series of Bonds and will be funded from proceeds of the applicable Series of Bonds in the following amounts: \$_____, the Series 2012A Bond Reserve Requirement; \$_____, the Series 2012B Bond Reserve Requirement; \$_____, the Series 2012C Bond Reserve Requirement; \$_____, the Series 2012D Bond Reserve Requirement; \$_____, and the Series 2012E Bond Reserve Requirement. —Series 2012 Bond Reserve Requirement” means, as of any date of calculation for the applicable Series of Bonds,

an amount equal to the least of (i) ten percent (10%) of the proceeds of the applicable Series of Bonds, (ii) one hundred twenty-five percent (125%) of average Annual Debt Service on the applicable Series of Bonds, and (iii) Maximum Annual Debt Service on the applicable Series of Bonds. Pursuant to the provisions of the Indenture, the Authority may satisfy the respective Series 2012 Bond Reserve Requirement with cash, a letter of credit, a surety bond, or an insurance policy. For a more complete discussion of the Bond Reserve Fund provisions of the Indenture, see APPENDIX C – —SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Indenture – Establishment and Application of Funds and Accounts – Funding and Application of Bond Reserve Funds.”

Additional Bonds and Parity Obligations

The Bonds are the first five Series of Bonds secured, respectively, by the Pledged Allocable Sales Tax Revenues of the applicable Participating Agency and will be the only obligations at this time secured by such Pledged Allocable Sales Tax Revenues. The Authority may issue additional Bonds and may issue or incur other obligations secured in whole or in part by a pledge of Pledged Allocable Sales Tax Revenues of the applicable Participating Agency on a parity with the Series of Bonds secured by a pledge of such Pledged Allocable Sales Tax Revenues of the relevant Participating Agency, subject to compliance with the terms and provisions set forth in the Indenture. See APPENDIX C – —SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Indenture – Issuance of Additional Bonds and Other Obligations.”

Issuance of Additional Series of Bonds. Subsequent to the issuance of a Series of Bonds, the Authority may in accordance with the terms of the Supplemental Indenture establish one or more additional Series of that Participating Agency payable by the Authority from and secured by Pledged Allocable Sales Tax Revenues equally and ratably with any other Series of Bonds payable from and secured by the same Pledged Allocable Sales Tax Revenues, but only upon compliance by the Authority with the provisions of the Indenture.

Certain of the applicable provisions of the Indenture are described below:

(a) No Event of Default relating to any Series payable from the Pledged Allocable Sales Tax Revenues to be pledged to such additional Series shall have occurred and then be continuing.

(b) If a Bond Reserve Fund is required in connection with the issuance of an additional Series of Bonds, the Supplemental Indenture providing for the issuance of such Series of additional Bonds may require either (i) a Bond Reserve Fund is established to provide additional security for that Series of Bonds or (ii) the balance on deposit in an existing Bond Reserve Fund is increased to an amount at least equal to the Bond Reserve Requirement with respect to such Series and all other Series secured by that Bond Reserve Fund and then Outstanding upon the issuance of such additional Series of Bonds. Said deposit may be made from the proceeds of the sale of such additional Series or from other funds and may be satisfied in whole or in part through the provision of a letter of credit or surety bond or insurance policy as described under APPENDIX C – —SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Indenture – Establishment and Application of Funds and Accounts – Funding and Application of Bond Reserve Funds.”

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

(d) The Authority shall place on file with the Trustee a Certificate of the Authority certifying that the amount of Pledged Allocable Sales Tax Revenues of the Participating Agency

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 will become Outstanding would have been at least equal to 1.3 times Maximum Annual Debt Service, on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued that are payable from such Pledged Allocable Sales Tax Revenues, which Certificate shall also set forth the computations upon which such Certificate is based; provided, however, that for purposes of calculation of Maximum Annual Debt Service, Interest Rate Swap Agreements that constitute Parity Obligations shall not be included in such calculation.

(e) Principal payments of each additional Series of Bonds shall be due on June 1 in each year in which principal is to be paid if and to the extent deemed practical in the reasonable judgment of the Authority with regard to the type of Bond to be issued, and, if the interest on such Series of Bonds is to be paid semiannually, such interest payments shall be due on June 1 and December 1 in each year to the extent desired by the Authority with regard to the type of Bond to be issued.

Nothing in the Indenture shall prevent or be construed to prevent the Authority through a 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 under subcaption (c) above under the caption —~~ssuance of Additional Series of Bonds~~”; provided, that Maximum Annual Debt Service on all Outstanding Bonds and Parity Obligations secured by the same Pledged Allocable Sales Tax Revenues following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Outstanding Bonds and Parity Obligations secured by the same Pledged Allocable Sales Tax Revenues prior to the issuance of such Refunding Bonds. See APPENDIX C — ~~SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE~~ – Indenture – Issuance of Additional Bonds and Other Obligations – Issuance of Refunding Bonds.”

Parity Obligations. As defined in the Indenture, —~~arity Obligations~~” means any indebtedness, installment sale obligation, lease obligation or other obligation of the Authority for borrowed money or any 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 by a lien and charge on the Pledged Allocable Sales Tax Revenues of a Participating Agency subordinate to the lien and charge upon the Pledged Allocable Sales Tax Revenues which secures the respective Bonds of a Series, Parity Obligations and payment of principal and interest on Subordinate Obligations) entered into in connection with a Series of Bonds, in each case incurred in accordance with the provisions of the Indenture described herein and having an equal lien and charge upon the Pledged Allocable Sales Tax Revenues of such Participating Agency and therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding). The Authority may issue or incur Parity Obligations which will have, when issued, an equal lien and charge upon the Pledged Allocable Sales Tax Revenues, provided that the conditions to the issuance of such Parity Obligations set forth in the Indenture are satisfied, including satisfaction of the coverage test described in subsection (c) above under the caption —~~ssuance of Additional Series of Bonds~~,” unless such Parity Obligations are being issued for refunding purposes or constitute an Interest Rate Swap Agreement, in which case the coverage test shall not apply.

Subordinate Obligations

The Authority may issue obligations which will be payable as to principal, redemption premium, if any, interest and reserve fund requirements, if any, only out of Pledged Allocable Sales Tax Revenues

after the prior payment of all amounts then required to be paid from Pledged Allocable Sales Tax Revenues for principal, redemption premium, if any, interest and reserve fund requirements for the Bonds and Parity Obligations secured or payable from such Pledged Allocable Sales Tax Revenue, as the same become due and payable.

Investments

All amounts held under the Indenture will be invested at the direction of the Authority in Investment Securities, as defined in the Indenture, and are subject to certain limitations contained therein. See APPENDIX C – —SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions.”

PLAN OF FINANCE

A portion of the proceeds of the of each Series of Bonds will be deposited in the Project Fund of the applicable Participating Agency to be applied to finance the costs to repair and rehabilitate existing roadways, reduce congestion and improve safety and provide for the construction of needed facilities of each Participating Agency. Below are brief descriptions of the projects of each Participating Agency to be financed with proceeds of the applicable Series of Bonds (collectively, the “Project”).

City of Brawley Project

Brawley will undertake several roadway repair and rehabilitation projects, including asphalt resurfacing projects of certain city streets and roadways and the rehabilitation or installation of sidewalks, curbs and gutters on certain of the city streets and roadways.

City of Calipatria Project

Calipatria will undertake several roadway repair and rehabilitation projects, including the asphalt resurfacing of certain city streets and roadways and several street and roadway reconstruction projects.

City of Calexico Project

Calexico will undertake several roadway repair and rehabilitation projects, including the asphalt resurfacing of certain city streets and roadways and several street and roadway reconstruction projects, as well as sidewalk rehabilitation and streetscape improvement projects.

City of Imperial Project

Imperial will undertake several roadway repair and rehabilitation projects, including the widening and associated improvement of certain city streets, roadway and sidewalk rehabilitation and certain pavement overlay and streetscape improvement projects.

County of Imperial Project

The County will undertake several roadway repair and rehabilitation projects, including the widening and associated improvement of certain streets and roadways located within the County as well as certain pavement overlay and street reconstruction projects.

The Authority will not be responsible for the design, construction or implementation of the Project.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of the funds are as follows:

	<u>2012A</u>	<u>2012B</u>	<u>2012C</u>	<u>2012D</u>	<u>2012E</u>
<u>Sources of Funds:</u>					
Principal Amount of Bonds	\$	\$	\$	\$	\$
Plus/Minus: Net Original Issue Premium/Discount					
Total Sources:	\$	\$	\$	\$	\$
<u>Uses of Funds:</u>					
Deposit to Project Fund	\$	\$	\$	\$	\$
Deposit to Bond Reserve Fund					
Costs of Issuance ⁽¹⁾					
Total Uses:	\$	\$	\$	\$	\$

⁽¹⁾ Includes underwriter's discount, rating agency fees, trustee fees, printing costs, bond counsel, disclosure counsel, trustee counsel and other miscellaneous costs of issuance.

DEBT SERVICE SCHEDULE

The following table sets forth the annual debt service requirements for each Series of Bonds.

