



BAY AREA TOLL AUTHORITY  
Bay Area Metro Center  
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San Francisco, CA 94105  
TEL 415.778.6700  
WEB [www.mtc.ca.gov](http://www.mtc.ca.gov)

## ***Memorandum***

TO: BATA Oversight Committee

DATE: November 2, 2016

FR: Executive Director

W. I. 1254

RE: BATA Resolution No. 120 – Financing Plan Through December 31, 2018

Staff requests that the Committee forward BATA Resolution No. 120 to the Authority authorizing the approval of the Financing Plan through December 31, 2018.

The FY 2017-18 plan involves mainly the routine administration of the current \$9.2 billion portfolio. The portfolio has \$3.1 billion in variable rate bonds which require constant maintenance as well as \$6.1 billion in fixed rate bonds that offer opportunities for cost savings. Over the past three years fixed rate refundings have produced over \$50 million in annual cash flow savings for a present value worth in excess of \$300 million.

### **Variable Rate Debt:**

BATA will have over \$1 billion in variable rate bonds maturing between now and December 2018. The maturities will split almost evenly at \$552 million per year. The short term variable market has been a very effective tool in keeping debt costs down with current rates ranging from 1.0% to 1.45%. The current 3-5 year market range is 1.05% to 1.25%. We expect the short term market to continue as an effective tool to reduce BATA's cost of borrowing.

### **Refunding:**

BATA currently has in excess of \$400 million in fixed rate bonds that exceed the minimum savings threshold requirement of 3.0%. The market on refundings can change at anytime, therefore, there is no guarantee the bonds will be refunded. However, BATA has successfully refunded over \$2 billion since 2014 at a present savings of over \$300 million. Approving the parameters in advance will allow us to be ready to proceed very quickly to take advantage of low interest rates and achieve even greater cost savings.

### **New Money Bonds:**

Demand for tax exempt bonds continues to keep long term interest rates at or near historical lows. The benchmark for 25 year "AA" rated debt is the Revenue Bond Index (RBI). The RBI is currently below 4.0% and absent a major market shift, BATA can expect to issue new debt between 3.80% and 4.50% - well below our current marketing assumptions of 5.25%. BATA will use the proceeds to reimburse prior expenditures on the San Francisco-Oakland Bay Bridge and the demolition of the old East Span.

**Direct Purchase:**

Included in the resolution within the provision for managing credit and reimbursement agreements (pg. 5) is the authority to utilize a Direct Bank Purchase. The Credit Facility and Reimbursement Agreement (CFRA) was negotiated by Bank of America/Merrill Lynch (BAML) as representative of our credit provider banking group with PFM, our financial advisor and Orrick, as bond counsel. The CFRA is supported by a Direct Purchase Agreement contract allowing BAML to purchase bonds directly from BATA without provision for a remarketing agreement or outside credit support. Once purchased from BATA, BAML will have rights consistent to any bondholder or credit provider.

**BATA Resolution No. 120:**

BATA Resolution No. 120 will authorize the financing plan through December 31, 2018. Authorization includes the form of the offering indenture, as well as the parameters and limitations imposed as part of the approval.

**Official Statement:**

The Official Statement (OS) serves as the principal document representing BATA to the investors. The document includes a description of BATA and its basic authority, detail on the status of BATA projects, covenants and conditions, as well as risks associated with the project and financing. Included in the OS is Attachment A representing historical and updated information on projects, traffic, revenue, expense, debt costs and coverage.

**Issuance Parameters:**

Resolution No. 120 also includes specific parameters that must be met throughout the plan of finance. Those parameters include:

**New Money:**

- Total Issuance	\$ 300 million
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**Term:**

- Tax Exempt	40 years
- Taxable	50 years

**Rate:**

- Tax Exempt	4.50 %
- Taxable	5.50 %

**Cost of Issuance:**

- Tax Exempt	1.0 %
- Taxable	2.0 %

<b>Other Costs:</b>	1.0 %
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<b>Refunding for Savings:</b>	Minimum 3% PV
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All transactions must be completed within the limitation listed in Resolution No. 120.

**Recommendation:**

Staff requests authority to submit Resolution No. 120 to the Authority for approval. Funds are included in the BATA budget.



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Steve Heminger

SH:bm  
Attachments

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Date: November 16, 2016

W.I.: 1254

Referred by: BATA Oversight

ABSTRACT

BATA Resolution No. 120

This resolution authorizes the issuance of up to \$300,000,000 million in additional bonds, in one or more series, to finance Authority projects and purposes, the issuance of refunding bonds, the development, update and publication from time-to-time of an official statement relating to the Authority and its bonds, the taking of various actions in connection with the Authority's outstanding bonds, swaps and reimbursement agreements, the execution and delivery of related bond, swap, credit, liquidity and disclosure documents, and all necessary actions in connection therewith.

Discussion of this action is contained in the Executive Director's Memorandum to the BATA Oversight Committee dated November 2, 2016.

Date: November 16, 2016  
W.I.: 1254  
Referred by: BATA Oversight

BAY AREA TOLL AUTHORITY  
RESOLUTION NO. 120

WHEREAS, the Bay Area Toll Authority (the “Authority”) has outstanding \$5,601,095,000 principal amount of toll bridge revenue bonds (the “Senior Bonds”) issued pursuant to its Master Indenture, dated as of May 1, 2001, as amended and supplemented (the “Master Indenture”), and has outstanding \$3,585,000,000 principal amount of subordinate toll bridge revenue bonds (the “Subordinate Bonds”) issued pursuant to its Subordinate Indenture, dated as of June 1, 2010, as amended and supplemented (the “Subordinate Indenture”); and

WHEREAS, the Authority has decided to authorize the issuance of up to an additional \$300,000,000 principal amount of toll bridge revenue bonds, as additional Senior Bonds, additional Subordinate Bonds or any combination thereof (collectively, the “Additional Bonds”), bearing either taxable or tax-exempt, fixed or variable interest rates, or any combination thereof, and the Authority has decided to authorize the sale and delivery of such Additional Bonds in one or more series from time-to-time through December 31, 2018 to provide funding for the Authority’s authorized projects and purposes, including as authorized pursuant to Chapter 4, Chapter 4.3, and Chapter 4.5 of Division 17 of the California Streets and Highways Code and the provisions of the Revenue Bond Law of 1941 applicable to the Authority (collectively, the “Act”); and

WHEREAS, the Authority has entered into a Reimbursement Agreement dated as of October 16, 2014 (the “Reimbursement Agreement”) under which certain banks provide credit and/or liquidity support for a portion of the Authority’s variable rate demand Senior Bonds, and it may be in the best interests of the Authority to amend, restructure, replace or terminate the Reimbursement Agreement; and

WHEREAS, it may be in the best interests of the Authority from time to time to issue Senior Bonds or Subordinate Bonds to refund outstanding Senior Bonds or Subordinate Bonds and related obligations, including pursuant to Article 10 and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (Section 53570 et seq.), as applicable; and

WHEREAS, it may be in the best interests of the Authority to convert outstanding variable rate demand Senior Bonds to another interest rate mode or modes; and

WHEREAS, the Authority has outstanding interest rate swaps in the aggregate notional amount of \$1,917,845,000 (the “Outstanding Notional Amount”), and it may be in the best interests of the Authority to amend, novate, restructure, replace or terminate any or all of the related interest rate swap agreements; and

WHEREAS, it may be in the best interests of the Authority to enter into additional reimbursement agreements, credit or liquidity support agreements or interest, asset or other swap agreements, including any such agreements relating to a private placement and/or direct purchase of a series of Additional Bonds, and there has been prepared and presented to the Authority a form of a Credit Facility and Reimbursement Agreement (the “Direct Purchase Credit Agreement”) and a related purchase contract (the “Direct Purchase Contract”); and

