

(Local Currency—Single Jurisdiction)

# ISDA<sup>®</sup>

International Swap Dealers Association, Inc.

## AMENDED AND RESTATED U.S. MUNICIPAL COUNTERPARTY SCHEDULE to the Master Agreement

dated as of December \_\_, 2017

Between **JPMORGAN CHASE BANK,** and **SACRAMENTO TRANSPORTATION**  
**N.A.** **AUTHORITY**  
("Party A") ("Party B")

### **PART 1: Termination Provisions**

(a) ***"Specified Entity"*** means in relation to Party A for the purpose of:-

Section 5(a)(v) (Default under Specified Transaction), none;  
Section 5(a)(vi) (Cross Default), none;  
Section 5(a)(vii) (Bankruptcy), none; and  
Section 5(b)(ii) (Credit Event Upon Merger), none;

in relation to Party B for the purpose of:-

Section 5(a)(v) (Default under Specified Transaction) none;  
Section 5(a)(vi) (Cross Default), none;  
Section 5(a)(vii) (Bankruptcy), none; and  
Section 5(b)(ii) (Credit Event Upon Merger), none.

(b) ***"Specified Transaction."*** Default Under Specified Transaction will apply.

(i) Section 5(a)(v) is hereby amended by deleting the phrase "for at least three Local Business Days" in the seventh line thereof and replacing it with the phrase "for at least one Local Business Day."

(ii) "Specified Transaction," as defined in Section 12 of this Agreement, is hereby amended (a) by inserting between "(b)" and the word "any" in the ninth line thereof the following clause:

“all financial transactions and agreements entered into between Party A (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and Party B (or any Credit Support Provider of such party or any applicable Specified Entity of such party), including, without limitation, futures, stock lending agreements, repurchase agreements, and reverse repurchase agreements, loans of any kind, purchases and sales of equity and debt securities of any kind, including mortgages, whether or not on margin, (c)” and (b) by replacing the words “and (c)” in the ninth line thereof with “and (d).”

- (c) The “**Cross-Default**” provisions of Section 5(a)(vi) (as amended in Part 5(e))

will apply to Party A and  
will apply to Party B.

In connection therewith:

With respect to Party A, “**Specified Indebtedness**” means any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money. With respect to Party B, “**Specified Indebtedness**” will mean any indebtedness payable from Pledged Sales Tax Revenues.

“**Threshold Amount**” means, with respect to Party A and with respect to Party B, \$10,000,000.

- (d) The “**Credit Event Upon Merger**” provisions of Section 5(b)(ii)

will apply to Party A  
will apply to Party B.

- (e) The “**Automatic Early Termination**” provision of Section 6(a)

will not apply to Party A  
will not apply to Party B.

- (f) **Payments on Early Termination.** For the purpose of Section 6(e):

- (i) Market Quotation will apply.
- (ii) The Second Method will apply.

- (g) **Additional Termination Event** will apply. The following events shall constitute Additional Termination Events hereunder:

- (i) A Ratings Event occurs with respect to Party B, and Party B fails, within ten (10) General Business Days of such Ratings Event, to assign this Agreement and all Transactions hereunder to a third party reasonably satisfactory to Party A. For purposes of this Termination Event, “Ratings Event” means either (A) any of the Relevant Ratings from any of the Rating Agencies then providing a Relevant Rating falls below the Required Ratings or are withdrawn or suspended for credit-related reasons or (B) Party B fails to have Relevant Ratings from at least two of the Rating Agencies. “Rating Agencies” means S&P Global Rating, a business of Standard & Poor’s Financial Services LLC and any successor to its rating business, Moody’s Investors Service, Inc. (“Moody’s”) and any successor to its rating business, and Fitch Rating Inc. (“Fitch”), and any successor to

its rating business. “Relevant Ratings” means the ratings (without regard to any third party credit enhancement) assigned to the Bonds (to the extent then rated). “Required Ratings” means “BBB” or above, as assigned by S&P, “Baa2” or above, as assigned by Moody’s, and “BBB” or above, as assigned by Fitch. “General Business Days” means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the City of New York. Party B shall be the sole Affected Party with respect to this Additional Termination Event.

- (ii) A Ratings Event occurs with respect to Party A, and Party A fails, within ten (10) General Business Days of such Ratings Event, to assign this Agreement and all Transactions hereunder to a third party reasonably satisfactory to Party B. For purposes of this Termination Event, “Ratings Event” means that (I) the unenhanced ratings (without regard to any third party credit enhancement) of its outstanding unsecured unsubordinated debt, long-term deposits or certificates of deposit are lower than “Baa2” by Moody’s, or “BBB” by S&P, or (II) either such rating is withdrawn or suspended. “General Business Days” means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the City of New York. Party A shall be the sole Affected Party with respect to this Additional Termination Event.

(h) ***Events of Default.***

- (i) ***Bankruptcy.*** Clause (6) of Section 5(a)(vii) of this Agreement is hereby amended to read in its entirety as follows:

“(6)(A) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets or (B) in the case of a Government Entity, any Credit Support Provider of such Government Entity or any applicable Specified Entity of such Government Entity, (I) there shall be appointed or designated with respect to it, an entity such as an organization, board, commission, authority, agency or body to monitor, review, oversee, recommend or declare a financial emergency or similar state of financial distress with respect to it or (II) there shall be declared by it or by any legislative or regulatory body with competent jurisdiction over it, the existence of a state of financial emergency or similar state of financial distress in respect of it;”.

- (ii) ***Merger Without Assumption.*** Section 5(a)(viii) of this Agreement is hereby amended to read in its entirety as follows:

“(viii) ***Merger Without Assumption.*** The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity (or, without limiting the foregoing, if such party is a Government Entity, an entity such as an organization, board, commission, authority, agency or body succeeds to the principal functions of, or powers and duties granted to, such party or any Credit Support Provider of such

party) and, at the time of such consolidation, amalgamation, merger, transfer or succession:

(1) the resulting, surviving, transferee or successor entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or

(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving, transferee or successor entity of its obligations under this Agreement.”

- (i) **Termination Events.** Section 5(b)(ii) of this Agreement is hereby amended to read in its entirety as follows:

“(ii) **Credit Event Upon Merger.** If “Credit Event Upon Merger” is specified in the Schedule as applying to the party, such party (“X”), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity (or, without limiting the foregoing, if X is a Government Entity, an entity such as an organization, board, commission, authority, agency or body succeeds to the principal functions of, or powers and duties granted to, X, any Credit Support Provider of X or any Specified Entity of X) and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of the resulting, surviving, transferee or successor entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action (and, in such event, X or its successor or transferee, as appropriate, will be the sole Affected Party); provided, however, that the term “materially weaker” as used therein shall mean, (i) with respect to Party A, if the outstanding unsecured unsubordinated debt, long-term deposits or certificates of deposit of Party A cease to be rated at least “Baa2” by Moody’s or “BBB” by S&P and (ii) with respect to Party B, if a Ratings Event occurs with respect to Party B as defined in this Part 1(g); or”

- (j) **Collateral Upon Downgrade.**<sup>1</sup>

It shall constitute an Additional Termination Event with Party A as the Affected Party if a Party A Downgrade Event occurs (as defined below) and Party A has not (I) entered into a Credit Support Annex in the form attached hereto as Exhibit IV with Party B and posted collateral in accordance with the terms thereof or (II) assigned its rights and obligations under this Agreement to an entity acceptable to Party B in Party B’s sole discretion.

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<sup>1</sup> This provision was amended in the April 14, 2009 Assignment Agreement.

A Party A Downgrade Event means if at any time during the term of this Agreement, either Moody's fails to assign a rating of at least Aa3 or S&P fails to assign a rating of at least AA- to Party A's outstanding unsecured unsubordinated debt or long-term deposits (whether such failure is by assignment of a rating classification below the applicable threshold or by withdrawal, suspension or other failure to assign any credit rating).

Upon entering into a Credit Support Annex in accordance with this Part 1(j), Party A and Party B shall amend Part 3(c) of this Schedule to provide that such Credit Support Annex shall be a "Credit Support Document" in relation to Party A.

**PART 2: Agreement to Deliver Documents**

For the purpose of Section 4(a) of this Agreement, each party agrees to deliver the following documents:

<b>Party required to deliver document</b>	<b>Form/Document/Certificate</b>	<b>Date by which to be delivered</b>	<b>Covered by Section 3(d) Representation</b>
Party B	Audited financial statements of Party B containing audited, consolidated financial statements certified by independent certified public accountants and prepared in accordance with generally accepted accounting principles in the country in which such party is organized	As soon as available and in any event within 210 days after the end of each fiscal year of Party B	Yes
Party A	Annual Report of Party A containing audited, consolidated financial statements certified by independent certified public accountants and prepared in accordance with generally accepted accounting principles in the country in which such party is organized	To be made available as soon as available and in any event within 120 days after the end of each fiscal year of Party A	Yes
Party B	Credit Support Document(s)	Upon issuance of the Series 2006 Notes	No
Party B	Opinion of Counsel to Party B satisfactory to Party A substantially in the form of Exhibit I hereto	Upon issuance of the Series 2006 Notes	No

<b>Party required to deliver document</b>	<b>Form/Document/Certificate</b>	<b>Date by which to be delivered</b>	<b>Covered by Section 3(d) Representation</b>
Party B	Opinion of Internal Counsel to Party B satisfactory to Party A substantially in the form of Exhibit III hereto	Upon issuance of the Series 2006 Notes	No
Party A	Opinion of Counsel to Party A satisfactory to Party B substantially in the form of Exhibit II hereto	Upon issuance of the Series 2006 Notes	No
Party A and Party B	Certified copies of all corporate authorizations and any other documents with respect to the execution, delivery and performance of this Agreement and any Credit Support Document, as applicable	Upon issuance of the Series 2006 Notes	Yes
Party A and Party B	Certificate of incumbency and/or specimen signatures of individuals executing this Agreement and any Credit Support Document	Upon issuance of the Series 2006 Notes	Yes
Party B	Executed copy of the Covered Indenture	Upon issuance of the Series 2006 Notes	Yes
Party B	An original properly completed and executed United States Internal Revenue Service Form W-9 (or any successor thereto) with respect to any payments received or to be received by Party B.	Upon issuance of the Series 2006 Notes	Yes

**PART 3: Miscellaneous**

(a) **Address for Notices.** For the purpose of Section 10(a) of this Agreement:

Address for notice or communications to Party A:

JPMorgan Chase Bank, N.A.  
Attention: Legal Department – Capital Markets Group  
270 Park Avenue, 40<sup>th</sup> Floor  
New York, New York 10017-2070  
Facsimile No. (212) 270-7468