Fiscal Year Ending June 30	<u>Series 2012A</u>		<u>Series 2012B</u>		<u>Series 2012C</u>		<u>Series 2012D</u>		<u>Series 2012E</u>		Annual Debt Service ⁽¹⁾
	<u>Principal</u>	<u>Interest</u> ⁽¹⁾	<u>Principal</u>	<u>Interest</u> ⁽¹⁾	<u>Principal</u>	<u>Interest</u> ⁽¹⁾	<u>Principal</u>	<u>Interest</u> ⁽¹⁾	<u>Principal</u>	<u>Interest</u> ⁽¹⁾	
2012	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2013											
2014											
2015											
2016											
2017											
2018											
2019											
2020											
2021											
2022											
2023											
2024											
2025											
2026											
2027											
2028											
2029											
2030											
2031											
Total											

⁽¹⁾ Totals may not add due to rounding.

THE MEASURE D SALES TAX

Authorization, Application and Collection of the Measure D Sales Tax

In November 1989, more than two-thirds of the voters in the County voting on a ballot measure approved implementing the Measure D Sales Tax, a retail transactions and use tax of one-half of one percent (0.50%) 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. In November 2008, more than two-thirds of the voters in the County voting on a ballot measure approved extending the imposition of the Measure D Sales Tax for an additional 40 years, commencing on April 1, 2010 and expiring on March 31, 2050. Revenues from the Measure D Sales Tax may be used to finance the transportation programs and projects authorized pursuant to the Ordinance and described in the Authority's Expenditure Plan. See —~~THE MEASURE D PROGRAM –~~ Expenditure Plan" herein. Collection of the Measure D Sales Tax is administered by the Board of Equalization. The Authority will authorize the Board of Equalization to make payment of Pledged Allocable Sales Tax Revenues directly to the Trustee.

The Measure D Sales Tax imposed by the Authority is in addition to the seven and one-quarter percent (7-1/4%) sales and use currently levied statewide. In general, the statewide sales tax applies to the gross receipts of retailers from the sale of tangible personal property and the statewide use tax is imposed on the storage, use or other consumption in the State of property purchased from a retailer for such storage, use or other consumption. The statewide use tax does not apply to cases where the sale of the property is subject to the sales tax, therefore the application of the statewide use tax is generally applied to purchases made outside of the State for use within the State.

The Measure D Sales Tax is generally imposed upon the same transactions and items subject to the statewide sales and use tax (the ~~State Sales Tax~~"), with generally the same exceptions. Several categories of transactions are exempt from the State Sales Tax and the Measure D Sales Tax. Significant exemptions include: sales of food products for human consumption (this exemption does not include hot prepared foods and food consumed on the premises where purchased), prescription medicine, edible livestock and their feed, seed and fertilizer used in raising food for human consumption, and gas, electricity and water when delivering to consumers through mains, lines and pipes. In addition, ~~occasional sales~~" (i.e., sales of property not held or used by a seller in the course of activities for which he or she is required to hold a seller's permit) are generally exempt from the State Sales Tax and from the Measure D Sales Tax; however, the ~~occasional sales~~" exemption does not apply to the sale of an entire business and other sales of machinery and equipment used in a business. Sales of property to be used outside the County which is shipped to a point outside the County, pursuant to the contract of sale, by delivery to such point by the retailer, or by delivery by the retailer to a carrier for shipment to a consignee at such point, are exempt from the State Sales Tax and from the Measure D Sales Tax.

Action by the State legislature or by voter initiative could change the transactions and items upon which the State Sales Tax and the Measure D Sales Tax are imposed. A voter initiative approved in 1992 eliminated taxation for candy, gum, bottled water and confectionery. In 1993, certain types of transactions subject to the State Sales Tax were eliminated through repeal of legislation. The State legislature could further change the transactions and items upon which the State Sales Tax and the Measure D Sales Tax are imposed. In addition, other voter initiative measures could be adopted, further affecting the receipt of the Measure D Sales Tax Revenues. Such changes or amendments could have either an adverse or a beneficial effect on Sales Tax Revenues. The Authority is not currently aware of any proposed legislative change which would have a material adverse effect on Measure D Sales Tax Revenues. See —~~INVESTMENT CONSIDERATIONS—~~ Proposition 218."

Collection of Measure D Sales Tax Revenues

Collection of the Measure D Sales Tax is administered by the Board of Equalization. The Authority and the Board of Equalization have entered into an Amended and Restated Agreement for State Administration of a Retail Transactions and Use Tax (the “Administrative Agreement”) to authorize the payment of Measure D Sales Tax Revenues directly to the Trustee, after the State Board of Equalization deducts amounts payable to itself.

Prior to July 1, 1993, the amount retained by the Board of Equalization was based on a flat 0.82% of the receipts of the Measure D Sales Tax. Effective July 1, 1993, the amount retained by the Board of Equalization is based on the total special taxing jurisdiction costs reflected in the annual budget of the State of California, and includes direct, shared and central agency costs incurred by the Board of Equalization. For fiscal year 1995 and each fiscal year thereafter, the amount retained by the Board of Equalization will be adjusted to account for the difference between the Board of Equalization’s recovered costs and the actual costs incurred by the Board of Equalization during the prior two fiscal years. Commencing July 1, 1998, the amount retained by the Board of Equalization may not exceed the lesser of the percentage retained for the fiscal year ended June 30, 1999 and 1.5% of the receipts of the Measure D Sales Tax. The amount retained by the Board of Equalization for the fiscal year ended June 30, 2011 was \$_____. The Authority has been advised by the Board of Equalization that the estimated amount to be retained by the Board of Equalization for the fiscal year ending June 30, 2012 is \$_____.

Pursuant to its procedures, the Board of Equalization projects receipts of the Measure D Sales Tax on a quarterly basis and historically has remitted an advance of the receipts of the Measure D Sales Tax to the Authority on a monthly basis. The amount of each monthly advance is based upon the Board of Equalization’s quarterly projection. During the last month of each quarter, the Board of Equalization adjusts the amount remitted to reflect the actual receipts of the Measure D Sales Tax for the previous quarter. Pursuant to the Administrative Agreement however, the Board of Equalization is only obligated to transmit Measure D Sales Tax not less often than twice each calendar quarter.

For the Fiscal Year ended June 30, 2009, Pledged Allocable Sales Tax Revenues totaled \$_____. For the Fiscal Year ended June 30, 2010, Pledged Allocable Sales Tax Revenues totaled \$_____. Assuming no increase in the amount of Pledged Allocable Sales Tax Revenues from the amount received for the Fiscal Year ended June 30, 2010, based on the annual debt service requirements of the Bonds set forth above under the caption “~~Debt~~ Service Schedule,” maximum annual debt service coverage for the Bonds is presented in the table below. The information presented is based upon past receipt of Measure D Sales Tax Revenues and as such, is not an indication of future results, as the amount of Measure D Sales Tax Revenues received in any given year may fluctuate.

<u>Series</u>	<u>Coverage</u>
Series 2012A	
Series 2012B	
Series 2012C	
Series 2012D	
Series 2012E	

Each Series of the Bonds are payable from the Pledged Allocable Sales Tax Revenues of the applicable Participating Agency, which is only a portion of the Measure D Sales Tax Revenues. The portion of the Measure D Sales Tax Revenues not constituting Pledged Allocable Sales Tax Revenues is not pledged to, and will not be available to the payment of, the any Series of Bonds.

Pledged Allocable Sales Tax Revenues

Pursuant to the Expenditure Plan, after the deduction of amounts payable to the Board of Equalization and the administrative expenses of the Authority of a maximum of one percent (1%), the balance of the Measure D Sales Tax Revenues are allocated as follows:

- (i) Up to five percent (5%) for state highway improvements within the County; except that the Authority, with the affirmative vote of at least two-thirds (2/3) of its members, may allocate funds in excess of the five percent (5%) limitation for state highway improvement projects if that action would result in the allocation of state or federal matching funds in an amount equal to or greater than the amount allocated in accordance with the Ordinance¹;
- (ii) A minimum of two percent (2%) of each member agency's share of the annual Measure D's half-cent sales tax revenue shall be set aside for transit projects. The minimum two percent (2%) set aside requirement is not intended to prohibit expenditure of a larger percentage for transit projects that may be proposed by the individual agencies or by a combination of agencies. The Ordinance indicates that expenditures should be compatible and coordinated with the regions' transit planning process, programs and services²;
- (iii) The balance for local street and road purposes, with each Local Agency receiving an annual base sum of \$150,000, adjusted annually for inflation; and
- (iv) The remaining revenues after the base sum distribution are distributed to each Local Agency, with 80% based on the total population within the jurisdiction of each Local Agency, and 20% based on maintained street and road mileage as certified and/or submitted to the California Department of Transportation by each Local Agency annually.

The amounts allocable to the County, Brawley, Calexico, Calipatria and Imperial pursuant to (iii) and (iv), above, constitute Pledged Allocable Sales Tax Revenues of the respective Participating Agency pledged to the repayment of the applicable Series of Bonds.

As of the date of this Official Statement, the Authority is deducting 1% of the Measure D Sales Tax Revenues for administrative expenses, 5% of the Measure D Sales Tax Revenues for state highway improvements and 2% of each Participating Agency's share of annual Measure D Sales Tax Revenues for transportation projects.

Set forth below are tables showing the Pledged Allocable Sales Tax Revenues for each Participating Agency for the fiscal years indicated.