WHEREAS, to facilitate the offering and sale of the Additional Bonds and the remarketing of outstanding Bonds, there has been prepared and presented to the Authority a proposed form of official statement or reoffering circular together with a proposed form of Appendix A to the official statement or reoffering circular relating to the Authority (collectively, the “Official Statement”), and the Authority expects to update the Official Statement from time-to-time in connection with the issuance of Additional Bonds or refunding bonds, or the remarketing of Senior Bonds or Additional Bonds that are variable rate demand bonds being converted to another interest rate mode or modes, or due to a change in credit or liquidity facility; now therefore, be it

RESOLVED, that the Authority finds that the foregoing recitals are true and correct and that capitalized terms defined in the Master Indenture or the Subordinate Indenture that are used but not otherwise defined in this Resolution shall have the meanings assigned to such terms therein, as applicable; and be it further

RESOLVED, that the Authority hereby authorizes the issuance, from time-to-time, of Additional Bonds in one or more series and in one or more public offerings, direct purchases or other private placements in accordance with the terms of the Master Indenture, the Subordinate Indenture and Chapter 4, Chapter 4.3 and Chapter 4.5 of Division 17 of the California Streets and Highways Code, and, as applicable, Article 10 and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (Section 53570 et seq.), bearing either taxable or tax-exempt fixed interest rates, variable interest rates, or fixed interest rates that include coupon payments which change according to a schedule over the life of such bonds, or any combination thereof, in an aggregate principal amount not to exceed \$300,000,000 to:

- (1) fund Authority projects, including without limitation, constructing, improving, or equipping any of the bridges, or any of the purposes authorized by Chapters 4, 4.3 or 4.5 of Division 17 of the California Streets and Highways Code, and to reimburse the Authority for its prior payment of such costs;
- (2) increase the amount on deposit in the reserve fund under the Master Indenture as necessary to meet the requirements of the Master Indenture or fund any reserve fund contribution under the Subordinate Indenture;
- (3) pay the costs of issuance of the Additional Bonds, provided that the underwriters' discount (excluding any original issue discount) shall not exceed 1% of the aggregate principal amount of tax-exempt Additional Bonds issued and 2% of the aggregate principal amount of taxable Additional Bonds issued and other costs of issuance shall not exceed 1% of the aggregate principal amount of the Additional Bonds issued; and
- (4) pay any swap-related costs, legal or financial advisor fees, credit or liquidity support costs or other costs or payments as are determined to be necessary or desirable by the Executive Director or the Chief Financial Officer in carrying out the purposes of this Resolution;

provided, however, that the aggregate principal amount of Additional Bonds issued pursuant to the foregoing authorization may not exceed \$300,000,000 and the Additional Bonds authorized hereby shall not be issued after December 31, 2018 without further authorization by the Authority; and be it further

RESOLVED, that subject to the foregoing, the series designations, dates, maturity date or dates (not to exceed 40 years from their date of issuance in the case of tax-exempt Additional Bonds and 50 years from their date of issuance in the case of taxable Additional Bonds), interest rate or rates, terms of redemption, and other terms of each series of Additional Bonds shall be as provided in one or more supplemental indentures to the Master Indenture or the Subordinate Indenture providing for the issuance of such series of Additional Bonds as finally executed by the Executive Director or the Chief Financial Officer, provided that the true interest cost for fixed interest rate Additional Bonds may not exceed 4.50% per annum for additional tax-exempt Senior Bonds, 5.00% per annum for additional tax-exempt Subordinate Bonds, and 5.50% per annum for additional taxable bonds, and the interest rate for variable interest rate Additional Bonds may not exceed 12% per annum except with respect to any variable interest rate Additional Bonds that are held pursuant to a letter of credit, line of credit, standby purchase agreement, revolving credit agreement or other credit arrangement

pursuant to which credit or liquidity support is provided for Additional Bonds, pursuant to which the interest rate or rates shall not exceed 15% per annum; and be it further

RESOLVED, that the method of determining the interest rate or rates on variable interest rate Additional Bonds, the terms of tender and purchase of Additional Bonds, and the other terms of variable interest rate Additional Bonds shall be as specified in a supplemental indenture to the Authority's Master Indenture or Subordinate Indenture, in substantially the form of a supplemental indenture executed by the Authority in the past pursuant to the Master Indenture or the Subordinate Indenture, in each case with such additions thereto and changes therein (including, without limitation, additions or changes necessary or desirable to accommodate direct purchases of bonds or to establish terms and conditions relating to the issuance of fixed interest rate Additional Bonds that have coupon payments which change over the life of the bonds according to a schedule, or additional put or index bond or other structures, with or without liquidity or credit support) as the Executive Director or Chief Financial Officer executing the same, with the advice of General Counsel to the Authority and bond counsel to the Authority, may approve (such approval to be conclusively evidenced by the execution and delivery of the supplemental indenture), and the Authority hereby authorizes the Executive Director or the Chief Financial Officer to purchase, from time-to-time, for and on behalf of the Authority, any of the variable interest rate Additional Bonds at a price equal to the principal amount of such Additional Bonds (plus accrued interest) on a date or dates selected by the Authority if such officer determines that it is in the best interests of the Authority to so purchase such Additional Bonds; and be it further

RESOLVED, that the Authority hereby determines pursuant to Section 3.01(B)(1) of the Master Indenture, based on the calculations in Attachment A to this Resolution, that the ratio of (A) Net Revenue for the most recent Fiscal Year for which audited financial statements are available to (B) Maximum Annual Debt Service on the Senior Bonds (and Parity Obligations), including such Additional Bonds that are issued as Senior Bonds (or Parity Obligations), in the aggregate principal amount of \$300,000,000, will not be less than 1.50:1, and the Authority hereby directs an Authorized Representative to update this calculation as of the actual date of sale of each series of the Additional Bonds that are issued as Senior Bonds to reflect the actual amount of Additional Bonds being sold and to proceed with the issuance pursuant to the Master Indenture only if the ratio of (A) Net Revenue for the most recent Fiscal Year for which audited financial statements are available or projected Net Revenue for each of the next three Fiscal Years to (B) Maximum Annual Debt Service on the



Additional Bonds that are issued as Senior Bonds (or Parity Obligations) and the actual amount of additional Senior Bonds being sold is not less than 1.50:1 as of said date of sale; and be it further

RESOLVED, that the Authority hereby authorizes the execution of one or more additional reimbursement agreements, credit or liquidity support agreements or direct purchase credit agreements or interest, asset or other swap agreements relating to a direct purchase and/or private placement of Additional Bonds, in substantially the form of, as applicable, the Authority's Reimbursement Agreement or the form of the Direct Purchase Credit Agreement (each, a "Support Agreement"), with such additions thereto or changes therein as the Executive Director or the Chief Financial Officer executing the same, with the advice of General Counsel to the Authority and bond counsel to the Authority, may require or approve (the approval of such additions or changes to be conclusively evidenced by the execution and delivery of each Support Agreement); and be it further

RESOLVED, that the Authority hereby authorizes each of the Executive Director and the Chief Financial Officer to amend, restructure, replace, or terminate the Authority's Reimbursement Agreement, including, but not limited to, replacing one or more of the banks that issue letters of credit pursuant thereto or converting one or more series of Senior Bonds to interest rates that do not require credit or liquidity support; and be it further

RESOLVED, that the Authority authorizes refunding any variable rate Senior Bonds and any fixed interest rate Senior Bonds and any Subordinate Bonds with fixed interest rate or variable interest rate Senior Bonds or Subordinate Bonds or any combination thereof, provided that: (1) the net present value economic benefit threshold of 3% in Resolution No. 51 shall apply to such refundings unless the Executive Director and the Chief Financial Officer determine (with the advice of the Authority's financial advisor) that it is in the best interests of the Authority to proceed with one or more refundings with a lower threshold to achieve other Authority objectives, including, without limitation, improving the Authority's debt service profile in light of the Authority's overall portfolio of debt and invested assets, reducing exposure to liquidity costs or other variable rate risks, or making changes in covenants, redemption or conversion provisions applicable to such bonds or related credit or liquidity support agreements or swaps; (2) the principal amount of Additional Bonds authorized in this Resolution is hereby increased by the aggregate principal amount of such refunding bonds that the Executive Director and the Chief Financial Officer approve, provided that the aggregate principal amount of such refunding bonds may not exceed the amount necessary to redeem the outstanding Senior Bonds or Subordinate Bonds being refunded plus interest to the redemption date and the

amount of any redemption premium and the expenses and related credit or liquidity support, swap or other costs associated with such refinancing; and be it further