With respect to delivery of financial statements

JPMorgan Chase Bank, N.A.  
270 Park Avenue, 22<sup>nd</sup> Floor  
New York, New York 10017  
Attention: Municipal Derivatives Credit Group

Address for notice or communications to Party B:

Sacramento Transportation Authority  
801 12 Street, 5<sup>th</sup> Floor  
Sacramento, California 95814  
Attention: Executive Director  
Telephone: (916) 323-0894  
Fax: (916) 323-0850

- (b) **Calculation Agent.** The Calculation Agent is Party A, provided, that if an Event of Default with respect to Party A as the Defaulting Party has occurred and is continuing, the Calculation Agent shall be a Reference Market-maker selected by Party B.
- (c) **Credit Support Document.** Details of any Credit Support Document:
- Each of the following, as amended, supplemented, modified, renewed, replaced, consolidated, substituted or extended from time to time, is a “Credit Support Document”:
- In relation to Party B, the Covered Indenture. In relation to Party A, none.
- (d) **Credit Support Provider.**
- Credit Support Provider means in relation to Party A: Not applicable.
- Credit Support Provider means in relation to Party B: Not applicable.
- (e) **Governing Law.** This Agreement will be governed by, and construed in accordance with, the laws of the State of New York without reference to its conflict of laws doctrine. Notwithstanding the foregoing, the parties agree that matters relating to the powers, authority and capacity of Party B to enter into the Agreement or any Transaction shall be governed by and construed in accordance with the laws of the State of California.
- (f) **Netting of Payments.** Subparagraph (ii) of Section 2(c) shall not apply to any Transactions; provided, however, if the parties otherwise so agree, then subparagraph (ii) of Section 2(c) shall apply.
- (g) **“Affiliate”** will have the meaning specified in Section 12 of this Agreement, provided that with respect to Party A, “Affiliate” shall mean none.
- (h) **“Bonds”** has the meaning specified in the Covered Indenture.
- (i) **“Covered Indenture”** means the Indenture, dated as of October 1, 2006, between the Sacramento Transportation Authority and Deutsche Bank National Trust Company, as trustee, as amended and supplemented following the date hereof in accordance with the terms hereof and thereof, and,

after the issuance of the Take-Out Bonds, the indenture pursuant to which the Take-Out Bonds are issued, as such indenture may be amended or supplemented.

- (j) **“Covered Indenture Incorporation Date”** means the date hereof and, with respect to the indenture pursuant to which the Take-Out Bonds are issued, the initial date of issuance of the Take-Out Bonds thereunder.
- (k) **“Government Entity”** means Party B.
- (l) **“Parity Obligations”** has the meaning specified in the Covered Indenture.
- (m) **“Series 2006 Notes”** has the meaning specified in the Covered Indenture.
- (n) **“Subordinate Obligations”** has the meaning specified in the Covered Indenture.
- (o) **“Take-Out Bonds”** has the meaning specified in the Covered Indenture.

**PART 4: Municipal Counterparty Provisions**

- (a) **Obligations.** Section 2(a)(iii) of this Agreement is hereby amended to read in its entirety as follows:

“(iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default, Potential Event of Default or Incipient Illegality with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.”

- (b) **Representations.**

- (i) The introductory clause of Section 3 of this Agreement is hereby amended to read in its entirety as follows:

“Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into and, in the case of the representations in Section 3(a) and 3(e), at all times until the termination of this Agreement) that:”.

- (ii) Section 3(a)(ii) of this Agreement is hereby amended to read in its entirety as follows:

“(ii) **Powers.** It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action and made

all necessary determinations and findings to authorize such execution, delivery and performance;”.

- (iii) Section 3(b) of this Agreement is hereby amended to read in its entirety as follows:

“(b) **Absence of Certain Events.** No Event of Default or Potential Event of Default or, to its knowledge, Incipient Illegality (in the case of a Government Entity) or Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.”

- (iv) Section 3 of this Agreement is hereby amended by adding the following subsection “(e)” thereto, which subsection shall only apply to the Government Entity:

“(e) **Non-Speculation.** This Agreement has been, and each Transaction hereunder will be (and, if applicable, has been), entered into for purposes of managing its borrowings and not for purposes of speculation.”

- (v) Section 3 of this Agreement is hereby amended by adding the following subsection “(f)” thereto:

“(f) Party B is subject to the filing of claims, service of process and to suit for damages in connection with its obligations under this Agreement and each Transaction under this Agreement pursuant to and in accordance with the laws of the State of California (the “State”) applicable to Party B, including but not limited to Part 3 of Division 3.6 of Title 1 of the Government Code of the State and Section 180151 of the Public Utilities Code of the State. Party B is a “local public entity” as defined in Section 900.4 of the Government Code of the State. Party B is not entitled to assert the defense of sovereign immunity with respect to the filing of claims, service of process or suit for damages in connection with its obligations under this Agreement.”

(c) **Agreements.**

- (i) The introductory clause of Section 4 of this Agreement is hereby amended to read in its entirety as follows:

“Each party agrees with the other (or, in the case of Section 4(d) and (e), the Government Entity agrees with the other party) that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:”

- (ii) Section 4 of this Agreement is hereby amended by adding the following subsections “(d)” and “(e)” thereto:

“(d) ***Compliance with Covered Indenture.*** The Government Entity will observe, perform and fulfill each provision in the Covered Indenture which materially affects Party A applicable to such Government Entity in effect on the Covered Indenture Incorporation Date, as any of those provisions may be amended, supplemented or modified for purposes of this Agreement with the prior written consent of the other party hereto (the “Incorporated Provisions”), with the effect that such other party hereto will have the benefit of each of the Incorporated Provisions (including without limitation, covenants, right to consent to certain actions subject to consent under the Covered Indenture and delivery of financial statements and other notices and information). In the event the Covered Indenture ceases to be in effect prior to the termination of this Agreement, the Incorporated Provisions (other than those provisions requiring payments in respect of bonds, notes, warrants or other similar instruments issued under the Covered Indenture) will remain in full force and effect for purposes of this Agreement as though set forth herein until such date on which all of the obligations of the Government Entity under this Agreement and any obligations of the Government Entity or any Credit Support Provider of the Government Entity under a Credit Support Document have been fully satisfied. The Incorporated Provisions are hereby incorporated by reference and made a part of this Agreement to the same extent as if such provisions were set forth herein. For purposes of this Agreement, the Incorporated Provisions shall be construed as though (i) all references therein to any party making loans, extensions of credit or financial accommodations thereunder or commitments therefor (the “Financings”) were to the other party hereto and (ii) to the extent that such Incorporated Provisions are conditioned on or relate to the existence of such Financings or the Government Entity having any obligations in connection therewith, all references to such Financings or obligations were to the obligations of the Government Entity under this Agreement. Any amendment, supplement, modification or waiver of any of the Incorporated Provisions which would materially and adversely affect the rights or obligations of Party A without the prior written consent of the other party hereto shall have no force and effect with respect to this Agreement. Any such amendment, supplement or modification for which such consent is obtained shall be part of the Incorporated Provisions for purposes of this Agreement.

(e) ***Notice of Incipient Illegality.*** If an Incipient Illegality occurs, the Government Entity will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Incipient Illegality and will also give such other information about that Incipient Illegality as the other party may reasonably require.”

(d) **Jurisdiction.** Section 11(b) of this Agreement is hereby amended to read in its entirety as follows:

“(b) **Jurisdiction.** With respect to any suit, action or proceedings relating to this Agreement (‘Proceedings’), each party irrevocably:

(i) submits, to the fullest extent permitted by applicable law, to the exclusive jurisdiction of the courts of the State of California and the United States District Court, Eastern District of California; and

(ii) waives, to the fullest extent permitted by applicable law, (1) any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, (2) any claim that such Proceedings have been brought in an inconvenient forum and (3) the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party; and

(iii) agrees that neither party shall bring Proceedings in any other jurisdiction.”

(e) **Definitions.** Section 12 of this Agreement is hereby amended to add the following definitions in their appropriate alphabetical order:

“‘**Covered Indenture**’ has the meaning specified in the Schedule.”

“‘**Covered Indenture Incorporation Date**’ has the meaning specified in the Schedule.”

“‘**Government Entity**’ has the meaning specified in the Schedule.”

“‘**Incipient Illegality**’ means the enactment into law by any legislative body with competent jurisdiction over the Government Entity of legislation which renders unlawful (i) the performance by such government entity of any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of a Transaction or the compliance by such Government Entity with any other material provision of this Agreement relating to such Transaction or (ii) the performance by the Government Entity or a Credit Support Provider of such Government Entity of any contingent or other obligation which the government entity (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction.”

“‘**Pledged Sales Tax Revenues**’ has the meaning specified in the Covered Indenture.”

## **PART 5: Other Provisions**

(a) **Delivery of Confirmations.** For each Transaction entered into hereunder, Party A shall promptly send to Party B a Confirmation via facsimile transmission. Party B agrees to respond to such Confirmation within two (2) Local Business Days, either confirming agreement thereto or requesting a correction of any error(s) contained therein. Failure by Party A to send a Confirmation or of Party B to respond within such period shall not affect the validity or

enforceability of such Transaction. Absent manifest error, there shall be a presumption that the terms contained in such Confirmation are the terms of the Transaction.

- (b) **Bankruptcy.** Section 5(a)(vii)(3) of this Agreement is hereby amended by the substitution of the following therefor:

“(3) sends a notice convening a meeting to propose a voluntary arrangement of creditors, or any class thereof, or makes a general assignment, arrangement or composition with or for the benefit of its creditors, or any class thereof;”

- (c) **Reserved.**

- (d) **Recording of Conversations.** Each party to this Agreement acknowledges and agrees to the tape recording of conversations between trading and marketing personnel of the parties to this Agreement whether by one or other or both of the parties or their agents, and that any such tape recordings may be submitted in evidence in any proceedings relating to the Agreement.