¹ The Authority has covenanted not to increase the amount of Sales Tax Revenues allocated to state highway improvement projects in an amount that would result in the estimated Allocable Sales Tax Revenues for the next succeeding Fiscal Year to decline below an amount that is at least equal to 1.3 times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding.

² The Authority has covenanted not to increase the amount of Sales Tax Revenues allocated to transit projects above the two percent (2%) allocation required by the Ordinance to an amount that would result in the estimated Allocable Sales Tax Revenues for the upcoming Fiscal Year to decline below an amount that is at least equal to 1.3 times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding.

2010-11 MEASURE D SALE TAX REVENUE ALLOCATIONS

\$11,459,826.0 Revenue Received from State Board of Equalization
 \$114,598.0 1% Maximum Administration Fee
 \$226,904.5 2% Transit Reserve
 \$567,261.0 Up to 5% Maximum for Imperial County State Highways
 \$10,551,062.0 Total Distribution including Flat Amount to Each Entity
 \$2,870,704.0 Total Distribution to Entities not Participating in Authority Financing
 \$7,680,358.0 Total Distribution to Entities Participating in Authority Financing

Entity	Flat Allocation ⁽¹⁾	Total Population ⁽²⁾	Maintain Mileage ⁽²⁾	Allocation	Total Allocation
Brawley	\$150,000	27,431	79	\$1,245,763	\$1,395,763
Calexico	150,000	39,972	84	1,795,564	1,945,564
Calipatria	150,000	3,948	23	186,911	336,911
Imperial	150,000	13,342	50	613,229	763,229
Imperial County	150,000	33,512	2,562	3,088,891	3,238,891
	\$750,000			\$6,930,357	\$7,680,357

⁽¹⁾ \$150,000 individual allocation.

⁽²⁾ Average Population and Maintain Mileage throughout the year. [Actual Calculation on a monthly basis accounted for in distribution. Population counts are based on the most recent Department of Finance population estimates available to the Authority at the time of calculation.]

2009-10 MEASURE D SALE TAX REVENUE ALLOCATIONS

\$9,637,708 Revenue Received from State Board of Equalization
 \$96,377 1% Maximum Administration Fee
 \$481,885 Up to 5% Maximum for Imperial County State Highways
 \$9,059,445 Total Distribution including Flat Amount to Each Entity
 \$2,427,170 Total Distribution to Entities not Participating in Authority Financing
 \$6,632,276 Total Distribution to Entities Participating in Authority Financing

Entity	Flat Allocation ⁽¹⁾	Total Population ⁽²⁾	Maintain Mileage ⁽²⁾	Allocation	Total Allocation
Brawley	\$ 75,000	26,513	81	\$1,124,428	\$1,199,428
Calexico	75,000	38,733	84	1,622,661	1,697,661
Calipatria	75,000	3,574	23	158,703	233,703
Imperial	75,000	12,752	50	547,034	622,034
Imperial County	75,000	32,714	2,562	2,804,450	2,879,450
	\$375,000			\$6,257,276	\$6,632,276

⁽¹⁾ \$75,000 was previous allocation per the expenditure plan that was incorporated as part of LTA ORD 1-89, adopted by the Authority on July 31, 1989.

⁽²⁾ Average Population and Maintain Mileage throughout the year. Actual Calculation on a monthly basis accounted for in distribution. [Population counts are based on the most recent Department of Finance population estimates available to the Authority at the time of calculation.]

2008-09 MEASURE D SALE TAX REVENUE ALLOCATIONS

\$10,998,882	Revenue Received from State Board of Equalization
\$109,989	1% Maximum Administration Fee
\$549,944	Up to 5% Maximum for Imperial County State Highways
\$10,338,949	Total Distribution including Flat Amount to Each Entity
\$2,762,984	Total Distribution to Entities not Participating in Authority Financing
\$7,575,965	Total Distribution to Entities Participating in Authority Financing

Entity	Flat Allocation ⁽¹⁾	Allocation	Total Allocation
Brawley	\$ 75,000	\$1,292,037	\$1,367,037
Calexico	75,000	1,865,587	1,940,587
Calipatria	75,000	182,800	257,800
Imperial	75,000	627,106	702,106
Imperial County	<u>75,000</u>	<u>3,233,435</u>	<u>3,308,435</u>
Total	\$375,000	\$7,200,965	\$7,575,965

⁽¹⁾ \$75,000 was previous allocation per the expenditure plan that was incorporated as part of LTA ORD 1-89, adopted by the Authority on July 31, 1989.

2007-08 MEASURE D SALE TAX REVENUE ALLOCATIONS

\$12,382,115	Revenue Received from State Board of Equalization
\$123,821	1% Maximum Administration Fee
\$619,106	Up to 5% Maximum for Imperial County State Highways
\$11,639,188	Total Distribution including Flat Amount to Each Entity
\$3,098,905	Total Distribution to Entities not Participating in Authority Financing
\$8,540,283	Total Distribution to Entities Participating in Authority Financing

Entity	Flat Allocation ⁽¹⁾	Allocation	Total Allocation
Brawley	\$ 75,000	\$1,459,492	\$1,534,492
Calexico	75,000	2,105,348	2,180,348
Calipatria	75,000	209,614	284,614
Imperial	75,000	666,707	741,707
Imperial County	<u>75,000</u>	<u>3,724,124</u>	<u>3,799,124</u>
	\$375,000	\$8,165,283	\$8,540,283

⁽¹⁾ \$75,000 was previous allocation per the expenditure plan that was incorporated as part of LTA ORD 1-89, adopted by the Authority on July 31, 1989.

2006-07 MEASURE D SALE TAX REVENUE ALLOCATIONS

\$12,092,729	Revenue Received from State Board of Equalization
\$120,927	1% Maximum Administration Fee
\$452,331	Up to 5% Maximum for Imperial County State Highways
\$11,519,471	Total Distribution including Flat Amount to Each Entity
\$3,127,901	Total Distribution to Entities not Participating in Authority Financing
\$8,391,570	Total Distribution to Entities Participating in Authority Financing

Entity	Flat Allocation ⁽¹⁾	Allocation	Total Allocation
Brawley	\$ 75,000	\$1,478,187	\$1,553,187
Calexico	75,000	2,112,488	2,187,488
Calipatria	75,000	214,048	289,048
Imperial	75,000	596,666	671,666
Imperial County	<u>75,000</u>	<u>3,615,181</u>	<u>3,690,181</u>
	\$375,000	\$8,016,570	\$8,391,570

⁽¹⁾ \$75,000 was previous allocation per the expenditure plan that was incorporated as part of LTA ORD 1-89, adopted by the Authority on July 31, 1989.

2005-06 MEASURE D SALE TAX REVENUE ALLOCATIONS

\$11,052,374	Revenue Received from State Board of Equalization
\$110,524	1% Maximum Administration Fee
\$--	Up to 5% Maximum for Imperial County State Highways
\$10,941,850	Total Distribution including Flat Amount to Each Entity
\$2,916,925	Total Distribution to Entities not Participating in Authority Financing
\$8,024,925	Total Distribution to Entities Participating in Authority Financing

Entity	Flat Allocation ⁽¹⁾	Allocation	Total Allocation
Brawley	\$ 75,000	\$1,398,746	\$1,473,746
Calexico	75,000	2,030,092	2,105,092
Calipatria	75,000	219,899	294,899
Imperial	75,000	563,337	638,337
Imperial County	<u>75,000</u>	<u>3,437,851</u>	<u>3,512,851</u>
	\$375,000	\$7,649,925	\$8,024,925

⁽¹⁾ \$75,000 was previous allocation per the expenditure plan that was incorporated as part of LTA ORD 1-89, adopted by the Authority on July 31, 1989.

THE MEASURE D PROGRAM

General

On July 28, 2008, the Board of Directors of the Authority (the ~~—Board~~ of Directors”) adopted the Expenditure Plan that prioritizes project implementation within the framework of projected Measure D Sales Tax. Proceeds of the Measure D Sales Tax may be used to finance the transportation projects and programs listed in the Ordinance and the Expenditure Plan.

Ordinance

The purpose of the Ordinance is, in part, to establish a source of funding for traffic relief goals and to fund improvements set out in the Expenditure Plan, including the following:

- To repair and rehabilitate existing roadways
- To reduce congestion and improve safety
- To provide for the construction of needed facilities

Expenditure Plan

On November 4, 2008, the voters of the County approved a ballot measure, implementing the provisions of the Ordinance. With the passage of such ballot measure, the voters authorized the extension of the Measure D Sales Tax and the implementation of a County-wide transportation improvement program. Each Local Agency develops a five-year list of projects to be funded with available revenues and annually notifies the Authority of its policy body’s official action approving the list. A public hearing is held prior to the Authority’s approval of the annual program of projects. No major projects may be funded with the Measure D Sales Tax Revenues unless the projects are in the approved program of projects.

Projects under the Expenditure Plan

Under the Ordinance, the Authority is authorized to implement transportation improvements, which include: (i) the repair and rehabilitation of existing roadways, reduction of congestion and safety improvement, and the construction of needed facilities; (ii) the improvement or rehabilitation of state highways; and (iii) the financing of transit projects and services.