RESOLVED, that the Authority hereby authorizes each Authorized Representative (as defined in the Master Indenture) to convert any variable rate Senior Bonds to another interest rate mode or mode, including new interest rate modes not currently found in the Master Indenture and to pay related costs, including with respect to credit or liquidity support or swaps, or other costs, fees or payments as are determined to be necessary or desirable by the Executive Director or the Chief Financial Officer, with the advice of the Authority's financial advisor and bond counsel, in carrying out the purposes of this Resolution; and be it further

RESOLVED, that, because the Authority's cost of funds to pay interest on the outstanding Senior Bonds and the Additional Bonds will be affected by changes in interest rates, each of the Executive Director and the Chief Financial Officer is hereby authorized, for and on behalf of the Authority, to select counterparties for and prepare, enter into, and perform contracts and arrangements permitted by California Government Code Sections 5920 through 5923 in connection with or incidental to the issuance or carrying of the outstanding Senior Bonds and the Additional Bonds, and the Authority hereby finds and determines that such contracts and arrangements are designed to reduce the amount or duration of payment, currency, rate, spread, or similar risk or result in a lower cost of borrowing when used in combination with the issuance or remarketing of the Senior Bonds and the Additional Bonds or to enhance the relationship between risk and return with respect to the investment or program of investment in connection with, or incidental to, the contract or arrangement which is to be entered into, and each of the Executive Director and the Chief Financial Officer is hereby authorized:

- (1) to amend, restructure or terminate, including to replace or enter into one or more novations with respect to, existing swap agreements related to Senior Bonds;
- (2) to hedge the Authority's exposure to interest rate risk on all or any portion of the Additional Bonds issued bearing fixed interest rates or the outstanding fixed interest rate Senior Bonds or Subordinate Bonds by means of new interest rate swap agreements that obligate the Authority to make variable payments to swap counterparties, provided that
  - (i) any new interest rate swap agreements shall not cause the aggregate notional amount of the Authority's interest rate swaps to exceed the Outstanding Notional Amount, and
  - (ii) the resulting variable payment obligations of the Authority shall not exceed a contractual ceiling (which may be based on an index) approved by such officer;

- (3) to hedge the Authority's exposure to interest rate risk on all or any portion of the Additional Bonds issued bearing variable interest rates by means of new interest rate swap agreements that obligate the Authority to make fixed payments to swap counterparties, provided that (i) any new interest rate swap agreements shall not cause the aggregate notional amount of the Authority's interest rate swaps to exceed the Outstanding Notional Amount, and (ii) the resulting fixed payment obligations of the Authority shall not exceed 4.50% per annum if the related Additional Bonds are Senior Bonds bearing tax-exempt interest rates, 5.00% per annum if the related Additional Bonds are Subordinate Bonds bearing tax-exempt interest rates, and 5.50% per annum if the related Additional Bonds bear taxable interest rates;
- (4) provided, that all such contracts and arrangements referred to in (1) through (3) above shall be entered into in accordance with the Authority's Debt Policy, as amended from time-to-time, after giving due consideration to the creditworthiness of the counterparties, and in accordance with previously-utilized forms of swap documentation as guidelines for documentation, with such changes in swap documentation as shall be approved by such officer (and the amendments described in the parenthetical phrase in (1) and (2) above is hereby determined to be in accordance with the Authority's Debt Policy);
- (5) provided further, that each such contract or arrangement with respect to a Senior Bond heretofore or hereafter issued shall be a Qualified Swap Agreement if the Authority has received a Rating Confirmation from each Rating Agency with respect thereto and if such officer determines, for and on behalf of the Authority, that (a) the notional amount of the contract or arrangement does not exceed the principal amount of the related series of Senior Bonds or portion thereof as applicable (and in making such a determination, such officer is hereby directed to calculate notional amounts as net amounts by taking into account and giving effect to all contracts and arrangements referred to above and rounding amounts as necessary to establish that each such agreement is a Qualified Swap Agreement) and (b) the contract or arrangement is intended to place the Senior Bonds on the interest rate basis desired by the Authority, that payments (other than payments of fees and expenses and termination payments, which shall be paid as set forth in the Master Indenture) thereunder shall be payable from Revenue on a parity with the payment of Senior Bonds, and that the contract or arrangement is designed to reduce the amount or duration of payment, rate, spread, or similar risk or result in a lower cost of

borrowing when used in combination with the issuance or conversion of Senior Bonds of the Authority;

- (6) provided further, that each such contract or arrangement with respect to a Subordinate Bond heretofore or hereafter issued shall be a Parity Obligation (under and as defined in the Subordinate Indenture) if such contract or arrangement is designated as a Parity Obligation in the certificate of the Authority required by Section 3.02(b) of the Subordinate Indenture; and be it further

RESOLVED, that the Authority hereby approves development and use of the Official Statement, relating to the Authority and any of its outstanding Senior Bonds or Additional Bonds that are publicly offered or remarketed, and authorizes the Executive Director and the Chief Financial Officer, and each of them, to publish, post or disseminate (and deem final for purposes of Securities and Exchange Commission Rule 15c2-12) the Official Statement and, as required from time-to-time, to update the Official Statement, including without limitation Appendix A thereto, with such changes, amendment and supplements therein as are approved by either of them, as the Authority's Official Statement and to authorize the distribution of each such Official Statement by underwriters, broker dealers and placement agents, as applicable, until such time as the Authority's audited financial statements for the Fiscal Year ending June 30, 2017 have been finalized, delivered to and accepted by the Authority, in connection with which a new form of Official Statement will be prepared for approval; and be it further

RESOLVED, that the Authority hereby authorizes the Executive Director and the Chief Financial Officer, and each of them, to select the parties to and execute and deliver (and the Secretary is authorized to countersign, if necessary) each of the documents that is necessary or appropriate to effect each of the transactions contemplated hereby, including, without limitation, supplemental indentures, official statements, reoffering circulars, remarketing agreements, pricing notices, credit or liquidity support agreements, reimbursement agreements, escrow agreements, continuing disclosure agreements and purchase contracts, including purchase contracts in the form of the Direct Purchase Contract, which is hereby approved, (collectively called the "Bond Documents") in substantially the forms approved hereby or executed by the Authority in the past, as applicable, with such additions thereto or changes therein, including, without limitation, additions or changes necessary or desirable to accommodate direct purchases or establish terms and conditions related to the issuance of fixed interest rate Additional Bonds having coupon payments that change over the life of the bonds according to a schedule, or in such other form as the officer executing the same, with the

advice of General Counsel to the Authority and bond counsel to the Authority, may require or approve, the approval of such additions or changes or the approval of such other form to be conclusively evidenced by the execution and delivery of each Bond Document; and be it further

RESOLVED, that the Chair of the Authority, the Vice Chair of the Authority, the Executive Director, the Chief Financial Officer and other appropriate officers of the Authority, be and they are hereby authorized and directed, jointly and severally, for and in the name and on behalf of the Authority, to execute and deliver any and all certificates, documents, amendments, instructions, orders, representations and requests and to do any and all things and take any and all actions that may be necessary or advisable, in their discretion, to effectuate the actions that the Authority has approved in this Resolution and to carry out, consummate and perform the duties of the Authority set forth in the Bond Documents and all other documents executed in connection with the Additional Bonds; and be it further

RESOLVED, that this Resolution shall take effect from and after its adoption.