- (e) **Cross Default.** Section 5(a)(vi) of this Agreement is hereby amended by the following:

- (i) with respect to any Specified Indebtedness that is not capable of being declared due and payable as a result of the occurrence or existence of a default, event of default or other similar condition or event (however described) under the agreement or instrument relating to such Specified Indebtedness, the words “which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable” shall be deleted from clause (1) of such Section 5(a)(vi) and the words “and the bondholders or trustee are permitted to exercise any remedies under the agreements and instruments” shall be added in its place.
- (ii) adding the following after the semicolon at the end thereof: “provided, however, that notwithstanding the foregoing (but subject to any provision to the contrary contained in any such agreement or instrument), an Event of Default shall not occur under either (1) or (2) above if the default, event of default or other similar condition or event referred to in (1) or the failure to pay referred to in (2) is caused not (even in part) by the unavailability of funds but is caused solely due to a technical or administrative error which has been remedied within three Local Business Days after notice of such failure is given to the party.”
- (f) Section 3(a) of this Agreement is amended by (i) deleting the word “and” at the end of clause (iv); (ii) deleting the period at the end of clause (v) and inserting therein “; and “ ; and (iii) by inserting the following additional representation:

“(vi) **Eligible Contract Participant.** Each party represents to the other party (which representation will be deemed to be repeated by each party on each date on which a Transaction is entered into) that it is an “eligible contract participant” as defined in Section 1a(12) of the U.S. Commodity Exchange Act, 7 U.S.C. Section 1a(12).”

- (g) ***Additional Representations.*** Section 3 is revised so as to add the following subsection (g) at the end thereof:

“(g) ***Relationship Between Parties.*** Each party will be deemed to represent to the other party on the date on which it enters into a Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for that Transaction):

(i) ***Non-Reliance.*** It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction.

(ii) ***Assessment and Understanding.*** It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.

(iii) ***Status of Parties.*** The other party is not acting as a fiduciary for or an adviser to it in respect of that Transaction.”

- (h) ***Agreement to Arbitrate.***

- (i) ***General.*** In the event the waiver in Part 5(i) herein is not permitted by applicable law, any claim, counterclaim, demand, cause of action, dispute, and controversy arising out of or relating to this Agreement or the relationship established by this Agreement, any provision hereof, the alleged breach thereof, or in any way relating to the subject matter of this Agreement, involving the parties and/or their respective representatives (collectively the “Claims”), even though some or all of such Claims allegedly are extra-contractual in nature, whether such Claims sound in contract, tort, or otherwise, at law or in equity, under state or federal law, whether provided by statute or the common law, for damages or any other relief, shall be resolved by binding arbitration.
- (ii) ***Conduct of the Arbitration and Authority of the Arbitrators.*** Arbitration shall be governed by the Federal Arbitration Act and conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the “AAA Rules”). The validity, construction, and interpretation of this agreement to arbitrate, and all procedural aspects of the arbitration conducted pursuant hereto shall be decided by the

arbitrators. In deciding the substance of the parties' Claims, the arbitrators shall refer to the Governing Law. It is agreed that the arbitrators shall have no authority to award treble, exemplary or punitive damages of any type under any circumstances whether or not such damages may be available under state or federal law, or under the Federal Arbitration Act, or under the AAA Rules, the parties hereby waiving their right, if any, to recover any such damages.

- (iii) *Forum for the Arbitration and Selection of Arbitrators.* The arbitration proceeding shall be conducted in the State of California. Within thirty days of the notice of initiation of the arbitration procedure, each party shall select one arbitrator. Within thirty days of such appointment, the two arbitrators shall select a third arbitrator. The third arbitrator shall be an attorney who has over eight years professional experience in over-the-counter derivative products and who has not previously been employed by either party and does not have a direct or indirect interest in either party or the subject matter of the arbitration. If the two arbitrators are unable to agree upon a third arbitrator within the time designated above, then the third arbitrator shall be selected in accordance with R-11 of the AAA Rules, with the American Arbitration Association providing a list of names of individuals from the National Roster who satisfy the criteria set forth in the immediately preceding sentence, upon the expiration of the time designated above for such agreement. While the third arbitrator shall be neutral, the two party-appointed arbitrators are not required to be neutral, and it shall not be grounds for removal of either of the two party-appointed arbitrators or for vacating the arbitrators' award that either of such arbitrators has past or present relationships with the party that appointed such arbitrator.
  
- (i) ***Waiver of Right to Trial by Jury.*** EACH PARTY HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHTS TO TRIAL BY JURY WITH RESPECT TO ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.
  
- (j) ***USA PATRIOT Act Notice.***<sup>2</sup> Party A hereby notifies Party B that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies Party B, which information includes the name and address of Party B and other information that will allow Party A to identify Party B in accordance with the Act.
  
- (k) ***Additional Covenant of Party B.*** Party B hereby covenants that it shall not terminate any Transaction hereunder unless it has funds immediately available to pay when due any and all termination payments owed by it upon such termination.
  
- (l) ***Additional Representations of Party B.*** Party B represents, covenants and warrants that it intends to issue the Take-Out Bonds and shall make its best efforts to do all things necessary to issue such Take-Out Bonds such that on or before October 1, 2009, such Take-Out Bonds are outstanding in an aggregate principal amount not less than the notional amount of any Transactions hereunder, and to make all regularly scheduled payments and all termination payments.

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<sup>2</sup> This provision is included as a means of compliance with the notice requirements contained in the regulations under the USA PATRIOT Act.

- (m) ***Security and Source of Payment of Party B's Obligations.*** Prior to the date of issuance of the Take-Out Bonds, Party B's obligation to make regularly scheduled payments to Party A under this Agreement with respect to each Transaction hereunder (the "Parity Amounts") shall constitute Parity Obligations under the Covered Indenture in accordance with the terms thereof, and, pursuant to and in accordance with the Covered Indenture, Party B has pledged and granted a lien and charge upon the Pledged Sales Tax Revenues on a parity with the lien thereon to secure the payment of principal and interest on the Bonds and any other Parity Obligations.

On and after the date of issuance of the Take-Out Bonds, as security for Party B's obligations to pay the Parity Amounts, Party B hereby covenants to pledge and grant a lien and charge upon the Pledged Sales Tax Revenues to secure Party B's obligations on parity with the lien granted or to be granted thereon to secure the payment of principal and interest on the Take-Out Bonds and any other Parity Obligations. Party B covenants that, upon such issuance of the Take-Out Bonds, the Parity Amounts shall be payable from Pledged Sales Tax Revenues on a parity with the Take-Out Bonds, Bonds and Parity Obligations.

Prior to the date of issuance of the Take-Out Bonds, Party B's obligation to pay fees and expenses and make payments to Party A upon the early termination of this Agreement with respect to each Transaction hereunder (the "Subordinate Amounts") shall constitute Fee and Expense Obligations under the Covered Indenture in accordance with the terms thereof, and pursuant to and in accordance with the Covered Indenture, Party B has pledged and granted a lien and charge upon the Pledged Sales Tax Revenues on a basis subordinate to the lien and charge on Pledged Sales Tax Revenues to secure the payment of principal and interest on the Bonds and any Parity Obligations and any Subordinate Obligations.

On and after the date of issuance of the Take-Out Bonds, as security for Party B's obligations to pay the Subordinate Amounts, Party B hereby covenants to pledge and grant a lien and charge upon the Pledged Sales Tax Revenues to secure Party B's obligations on a basis subordinate to the lien and charge on Pledged Sales Tax Revenues to secure the payment of principal and interest on the Bonds and any Parity Obligations and any Subordinate Obligations.

Party B shall comply with all terms of the Covered Indenture relating to the issuance of Bonds, Parity Obligations and Subordinate Obligations.

Capitalized terms used in this Part 5(m) and not otherwise defined in this Agreement shall have the meanings ascribed to them in the Covered Indenture.

- (n) ***Effective Date of Covered Indenture.*** Notwithstanding anything in this Agreement to the contrary, Party A acknowledges and agrees that the Covered Indenture will not be executed and delivered until the date of issuance of the Series 2006 Notes and all representations and covenants of Party B relating to the Covered Indenture will not be effective until that date.

IN WITNESS WHEREOF, the parties have executed this Schedule by their duly authorized representatives as of the date hereof.

**JPMORGAN CHASE BANK, N.A.**

**SACRAMENTO TRANSPORTATION  
AUTHORITY**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name: Norman Hom  
Title: Executive Director

FORM OF ORRICK OPINION

November 21, 2006

Bear Stearns Financial Products Inc.  
New York, New York

Re: ISDA Master Agreement and related Schedule and Confirmation, each dated October 18, 2006

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Ladies and Gentlemen:

We have acted as special counsel to the Sacramento Transportation Authority (the "Issuer"), a local transportation authority created pursuant to the provisions of the California Public Utilities Code commencing with Section 180000, in connection with the ISDA Master Agreement, dated as of October 18, 2006 ("Master Agreement"), between Bear Stearns Financial Products Inc. (the "Provider") and the Issuer, as supplemented by the U. S. Municipal Counterparty Schedule to the Master Agreement, dated as of October 18, 2006 and the ISDA Credit Support Annex to the Schedule to the Master Agreement (collectively, the "Schedule"), between the Provider and the Issuer, and the confirmation of a transaction entered into on October 18, 2006 (the "Confirmation") between the Provider and the Issuer. The Master Agreement, the Schedule and the Confirmation (but not any other documents incorporated or referred to in any thereof) are collectively referred to herein as the "Agreement." All capitalized terms used and not otherwise defined herein have the meaning assigned to such terms in the Agreement.

We understand that the Agreement has been entered into by the Issuer pursuant to Resolution No. 06-\_\_\_\_ adopted by the governing board of the Issuer on October 12, 2006 (the "Resolution"), in connection with, or incidental to, the issuance or carrying of bonds (the "Bonds") proposed to be issued on or before October 1, 2009. It is further our understanding that the Agreement was entered into by the Issuer in order to, and based on a determination by its governing body that the Agreement is designed to, reduce the amount or duration of interest rate risk and to result in a lower cost of borrowing when used in combination with the Bonds, after due consideration for the creditworthiness of the Provider.

The Bonds will be payable from, and secured by, the collections received by the Issuer from a one-half cent retail transactions and use tax (the "Measure A Sales Tax") imposed by the Issuer pursuant to Ordinance No. STA-04-01 adopted by the governing body of the Issuer on July 29, 2004 (the "Ordinance") 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 A Sales Tax (the "Sales Tax Revenues"), other than an amount equal to 34.5% of the Sales Tax Revenues (the "RT Revenues") (referred to herein as the "Pledged Sales Tax Revenues"). The Measure A Sales Tax was approved by more than two-thirds of the voters of the County of Sacramento voting on the Measure A Sales Tax at a general election held on November 2, 2004. Pursuant to the Ordinance, the Issuer will begin receiving Measure A Sales Tax Revenues on April 1, 2009 and the Sales Tax Revenues may be applied to implement the expenditure plan approved by the Ordinance (the "Expenditure Plan") and to pay debt service on bonds (such as the Bonds) issued to finance capital outlay expenditures identified in the Expenditure Plan.