Maintenance of Effort

Pursuant to the Expenditure Plan, each Local Agency is required to annually maintain as a minimum, the same level of local discretionary funds expended for street and road purposes as was reported in the State of Controller’s Annual Report of Financial Transactions for Streets and Roads – Fiscal Year 2005-2006, or, if the Local Agency had extraordinary local discretionary fund expenditures during Fiscal Year 2005-2006, such Local Agency may use, as a base for determining the minimum level of local discretionary funds, the average amount of such funds reported to the State Controller for the three-year period Fiscal Year 2002-2003 through 2005-06 (each the ~~—Maintenance of Effort,~~” as applicable). The Maintenance of Effort is adjusted annually for inflation. Failure by a Local Agency to budget for its Maintenance of Effort or to expend its Maintenance of effort in a Fiscal Year will result in a decrease in the amount of Allocable Sales Tax Revenues received by such Local Agency. See ~~—INVESTMENT CONSIDERATIONS – Minimum Maintenance of Effort Requirement.~~”

Administration

One percent (1%) of Measure D Sales Tax Revenues are provided for administration expenses, which consist of miscellaneous administrative costs including, but not limited to, audits and the preparation of annual estimates.

Local Taxpayer Supervising Committee

Pursuant to the Ordinance, the Authority has created a Local Taxpayer Supervising Committee (the "LTSC"). The LTSC's responsibilities include reviewing the fiscal performance of the sales tax transportation program through an annual audit to ensure that all transportation sales tax funds are spent by the Authority in accordance with the Expenditure Plan and the Ordinance. In addition, the LTSC's other mission is to provide positive, constructive advice to the Authority on how to improve implementation over the forty-year course of the program for the benefit of the residents and businesses of the County, and to study and report on other issues related to the current or future use of the Measure D Sales Tax Revenues that may be expressly authorized by the Authority.

The LTSC has three voting members serving staggered four year terms. The LTSC members must be residents of the County possessing following professional and/or community credentials:

One member who is a professional, -active or retired – in the field of municipal audit, finance and/or budgeting with at least five years in a relevant and senior decision-making position in the public or private sector.

One member who is licensed civil engineer or trained transportation planner – active or retired- with at least five years of demonstrated experience in the field of transportation in government and/or the private sector.

One member who is a current or retired manager of major public and/or privately financed development or construction projects, who by training and experience would understand the complexity, costs and implementation issues involved in building large scale infrastructure improvements.

In addition to the voting members, the Chair of the Authority Governing Board, the Executive Director of the Authority and the County Auditor-Controller will serve as ex-officio, non-voting, members of the LTSC.

The LTSC is required to hold publicly noticed meetings to consider and discuss the audit mentioned above.

THE AUTHORITY

General

The Authority is a local transportation authority organized under the provisions of the Act and created by action of the Board of Supervisors of the County in 1989. The Authority is governed by a nine member Board of Directors. The membership is comprised of a city council member from each incorporated city within the County and two members of the County Board of Supervisors.

**IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS**

<u>Director</u>	<u>Local Agency</u>
Sedalia Sanders, Chairperson	City of El Centro
Hector Cervantes, Vice Chairperson	City of Calipatria
George Nava	City of Brawley
Bill Hodge	City of Calexico
David Bradshaw	City of Holtville
Mark Gran	City of Imperial
Larry Ritchie	City of Westmorland
Michael W. Kelley	County of Imperial
Jack Terrazas	County of Imperial

Executive Director, Mark Baza. Since June 2010, Mr. Baza has served as the Executive Director for the Authority and the Imperial County Transportation Commission (the “ICTC”). For the Authority, Mark is responsible for the management and administration of the County’s Measure D Sales Tax Program. For the ICTC, Mr. Baza’s responsibilities include the regional transportation planning, programming and administration of state and federal transportation funds in partnership with the multi-county Metropolitan Planning Organization, the Southern California Association of Governments, the California Department of Transportation, the Federal Transit Administration and Federal Highway Administration. Additionally, Mr. Baza is responsible for the administration and oversight of the region’s transit operations (Imperial Valley Transit), which includes fixed-route and paratransit services throughout the county, and other local demand response transit services.

Prior to his appointment as Executive Director for ICTC and the Authority, Mr. Baza had worked for the California Department of Transportation (“Caltrans”) District 11 for 21 years. At Caltrans, Mr. Baza had worked in the District Division’s of Planning, Program/Project Management, and the Proposition 1B – Trade Corridor Improvement Fund (TCIF) Divisions. As a Senior Transportation Planner/Project Manager, Mr. Baza was responsible for short and long-range transportation planning for San Diego and Imperial counties. Mr. Baza also managed the planning and development for a portfolio of innovative financing (Public-Private Partnership) projects to improve goods movement; and, ground access at California’s seven land ports of entry with Mexico and the Port of San Diego’s seaport terminals. Mr. Baza earned a Bachelors of Arts degree, from the University of California, San Diego in Urban/Rural Studies and Planning, and completed a Certificate Program in Transportation Planning and Air Quality, from the University of California, Riverside.

Finance Manager, Kathi Williams. Ms. Williams serves as the Finance Manager for the Authority. As Finance Manager, Ms. Williams is responsible for oversight and processing all financial management and transactions of the Measure D Sales Tax Program. For the ICTC, Ms. Williams is responsible for development of the Commission’s annual Overall Work Plan and Budget and overseeing all staff support administering the financial and budget transactions of the Commission. Additionally, Ms. Williams oversees the daily management and operations of the fixed route, paratransit and demand response transit services performed under service contract to the ICTC.

Prior to joining the Authority, Ms. Williams served as an Administrative Analyst III for the County of Imperial’s Executive Office and the Imperial Valley Association of Governments. During her 20 Years with the County, Ms. Williams had comparable responsibilities for managing the Regional Transit planning and operations, and the development of finance and budget programs for the County’s

Public Works Department. Ms. Williams earned a Bachelors and Master of Arts degrees in Public Administration, from San Diego State University.

Employees. The Authority employs four staff members. The Imperial County Transportation Commission provides the daily staff support for the Authority for administration of receipts and disbursements the Measure D Sales Tax Revenues as allocated by the State Board of Equalization.

INVESTMENT POLICY

Pursuant to its existing policy, the Authority has deposited all of its funds in the County's investment pool (the —County Pool"). The Treasurer-Tax Collector manages the County Pool in which certain funds of the County and certain funds of other participating entities are invested pending disbursement.

As of June 30, 2011, the County Pool had approximately 50% of its assets invested in Federal Agency Issues. Approximately 24% of the Pool's assets were invested in Certificates of Deposit. Approximately 15% of the County Pool were invested in LAIF/Highmark Capital/ZBA. Approximately 11% of the pool is held uninvested as cash. The detailed composition of the Pool, as of June 30, 2011, was as follows (all dollar amounts in thousands):

<u>Type of Investment</u>	<u>Book Basis</u>	<u>Market Value</u>	<u>Par Amount</u>
Cash	\$ 40,945	\$ 40,945	\$ 40,945
LAIF/HIGHMARK CAPITAL/ZBA	59,500	59,500	59,500
Certificates of Deposit	94,333	94,333	94,333
Federal Agency Issues	<u>190,732</u>	<u>193,231</u>	<u>190,720</u>
Total	\$385,059	\$387,558	\$385,048

Source: County Treasurer-Tax Collector.

Pursuant to the Indenture, the Authority may invest proceeds of the Bonds in the County Pool.

INVESTMENT CONSIDERATIONS

Economy of the County and the State

The Bonds are secured by a pledge of Pledged Allocable Sales Tax Revenues, which consist of a portion of the Measure D Sales Tax Revenues allocable to the Participating Local Agencies after certain distributions are made pursuant to the ordinance and less an administrative fee paid to the Board of Equalization. The level of Measure D Sales Taxes collected at any time is dependent upon the level of retail sales within the County, which level of retail sales is, in turn, dependent upon the level of economic activity in the County and in the State generally. As a result, any substantial deterioration in the level of economic activity within the County or in the State could have a material adverse impact upon the level of Measure D Sales Tax Revenues and therefore on the Pledged Allocable Sales Tax Revenues and upon the ability of the Authority to pay the principal of and interest on the Bonds. For information relating to current economic conditions within the County, see APPENDIX B — **ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF IMPERIAL.**"

State Sales Tax and the Measure D Sales Tax

In addition to the Measure D Sales Tax levied by the Authority, the State also imposes a 7.25% sales tax. With limited exceptions, the Measure D Sales Tax is imposed upon the same transactions and items subject to the sales tax levied state-wide 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 State sales tax and the Measure D Sales Tax are imposed. Any such change or limitation could have an adverse impact on the Measure D Sales Tax Revenues collected. For a further description of the Measure D Sales Tax, see ~~THE MEASURE D SALES TAX.~~"