#### BAY AREA TOLL AUTHORITY

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Dave Cortese, Chair

The above resolution was entered into by the  
Bay Area Toll Authority at a regular meeting  
of the Authority held in San Francisco,  
California, on November \_\_, 2016

**ATTACHMENT A  
TO BATA RESOLUTION NO. 120**

**ADDITIONAL SENIOR BONDS CERTIFICATE**

**BAY AREA TOLL AUTHORITY**

**Additional Bonds Test calculation for proposed \$300,000,000 of Additional Senior Bonds**

	<b>Fiscal Year 2016 Audited Results (000's)</b>	<b>Debt Service and Coverage Calculations</b>
<b>A Toll Revenues</b>	\$714,132	
<b>B Interest Income</b>	12,006	
<b>C Other Operating Revenues</b>	22,830	
<b>D REVENUE (A + B + C)</b>	\$748,968	
<b>E Less Category B Maintenance Expenses</b>	26,376	
<b>F NET REVENUE (D - E)</b>	\$722,592	
<b>Maximum Annual Debt Service on Senior Bonds as of November 2, 2016 (occurs in the Fiscal Year ending June 30, 2043)</b>	\$318,388	
<b>Maximum Annual Debt Service G after \$300,000,000 million of Additional Senior Bonds issued</b>	\$333,388	
<b>H Debt Service Coverage (F / G)</b>	2.16	

\* Excludes Debt Service on Subordinate Bonds, combined Maximum Annual Debt Service on all Outstanding Bonds as of November 2, 2016 is \$535.5 million.

**[REMARKETED ISSUE]****[NEW ISSUE]—BOOK-ENTRY ONLY****RATINGS: See “RATINGS”**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2016 Series Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the 2016 Series Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other federal or state tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2016 Series Bonds. See “TAX MATTERS.”*

\$[\_\_\_\_\_] ]  
**BAY AREA TOLL AUTHORITY**  
**SAN FRANCISCO BAY AREA TOLL BRIDGE REVENUE BONDS**

\$247,445,000	\$[_____] ]	\$[_____] ]	\$[_____] ]
<b>2014 Series A</b>	<b>2016 Series A</b>	<b>2016 Series B</b>	<b>2016 Series F-1</b>
([_____] Rate)	(Term Rate)	(Index Rate)	(Fixed Rate)

\$[\_\_\_\_\_] ]  
**BAY AREA TOLL AUTHORITY**  
**SAN FRANCISCO BAY AREA SUBORDINATE TOLL BRIDGE REVENUE BONDS**

\$[_____] ]	\$[_____] ]
<b>2016 Series S-7</b>	<b>2016 Series S-8</b>

**Dated: Date of Delivery****Due: As shown in SUMMARY OF OFFERING**

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

The Bay Area Toll Authority (the “Authority”) will [remarket its San Francisco Bay Area Toll Bridge Revenue Bonds, 2014 Series A (the “2014 Series A Bonds” and, together with the 2016 Variable Rate Senior Bonds (as defined below), the “Variable Rate Senior Bonds” and, together with the 2016 Senior Bonds (as defined below), the “2014/2016 Senior Bonds”) following the mandatory tender by the owners thereof on [\_\_\_\_\_] [ ], 20[ ] pursuant to the Master Indenture, dated as of May 1, 2001, as supplemented and amended, including as supplemented by a Twenty-Second Supplemental Indenture dated as of August 1, 2014 (collectively, the “2014 Senior Indenture”) between the Authority and MUFG Union Bank, N.A., as trustee. The 2014 Series A Bonds are dated their date of initial delivery, August 5, 2014. The aggregate principal amount, interest rate determination method, Term Rate or Index Rate, interest payment dates, maturity date, authorized denomination and other information are summarized in the SUMMARY OF OFFERING following this cover page.

The Authority will issue its San Francisco Bay Area Toll Bridge Revenue Bonds, 2016 Series A and 2016 Series B (collectively, the “2016 Variable Rate Senior Bonds”) and 2016 Series F-1 (the “2016 Series F-1 Bonds” and, collectively with the 2016 Variable Rate Senior Bonds, the “2016 Senior Bonds”) pursuant to the Master Indenture, dated as of May 1, 2001, as supplemented and amended, including as supplemented by a Twenty-Fourth Supplemental Indenture dated as of [\_\_\_\_\_] 1, 2016 (collectively, the “Senior Indenture”), between the Authority and MUFG Union Bank, N.A., as trustee. The 2016 Senior Bonds will be dated their date of delivery. [The aggregate principal amount, interest rate determination method, Term Rate or Index Rate, interest payment dates, maturity date, authorized denominations and other information relating to each Series of Variable Rate Senior Bonds are summarized in the SUMMARY OF OFFERING following this cover page.] [The 2016 Series F-1 Bonds will mature on the dates, in the principal amounts and bear interest at the rates shown in the SUMMARY OF OFFERING following this cover page.]

The Authority will issue its San Francisco Bay Area Subordinate Toll Bridge Revenue Bonds, 2016 Series S-7 and 2016 Series S-8 (collectively, the “2016 Subordinate Bonds” and, together with the 2016 Senior Bonds, the “2016 Series Bonds” and, together with the 2014 Series A Bonds, the “2014/2016 Series Bonds”) pursuant to the Subordinate Indenture, dated as of June 1, 2010, as supplemented, including as supplemented by a Fifth Supplemental Indenture dated as of [\_\_\_\_\_] 1, 2016 (collectively, the “Subordinate Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee. The 2016 Subordinate Bonds will be dated their date of delivery and will mature on the dates, in the principal amounts and bear interest at the rates shown in the SUMMARY OF OFFERING following this cover page. Investors may purchase 2014/2016 Series Bonds in book-entry form only. The Depository Trust Company will act as securities depository for the 2014/2016 Series Bonds.

The Authority administers the toll revenues from the seven state-owned toll bridges in the San Francisco Bay area. The Authority will use the proceeds from the remarketing of the 2014 Series A Bonds to pay the purchase price for the 2014 Series A Bonds tendered by the holders thereof pursuant to the mandatory tender of the 2014 Series A Bonds in connection with a new [Term Rate] [Index Rate] Period therefor. The Authority will use money from the sale of the 2016 Series Bonds to (i) refund [all] [a portion] of the Authority's outstanding 20[ ] Series [ ] Bonds, (ii) fund capital projects, (iii) make a deposit to the Reserve Fund for the benefit of the 2016 [Senior] [Subordinate] Bonds and (iv) pay the costs of issuing the 2016 Series Bonds.

**The 2014/2016 Senior Bonds and the 2016 Subordinate Bonds are subject to optional redemption by the Authority prior to maturity as described in this Official Statement. The 2014/2016 Senior Bonds and the 2016 Subordinate Bonds are also subject to mandatory sinking fund redemption by the Authority prior to maturity as described in this Official Statement.**

No letter of credit or other credit or liquidity facility will be in effect for the Variable Rate Senior Bonds during the Term Rate Period or Index Rate Period. The Variable Rate Senior Bonds are subject to mandatory tender and remarketing on and prior to the Purchase Date following the end of the Term Rate Period or Index Rate Period as described herein. The Authority expects funds from such remarketing to be applied to pay the purchase price of the Variable Rate Senior Bonds upon mandatory tender. The Authority is not obligated to provide any other funds for the purchase of the Variable Rate Senior Bonds other than remarketing proceeds and can give no assurance that sufficient remarketing proceeds will be available to pay the Variable Rate Senior Bonds upon mandatory tender. If there are insufficient funds to purchase any Series Variable Rate Senior Bonds at the end of any Term Rate Period or Index Rate Period, the owners will retain such Variable Rate Senior Bonds which will then bear interest at the Stepped Rate. See "SUMMARY OF OFFERING" and "VARIABLE RATE SENIOR BONDS IN TERM RATE OR INDEX RATE MODE — Insufficient Funds; Stepped Rate."