We have reviewed the Ordinance, the Agreement, the Resolution, the Indenture, dated as of October 1, 2006 (the "Indenture"), between the Issuer and [TRUSTEE], as trustee (the "Trustee"), an

opinion of Diane Balter, Esq., general counsel to the Issuer, dated the date hereof, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, including Section 5922 of the California Government Code (“Section 5922”), and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or copies) and the due and legal execution and delivery thereof by all parties and validity against any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinion, referred to in the fourth paragraph hereof, and that the Agreement is governed by the laws of the State of California. Furthermore, we have assumed, without undertaking to verify, compliance with all covenants and agreements contained in the Ordinance, the Agreement, the Indenture and other relevant documents. In addition, we call attention to the fact that the rights and obligations under the Agreement, the Indenture and other relevant documents and their enforceability may be subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, arrangement, 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 limitations on legal remedies against local transportation authorities in the State of California. We express no opinion with respect to any indemnification, contribution, forfeiture, set-off, late payment charge, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the documents described herein, nor do we express any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Agreement or any incorporated or related document or the accuracy or sufficiency of the description therein of, or the remedies available to enforce liens on, any such assets. Further, our opinion with respect to the legal availability of Pledged Sales Tax Revenues to pay a Settlement Amount payable by the Issuer upon the occurrence of an Early Termination Date prior to the issuance of the Bonds or in the event that no Bonds are issued or in the event that Bonds are issued in a principal amount less than the notional amount of the transactions under the Agreement is set forth below.

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

1. The Agreement is the valid and binding obligation of the Issuer.
2. The Indenture creates a valid pledge, to secure the Issuer’s obligation to make regularly scheduled payments and Settlement Amount payments under the Agreement, of the Pledged Sales Tax Revenues, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

Under the terms of the Agreement, in certain circumstances, including circumstances that may arise prior to issuance of the Bonds or in the event that no Bonds are issued, the Issuer may be required to pay a Settlement Amount to the Provider. In addition to the opinion set forth above, we have been requested by the Issuer to provide you with a specific opinion as to the legal availability of Pledged Sales Tax Revenues to pay a Settlement Amount payable by the Issuer upon the occurrence of an Early Termination Date prior to the issuance of the Bonds or in the event that no Bonds are issued or in the event that Bonds are issued in a principal amount less than the notional amount of the transactions under the Agreement.

The Ordinance, pursuant to which the Measure A Sales Tax is authorized, levied and collected, provides explicitly only for the application of the Pledged Sales Tax Revenues to implement the Expenditure Plan and the payment of debt service on bonds issued to finance capital outlay expenditures identified in the Expenditure Plan. So long as the Issuer is intending to issue the Bonds, even if the Bonds have not been issued by October 1, 2009, Pledged Sales Tax Revenues received by the Trustee will be legally available to make regularly scheduled payments and Settlement Amount payments required to be paid by the Issuer under the Agreement, subject to the limitations set forth in the fifth paragraph of this opinion and the terms of the Indenture relating to the priority and allocation of Pledged Sales Tax Revenues. If the Bonds are not issued, however, there would be no borrowing for projects as contemplated by the Ordinance and the Expenditure Plan and, therefore, no direct connection between the use of Pledged Sales Tax Revenues to pay a Settlement Amount and use of such Pledged Sales Tax Revenues as explicitly provided for in the Ordinance. Nevertheless, the Bonds have been authorized and are planned to be issued, and the Agreement functions to fix, and is expected to reduce, the interest cost of the Bonds. Since use of the Pledged Sales Tax Revenues has been authorized, such use should not be considered unauthorized years later if the Bonds are not actually issued (much like architectural and design costs for a qualified project should not be considered retroactively unauthorized if later the project is not built). Similarly, in order for any bonds to be issued by the Issuer, the Issuer must incur a number of preliminary costs (legal fees, financial advisory fees, etc.) that the Issuer must pay from what is likely to be its only source of available funds, proceeds of the one-half cent sales tax, and authority for payment of which should not be considered to evaporate retroactively if the bonds toward which such expenses were incurred are not issued. Furthermore, Section 5922, which authorized the Issuer to enter into the Agreement, does so “notwithstanding any other provision of law” and provides that the swap contract may “contain the payment, security, default, remedy, and other terms and conditions, determined by the [Issuer]...”

Therefore, while there is no judicial decision or other authority directly on point and no assurance can be given that a court could not or would not hold otherwise, based on and subject to the foregoing, as of the date hereof, we are of the opinion that, if the matter were properly briefed and presented to a court of competent jurisdiction, the court should hold that in the event the Issuer is obligated under the terms of the Agreement to pay a Settlement Amount upon the occurrence of an Early Termination Date prior to the issuance of the Bonds or in the event that no Bonds are issued or in the event the Bonds are issued in a principal amount less than the notional amount of the transactions under the Agreement, the Issuer is required to pay such Settlement Amount from Pledged Sales Tax Revenues received by the Trustee, subject to the limitations set forth in the fifth paragraph of this opinion.

This opinion is furnished by us as special counsel to the Issuer and is limited to the laws of the State of California and applies only to the swap transaction established by the Confirmation and not to any other swap or other transactions whether entered into pursuant to the Master Agreement and Schedule or otherwise. No attorney-client relationship has existed or exists between our firm and the Provider (or any related entity) in connection with the Agreement or by virtue of this opinion. This opinion is delivered to the Provider solely for its 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. This opinion is not intended to, and may not, be relied upon by the holder of any Bond.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

**FORM OF OPINION OF COUNSEL TO PARTY A**

November 21, 2006

Sacramento Transportation Authority  
901 F Street, Suite 210  
Sacramento, California 95814

Re: Bear Stearns Financial Products Inc.

Ladies and Gentlemen:

I am a Senior Managing Director in the Legal Department of Bear, Stearns & Co. Inc. and in such capacity have acted as counsel to Bear Stearns Financial Products Inc. ("BSFP") in connection with the Master Agreement and Schedule dated as of October 18, 2006 and the Confirmation related thereto dated as of October 18, 2006 each between BSFP and the Sacramento Transportation Authority (collectively, the "Agreements").

In rendering this opinion, I or other attorneys under my supervision have examined and relied on originals or copies, certified or otherwise identified to our satisfaction, of the Agreements and of such other documents as I and attorneys under my supervision have deemed necessary or appropriate as a basis for the opinions set forth below.

In connection with the opinions hereinafter expressed, I or members of my staff have made such investigations as deemed appropriate or advisable and have assumed, with your permission and without independent verification, (i) the full power, authority and legal right of each party to the Agreements and the transaction documents referred to therein (collectively, the "Transaction Documents") other than BSFP to execute and deliver the Transaction Documents to which it is a party and to perform the applicable provision of such Transaction Documents; (ii) the due authorization, execution and delivery of each Transaction Document by all parties to such document other than BSFP and that each such document is legal, valid, binding and enforceable against the parties thereto other than BSFP; (iii) the legal capacity of natural persons; (iv) the genuineness of all signatures other than those of officers of BSFP and of any official markings; (v) the authenticity of all documents submitted to me or my staff as originals; (vi) the conformity to the original documents of any document submitted to me or my staff as a certified, conformed or photostatic copy, and the authenticity of the originals of such copies; (vii) that no party to the transactions contemplated by the Transaction Documents has fraudulently induced any other party to become a party to such transactions and no facts exist which would make available defenses of mutual mistake, concealment, undue influence, duress or criminal activity (and I confirm, without any independent investigation, that no such facts are known to me); and (viii) there are no other documents or instruments or oral or written agreements between the parties to the transactions contemplated by the Transaction Documents that pertain to the subject matter of my opinions hereinafter expressed that are not Transaction Documents and of which I am not aware.

Based upon and subject to the foregoing and other qualifications, limitations and assumptions set forth below, and upon such other matters as I have deemed appropriate, I am of the opinion that:

1. BSFP is a corporation organized, validly existing and in good standing under the laws of the State of Delaware.

2. The Agreements have been duly authorized, executed and delivered by BSFP.

3. The execution, delivery and performance by BSFP of the Agreements will not conflict with, constitute a default under or result in a violation of (i) the certificate of incorporation or bylaws of BSFP, (ii) any New York or federal law or regulation applicable to the performance by BSFP of its obligations under the Agreement, (iii) the General Corporation Law of the State of Delaware, or (iv) any material agreement, instrument or judicial or regulatory order known to me to which BSFP is a party or is subject.

4. To my knowledge, no consent, approval, authorization or other action by any third party is required in connection with the execution, delivery or performance by BSFP of each of the Agreements.

5. Each of the Agreements is the legal, valid and binding obligation of BSFP, enforceable against BSFP in accordance with its terms.

My opinions set forth above are subject to the following qualifications, exceptions and limitations:

(a) My opinion in paragraph 5 is subject to the effect of any applicable bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or similar law affecting creditors' rights generally and to possible judicial action giving effect to governmental actions or foreign laws affecting creditors' rights.

(b) My opinion in paragraph 5 is also subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether considered in a proceeding in equity or at law).

(c) I express no opinion as to the availability or enforceability of (i) any provision restricting access to courts or to legal or equitable remedies or purporting to affect the jurisdiction or venue of courts, (ii) any provision purporting to waive rights to notice, legal defenses, statutes of limitations, or other benefits that cannot be waived under applicable law, (iii) any provision purporting to grant to or limit rights of third parties, (iv) any severability provision, (v) any provision purporting to waive or ratify future acts, establish evidentiary standards or grant remedies exercisable when a party is not in default, (vi) any provision relating to subrogation rights, delay or omission of enforcement of rights or remedies, marshaling of assets, set-off or prohibitions against transfer, alienation or hypothecation of property, (vii) any provision purporting to appoint a person or entity as attorney-in-fact for another person or entity, (viii) any provision purporting to bind a person or entity to enter into an agreement in the future, (ix) any provision which purports to render certain acts or matters to be null and void automatically or ab initio or (x) any indemnification or other remedial provision to the extent enforcement thereof is contrary to public policy regarding the exculpation of criminal violations, intentional harm and acts of gross negligence or recklessness.

I am qualified to practice law in the State of New York and do not hold myself out as an expert on, or express any opinion herein concerning, the laws of any jurisdiction other than the laws of the State of New York, the General Corporation Law of the State of Delaware and applicable federal law of the United States of America as in effect on the date hereof.

This opinion letter speaks only as of the date hereof. I expressly disclaim any responsibility to advise you of any development or circumstance of any kind, including any change of law or fact that may occur after the date of this opinion letter, even though such development, circumstance or change may affect the legal analysis, a legal conclusion or any other matter set forth in or relating to this opinion letter. This opinion is limited to the matters stated herein and no opinion is implied or may be inferred beyond the matters expressly stated herein.