Minimum Maintenance of Effort Requirement

Pursuant to the Expenditure Plan, each Local Agency is required to annually maintain as a minimum, the same level of local discretionary funds expended for street and road purposes as was reported in the State of Controller's Annual Report of Financial Transactions for Streets and Roads – Fiscal Year 2005-2006, or, if the Local Agency had extraordinary local discretionary fund expenditures during Fiscal Year 2005-2006, such Local Agency may use, as a base for determining the level of local discretionary funds, the average amount of such funds reported to the State Controller for the three-year Fiscal Year 2002-2003 through 2005-06. The Maintenance of Effort is adjusted annually for inflation. The Authority shall not allocate any portion of a Local Agency's Measure D Sales Tax Revenues to such Local Agency until that Local Agency has certified to the Authority the extent to which the Maintenance of Effort requirement shall be included in such Local Agency's budget. If the Local Agency does not certify that it will meet its entire Maintenance of Effort requirement in any given year, such Local Agency will have its portion of Measure D Sales Tax Revenues reduced in that year by the shortfall between the amount the Local Agency is required to budget and expend on Maintenance of Effort and the amount actually budgeted for Maintenance of Effort. Further, if any audit indicates that any Local Agency did not meet its certified level of Maintenance of Effort in any given year, it shall have its portion of Measure D Sales Tax Revenues reduced in the following year by the amount which such Local Agency did not meet its certified level of Maintenance of Effort. Amounts not allocated to a Local Agency due to failure to budget for or expend its Maintenance of Effort requirements are reallocated among the other Local Agencies pursuant to the allocation methodology prescribed in the Expenditure Plan. **Failure of a Participating Agency to budget for or expend its minimum Maintenance of Effort will result in a decrease in the amount of Pledged Allocable Sales Tax Revenues received by such Participating Agency, which may affect the ability of the Authority to pay the principal of and interest on the Series of Bonds payable from that Participating Agency's Pledged Allocable Sales Tax Revenues.** For the text of this provision see —**APENDIX G – THE IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY RETAIL TRANSACTIONS AND USE TAX ORDINANCE AND EXPENDITURE PLAN.**"

Under the expenditure plan (the **—199 Expenditure Plan—**) incorporated as part of the LTA ORD 1-89, that was adopted by the Authority on July 31, 1989, and authorized the imposition of a sales tax similar in jurisdiction and amount to the Measure D Sales Tax, each Local Agency was required to maintain a maintenance of effort similar to the Maintenance of Effort requirement described above. In certain years, the Authority waived such maintenance of effort requirement for each of the Local Agencies. The 1989 Expenditure Plan did not allow for the waiver of the maintenance of effort requirement by the Authority. Similar to the Expenditure Plan, the 1989 Expenditure Plan required compliance with such maintenance of effort provision or such non-complying Local Agency would face delayed or reduced allocations of sales tax revenue.

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 XIII C and XIII D to the California Constitution. Article XIII C 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 Measure D Sales Tax received the approval of more than two-thirds of the voters as required by Article XIII C. However, Article XIII C 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 Measure D Sales Tax in a manner which would prevent the payment of debt service on the Bonds would violate the Impairment Clause of the United States Constitution and, accordingly, would be precluded. However, it is likely that the interpretation and application of Proposition 218 will ultimately be determined by the courts.

Further Initiatives

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

No Acceleration Provision

The Indenture does not contain a provision allowing for the acceleration of the Bonds in the event of a default in the payment of principal and interest on the Bonds when due. In the event of a default by the Authority, each Owner of a Bond will have the rights to exercise the remedies, subject to the limitations thereon, set forth in the Indenture. See APPENDIX C – ~~—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Indenture – Events of Default and Remedies.~~

Impact of Bankruptcy of the Authority

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

Furthermore, since the obligations of the Authority under the Indenture, including its obligation to pay principal of and interest on the Bonds, are limited obligations and are payable solely from Pledged Allocable Sales Tax Revenues and certain other amounts held by the Trustee under the Indenture, if the Authority filed a petition for bankruptcy under Chapter 9 and a bankruptcy court were to hold that the Pledged Allocable Sales Tax Revenues are ~~—Special Revenues~~ under Chapter 9, Owners would have no recourse to any assets or revenues of the Authority other than Pledged Allocable Sales Tax Revenues and such other amounts.

Loss of Tax Exemption

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

FINANCIAL STATEMENTS

The financial statements of the Authority for the Fiscal Year ended June 30, 2010, included in APPENDIX A of this Official Statement have been audited by _____. _____ was not requested to consent to the inclusion of its reports regarding the Authority and the Sales Tax Fund in APPENDIX A, nor have they undertaken to update their reports or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by _____, with respect to any event subsequent to the date of their reports. The Authority represents that there has been no material adverse change in its financial position since June 30, 2010.

LITIGATION

There is not now pending or, to the knowledge of the Authority, threatened, any litigation restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued or the levy, collection and pledge of Pledged Allocable Sales Tax Revenues. Neither the creation, organization or existence of the Authority, nor the title of the present members of the Authority to their respective offices is being contested.

TAX MATTERS

The Internal Revenue Code of 1986 (the ~~“Code”~~) imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority has covenanted to maintain the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, and, assuming compliance with the covenants mentioned below, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the ~~“Code”~~) from the gross income of the owners thereof for federal income tax purposes. Bond Counsel is of the further opinion that under existing statutes, regulations, rulings and court decisions, the Bonds are not ~~“specified private activity bonds”~~ within the meaning of section 57(a)(5) of the Code and, therefore, interest on the Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on Bonds owned by a corporation may affect the computation of the alternative minimum taxable income of that corporation. A corporation’s alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed. Bond Counsel is of the further opinion that interest on the Bonds is exempt from personal income taxes of the State of California under present state law.

The excess, if any, of the stated redemption price at maturity of the Bonds over the initial offering price to the public of the Bonds set forth on the inside cover of this Official Statement is —original issue discount.” Such original issue discount accruing on a Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes and exempt from California personal income tax. Original issue discount on any Bond purchased at such initial offering price and pursuant to such initial offering will accrue on a semiannual basis over the term of the Bond on the basis of a constant yield method and, within each semiannual period, will accrue on a ratable daily basis. The amount of original issue discount on such a Bond accruing during each period is added to the adjusted basis of such Bond to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds other than at the initial offering price and pursuant to the initial offering. Any person considering purchasing a Bond should consult his or her own tax advisors with respect to the tax consequences of ownership of bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering and at the original offering price, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such bonds under federal individual and corporate alternative minimum taxes.

To the extent that a purchaser of a Bond acquires that Bond at a price that exceeds the aggregate amount of payments (other than payments of qualified stated interest within the meaning of section 1.1273-1 of the Treasury Regulations) to be made on the Bonds, such excess will constitute “bond premium” under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a tax-exempt obligation must be amortized on a constant yield, economic accrual, basis. The amount of premium so amortized will reduce the owner’s basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser’s yield to maturity. The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when a Bond owned by such owner is sold or disposed of for an amount equal to or in some circumstances even less than such owner’s original cost of the Bond to the owner. Any person considering purchasing a Bond at a price that includes bond premium should consult his or her own tax advisors with respect to the amortization and treatment of such bond premium, including, but not limited to, the calculation of gain or loss upon the sale or other disposition of the Bond.

Pursuant to the Indenture and in the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986*, to be delivered by the Authority in connection with the issuance of the Bonds, the Authority will make representations relevant to the determination of, and will make certain covenants regarding or affecting, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching its opinions described in the immediately preceding paragraph, Bond Counsel will assume the accuracy of such representations and the present and future compliance by the Authority with such covenants. Further, except as stated in the preceding paragraph, Bond Counsel will express no opinion as to any federal or state tax consequences of the receipt of interest on, or the ownership or disposition of, the Bonds. Furthermore, Bond Counsel will express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds or the tax consequences of the ownership of the Bonds. No assurance can be given that future legislation, if enacted into law, will not

contain provisions that could directly or indirectly reduce the benefit of the exemption of interest on the Bonds from personal income taxation by the State of California or of the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

The opinion of Bond Counsel is not a guarantee of a result, but will represent its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Authority described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters to be addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion will not be binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the Authority as the “taxpayer,” and the owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Authority may have different or conflicting interests from the owners of the Bonds. Further, the disclosure of the initiation of an audit may adversely affect the market price of the Bonds, regardless of the final disposition of the audit.

Although it is expected that Bond Counsel will express the opinion that interest on the Bonds is exempt from California personal income tax and that interest on the Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes, an owner’s federal, state or local tax liability may be otherwise affected by the ownership or disposition of the Bonds. The nature and extent of these other tax consequences will depend upon the owner’s other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds and the Code contains additional limits on interest deductions applicable to financial institutions that own tax-exempt obligations (such as the Bonds), (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Bonds and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel will express no opinion regarding any such other tax consequences.

LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Fulbright & Jaworski LLP, Bond Counsel to the Authority. A complete copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX F. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Authority by County Counsel and by Fulbright & Jaworski L.L.P., Los Angeles, California, Disclosure Counsel to the Authority, and for the Underwriter by their counsel Hawkins Delafield & Wood LLP, Los Angeles, California.