The Authority is not obligated to pay the 2014/2016 Series Bonds except from Revenue as defined and provided in the Senior Indenture and the Subordinate Indenture. The 2014/2016 Series Bonds are special obligations of the Authority and do not constitute an obligation of the State of California (the "State"), the Metropolitan Transportation Commission or of any other political subdivision of the State other than the Authority, or a pledge of the full faith and credit of the State or of any other political subdivision of the State or of any other entity, including the Authority.

The 2014 Series A Bonds are offered when, as and if remarketed by the Authority and received by the Remarketing Agents, subject to receipt of certain opinions from Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and other conditions. Certain legal matters will be passed upon for the Authority by its general counsel, and for the Remarketing Agents by their counsel, Nixon Peabody LLP.

The 2016 Series Bonds are offered when, as and if issued by the Authority and received by the Underwriters, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and other conditions. Certain legal matters will be passed upon for the Authority by its general counsel, and for the Underwriters by their counsel, Nixon Peabody LLP. The Authority expects that the 2014/2016 Series Bonds will be available for delivery through DTC on or about [ ] [ ], 2016.

**BofA Merrill Lynch**

**Citigroup**

**J.P. Morgan**

**Barclays**

**Goldman, Sachs & Co.**

Dated: [ ] [ ], 2016



**SUMMARY OF OFFERING**  
**\$[\_\_\_\_\_]**  
**BAY AREA TOLL AUTHORITY**  
**SAN FRANCISCO BAY AREA TOLL BRIDGE REVENUE BONDS**  
**Variable Rate Senior Bonds**

	<b>\$247,445,000 2014 Series A Bonds</b>	<b>\$[_____] 2016 Series A Bonds</b>	<b>\$[_____] 2016 Series B Bonds</b>
<b>Maturity Date:</b>	<b>April 1, 2047</b>	<b>April 1, 20[__]</b>	<b>April 1, 20[__]</b>
<b>Price:</b>	<b>[__]%</b>	<b>[__]%*</b>	<b>100%</b>
<b>Authorized Denominations:</b>	<b>\$5,000 or any integral multiple thereof</b>	<b>\$5,000 or any integral multiple thereof</b>	<b>\$5,000 or any integral multiple thereof</b>
<b>Interest Rate Determination Method**:</b>	<b>[Term] Rate</b>	<b>Term Rate</b>	<b>Index Rate</b>
<b>Term or Index Rate:</b>	<b>[__]%</b>	<b>[__]%</b>	<b>SIFMA Swap Index Plus Applicable Spread of [__]%</b>
<b>Interest Payment Dates:</b>	<b>[April 1 and October 1 of each year during the Term Rate Period commencing April 1, 2017]</b>	<b>April 1 and October 1 of each year during the Term Rate Period commencing April 1, 2017</b>	<b>First Business Day of each month during the Index Rate Period commencing [__] [__], 2016</b>
<b>Record Date for Interest Payments:</b>	<b>[Fifteenth day of the month preceding an Interest Payment Date]</b>	<b>Fifteenth day of the month preceding an Interest Payment Date</b>	<b>Business Day next preceding an Interest Payment Date</b>
<b>Purchase Date Following End of Term Rate or Index Rate Period†:</b>	<b>[April 1, 20[__]]</b>	<b>April 1, 20[__]</b>	<b>April 1, 20[__]</b>
<b>First Optional Redemption:</b>	<b>[October 1, 20[__] at par]</b>	<b>October 1, 20[__] at par</b>	<b>October 1, 20[__] at par</b>
<b>Remarketing Agent:</b>	<b>[To be appointed by the Authority prior to the Purchase Date]</b>	<b>To be appointed by the Authority prior to the Purchase Date</b>	<b>To be appointed by the Authority prior to the Purchase Date</b>
<b>CUSIP No.‡ :</b>	<b>072024[TL6]</b>	<b>072024[___]</b>	<b>072024[___]</b>

\* Priced to par call on October 1, 20[\_\_].

\*\* Upon satisfaction of certain conditions set forth in the Indenture, the 2016 Variable Rate Senior Bonds may bear interest calculated pursuant to a different Interest Rate Determination Method. See “DESCRIPTION OF THE 2016 VARIABLE RATE SENIOR BONDS.” This Official Statement is not intended to provide information about the 2016 Variable Rate Senior Bonds after the commencement of any new Term Rate Period or Index Rate Period or conversion to another Interest Rate Determination Method.

† The 2016 Variable Rate Senior Bonds are subject to mandatory tender and remarketing on the day following the last day of the Interest Rate Period.

‡ CUSIP information herein is provided by CUSIP Global Services, managed by Standard and Poor’s Financial Services LLC. CUSIP numbers are provided for convenience of reference only. Neither the Authority nor the Underwriters assume any responsibility for the accuracy of such numbers.

**SUMMARY OF OFFERING**  
(Continued)

\$[ ]  
**BAY AREA TOLL AUTHORITY**  
**SAN FRANCISCO BAY AREA TOLL BRIDGE REVENUE BONDS**  
**2016 Series F-1**

<u>Maturity Date (April 1)</u>	<u>Principal Amount</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>	<u>Price (%)</u>	<u>CUSIP Number<sup>†</sup></u>
20[ ]	\$				072024[ ]
20[ ]					072024[ ]
20[ ]					072024[ ]

\$[ ]  
**BAY AREA TOLL AUTHORITY**  
**SAN FRANCISCO BAY AREA SUBORDINATE TOLL BRIDGE REVENUE BONDS**  
**2016 Series S-7 and 2016 Series S-8**

\$[ ] 2016 Series S-7 Term Bond due October 1, 20[ ] — Price: 100%  
CUSIP<sup>†</sup>: 072024[ ]

The 2015 Series S-7 Term Bond maturing on October 1, 20[ ] will bear interest at the rate of:

[ ]% per annum from and including their dated date through and including September 30, 20[ ];  
[ ]% per annum from and including October 1, 20[ ] through and including September 30, 20[ ];  
[ ]% per annum from and including October 1, 20[ ] through and including September 30, 20[ ];  
[ ]% per annum from and including October 1, 20[ ] through and including September 30, 20[ ]; and  
[ ]% per annum from and including October 1, 20[ ] to maturity.

\$[ ] [ ]% 2016 Series S-8 Term Bonds due October 1, 20[ ] — Price: [ ]%<sup>‡</sup>  
CUSIP<sup>†</sup>: 072024[ ]

<sup>†</sup> CUSIP information herein is provided by CUSIP Global Services, managed by Standard and Poor's Financial Services LLC. CUSIP numbers are provided for convenience of reference only. Neither the Authority nor the Underwriters assume any responsibility for the accuracy of such numbers.

<sup>‡</sup> Priced to par call on October 1, 20[ ].