Very truly yours,

**FORM OF OPINION OF INTERNAL COUNSEL TO PARTY B**

November 21, 2006

Bear Stearns Financial Products Inc.  
New York, New York

Re: Master Agreement and Confirmation between the Sacramento Transportation Authority and Bear Stearns Financial Products Inc.

Ladies and Gentlemen:

This opinion is delivered to you pursuant to Part 2 of the Schedule to the ISDA Master Agreement (such Master Agreement, including the Schedule and any exhibits and addenda thereto, the "Agreement") dated as of October 18, 2006 between Bear Stearns Financial Products Inc. ("Party A") and Sacramento Transportation Authority ("Party B"). Terms defined in the Agreement and used but not defined herein have the meanings given to them in the Agreement.

We have acted as counsel to Party B in connection with the Swap transaction entered into by Party A and Party B on the date hereof pursuant to the Agreement, the related Confirmation exchanged October 18, 2006 (the Agreement, such Confirmation, collectively, the "Documents," and such transaction, the "Transaction"). In that connection we have examined such documents and have investigated such matters of fact as we have deemed necessary or appropriate for the opinions expressed herein. In such examination, we have assumed the genuineness of all signatures (other than those of officers of Party B on the Documents), the authenticity of all documents submitted to us as originals, and the conformity to authenticate original documents of all documents submitted to us as copies.

We have been furnished with, and with your consent have relied upon, certificates of officers of Party B with respect to certain factual matters. In addition, we have obtained and relied upon such certificates and assurances from public officials as we have deemed necessary.

We are opining herein as to the effect on the subject transactions only of the laws of the State of California (the "State"), and we express no opinion with respect to the applicability thereto, or the effect thereon, of the laws of any other jurisdiction or as to any matters of municipal law or the laws of any other local agencies within any state.

Based upon the foregoing and having regard to such legal considerations as I have deemed relevant, I am of the opinion, subject to the qualifications expressed herein, that:

1. Party B is a public entity duly organized and validly existing under the laws of the State.
2. Party B has the power and authority to execute and deliver the Agreement and to perform its obligations thereunder and has taken all necessary action to authorize such execution and delivery and the performance of those obligations.

3. The execution, delivery and performance of each of the Documents by Party B and the entering into the Transaction by Party B have been and remain duly authorized by all necessary action of Party B and do not:

- (i) violate any federal or State law, regulation or rule or any court or administrative writ, order, judgment or decree binding on or applicable to Party B or its property.
- (ii) result in a breach of or default under any material contract, instrument, agreement or other document to which Party B is a party or by which it or its property is bound and of which we have knowledge (collectively, the "Party B Agreements").

4. No approval, consent or authorization of any governmental or public agency or authority or any other institution not already obtained is required for the execution by Party B of, or performance of Party B's obligations under, the Agreement.

5. The Agreement has been duly authorized, executed and delivered by Party B.

6. There is no action, suit or proceeding pending or, to the best of our knowledge after due investigation, threatened against or affecting Party B before any court or arbitrator or any governmental body, agency or official which, if adversely decided, would materially adversely affect the ability of Party B to perform its obligations under any of the Documents.

This opinion may be relied upon solely by the addressee hereto and may not be relied upon by any other party without our express written consent.

# ISDA<sup>®</sup>

International Swaps and Derivatives Association, Inc.

## CREDIT SUPPORT ANNEX

to the Schedule to the

ISDA Master Agreement

dated as of \_\_\_\_\_

between

**[BEAR ASSIGNEE]**

and

**SACRAMENTO TRANSPORTATION  
AUTHORITY**

("Party A")

("Party B")

This Annex supplements, forms part of, and is subject to, the above referenced Agreement, is part of its Schedule and is a Credit Support Document under this Agreement with respect to each party.

Accordingly, the parties agree as follows:

### Paragraph 1. Interpretation

(a) **Definitions and Inconsistency.** Capitalized terms not otherwise defined herein or elsewhere in this Agreement have the meanings specified pursuant to Paragraph 12, and all references in this Annex to Paragraphs are to Paragraphs of this Annex. In the event of any inconsistency between this Annex and the other provisions of this Schedule, this Annex will prevail, and in the event of any inconsistency between Paragraph 13 and the other provisions of this Annex, Paragraph 13 will prevail.

(b) **Secured Party and Pledgor.** All references in this Annex to the "Secured Party" will be to either party when acting in that capacity and all corresponding references to the "Pledgor" will be to the other party when acting in that capacity; provided, however, that if Other Posted Support is held by a party to this Annex, all references herein to that party as the Secured Party with respect to that Other Posted Support will be to that party as the beneficiary thereof and will not subject that support or that party as the beneficiary thereof to provisions of law generally relating to security interests and secured parties.

### Paragraph 2. Security Interest

Each party, as the Pledgor, hereby pledges to the other party, as the Secured Party, as security for its Obligations and grants to the Secured Party a first priority continuing security interest in, lien on and right

of Set off against all Posted Collateral Transferred to or received by the Secured Party hereunder. Upon the Transfer by the Secured Party to the Pledgor of Posted Collateral, the security interest and lien granted hereunder on that Posted Collateral will be released immediately and, to the extent possible, without any further action by either party.

### **Paragraph 3. Credit Support Obligations**

(a) **Delivery Amount.** Subject to Paragraphs 4 and 5, upon a demand made by the Secured Party on or promptly following a Valuation Date, if the Delivery Amount for that Valuation Date equals or exceeds the Pledgor's Minimum Transfer Amount, then the Pledgor will Transfer to the Secured Party Eligible Credit Support having a Value as of the date of Transfer at least equal to the applicable Delivery Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "Delivery Amount" applicable to the Pledgor for any Valuation Date will equal the amount by which:

(i) the Credit Support Amount

exceeds

(ii) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party.

(b) **Return Amount.** Subject to Paragraphs 4 and 5, upon a demand made by the Pledgor on or promptly following a Valuation Date, if the Return Amount for that Valuation Date equals or exceeds the Secured Party's Minimum Transfer Amount, then the Secured Party will Transfer to the Pledgor Posted Credit Support specified by the Pledgor in that demand having a Value as of the date of Transfer as close as practicable to the applicable Return Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "Return Amount" applicable to the Secured Party for any Valuation Date will equal the amount by which:

(i) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party

exceeds

(ii) the Credit Support Amount.

**"Credit Support Amount"** means, unless otherwise specified in Paragraph 13, for any Valuation Date (i) the Secured Party's Exposure for that Valuation Date plus (ii) the aggregate of all Independent Amounts applicable to the Pledgor, if any, minus (iii) all Independent Amounts applicable to the Secured Party, if any, minus (iv) the Pledgor's Threshold; provided, however, that the Credit Support Amount will be deemed to be zero whenever the calculation of Credit Support Amount yields a number less than zero.

### **Paragraph 4. Conditions Precedent, Transfer Timing, Calculations and Substitutions**

(a) **Conditions Precedent.** Each Transfer obligation of the Pledgor under Paragraphs 3 and 5 and of the Secured Party under Paragraphs 3, 4(d)(ii), 5 and 6(d) is subject to the conditions precedent that:

(i) no Event of Default, Potential Event of Default or Specified Condition has occurred and is continuing with respect to the other party; and

(ii) no Early Termination Date for which any unsatisfied payment obligations exist has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the other party.

(b) **Transfer Timing.** Subject to Paragraphs 4(a) and 5 and unless otherwise specified, if a demand for the Transfer of Eligible Credit Support or Posted Credit Support is made by the Notification Time, then the relevant Transfer will be made not later than the close of business on the next Local Business Day; if a demand is made after the Notification Time, then the relevant Transfer will be made not later than the close of business on the second Local Business Day thereafter.

(c) **Calculations.** All calculations of Value and Exposure for purposes of Paragraphs 3 and 6(d) will be made by the Valuation Agent as of the Valuation Time. The Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) of its calculations not later than the Notification Time on the Local Business Day following the applicable Valuation Date (or in the case of Paragraph 6(d), following the date of calculation).

(d) **Substitutions.**

(i) Unless otherwise specified in Paragraph 13, upon notice to the Secured Party specifying the items of Posted Credit Support to be exchanged, the Pledgor may, on any Local Business Day, Transfer to the Secured Party substitute Eligible Credit Support (the “Substitute Credit Support”); and

(ii) subject to Paragraph 4(a), the Secured Party will Transfer to the Pledgor the items of Posted Credit Support specified by the Pledgor in its notice not later than the Local Business Day following the date on which the Secured Party receives the Substitute Credit Support, unless otherwise specified in Paragraph 13 (the “Substitution Date”); provided that the Secured Party will only be obligated to Transfer Posted Credit Support with a Value as of the date of Transfer of that Posted Credit Support equal to the Value as of that date of the Substitute Credit Support.

## **Paragraph 5. Dispute Resolution**

If a party (a “Disputing Party”) disputes (I) the Valuation Agent’s calculation of a Delivery Amount or a Return Amount or (II) the Value of any Transfer of Eligible Credit Support or Posted Credit Support, then (1) the Disputing Party will notify the other party and the Valuation Agent (if the Valuation Agent is not the other party) not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in case of (I) above or (Y) the date of Transfer in the case of (II) above, (2) subject to Paragraph 4(a), the appropriate party will Transfer the undisputed amount to the other party not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in the case of (I) above or (Y) the date of Transfer in the case of (II) above, (3) the parties will consult with each other in an attempt to resolve the dispute and (4) if they fail to resolve the dispute by the Resolution Time, then:

(i) In the case of a dispute involving a Delivery Amount or Return Amount, unless otherwise specified in Paragraph 13, the Valuation Agent will recalculate the Exposure and the Value as of the Recalculation Date by:

(A) utilizing any calculations of Exposure for the Transactions (or Swap Transactions) that the parties have agreed are not in dispute;

(B) calculating the Exposure for the Transactions (or Swap Transactions) in dispute by seeking four actual quotations at mid market from Reference Market makers for purposes of calculating Market Quotation, and taking the arithmetic average of those obtained; *provided* that if four quotations are not available for a particular Transaction (or Swap Transaction), then fewer than four quotations may be used for that Transaction (or Swap Transaction); and if no quotations are available for a particular Transaction (or Swap Transaction), then the Valuation Agent's original calculations will be used for that Transaction (or Swap Transaction); and

(C) utilizing the procedures specified in Paragraph 13 for calculating the Value, if disputed, of Posted Credit Support.

(ii) In the case of a dispute involving the Value of any Transfer of Eligible Credit Support or Posted Credit Support, the Valuation Agent will recalculate the Value as of the date of Transfer pursuant to Paragraph 13.