RATING

Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business (—S&P"), has issued its rating of "___" with respect to the Bonds. This rating reflects only the views of S&P, and does not constitute a recommendation to buy, sell or hold securities. Any desired explanation of the significance of such rating should be obtained from the rating agency furnishing same at the following address: Municipal Finance Department, 55 Water Street, New York, New York 10041, tel. (212) 208-8000. The Authority has furnished to S&P certain information respecting the Bonds and the Authority. Generally, rating agencies base their ratings on such information and materials and their own investigations, studies and assumptions. The rating with respect to the Bonds is subject to revision or withdrawal at any time by S&P, and there is no assurance that the rating will continue for any period of time or that it will not be lowered or withdrawn. Any reduction or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased for reoffering by Cabrera Capital Markets, LLC, as underwriter (the —Underwriter"), at a purchase price of \$_____ (representing \$_____ aggregate principal amount of the Bonds, plus/minus net original issue premium/discount of \$_____, less Underwriter's discount of \$_____). The purchase contract relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by counsel and certain other conditions.

The Bonds may be offered and sold by the Underwriter to certain dealers and others at yields lower than the public offering yield indicated on the inside cover hereof, and such public offering yield may be changed, from time to time, by the Underwriter.

CONTINUING DISCLOSURE

The Authority will covenant for the benefit of the owners and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Authority by not later than March 15 after the end of the Authority's Fiscal Year (presently June 30), commencing with March 15, 2012 (the —Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the dissemination agent, if any, on behalf of the Authority with the Municipal Standards Rulemaking Board (the —MSRB"). The notices of listed events will be filed by the Dissemination Agent on behalf of the Authority with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report and the notices of certain enumerated events is set forth in the Continuing Disclosure Agreement. See APPENDIX D —FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants are being made in order to assist the Underwriter of the Bonds in complying with Rule 15c2-12 (the —Rule") of the U.S. Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended. The Authority did not submit Annual Reports for the years 2007, 2008, 2009 and 2010, as was required pursuant to the terms of a continuing disclosure agreement, dated as of May 1, 2003 (the —2003 CDA"), by and between the Authority and U.S. Bank National Association, entered into in connection with the Authority's Sales Tax Revenue Refunding and New Money Bonds (Limited Tax Bonds) Series 2003 (the —2003 Bonds"), and thus the Authority was not in compliance with its reporting obligations thereunder. The Authority's reporting obligations under the 2003 CDA terminated on March 1, 2011, upon the retirement of the 2003 Bonds. Due to such termination, the Authority does not intend to file the unfiled Annual Reports listed above. The Authority has adopted Continuing Disclosure Compliance Procedures to ensure compliance with the continuing disclosure obligations set forth in the Continuing Disclosure Agreement.

MISCELLANEOUS

The references herein to the Act and the Indenture are brief summaries of certain provisions thereof. Such summaries do not purport to be complete or definitive. For full and complete statements of such provisions reference is made to the Act or said documents, as the case may be. Copies of the Master Indenture and the First Supplemental Indenture are available for inspection at the Authority and following delivery of the Bonds will be on file at the offices of the Trustee.

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or Owners of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

IMPERIAL COUNTY LOCAL TRANSPORTATION
AUTHORITY

By: _____
Executive Director

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2010

APPENDIX B

ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF IMPERIAL

General Information

The County of Imperial (the "County"), located in Southern California, on the Mexican border, was established by an act of the State Legislature on August 7, 1907, forming the County from the eastern part of San Diego County. The County is a general law county divided into five supervisorial districts on the basis of registered population. The county encompasses an area of over 4,597 miles and includes seven incorporated cities and a number of unincorporated communities. The county ranks as one of the top ten agricultural counties in California. Three-fourths of the area is desert sand and rugged mountains.

The County is one of the State's major agricultural producers. Farming is concentrated in the Imperial Valley, an approximately one thousand square mile area that extends from the Mexican border north of the Salton Sea. Much of this farmland is owned by large farmers. Because the average annual rainfall in the County is less than three inches, an extensive irrigation system has been developed which provides adequate water from the Colorado River through the All America Canal and the Imperial Irrigation District (the "District"). Mean monthly temperatures range between 55 and 90 degrees and allow for a year-round growing season.

Power and water are supplied to the County through the District. Total available power of 513,400 kilowatts. The District maintains over 3,000 miles of canals and drains are used to transport water from the Colorado River to the County's municipalities and cultivated areas.

The County has the largest known geothermal reserve in the nation which represents a power magnitude equal to an electrical potential of about 3,000 megawatts. Currently, the County has geothermal power facilities for a total of approximately 600 megawatts of geothermal power. Sixteen electrical generation plants are currently operating and additional plants are planned. According to a 2004 study, the County has a most-likely incremental capacity of 1,950 gross megawatts, representing 65% of the total State most-likely incremental capacity.

There are some minerals and metals located in the County. Gold is mined on the eastern border of the County and gypsum on the western border. There are also quantities of semiprecious stones such as emeralds and aquamarine.

In addition to its natural resources, the County has a retail center located in the City of El Centro. The Imperial Valley Mall (the "Mall"), which opened in March 2005, consists of 766,333 square feet of rentable retail space currently occupied by 78 retail, dining and entertainment establishments. The Mall is anchored by Dillard's, J.C. Penney, Macy's, Sears and Ultrastar Cinemas. The Mall also provides 3,934 parking spaces. The Mall draws customers from the El Centro, surrounding cities and the City of Mexicali.

Mesquite Landfill in the County will be Southern California's first operating landfill that is permitted to receive waste by rail. The landfill is located next to the Mesquite Gold Mine, east of Glamis and near the Union Pacific Railroad mainline. The landfill will have a 600 million ton capacity and a project life of approximately 100 years. The sanitation districts of Los Angeles County have proposed to

truck 300 tons-per-day of waste to Mesquite beginning in 2009. The Mesquite Landfill is initially expected to generate a host fee of approximately \$100,000 per year for the County.

As required by State and federal mandate, the County is responsible at the local level for activities involving public welfare, health and justice (courts and jails) and for the maintenance of public records. The County also maintains roads and other public facilities and operates recreational and cultural facilities serving the unincorporated areas of the County.

County Government

The County is governed by a five-member Board of Supervisors elected to four-year terms. The County Administrator, appointed by the Board of Supervisors, administers County affairs. Other elected officials include the Assessor, Auditor-Controller, County Clerk/Recorder, District Attorney, Public Administrator, Sheriff/Coroner, Tax Collector, and Treasurer. The amount of population in the unincorporated area is approximately equal to that of the county seat. The County provides a variety of services, which are mostly provided regionally with a few only for the benefit of the unincorporated area.

Community Services

The County provides services in six broad categories: Public Protection, Public Ways and Facilities, Health and Sanitation, Public Assistance, Education and General Government. Public Protection is provided in five areas: judicial, police protection, detention and correction, fire protection, and protective inspection. Public ways and facilities include road and airport activities. Health services encompass a variety of services to protect public health as well as solid waste disposal, hazardous waste issues, and air pollution control.

The County does not have a county hospital but has an arrangement with the local hospitals for indigent care. Members of the Board of Supervisors serve as members of the Air Pollution Control District Board. Public Assistance is the costliest sector, providing social services, direct categorical assistance, job training, burial, park projects, economic development, aging programs, and other special projects. Education includes a County Library system, cooperative Agricultural Extension and tobacco education.

Transportation

The County's location and transportation network have played a big part in the County's growth. The County is situated on the US-Mexican border with three strategic Ports of Entry: Calexico, Calexico East, and Algodones. The main east-west route is Interstate 8. The two north-south routes are Route 86 and Route 111, which are both part of the State's expressway system. These routes serve as the southwest NAFTA corridor, bringing goods from the industrial center of Baja, California to major markets on the west coast of the US and Canada. State Route 7 connects the Calexico East with Interstate 8.

Rail service includes feeder Union Pacific lines connecting Calexico-Mexicali to the southern mainline in Niland passing through Heber, El Centro, Imperial, Brawley, and Calipatria. A short portion of the SDIV line from Plaster City to El Centro is also operated by Union Pacific. There is no passenger rail service.

Imperial County Airport is located in the City of Imperial and provides passenger service to and from Los Angeles International Airport. There are four additional airports in the county that provide general aviation activities; Holtville Airport (operated by the County), Calexico International Airport, Brawley Municipal Airport and Calipatria Airport.

Population Characteristics

As of January 1, 2011, the County's population was estimated at 176,258. In percentage terms, the County's population grew by 33.3% during the period from 2007 to 2011. The following table sets forth the County's population from 2007 through 2011.

POPULATION OF IMPERIAL COUNTY AND INCORPORATED CITIES (As of January 1)⁽¹⁾

<u>Area</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Imperial County	132,241	137,349	140,705	174,244	176,258
Brawley	25,421	26,391	26,976	24,849	25,304
Calexico	37,151	38,558	39,380	38,461	39,077
Calipatria	7,736	7,757	8,111	7,833	7,665
El Centro	41,626	43,119	44,303	42,480	43,145
Holtville	6,232	6,437	6,521	5,922	6,015
Imperial	11,726	12,693	12,985	14,715	15,089
Westmorland	2,349	2,394	2,429	2,222	2,255
Unincorporated Communities	38,801	38,147	38,723	37,762	37,708

⁽¹⁾ Estimated.

Source: State of California, Department of Finance, Demographic Research Unit.

Employment

During November 2011, the County's labor force was approximately 76,200, a decrease of 1.6% from November 2010. The unemployment rate in November 2011 decreased to 27.2% from 30.9% in November 2010. The following chart compares labor force, employment, civilian employment and the unemployment rate in the County, the State of California and the United States during the period from 2007 through November 2011.