BAY AREA TOLL AUTHORITY

\*\*\*\*\*

**MEMBERS AND OFFICERS**

*Voting Members*

DAVE CORTESE—Chair	Santa Clara County
JAKE MACKENZIE—Vice Chair	Sonoma County and Cities
ALICIA C. AGUIRRE	Cities of San Mateo County
JASON BAKER	Cities of Santa Clara County
TOM BATES	Cities of Alameda County
DAVID CAMPOS	City and County of San Francisco
FEDERAL D. GLOVER	Contra Costa County
SCOTT HAGGERTY	Alameda County
ANNE W. HALSTED	San Francisco Bay Conservation and Development Commission
STEVEN KINSEY	Marin County and Cities
SAM LICCARDO	San José Mayor's Appointee
MARK LUCE	Napa County and Cities
JULIE PIERCE	Association of Bay Area Governments
LIBBY SCHAAF	Oakland Mayor's Appointee
JAMES P. SPERING	Solano County and Cities
ADRIENNE J. TISSIER	San Mateo County
SCOTT WIENER	San Francisco Mayor's Appointee
AMY REIN WORTH	Cities of Contra Costa County

*Non-Voting Members*

TOM AZUMBRADO	U.S. Department of Housing and Urban Development
DORENE M. GIACOPINI	U.S. Department of Transportation
BIJAN SARTIPI	California State Transportation Agency

\*\*\*\*\*

STEVE HEMINGER, Executive Director  
ALIX BOCKELMAN, Deputy Executive Director, Policy  
ANDREW B. FREMIER, Deputy Executive Director, Operations  
BRIAN MAYHEW, Chief Financial Officer  
ADRIENNE D. WEIL, General Counsel

**SENIOR INDENTURE  
TRUSTEE**

MUFG Union Bank, N.A.  
San Francisco, California

**SUBORDINATE INDENTURE  
TRUSTEE**

The Bank of New York Mellon  
Trust Company, N.A.  
Los Angeles, California

**BOND COUNSEL**  
Orrick, Herrington & Sutcliffe LLP  
San Francisco, California

**FINANCIAL ADVISOR**  
Public Financial Management Inc.  
San Francisco, California

## IMPORTANT NOTICES

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2014/2016 Series Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. The information set forth herein has been provided by the Authority, the State of California Department of Transportation (“Caltrans”) and other sources that are believed by the Authority to be reliable. The Underwriters have provided the following sentence for inclusion in the Official Statement. The Underwriters have reviewed the information in the Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Audited financial information relating to the Authority for the Fiscal Year ended June 30, 2016 is posted on the Municipal Security Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) website and is explicitly incorporated into this Official Statement. See APPENDIX A — “BAY AREA TOLL AUTHORITY – FINANCIAL STATEMENTS.” A wide variety of other information concerning the Bridge System and the Seismic Retrofit Program is available from state and local agencies, publications and websites, including <http://baybridgeinfo.org>, <http://baybridge360.org>, and the Authority’s website at <http://bata.mtc.ca.gov>. Any such other information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such other information is a part of or incorporated into this Official Statement. Excepting only the incorporation by reference of the audited financial information for the Fiscal Year ended June 30, 2016 posted to EMMA as set forth in APPENDIX A – “BAY AREA TOLL AUTHORITY – FINANCIAL STATEMENTS,” any references to internet websites contained in this Official Statement are shown for reference and convenience only; the information contained in such websites is not incorporated herein by reference and does not constitute a part of this Official Statement.

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

This [Remarketing Memorandum and] Official Statement is not to be construed as a contract with the purchasers of the 2014/2016 Series Bonds.

This [Remarketing Memorandum and] Official Statement speaks only as of its date. The information and expressions of opinion herein are subject to change without notice and neither delivery of the [Remarketing Memorandum and] Official Statement nor any sale made in conjunction herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or other matters described herein since the respective dates hereof. The [Remarketing Memorandum and] Official Statement is submitted with respect to the sale of the 2014/2016 Series Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Authority. Preparation of the [Remarketing Memorandum and] Official Statement and its distribution have been duly authorized and approved by the Authority.

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

In connection with the offering of the 2014/2016 Series Bonds, the Underwriters may over-allot or effect transactions that stabilize or maintain the market prices of the 2014/2016 Series Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the 2014/2016 Series Bonds to dealers, institutional investors and others at prices lower or yields higher than the public offering prices or yields stated in the SUMMARY OF OFFERING and such public offering prices may be changed from time to time by the Underwriters.

### **2014/2016 SERIES BONDS NOT REGISTERED**

The 2014/2016 Series Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities laws in reliance upon exemptions contained in such laws. The 2014/2016 Series Bonds will not have been recommended by the Securities and Exchange Commission or any other federal or state securities commission or regulatory authority, and no such commission or regulatory authority will have reviewed or passed upon the accuracy or adequacy of this Official Statement. The registration or qualification of the 2014/2016 Series Bonds in accordance with the applicable provisions of securities laws of any jurisdiction in which the 2014/2016 Series Bonds may have been registered or qualified and the exemption therefrom in other jurisdictions cannot be regarded as a recommendation thereof by any such jurisdiction. Any representation to the contrary may be a criminal offense.

### **CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THE OFFICIAL STATEMENT**

Some statements contained in the [Remarketing Memorandum and] Official Statement reflect not historical facts but forecasts and “forward-looking statements.” In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe,” “plan,” “budget,” and similar expressions are intended to identify forward-looking statements. Projections, forecasts, assumptions, expressions of opinions, estimates and other forward-looking statements are not to be construed as representations of fact and are qualified in their entirety by the cautionary statements set forth in the [Remarketing Memorandum and] Official Statement.

**The achievement of results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Authority does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur or do not occur.**

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\$[\_\_\_\_\_]  
**BAY AREA TOLL AUTHORITY**  
**SAN FRANCISCO BAY AREA TOLL BRIDGE REVENUE BONDS**

**\$247,445,000**  
**2014 Series A**  
**([\_\_\_\_\_] Rate)**

**\$[\_\_\_\_\_]**  
**2016 Series A**  
**(Term Rate)**

**\$[\_\_\_\_\_]**  
**2016 Series B**  
**(Index Rate)**

**\$[\_\_\_\_\_]**  
**2016 Series F-1**  
**(Fixed Rate)**

\$[\_\_\_\_\_]  
**BAY AREA TOLL AUTHORITY**  
**SAN FRANCISCO BAY AREA SUBORDINATE TOLL BRIDGE REVENUE BONDS**

**\$[\_\_\_\_\_]**  
**2016 Series S-7**

**\$[\_\_\_\_\_]**  
**2016 Series S-8**

**INTRODUCTION AND PURPOSE OF THE 2014/2016 SERIES BONDS**

This Official Statement provides information concerning [(i) the remarketing by the Bay Area Toll Authority (the “Authority”) of \$247,445,000 aggregate principal amount of Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds, 2014 Series A (the “2014 Series A Bonds” and, together with the 2016 Variable Rate Senior Bonds (as defined below), the “Variable Rate Senior Bonds” and, together with the 2016 Senior Bonds (as defined below), the “2014/2016 Senior Bonds”), and (ii)] the issuance and sale by the Authority of \$[\_\_\_\_\_] aggregate principal amount of Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds, comprised of \$[\_\_\_\_\_] 2016 Series A Bonds (the “2016 Series A Bonds”), \$[\_\_\_\_\_] 2016 Series B Bonds (the “2016 Series B Bonds”), \$[\_\_\_\_\_] 2016 Series F-1 Bonds (the “2016 Series F-1 Bonds” and, together with the 2016 Series A Bonds and the 2016 Series B Bonds, the “2016 Senior Bonds”), and \$[\_\_\_\_\_] aggregate principal amount of Bay Area Toll Authority San Francisco Bay Area Subordinate Toll Bridge Revenue Bonds, comprised of \$[\_\_\_\_\_] 2016 Series S-7 Bonds (the “2016 Series S-7 Bonds”) and \$[\_\_\_\_\_] 2016 Series S-8 Bonds (the “2016 Series S-8 Bonds” and, together with the 2016 S-7 Bonds, the “2016 Subordinate Bonds”). The 2016 Series A Bonds and the 2016 Series B Bonds are collectively referred to herein as the “2016 Variable Rate Senior Bonds.” The 2016 Senior Bonds and the 2016 Subordinate Bonds are collectively referred to herein as the “2016 Series Bonds.” Investors must review the entire Official Statement to make an informed investment decision concerning the 2016 Series Bonds.

The Authority will apply the proceeds of [the remarketing of the 2014 Series A Bonds to pay the purchase price of the 2014 Series A Bonds to the owners thereof upon the mandatory tender of the 2014 Series A Bonds on [\_\_\_\_\_, 20\_\_]. The Authority will apply the proceeds of the issuance and sale of] the 2016 Series Bonds to (i) refund all of the Authority’s outstanding 20[\_\_\_] Series [\_\_\_] Bonds, (ii) fund capital projects, (iii) make a deposit to the Reserve Fund to benefit the [2016 Subordinate Bonds] [Senior Bonds] and (iv) pay the costs of issuing the 2016 Series Bonds. See “SUMMARY OF FINANCING PLAN.”