Following a recalculation pursuant to this Paragraph, the Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) not later than the Notification Time on the Local Business Day following the Resolution Time. The appropriate party will, upon demand following that notice by the Valuation Agent or a resolution pursuant to (3) above and subject to Paragraphs 4(a) and 4(b), make the appropriate Transfer.

#### **Paragraph 6. Holding and Using Posted Collateral**

(a) ***Care of Posted Collateral.*** Without limiting the Secured Party's rights under Paragraph 6(c), the Secured Party will exercise reasonable care to assure the safe custody of all Posted Collateral to the extent required by applicable law, and in any event the Secured Party will be deemed to have exercised reasonable care if it exercises at least the same degree of care as it would exercise with respect to its own property. Except as specified in the preceding sentence, the Secured Party will have no duty with respect to Posted Collateral, including, without limitation, any duty to collect any Distributions, or enforce or preserve any rights pertaining thereto.

(b) ***Eligibility to Hold Posted Collateral; Custodians.***

(i) ***General.*** Subject to the satisfaction of any conditions specified in Paragraph 13 for holding Posted Collateral, the Secured Party will be entitled to hold Posted Collateral or to appoint an agent (a "Custodian") to hold Posted Collateral for the Secured Party. Upon notice by the Secured Party to the Pledgor of the appointment of a Custodian, the Pledgor's obligations to make any Transfer will be discharged by making the Transfer to that Custodian. The holding of Posted Collateral by a Custodian will be deemed to be the holding of that Posted Collateral by the Secured Party for which the Custodian is acting.

(ii) ***Failure to Satisfy Conditions.*** If the Secured Party or its Custodian fails to satisfy any conditions for holding Posted Collateral, then upon a demand made by the Pledgor, the Secured Party will, not later than five Local Business Days after the demand, Transfer or cause its Custodian to Transfer all Posted Collateral held by it to a Custodian that satisfies those conditions or to the Secured Party if it satisfies those conditions.

(iii) ***Liability.*** The Secured Party will be liable for the acts or omissions of its Custodian to the same extent that the Secured Party would be liable hereunder for its own acts or omissions.

(c) ***Use of Posted Collateral.*** Unless otherwise specified in Paragraph 13 and without limiting the rights and obligations of the parties under Paragraphs 3, 4(d)(ii), 5, 6(d) and 8, if the Secured Party is not a Defaulting Party or an Affected Party with respect to a Specified Condition and no Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then the Secured Party will, notwithstanding Section 9 207 of the New York Uniform Commercial Code, have the right to:

- (i) sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business any Posted Collateral it holds, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor; and
- (ii) register any Posted Collateral in the name of the Secured Party, its Custodian or a nominee for either.

For purposes of the obligation to Transfer Eligible Credit Support or Posted Credit Support pursuant to Paragraphs 3 and 5 and any rights or remedies authorized under this Agreement, the Secured Party will be deemed to continue to hold all Posted Collateral and to receive Distributions made thereon, regardless of whether the Secured Party has exercised any rights with respect to any Posted Collateral pursuant to (i) or (ii) above.

(d) ***Distributions and Interest Amount.***

(i) ***Distributions.*** Subject to Paragraph 4(a), if the Secured Party receives or is deemed to receive Distributions on a Local Business Day, it will Transfer to the Pledgor not later than the following Local Business Day any Distributions it receives or is deemed to receive to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose).

(ii) ***Interest Amount.*** Unless otherwise specified in Paragraph 13 and subject to Paragraph 4(a), in lieu of any interest, dividends or other amounts paid or deemed to have been paid with respect to Posted Collateral in the form of Cash (all of which may be retained by the Secured Party), the Secured Party will Transfer to the Pledgor at the times specified in Paragraph 13 the Interest Amount to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose). The Interest Amount or portion thereof not Transferred pursuant to this Paragraph will constitute Posted Collateral in the form of Cash and will be subject to the security interest granted under Paragraph 2.

## **Paragraph 7. Events of Default**

For purposes of Section 5(a)(iii)(1) of this Agreement, an Event of Default will exist with respect to a party if:

- (i) that party fails (or fails to cause its Custodian) to make, when due, any Transfer of Eligible Collateral, Posted Collateral or the Interest Amount, as applicable, required to be made by it and that failure continues for two Local Business Days after notice of that failure is given to that party;

- (ii) that party fails to comply with any restriction or prohibition specified in this Annex with respect to any of the rights specified in Paragraph 6(c) and that failure continues for five Local Business Days after notice of that failure is given to that party; or
- (iii) that party fails to comply with or perform any agreement or obligation other than those specified in Paragraphs 7(i) and 7(ii) and that failure continues for 30 days after notice of that failure is given to that party.

#### **Paragraph 8. Certain Rights and Remedies**

(a) ***Secured Party's Rights and Remedies.*** If at any time (1) an Event of Default or Specified Condition with respect to the Pledgor has occurred and is continuing or (2) an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Pledgor, then, unless the Pledgor has paid in full all of its Obligations that are then due, the Secured Party may exercise one or more of the following rights and remedies:

- (i) all rights and remedies available to a secured party under applicable law with respect to Posted Collateral held by the Secured Party;
- (ii) any other rights and remedies available to the Secured Party under the terms of Other Posted Support, if any;
- (iii) the right to Set off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and
- (iv) the right to liquidate any Posted Collateral held by the Secured Party through one or more public or private sales or other dispositions with such notice, if any, as may be required under applicable law, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor (with the Secured Party having the right to purchase any or all of the Posted Collateral to be sold) and to apply the proceeds (or the Cash equivalent thereof) from the liquidation of the Posted Collateral to any amounts payable by the Pledgor with respect to any Obligations in that order as the Secured Party may elect.

Each party acknowledges and agrees that Posted Collateral in the form of securities may decline speedily in value and is of a type customarily sold on a recognized market, and, accordingly, the Pledgor is not entitled to prior notice of any sale of that Posted Collateral by the Secured Party, except any notice that is required under applicable law and cannot be waived.

(b) ***Pledgor's Rights and Remedies.*** If at any time an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then (except in the case of an Early Termination Date relating to less than all Transactions (or Swap Transactions) where the Secured Party has paid in full all of its obligations that are then due under Section 6(e) of this Agreement):

- (i) the Pledgor may exercise all rights and remedies available to a pledgor under applicable law with respect to Posted Collateral held by the Secured Party;
- (ii) the Pledgor may exercise any other rights and remedies available to the Pledgor under the terms of Other Posted Support, if any;

(iii) the Secured Party will be obligated immediately to Transfer all Posted Collateral and the Interest Amount to the Pledgor; and

(iv) to the extent that Posted Collateral or the Interest Amount is not so Transferred pursuant to (iii) above, the Pledgor may:

(A) Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and

(B) to the extent that the Pledgor does not Set-off under (iv)(A) above, withhold payment of any remaining amounts payable by the Pledgor with respect to any Obligations, up to the Value of any remaining Posted Collateral held by the Secured Party, until that Posted Collateral is Transferred to the Pledgor.

(c) ***Deficiencies and Excess Proceeds.*** The Secured Party will Transfer to the Pledgor any proceeds and Posted Credit Support remaining after liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b) after satisfaction in full of all amounts payable by the Pledgor with respect to any Obligations; the Pledgor in all events will remain liable for any amounts remaining unpaid after any liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b).

(d) ***Final Returns.*** When no amounts are or thereafter may become payable by the Pledgor with respect to any Obligations (except for any potential liability under Section 2(d) of this Agreement), the Secured Party will Transfer to the Pledgor all Posted Credit Support and the Interest Amount, if any.

#### **Paragraph 9. Representations**

Each party represents to the other party (which representations will be deemed to be repeated as of each date on which it, as the Pledgor, Transfers Eligible Collateral) that:

(i) it has the power to grant a security interest in and lien on any Eligible Collateral it Transfers as the Pledgor and has taken all necessary actions to authorize the granting of that security interest and lien;

(ii) it is the sole owner of or otherwise has the right to Transfer all Eligible Collateral it Transfers to the Secured Party hereunder, free and clear of any security interest, lien, encumbrance or other restrictions other than the security interest and lien granted under Paragraph 2;

(iii) upon the Transfer of any Eligible Collateral to the Secured Party under the terms of this Annex, the Secured Party will have a valid and perfected first priority security interest therein (assuming that any central clearing corporation or any third-party financial intermediary or other entity not within the control of the Pledgor involved in the Transfer of that Eligible Collateral gives the notices and takes the action required of it under applicable law for perfection of that interest); and

(iv) the performance by it of its obligations under this Annex will not result in the creation of any security interest, lien or other encumbrance on any Posted Collateral other than the security interest and lien granted under Paragraph 2.

## **Paragraph 10. Expenses**

- (a) **General.** Except as otherwise provided in Paragraphs 10(b) and 10(c), each party will pay its own costs and expenses in connection with performing its obligations under this Annex and neither party will be liable for any costs and expenses incurred by the other party in connection herewith.
- (b) **Posted Credit Support.** The Pledgor will promptly pay when due all taxes, assessments or charges of any nature that are imposed with respect to Posted Credit Support held by the Secured Party upon becoming aware of the same, regardless of whether any portion of that Posted Credit Support is subsequently disposed of under Paragraph 6(c), except for those taxes, assessments and charges that result from the exercise of the Secured Party's rights under Paragraph 6(c).
- (c) **Liquidation/Application of Posted Credit Support.** All reasonable costs and expenses incurred by or on behalf of the Secured Party or the Pledgor in connection with the liquidation and/or application of any Posted Credit Support under Paragraph 8 will be payable, on demand and pursuant to the Expenses Section of this Agreement, by the Defaulting Party or, if there is no Defaulting Party, equally by the parties.

## **Paragraph 11. Miscellaneous**

- (a) **Default Interest.** A Secured Party that fails to make, when due, any Transfer of Posted Collateral or the Interest Amount will be obligated to pay the Pledgor (to the extent permitted under applicable law) an amount equal to interest at the Default Rate multiplied by the Value of the items of property that were required to be Transferred, from (and including) the date that Posted Collateral or Interest Amount was required to be Transferred to (but excluding) the date of Transfer of that Posted Collateral or Interest Amount. This interest will be calculated on the basis of daily compounding and the actual number of days elapsed.
- (b) **Further Assurances.** Promptly following a demand made by a party, the other party will execute, deliver, file and record any financing statement, specific assignment or other document and take any other action that may be necessary or desirable and reasonably requested by that party to create, preserve, perfect or validate any security interest or lien granted under Paragraph 2, to enable that party to exercise or enforce its rights under this Annex with respect to Posted Credit Support or an Interest Amount or to effect or document a release of a security interest on Posted Collateral or an Interest Amount.
- (c) **Further Protection.** The Pledgor will promptly give notice to the Secured Party of, and defend against, any suit, action, proceeding or lien that involves Posted Credit Support Transferred by the Pledgor or that could adversely affect the security interest and lien granted by it under Paragraph 2, unless that suit, action, proceeding or lien results from the exercise of the Secured Party's rights under Paragraph 6(c).
- (d) **Good Faith and Commercially Reasonable Manner.** Performance of all obligations under this Annex, including, but not limited to, all calculations, valuations and determinations made by either party, will be made in good faith and in a commercially reasonable manner.
- (e) **Demands and Notices.** All demands and notices made by a party under this Annex will be made as specified in the Notices Section of this Agreement, except as otherwise provided in Paragraph 13.