COUNTY OF IMPERIAL
LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Yearly Average for Years 2007 through 2011⁽¹⁾

<u>Year and Area</u>	<u>Labor Force</u>	<u>Civilian Employment</u>	<u>Civilian Unemployment</u>	<u>Unemployment Rate (%)</u>
<u>2007</u>				
Imperial County	66,700	54,600	12,000	18.1
California	18,078,000	17,108,700	969,300	5.4
United States	142,314,000	134,055,000	8,300,000	5.8
<u>2008</u>				
Imperial County	73,500	56,700	16,800	22.9
California	18,391,800	17,059,600	1,332,300	7.2
United States	142,500,000	133,952,000	8,600,000	6.0
<u>2009</u>				
Imperial County	75,300	54,400	20,900	27.7
California	18,195,800	15,989,300	2,206,600	12.1
United States	153,059,000	137,792,000	15,267,000	10.0
<u>2010</u>				
Imperial County	82,700	59,800	22,900	27.6
California	18,176,200	15,916,300	2,259,900	12.4
United States	153,889,000	139,064,000	14,825,000	9.6
<u>2011⁽¹⁾</u>				
Imperial County	76,200	55,500	20,700	27.2
California	18,185,300	16,206,500	1,978,800	10.9
United States	153,883,000	140,580,000	13,303,000	8.6

⁽¹⁾ Data as of November 2011.

Source: State of California Employment Development Department; U.S. Department of Labor, Bureau of Labor Statistics.

The following table shows employment by industry group in the County from 2007 through 2011.

**COUNTY OF IMPERIAL
ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY GROUP
For Years 2007 through 2011**

<u>Industry Group</u> ⁽¹⁾	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u> ⁽⁵⁾
Total Agricultural ⁽²⁾	10,100	11,400	9,400	10,500	10,900
Non-Agricultural Goods:					
Mining and Construction ⁽³⁾	1,900	1,700	1,500	1,300	1,300
Manufacturing	2,600	2,500	2,300	2,600	2,400
Non-Agricultural Services:					
Transportation and Public Utilities	11,100	11,300	10,500	10,500	10,600
Wholesale Trade	1,900	1,800	1,700	1,600	1,600
Retail Trade	7,500	7,600	7,000	6,800	7,100
Finance, Insurance and Real Estate	1,400	1,300	1,300	1,300	1,400
Services	10,300	11,000	10,700	10,100	10,500
Government ⁽⁴⁾	18,100	18,500	18,800	18,400	18,800
Total Non-Agricultural	<u>45,900</u>	<u>46,800</u>	<u>45,500</u>	<u>44,400</u>	<u>53,700</u>
TOTAL ALL INDUSTRIES:	56,000	58,200	54,800	54,900	64,600

⁽¹⁾ Does not include proprietors, the self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor management trade disputes. Detail may not add to totals due to independent rounding. Employment by place of work.

⁽²⁾ Excludes farmers and unpaid family workers, veterinary, other animal, landscape and horticultural services.

⁽³⁾ Includes employees of construction contractors and operative builders; does not include force account or government construction workers.

⁽⁴⁾ Includes all civilian employees of federal, state and local governments regardless of the activity in which the employee is engaged.

⁽⁵⁾ Data for November 2011.

Source: State of California Employment Development Department.

**COUNTY OF IMPERIAL
MAJOR EMPLOYERS**

In 2011, the total number of employed persons in the County was 55,500. The County has a diverse employer base that includes health care, government services and retail. Some of the major employers in the area are Allstar Seed Co, Cal Energy Generation, Calipatria State Prison, Centinela State Prison, Central Union High School, Clinicas De Salud Del Pueblo, Costco, El Centro Naval Air Facility, El Centro Regional Medical Center, Imperial County Coroner, Imperial County Office of Education, Imperial Date Gardens, Imperial Valley Behavioral, Macy's, Maui Harvesting, National Beef Packing Co, LLC, Pioneers Memorial Hospital, Spreckels Sugar Co, Inc, Target, United States Gypsum Co, United States Border Patrol, Walmart Supercenter and Zinn Packing Co, Inc.

Taxable Sales

The following tables show taxable transactions within the County from 2005 through 2009.

COUNTY OF IMPERIAL TAXABLE SALES For Years 2005 through 2008

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Retail Stores				
Apparel Stores	\$ 80,237	\$ 86,604	\$ 95,427	\$ 107,728
General Merchandise	396,770	442,713	456,201	427,442
Specialty Stores ⁽¹⁾	82,981	87,633	-	-
Food Stores	92,916	95,307	97,041	82,225
Eating and Drinking	134,891	147,863	152,502	151,342
Household	20,536	19,220	15,538	28,796
Building Materials	132,706	150,593	117,103	80,411
Automotive	404,315	441,664	258,392	209,247
Service Stations	-	-	188,136	190,187
Other Retail	<u>91,193</u>	<u>95,051</u>	<u>173,688</u>	<u>149,532</u>
Retail Stores Total	\$1,436,545	\$1,566,648	\$1,554,028	\$1,426,909
Business and Personal Services	69,023	67,335	93,077	73,275
All Other Outlets	<u>495,051</u>	<u>514,747</u>	<u>606,028</u>	<u>679,092</u>
Total All Outlets	\$2,000,619	\$2,148,730	\$2,253,133	\$2,179,276

⁽¹⁾ As of 2007, "Specialty Stores" is no longer a category, data from that group is incorporated in "All Other Retail Group."
Source: California State Board of Equalization.

COUNTY OF IMPERIAL TAXABLE SALES For Year 2009⁽¹⁾ and 2010

	<u>2009</u>	<u>2010⁽²⁾</u>
Retail and Food Services		
Motor Vehicle and Parts Dealers	\$ 147,322	\$ 134,987
Furniture and Home Furnishings Stores	9,430	6,306
Electronics and Appliance Stores	32,716	23,281
Bldg. Matrl. and Garden Equip. and Supplies	81,773	60,685
Food and Beverage Stores	61,371	49,989
Health and Personal Care Stores	17,362	11,801
Gasoline Stations	173,254	149,613
Clothing and Clothing Accessories Stores	130,460	92,116
Sporting Goods, Hobby, Book and Music Stores	21,914	14,302
General Merchandise Stores	357,341	252,769
Miscellaneous Store Retailers	32,380	21,820
Nonstore Retailers	5,203	3,873
Food Services and Drinking Places	<u>145,897</u>	<u>108,616</u>
Total Retail and Food Services	\$1,216,423	\$ 930,158
All Other Outlets	<u>557,507</u>	<u>460,511</u>
Total All Outlets	\$1,773,930	\$1,390,669

⁽¹⁾ In 2009, the Board of Equalization revised the categories of business type. Accordingly, comparisons to past years may not be feasible without referencing the source data.

⁽²⁾ Data through first three quarters of 2010.

Source: California State Board of Equalization.

Construction Activity

The following table provides a building permit valuation summary for the County for 2007 through 2011.

COUNTY OF IMPERIAL BUILDING PERMIT VALUATION For Years 2007 through 2011 (Dollars in Thousands)

<u>Permit Valuation</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Residential:					
New Single-Dwelling	\$101,220	\$40,193	\$32,435	\$18,872	\$ 7,970
New Multi-Dwelling	27,280	17,619	704	0	13,010
Additions/Alterations	<u>9,636</u>	<u>4,843</u>	<u>7,339</u>	<u>3,812</u>	<u>1,238</u>
Total Residential	\$138,136	\$62,655	\$40,478	\$22,684	\$22,218
Non Residential:					
New Commercial	57,281	23,841	4,456	13,461	6,785
New Industrial	6,440	3,744	0	0	0
Other	14,172	10,450	5,960	7,555	4,555
Additions/Alterations	<u>16,174</u>	<u>12,039</u>	<u>10,371</u>	<u>12,888</u>	<u>8,908</u>
Total Non Residential	\$94,067	\$50,074	\$20,787	\$33,904	\$20,248
New Dwelling Units:					
Single Family	670	233	183	113	47
Multiple Family	<u>409</u>	<u>231</u>	<u>12</u>	<u>0</u>	<u>128</u>
Total New Dwelling Units	1,079	464	195	113	175

⁽¹⁾ Date through November 2011.

Source: Construction Industry Research Board.

Agricultural Production

The County Department of Agriculture estimates that agricultural production totaled \$1,452,970,000 in 2009. The following table provides an agricultural production summary from 2005 through 2009.