**THE BAY AREA TOLL AUTHORITY**

The Authority administers toll revenue collections and finances improvements for seven state-owned toll bridges in the San Francisco Bay area: the Antioch Bridge, the Benicia-Martinez Bridge, the Carquinez Bridge, the Dumbarton Bridge, the Richmond-San Rafael Bridge, the San Francisco-Oakland Bay Bridge and the San Mateo-Hayward Bridge (the “Bridge System”). Principal of and interest and

mandatory sinking fund payments on the 2014/2016 Series Bonds are payable from Revenue, as summarized herein.

Further information about the Authority, its finances, its projects, the Bridge System and its other obligations appears in APPENDIX A – “BAY AREA TOLL AUTHORITY.” For the financial statements covering the Authority, see APPENDIX A — “BAY AREA TOLL AUTHORITY — FINANCIAL STATEMENTS.”

## **DESCRIPTION OF THE 2014/2016 SERIES BONDS**

Chapters 4, 4.3 and 4.5 of Division 17 of the California Streets and Highways Code and Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code (collectively, as amended from time to time, the “Act”) authorize the Authority to issue toll bridge revenue bonds, including the 2016 Series Bonds, to finance and refinance the construction, improvement and equipping of the Bridge System and other transportation projects authorized by the Act.

The Authority will issue the 2016 Senior Bonds pursuant to the Master Indenture, dated as of May 1, 2001, as supplemented by a Twenty-Fourth Supplemental Indenture, dated as of [\_\_\_\_\_] 1, 2016 (the “Supplemental Senior Indenture” and, together with the Master Indenture, as previously supplemented, including as supplemented by the 2014 Series A Supplemental Indenture described below, the “Senior Indenture”), between the Authority and MUFG Union Bank, N.A., as trustee (the “Senior Indenture Trustee”). The 2016 Senior Bonds and any other bonds issued under the Senior Indenture, including the 2014 Series A Bonds, are sometimes referred to in this Official Statement as the “Senior Bonds.” The Authority’s Senior Bonds, together with other obligations payable on a parity with the Senior Bonds, are referred to herein as the “Senior Obligations.” See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE” for a summary of certain terms of the Senior Bonds.

The 2014 Series A Bonds were issued and are outstanding pursuant to the Master Indenture, as supplemented by a Twenty-Second Supplemental Indenture, dated as of August 1, 2014 (the “2014 Series A Supplemental Indenture”), between the Authority and the Senior Indenture Trustee.

The Authority will issue the 2016 Subordinate Bonds pursuant to the Subordinate Indenture, dated as of June 1, 2010, as supplemented by a Fifth Supplemental Indenture, dated as of [\_\_\_\_\_] 1, 2016 (the “Supplemental Subordinate Indenture” and, together with the Subordinate Indenture, as previously supplemented, the “Subordinate Indenture” and, collectively with the Senior Indenture, referred to herein as the “Indentures”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Subordinate Indenture Trustee” and, together with the Senior Indenture Trustee, referred to herein as the “Trustees”). The 2016 Subordinate Bonds and any other bonds issued under the Subordinate Indenture are sometimes referred to in this Official Statement as “Subordinate Bonds.” The Authority’s Subordinate Bonds, together with other obligations payable on a parity with the Subordinate Bonds, are referred to herein as the “Subordinate Obligations.” The Senior Obligations, the Subordinate Obligations, and any obligations of the Authority that are secured by a pledge of revenue on a basis subordinate to the Subordinate Obligations are referred to herein collectively as the “Secured Obligations.” See APPENDIX D – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE” for a summary of certain terms of the Subordinate Bonds.

The Authority has issued the 2014 Series A Bonds, and will issue the 2016 Series Bonds, in book-entry form only. The Authority has registered the 2014 Series A Bonds, and will register the 2016 Series Bonds, in the name of a nominee of The Depository Trust Company (“DTC”), which serves as securities depository for the 2014 Series A Bonds and will act as securities depository for the 2016 Series Bonds.

Investors may purchase 2014/2016 Series Bonds in book-entry form only. Beneficial Owners of the 2014/2016 Series Bonds will not receive certificates representing their ownership interests in the 2014/2016 Series Bonds purchased. The Authority will make payments of principal of and interest on the 2014/2016 Series Bonds to DTC, and DTC is to distribute such payments to its Direct Participants. Disbursement of such payments to Beneficial Owners of the 2014/2016 Series Bonds is the responsibility of DTC's Direct and Indirect Participants and not the Authority. See APPENDIX E – "BOOK-ENTRY ONLY SYSTEM."

**The 2014/2016 Series Bonds are special obligations of the Authority and do not constitute an obligation of the State, the Metropolitan Transportation Commission or of any other political subdivision of the State other than the Authority, or a pledge of the full faith and credit of the State or of any other political subdivision of the State or of any other entity, including the Authority.**

## **DESCRIPTION OF THE VARIABLE RATE SENIOR BONDS**

### **The 2014 Series A Bonds**

Upon remarketing, the 2014 Series A Bonds will bear interest from the remarketing date at the Term Rate, and for the Term Rate Period shown in the SUMMARY OF OFFERING and as described below under "VARIABLE RATE SENIOR BONDS IN TERM RATE OR INDEX RATE MODE — Interest Rate Determination Methods." Interest on the 2014 Series A Bonds while bearing interest at a Term Rate will be payable on April 1 and October 1 of each year during the Term Rate Period, and on the Interest Payment Date following the end of the Term Rate Period. The first Interest Payment Date for the 2014 Series A Bonds is April 1, 2017. Interest on the 2014 Series A Bonds bearing interest at a Term Rate will be computed on the basis of a 360-day year comprised of twelve 30-day months. The record date for the 2014 Series A Bonds while bearing interest at the Term Rate will be the fifteenth day (whether or not a Business Day) of the month immediately preceding each Interest Payment Date. The 2014 Series A Bonds will be issued in fully registered form in denominations of \$5,000 and any integral multiple thereof.

Other Interest Payment Dates for the 2014 Series A Bonds are each Conversion Date for such Series and, in all events, the final maturity date or redemption date for such Series. See APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE."

### **The 2016 Series A Bonds**

Upon issuance, the 2016 Series A Bonds will bear interest from their delivery date at the Term Rate and for the Term Rate Period shown in the SUMMARY OF OFFERING and as described below under "VARIABLE RATE SENIOR BONDS IN TERM RATE OR INDEX RATE MODE — Interest Rate Determination Methods." Interest on the 2016 Series A Bonds while bearing interest at a Term Rate will be payable on April 1 and October 1 of each year during the Term Rate Period, and on the Interest Payment Date following the end of the Term Rate Period. The first Interest Payment Date for the 2016 Series A Bonds is April 1, 2017. Interest on the 2016 Series A Bonds bearing interest at a Term Rate will be computed on the basis of a 360-day year comprised of twelve 30-day months. The record date for the 2016 Series A Bonds while bearing interest at the Term Rate will be the fifteenth day (whether or not a Business Day) of the month immediately preceding each Interest Payment Date. The 2016 Series A Bonds will be issued in fully registered form in denominations of \$5,000 and any integral multiple thereof.

Other Interest Payment Dates for the 2016 Series A Bonds are each Conversion Date for such Series and, in all events, the final maturity date or redemption date for such Series. See APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE."