(f) **Specifications of Certain Matters.** Anything referred to in this Annex as being specified in Paragraph 13 also may be specified in one or more Confirmations or other documents and this Annex will be construed accordingly.

## **Paragraph 12. Definitions**

As used in this Annex:—

“**Cash**” means the lawful currency of the United States of America.

“**Credit Support Amount**” has the meaning specified in Paragraph 3.

“**Custodian**” has the meaning specified in Paragraphs 6(b)(i) and 13.

“**Delivery Amount**” has the meaning specified in Paragraph 3(a).

“**Disputing Party**” has the meaning specified in Paragraph 5.

“**Distributions**” means, with respect to Posted Collateral other than Cash, all principal, interest and other payments and distributions of cash or other property with respect thereto, regardless of whether the Secured Party has disposed of that Posted Collateral under Paragraph 6(c). Distributions will not include any item of property acquired by the Secured Party upon any disposition or liquidation of Posted Collateral or, with respect to any Posted Collateral in the form of Cash, any distributions on that collateral, unless otherwise specified herein.

“**Eligible Collateral**” means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

“**Eligible Credit Support**” means Eligible Collateral and Other Eligible Support.

“**Exposure**” means for any Valuation Date or other date for which Exposure is calculated and subject to Paragraph 5 in the case of a dispute, the amount, if any, that would be payable to a party that is the Secured Party by the other party (expressed as a positive number) or by a party that is the Secured Party to the other party (expressed as a negative number) pursuant to Section 6(e)(ii)(2)(A) of this Agreement as if all Transactions (or Swap Transactions) were being terminated as of the relevant Valuation Time; provided that Market Quotation will be determined by the Valuation Agent using its estimates at mid-market of the amounts that would be paid for Replacement Transactions (as that term is defined in the definition of “Market Quotation”).

“**Independent Amount**” means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

“**Interest Amount**” means, with respect to an Interest Period, the aggregate sum of the amounts of interest calculated for each day in that Interest Period on the principal amount of Posted Collateral in the form of Cash held by the Secured Party on that day, determined by the Secured Party for each such day as follows:

- (x) the amount of that Cash on that day; multiplied by
- (y) the Interest Rate in effect for that day; divided by
- (z) 360.

**“Interest Period”** means the period from (and including) the last Local Business Day on which an Interest Amount was Transferred (or, if no Interest Amount has yet been Transferred, the Local Business Day on which Posted Collateral in the form of Cash was Transferred to or received by the Secured Party) to (but excluding) the Local Business Day on which the current Interest Amount is to be Transferred.

**“Interest Rate”** means the rate specified in Paragraph 13.

**“Local Business Day”** unless otherwise specified in Paragraph 13, has the meaning specified in the Definitions Section of this Agreement, except that references to a payment in clause (b) thereof will be deemed to include a Transfer under this Annex.

**“Minimum Transfer Amount”** means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

**“Notification Time”** has the meaning specified in Paragraph 13.

**“Obligations”** means, with respect to a party, all present and future obligations of that party under this Agreement and any additional obligations specified for that party in Paragraph 13.

**“Other Eligible Support”** means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

**“Other Posted Support”** means all Other Eligible Support Transferred to the Secured Party that remains in effect for the benefit of that Secured Party.

**“Pledgor”** means either party, when that party (i) receives a demand for or is required to Transfer Eligible Credit Support under Paragraph 3(a) or (ii) has Transferred Eligible Credit Support under Paragraph 3(a).

**“Posted Collateral”** means all Eligible Collateral, other property, Distributions, and all proceeds thereof that have been Transferred to or received by the Secured Party under this Annex and not Transferred to the Pledgor pursuant to Paragraph 3(b), 4(d)(ii) or 6(d)(i) or released by the Secured Party under Paragraph 8. Any Interest Amount or portion thereof not Transferred pursuant to Paragraph 6(d)(ii) will constitute Posted Collateral in the form of Cash.

**“Posted Credit Support”** means Posted Collateral and Other Posted Support.

**“Recalculation Date”** means the Valuation Date that gives rise to the dispute under Paragraph 5; provided, however, that if a subsequent Valuation Date occurs under Paragraph 3 prior to the resolution of the dispute, then the “Recalculation Date” means the most recent Valuation Date under Paragraph 3.

**“Resolution Time”** has the meaning specified in Paragraph 13.

**“Return Amount”** has the meaning specified in Paragraph 3(b).

**“Secured Party”** means either party, when that party (i) makes a demand for or is entitled to receive Eligible Credit Support under Paragraph 3(a) or (ii) holds or is deemed to hold Posted Credit Support.

**“Specified Condition”** means, with respect to a party, any event specified as such for that party in Paragraph 13.

**“Substitute Credit Support”** has the meaning specified in Paragraph 4(d)(i).

**“Substitution Date”** has the meaning specified in Paragraph 4(d)(ii).

**“Threshold”** means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

**“Transfer”** means, with respect to any Eligible Credit Support, Posted Credit Support or Interest Amount, and in accordance with the instructions of the Secured Party, Pledgor or Custodian, as applicable:

- (i) in the case of Cash, payment or delivery by wire transfer into one or more bank accounts specified by the recipient;
- (ii) in the case of certificated securities that cannot be paid or delivered by book-entry, payment or delivery in appropriate physical form to the recipient or its account accompanied by any duly executed instruments of transfer, assignments in blank, transfer tax stamps and any other documents necessary to constitute a legally valid transfer to the recipient;
- (iii) in the case of securities that can be paid or delivered by book-entry, the giving of written instructions to the relevant depository institution or other entity specified by the recipient, together with a written copy thereof to the recipient, sufficient if complied with to result in a legally effective transfer of the relevant interest to the recipient; and
- (iv) in the case of Other Eligible Support or Other Posted Support, as specified in Paragraph 13.

**“Valuation Agent”** has the meaning specified in Paragraph 13.

**“Valuation Date”** means each date specified in or otherwise determined pursuant to Paragraph 13.

**“Valuation Percentage”** means, for any item of Eligible Collateral, the percentage specified in Paragraph 13.

**“Valuation Time”** has the meaning specified in Paragraph 13.

**“Value”** means for any Valuation Date or other date for which Value is calculated, and subject to Paragraph 5 in the case of a dispute, with respect to:

- (i) Eligible Collateral or Posted Collateral that is:
  - (A) Cash, the amount thereof; and
  - (B) a security, the bid price obtained by the Valuation Agent multiplied by the applicable Valuation Percentage, if any;
- (ii) Posted Collateral that consists of items that are not specified as Eligible Collateral, zero; and
- (iii) Other Eligible Support and Other Posted Support, as specified in Paragraph 13.

### **Paragraph 13. Elections and Variables**

(a) **Security Interest for “Obligations.”** The term “Obligations” as used in this Annex includes no “additional obligations” within the meaning of Paragraph 12.

(b) **Credit Support Obligations.**

(i) **Delivery Amount, Return Amount and Credit Support Amount.**

- (A) **“Delivery Amount”** has the meaning specified in Paragraph 3(a).
- (B) **“Return Amount”** has the meaning specified in Paragraph 3(b).
- (C) **“Credit Support Amount”** has the meaning specified in Paragraph 3(b).

(ii) **Eligible Collateral.** The following items will qualify as “Eligible Collateral”:

	<b>Valuation Percent- age</b>
(A) Cash	100%
(B) negotiable debt obligations issued by the U.S. Treasury Department having a remaining term to maturity of not more than two years	100%
(C) negotiable debt obligations issued by the U.S. Treasury Department having a remaining term to maturity of more than two years but not more than 10 years	99%
(D) negotiable debt obligations issued by the U.S. Treasury Department having a remaining term to maturity of more than 10 years	98%
(E) mortgage participation certificates in book-entry form, the timely payment of interest at the applicable certificate rate and the ultimate collection of principal of which are guaranteed by the Federal Home Loan Mortgage Corporation (excluding multi-class REMIC pass-through certificates and pass-through certificates backed by adjustable rate mortgages and excluding securities paying interest or principal only)	97%
(F) mortgage pass-through certificates in book-entry form, the full and timely payment of interest at the applicable certificate rate and the ultimate collection of principal of which are guaranteed by the Federal National Mortgage Association (excluding multi-class REMIC pass-through certificates and pass-through certificates backed by adjustable rate mortgages and excluding securities paying interest or principal only)	97%
(G) fully modified pass-through certificates in book-entry form, the full and timely payment of principal and interest of which are guaranteed by the Government National Mortgage Association (excluding multi-class REMIC pass-through certificates and pass-through certificates backed by adjustable rate mortgages and excluding securities paying interest or principal only)	97%

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During the pendency of any suit, action, proceeding or lien referenced in Paragraph 11(c) (other than a suit, action, proceeding or lien resulting from the exercise of the Secured Party's rights under Paragraph 6(c)), the Posted Credit Support affected thereby shall not constitute Eligible Collateral. Pledgor shall be obligated, in such event, to Transfer to the Secured Party substitute Eligible Credit Support for such Posted Credit Support in order to satisfy its obligations under Paragraph 3; provided, that such substitute Eligible Credit Support shall have a Value as of the date of Transfer equal to or greater than the Value such Posted Credit Support would have had (as determined by the Secured Party) if no such suit, action, proceeding or lien was pending.

(iii) ***Other Eligible Support.*** Such other property as the Secured Party, in its sole discretion, shall deem acceptable, with such Valuation Percentage applied thereto as the Secured Party, in its sole discretion, shall deem appropriate.

(iv) ***Thresholds.***

(A) ***“Independent Amount”*** means zero for Party A and not applicable for Party B unless otherwise specified in a confirmation.

(B) ***“Threshold”*** means with respect to Party A, the amount set forth on Table 1 hereto under “Pledgor's Threshold Amount” corresponding to the lower of Party A's Ratings (as defined below) at the relevant time. ***“Threshold”*** is not applicable for Party B.