COUNTY OF IMPERIAL TOTAL AGRICULTURAL PRODUCTION For Years 2005 through 2009

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Vegetable Crops	\$ 571,786,000	\$ 526,652,000	\$ 575,454,000	\$ 675,242,000	\$ 690,311,000
Fruit and Nut Crops	37,061,000	46,452,000	32,158,000	37,342,000	47,765,000
Nursery Products	43,568,000	72,351,000	56,205,000	86,789,000	55,577,000
Apiary	2,440,000	2,544,000	3,139,000	3,772,000	3,562,000
Livestock and Poultry	362,185,000	418,436,000	410,883,000	398,789,000	343,201,000
Field Crops	<u>269,026,000</u>	<u>298,933,000</u>	<u>308,745,000</u>	<u>482,588,000</u>	<u>312,544,000</u>
TOTAL	\$1,286,066,000	\$1,365,368,000	\$1,386,584,000	\$1,684,522,000	\$1,452,970,000

Source: Imperial County Department of Agriculture.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this ~~Disclosure Agreement~~) is executed and delivered by the Imperial County Local Transportation Authority (the ~~Authority~~) and The Bank of New York Mellon Trust Company, N.A., as dissemination agent (the ~~Dissemination Agent~~), in connection with the issuance of \$_____ Imperial County Local Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds), Series 2012 (the ~~Bonds~~). The Bonds are being issued pursuant to an Indenture, dated as of _____ 1, 2012 (the ~~Master Indenture~~), as supplemented by each Supplemental Indenture thereto, each dated as of _____ 1, 2012 (the Master Indenture, as so supplemented and as it may hereafter be further supplemented and amended, the ~~Indenture~~), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the ~~Trustee~~). The Issuer and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Authority for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined herein).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

~~Annual Report~~ shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

~~Audited Financial Statements~~ means the audited financial results of the Authority for the applicable fiscal year.

~~Beneficial Owner~~ shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

~~Business Day~~ shall mean a day other than (a) Saturday or Sunday, (b) a day on which banking institutions in the city in which the Principal Office of the Trustee is located are authorized or required by law to be closed, and (c) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed.

~~Disclosure Representative~~ shall mean the Executive Director of the Authority or his or her designee, or such other officer or employee as the Authority shall designate in writing to the Dissemination Agent (if other than the Authority) from time to time.

~~Dissemination Agent~~ means an entity selected and retained by the Authority, or any successor thereto selected by the Authority. The initial Dissemination Agent shall be The Bank of New York Mellon Trust Company, N.A.

~~–EMMA” shall mean the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for Municipal Securities disclosures, maintained on the internet at <http://emma.msrb.org>.~~

~~–Listed Events” shall mean any of the events listed in Section 5(a) and (b) of this Disclosure Agreement.~~

~~–MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the EMMA website of the MSRB, currently located at <http://emma.msrb.org>.~~

~~–Participating Underwriter” shall mean any original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.~~

~~–Repository” shall mean, until otherwise designated by the SEC, EMMA.~~

~~–Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended from time to time.~~

~~–State” shall mean the State of California.~~

~~–State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.~~

~~–SEC” shall mean the Securities and Exchange Commission.~~

Section 3. Provision of Annual Reports.

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than March 15 after the end of each fiscal year, commencing with March 15, 2012, provide to the Repository and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement. If the Authority’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the Authority shall provide the Annual Report to the Dissemination Agent (if other than the Authority). The Authority shall provide, or cause the preparer of the Annual Report to provide, a written certificate with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished to it hereunder. The Dissemination Agent may conclusively rely upon such certification and shall have no duty or obligation to review such Annual Report.

(c) If the Authority is unable to provide to the Repository an Annual Report by the date required in subsection (a), the Authority shall send a notice to the Repository or to the MSRB, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine the electronic filing address of, and then-current procedures for submitting Annual Reports to, the MSRB each year prior to the date for providing the Annual Report; and

(ii) file a report with the Authority and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Agreement, and stating the date it was provided.

Section 4. Content of Annual Reports. The Authority 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 Audited Financial Statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, dated _____, 2012 relating to the Bonds (the ~~Official Statement~~) and the Audited Financial Statements shall be filed in the same manner as the Annual Report when such Audited Financial Statements become available.

(b) The debt service schedule for the Bonds, if there have been any unscheduled redemptions, retirements or defeasances, and the debt service on any additional parity bonds issued, in each case during the prior Fiscal Year.

(c) The actual Pledged Allocable Sales Tax Revenues for the prior Fiscal Year consistent with the information concerning Pledged Allocable Sales Tax Revenues set forth in the Official Statement in the second paragraph under the caption ~~The Measure D Sales Tax - Authorization, Application and Collection of the Measure D Sales Tax.~~

(d) The Maintenance of Effort Requirement, the amount of Maintenance of Effort budgeted and the actual Maintenance of Effort amount expended for each Participating Agency for the prior Fiscal Year consistent with the information concerning Maintenance of Effort in substantially the same form as the tables set forth in the Official Statement under the caption ~~The Measure D Sales Tax – Maintenance of Effort.~~

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository or the SEC. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Authority shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

(1) principal and interest payment delinquencies;

- (2) defeasances;
- (3) tender offers;
- (4) rating changes;

(5) adverse tax opinions or the issuance by the Internal Revenue Service of a proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax- status of the Bonds or other material events affecting the tax status of the Bonds;

- (6) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (7) unscheduled draws on credit enhancements reflecting financial difficulties;
- (8) substitution of credit or liquidity providers or their failure to perform; or
- (9) bankruptcy, insolvency, receivership or similar proceedings.

For these purposes, any event described in the immediately preceding paragraph (9) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

(b) Pursuant to the provisions of this Section 5, the Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) consummation of a merger, consolidation or acquisition involving the Authority or the sale of all or substantially all of the assets of the obligated persons, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(2) appointment of a successor or additional trustee or the change of the name of a trustee;

(3) non-payment related defaults;

(4) modifications to the rights of Owners;

(5) optional, unscheduled or contingent Bond calls; or

(6) release, substitution or sale of property securing repayment of the Bonds.

(c) Whenever the Authority obtains knowledge of the occurrence of a Listed Event, described in subsection (b) of this Section 5, the Authority shall as soon as possible determine if such event would be material under applicable Federal securities law.

(d) If the Authority determines that knowledge of the occurrence of a Listed Event described in subsection (b) of this Section 5 would be material under applicable federal securities law, the Authority shall promptly notify the Dissemination Agent in writing and instruct the Dissemination Agent to report the occurrence to the Repository in a timely manner not more than ten (10) Business Days after occurrence of the Listed Event.

(e) If the Dissemination Agent has been instructed by the Authority to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB.

Section 6. Filings with the MSRB. All information, operating data, financial statements, notices and other documents provided to the MSRB in accordance with this Disclosure Agreement shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Authority's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

Section 8. 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 Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty (30) days written notice to the Authority.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the 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 Agreement, the Authority shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Authority to comply with any provision of this Disclosure Agreement, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. Article 8 of the Master Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement

were (solely for this purpose) contained in the Master Indenture. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. Neither the Trustee nor the Dissemination Agent shall be responsible for the form or content of any Annual Report or Notice of Listed Event. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, 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 it may incur arising out of or in the exercise or performance of its 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 obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Issuer:	Imperial County Local Transportation Authority 1405 N. Imperial Avenue, Suite 1 El Centro, California 92243 Attention: Executive Director Telephone: (760) 592-4494 Facsimile: (760) 592-4497
To the Dissemination Agent:	The Bank of New York Mellon Trust Company, N.A. 700 South Flower Street, Suite 500 Los Angeles, California 90071 Telephone: (213) 630-6249 Facsimile: (213) 630-6480

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent. Any notice or communication may also be sent by electronic mail, receipt of which shall be confirmed.

Section 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2012

IMPERIAL COUNTY LOCAL TRANSPORTATION
AUTHORITY

By: _____
Executive Director

as Dissemination Agent

By: _____
Authorized Representative

Exhibit A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Imperial County Local Transportation Authority (the ~~Authority~~)

Name of Issue: Imperial County Local Transportation Authority Sales Tax Revenue Bonds
(Limited Tax Bonds), Series 2012A, Series 2012B, Series 2012C, Series 2012D
and Series 2012E

Date of Issuance: _____, 2012

NOTICE IS HEREBY GIVEN that the Authority has not provided an Annual Report with respect to the above-named Bonds as required by Section 6.09 of the Indenture, dated as of _____ 1, 2012, as supplemented and amended, between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee. [The Authority anticipates that the Annual Report will be filed by _____.]

Dated: _____

The Bank of New York Mellon Trust Company, N.A.,
as dissemination agent

cc: Imperial County Local Transportation Authority

APPENDIX E

BOOK-ENTRY SYSTEM

THE INFORMATION HEREIN CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AUTHORITY, THE TRUSTEE AND THE UNDERWRITER BELIEVE TO BE RELIABLE, BUT THE AUTHORITY, THE TRUSTEE AND THE UNDERWRITER TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF. THE BENEFICIAL OWNERS SHOULD CONFIRM THE FOLLOWING INFORMATION WITH DTC OR THE DTC PARTICIPANTS (AS DEFINED HEREIN).

The Depository Trust Company (~~–DTC~~”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds of each Series, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a ~~–banking organization~~” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a ~~–clearing corporation~~” within the meaning of the New York Uniform Commercial Code, and a ~~–clearing agency~~” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (~~–Direct Participants~~”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (~~–DTCC~~”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (~~–Indirect Participants~~”). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to DTC's Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The information on these websites is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012 Bond (~~–Beneficial Owner~~”) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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 Series 2012 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority (or the Trustee on behalf thereof) 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the Series 2012 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of 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 such principal, premium and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or 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.

DTC may discontinue providing its services as depository with respect to the Series 2012 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered as described in the Indenture.

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

APPENDIX F

FORM OF OPINION OF BOND COUNSEL