(C) ***“Minimum Transfer Amount”*** means with respect to Party A, \$100,000 and, with respect to Party B, USD 100,000 unless Party B is a Defaulting Party or an Affected Party, in which case the Minimum Transfer Amount for Party B shall be zero.

(D) ***Rounding.*** The Delivery Amount and the Return Amount will be rounded up and down respectively, to the nearest integral multiple of USD10,000.

(E) ***“Rating”*** means, in the case of Party A, the rating issued by either S&P or Moody's in respect of long-term unsecured and unsubordinated obligations of The Bear Stearns Companies Inc.

(c) ***Valuation and Timing.***

(i) ***“Valuation Agent”*** means, for purposes of Paragraphs 3 and 5, the party making the demand under Paragraph 3; for purposes of Paragraph 4(d)(ii), the Secured Party receiving the Substitute Credit Support; for purposes of Paragraph 6(d), the Secured Party receiving or deemed to receive the Distributions or the Interest Amount, as applicable, and, for purposes of assigning a Value to Posted Credit Support for the purpose of setting off against such Posted Credit Support the Pledgor's Obligations to the Secured Party or for the purpose of determining the amount of any cash payment to which the Pledgor is entitled in lieu of the return of Posted Credit Support, the Secured Party (or, in each such instance, an Affiliate of the applicable party).

(ii) ***“Valuation Date”*** means any Local Business Day designated by a party which, in the reasonable judgment of such party, would result in a Delivery Amount or Return Amount.

(iii) ***“Valuation Time”*** means the close of business on the Local Business Day in the city where the Valuation Agent is located immediately preceding the Valuation Date or date of

calculation, as applicable; provided that the calculations of Value and Exposure will be made as of approximately the same time on the same date.

(iv) **“Notification Time”** means 1:00 p.m. (New York time).

(v) **Calculations.** Paragraph 4(c) is hereby amended and restated in entirety as set forth below.

“(c) **Calculations.** All calculations of Value and Exposure for purposes of Paragraphs 3 and 6(d) will be made by the Valuation Agent as of the Valuation Time. The Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) of its calculations not later than the Notification Time on the applicable Valuation Date (or in the case of Paragraph 6(d), the Local Business Day).”

(d) **Conditions Precedent.** There shall be no “Specified Condition” with respect to either party for purposes of this Annex.

(e) **Substitution.**

(i) **“Substitution Date”** means (A) the Local Business Day on which the Secured Party receives the Substitute Credit Support, if notice of substitution is received by the Notification Time on such date, and (B) the Local Business Day following the date on which the Secured Party receives the Substitute Credit Support, if notice of substitution is received after the Notification Time.

(ii) **Consent of Secured Party for Substitution.** Inapplicable.

(iii) **Amendment of Paragraph 4(d)(ii).** Paragraph 4(d)(ii) is amended and restated in its entirety as set forth below.

“(ii) subject to Paragraph 4(a) of this Annex, the Secured Party will Transfer the items of Posted Credit Support specified by the Pledgor in its notice not later than the close of business on the Substitution Date, provided, however, that if the Secured Party shall not have received the Substitute Credit Support prior to 1:00 p.m. (New York time) on the Substitution Date, then the Secured Party (which agrees to use commercially reasonable efforts to Transfer the specified items of Posted Credit Support on the same day it receives the Substitute Credit Support) shall Transfer the applicable items of Posted Credit Support not later than the close of business on the Local Business Day immediately following the day on which the Secured Party receives the Substitute Credit Support. Notwithstanding the foregoing, the Secured Party will only be obligated to Transfer Posted Credit Support with a Value as of the Substitution Date equal to the Value of the Substitute Credit Support delivered by the Pledgor in exchange therefor.”

(f) **Dispute Resolution.**

(i) **“Resolution Time”** means 1:00 p.m., New York time, on the Local Business Day for both parties following the date the Disputing Party gives notice of a dispute pursuant to Paragraph 5.

(ii) **Value.** For the purpose of Paragraphs 5(i)(C) and 5(ii), disputes over the Value of Posted Credit Support will be resolved by the Valuation Agent seeking bid-side quotations as of the relevant Recalculation Date or date of Transfer, as applicable, from three parties that regularly act as dealers in the securities in question. The Value will be the arithmetic mean of the quotations obtained by the Valuation Agent; provided, that if three quotations are not available for a particular security, then the number of quotations obtained with respect to such security will be used. If no quotations are available for a particular security, then the Valuation Agent's original calculation of Value thereof will be used for that security.

(iii) **Alternative.** Subject to item (iv) below, the provisions of Paragraph 5 will apply.

(iv) **Modification of Paragraph 5.** The introductory paragraph of Paragraph 5 shall be amended and restated to read in its entirety as follows:

“If a party (a ‘Disputing Party’) disputes (I) the Valuation Agent's calculation of a Delivery Amount or a Return Amount or (II) the Value of any Transfer of Eligible Credit Support or Posted Credit Support, then:

(A) the Disputing Party will (x) notify the other party and, if applicable, the Valuation Agent of the amount it is disputing, (y) indicate what it believes the correct amount to be and (z) provide a statement showing, in reasonable detail, how it arrived at such amount and the appropriate party will deliver the undisputed amount to the other party not later than (i) (a) the close of business on the Local Business Day following the Valuation Date, if the demand made under Paragraph 3 in the case of (I) above is made by the Notification Time, or (b) the close of business of on the second Local Business Day following the date on which the demand is made under Paragraph 3 in the case of (I) above, if such demand is made after the Notification Time, or (ii) the close of business of the date of Transfer, in the case of (II) above;

(B) the parties will consult with each other and provide such information as the other party shall reasonably request in an attempt to resolve the dispute; and

(C) if they fail to resolve the dispute by the Resolution Time, then:”

(g) **Holding and Using Posted Collateral.**

(i) **Eligibility to Hold Posted Collateral: Custodians.** Party B will be entitled to hold Posted Collateral itself or through a Custodian pursuant to Paragraph 6(b), provided that the following conditions applicable to it are satisfied.

- (1) Party B is not a Defaulting Party
- (2) The Custodian is a Bank (as defined in the Federal Deposit Insurance Act) whose rating with respect to its long term unsecured, unsubordinated indebtedness is at least BBB+ by S&P or Baa1 by Moody's.

(ii) **Use of Posted Collateral.** The provisions of Paragraph 6(c) will apply to both parties.

(h) **Distributions and Interest Amount.**

(i) **Interest Rate.** The "Interest Rate" will be the "Federal Funds (Effective)" rate as such rate is displayed on Telerate page 118 for such day under the caption "Effective".

(ii) **Amendment of Paragraph 6(d)(i) – Distributions.** Clause (d)(i) of Paragraph 6 shall be amended and restated to read in its entirety as follows:

(i) **Distributions.** If the Secured Party receives or is deemed to have received Distributions on a Local Business Day, it will credit to Pledgor not later than the following Local Business Day any Distributions it receives or is deemed to have received, and such Distributions will constitute Posted Collateral and will be subject to the security interest granted under Paragraph 2.

(iii) **Amendment of Paragraph 6(d)(ii) - Interest Amount.** Clause (d)(ii) of Paragraph 6 shall be amended and restated to read in its entirety as follows:

(i) **Interest Amount.** In lieu of any interest, dividends or other amounts paid or deemed to have been paid with respect to Posted Collateral in the form of Cash (all of which may be retained by the Secured Party), the Secured Party will credit to Pledgor on the 20th day of each calendar month (or if such day is not a Local Business Day, the next Local Business Day) the Interest Amount. The Interest Amount will constitute Posted Collateral and will be subject to the security interest granted under Paragraph 2. For purposes of calculating the Interest Amount the amount of interest calculated for each day of the interest period shall be compounded monthly.

(i) **Demands and Notices.**

All demands, specifications and notices under this Annex will be made pursuant to the Notices Section of this Agreement.

(j) **Addresses for Transfers.**

Party A: To be provided in writing by Party A to Party B.

Party B: To be provided in writing by Party B to Party A.

(k) **Other Provision(s).**

(i) **Amendment of Paragraph 7 - Events of Default.** Clause (i) of Paragraph 7 shall be amended and restated to read in its entirety as follows:

(i) that party fails (or fails to cause its Custodian) to make, when due, any Transfer of Eligible Collateral, Posted Collateral

or the Interest Amount, as applicable, required to be made by it and that failure continues for one Local Business Day after notice of that failure is given to that party;

(ii) ***Non-Reliance.*** Notwithstanding the obligations of the Secured Party under Paragraph 6(a), and without limiting the generality of the final sentence of Paragraph 6(a), Party A, as Pledgor, acknowledges that it has the means to monitor all matters relating to all valuations, payments, defaults and rights with respect to Posted Collateral without need to rely on Party B, in its capacity as Secured Party, and that, given the provisions of this Annex on substitution, responsibility for the preservation of the rights of the Pledgor with respect to all such matters is reasonably allocated hereby to the Pledgor.

(iii) ***Agreement as to Single Secured Party and Pledgor.*** Party A and Party B agree that, notwithstanding anything to the contrary in the recital to this Annex, Paragraph 1 (b) or Paragraph 2 or the definitions in Paragraph 12, (a) the term “Secured Party” as used in this Annex means only Party B, (b) the term “Pledgor” as used in this Annex means only Party A, (c) only Party A makes the pledge and grant in Paragraph 2, the acknowledgement in the final sentence of Paragraph 8(a) and the representations in Paragraph 9 and (d) only Party A will be required to make Transfers of Eligible Credit Support hereunder.

IN WITNESS WHEREOF, the parties have executed this Annex on the respective dates specified below with effect from the date specified on the first page of this document.

**[BEAR ASSIGNEE]**

\_\_\_\_\_  
Name:  
Title:  
Date:

SACRAMENTO TRANSPORTATION AUTHORITY

\_\_\_\_\_  
Name:  
Title:  
Date:

**TABLE 1**

<b><u>S&amp;P Rating</u></b>	<b><u>Moody's Rating</u></b>	<b><u>Threshold</u></b>
AA or above	Aa2 or above	Infinity
AA-	Aa3	Infinity
A+	A1	\$15,000,000
A	A2	\$10,000,000
A- or below	A3 or below	Zero

If Moody's and S&P issue different rating classifications for a party (or its Credit Support Provider, as applicable), the Pledgor's Threshold and the Minimum Transfer Amount that apply to such party shall be the applicable amounts opposite the lower of the two ratings. In addition, a party that is a Defaulting Party shall be deemed to have a Threshold and Minimum Transfer Amounts equal to zero regardless of the rating classification that Moody's or S&P may have issued at such time.