## **The 2016 Series B Bonds**

Upon issuance, the 2016 Series B Bonds will bear interest from their delivery date at Index Rate calculated with reference to the Applicable Spread shown in the SUMMARY OF OFFERING and for the Index Rate Period shown in the SUMMARY OF OFFERING and as described below. Interest on the 2016 Series B Bonds while bearing interest at the Index Rate will be payable on the first Business Day of each month during the Index Rate Period, and on the Interest Payment Date following the end of the Index Rate Period. The first Interest Payment Date for the 2016 Series B Bonds is [\_\_\_\_\_, 20\_\_]. Interest on the 2016 Series B Bonds bearing interest at the Index Rate will be computed on the basis of a 365/366-day year and actual days elapsed. The Record Date for the 2016 Series B Bonds while bearing interest at the Index Rate will be the Business Day next preceding each Interest Payment Date. The 2016 Series B Bonds will be issued in fully registered form in denominations of \$5,000 and any integral multiple thereof.

Other Interest Payment Dates for the 2016 Series B Bonds are each Conversion Date for such Series and, in all events, the final maturity date or redemption date for such Series. See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE – DEFINITIONS.”

The interest rates for the 2016 Series B Bonds will be equal to the sum of (a) the SIFMA Swap Index (defined below) then in effect and (b) the Applicable Spread. The initial SIFMA Swap Index with respect to the 2016 Series B Bonds will be the SIFMA Swap Index in effect as of their date of issuance and will apply for the period from and including their date of issuance to and including the following Wednesday. Thereafter, until the end of the Index Rate Period, the Index Rate with respect to the 2016 Series B Bonds will be determined each Wednesday, or if Wednesday is not a Business Day the next preceding Business Day, such date being the same day the SIFMA Swap Index is expected to be published or otherwise made available; and if the SIFMA Swap Index is published on a different day, such day will be the day on which the Index Rate is determined. Until the end of the Index Rate Period, the Index Rate for the 2016 Series B Bonds will be calculated by the Senior Indenture Trustee, acting as index agent (the “Index Agent”), as described below under “VARIABLE RATE SENIOR BONDS IN TERM RATE OR INDEX RATE MODE—Interest Rate Determination Methods – Index Rate.” In no event may the Index Rate exceed the Maximum Interest Rate of twelve percent (12%) per annum. See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE – DEFINITIONS.”

“SIFMA Swap Index” means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry & Financial Markets Association (formerly the Bond Market Association) (“SIFMA”) or any person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Senior Indenture Trustee and effective from such date. If such index is not published or otherwise made available, the Index Rate Index to which the Applicable Spread will be applied shall be 67% of Three-Month LIBOR Rate or, if the Three-Month LIBOR Rate is not published or otherwise made available, 67% of the Treasury Rate (each as defined in Appendix C).

The SIFMA Swap Index is determined by third parties and the Authority is not responsible or accountable for its determination, the securities used in its determination or the procedures used in its determination.

## **Mandatory Tender and Conversion**

**Each Series of the Variable Rate Senior Bonds will be subject to mandatory tender and remarketing on the Purchase Date following the end of their respective initial Term Rate Period or**

**Index Rate Period that begins on the delivery date for such Series, as shown in the SUMMARY OF OFFERING. The Authority expects funds from the remarketing at that time to be applied to pay the purchase price of the Variable Rate Senior Bonds. The Authority is not obligated to provide any other funds for the purchase of the Variable Rate Senior Bonds other than remarketing proceeds and can give no assurance that sufficient remarketing proceeds will be available to pay the Variable Rate Senior Bonds upon such mandatory tender. If there are insufficient funds to purchase any Series of Variable Rate Senior Bonds at the end of any Term Rate Period or Index Rate Period, the owners will retain such Variable Rate Senior Bonds and such Variable Rate Senior Bonds will bear interest at the Stepped Rate. See “VARIABLE RATE BONDS IN TERM RATE OR INDEX RATE MODE — Insufficient Funds; Stepped Rate” and APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE – THE SENIOR INDENTURE – Mechanics of Optional and Mandatory Tenders.” The Variable Rate Senior Bonds are also subject to mandatory tender and remarketing, at the option of the Authority, on any date on which the applicable Series of Bonds is subject to redemption at the option of the Authority. See “— Redemption Terms of the Variable Rate Senior Bonds” and “VARIABLE RATE SENIOR BONDS IN TERM RATE OR INDEX RATE MODE — Mandatory Tender Provisions,” “— Conversion of Interest Rate Determination Method,” and “— Mandatory Tender for Authority Purchase of Variable Rate Senior Bonds at Election of Authority.**

Upon satisfaction of conditions set forth in the Indenture, including mandatory tender and remarketing, each Series of the Variable Rate Senior Bonds may be changed at the election of the Authority to bear interest calculated pursuant to a different Interest Rate Determination Method (which may be the Daily Rate, the Weekly Rate, the Commercial Paper Rate, the Index Rate, the Term Rate or the Fixed Rate). See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE – THE SENIOR INDENTURE – Conversion of Interest Rate Determination Method.”

**This Official Statement is not intended to provide information about the Variable Rate Senior Bonds after Conversion from the Term Rate or Index Rate to another Interest Rate Determination Method, other than the Stepped Rate, or upon establishment of a new Term Rate or new Index Rate following the end of the respective initial Term Rate Period or Index Rate Period.**

This Official Statement generally describes the Variable Rate Senior Bonds while bearing interest at the Term Rate or Index Rate in their respective Term Rate Period or Index Rate Period shown in the SUMMARY OF OFFERING. Prospective purchasers of the Variable Rate Senior Bonds bearing interest during an Interest Rate Period other than the Term Rate Period or Index Rate Period, as applicable, shown in the SUMMARY OF OFFERING should not rely on this Official Statement. The summary of certain provisions of the Variable Rate Senior Bonds set forth in this Official Statement is only applicable to Variable Rate Senior Bonds bearing interest at the Term Rate or Index Rate during the Term Rate Period or Index Rate Period, as applicable, shown in the SUMMARY OF OFFERING or at a Stepped Rate. If the Interest Rate Period for any Series of Variable Rate Senior Bonds is converted from a Term Rate Period or an Index Rate Period to any other Interest Rate Determination Method, other than the Stepped Rate, such Series of Variable Rate Senior Bonds will be subject to mandatory tender for purchase. In that case it is expected that the Authority will prepare a new disclosure document to describe the new Interest Rate Determination Method with respect to any such Series of Variable Rate Senior Bonds. See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE.”

## **Redemption Terms of the Variable Rate Senior Bonds**

***Optional Redemption.*** The Variable Rate Senior Bonds bearing interest at the Term Rate or the Index Rate during the respective Term Rate Period or Index Rate Period, as applicable, shown in the SUMMARY OF OFFERING are subject to redemption at the option of the Authority in whole or in part,

in Authorized Denominations, on: (1) the day following the last day of any such Term Rate Period or Index Rate Period, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest, if any, without premium; and (2) during the respective Term Rate Period and Index Rate Period, as applicable, any day on or after October 1, 20[ ] with respect to the 2016 Series A Bonds, and any day on or after October 1, 20[ ] with respect to the 2016 Series B Bonds, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest, if any, without premium.

***Mandatory Redemption.*** The 2014 Series A Bonds maturing on April 1, 2047 are subject to mandatory redemption by the Authority on each date a Sinking Fund Installment is due, in the principal amount equal to such Sinking Fund Installment, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

**2014 Series A Bonds**

<i>Redemption Date (April 1)</i>	<i>Sinking Fund Installment</i>	<i>Redemption Date (April 1)</i>	<i>Sinking Fund Installment</i>
2020	\$ 110,000	2034	\$13,760,000
2021	115,000	2035	18,070,000
2022	115,000	2036	18,600,000
2023	120,000	2037	24,445,000
2024	125,000	2038	25,255,000
2025	130,000	2039	26,095,000
2026	130,000	2040	11,835,000
2027	135,000	2041	12,200,000
2028	2,540,000	2042	12,570,000
2029	2,630,000	2043	12,980,000
2030	2,715,000	2044	13,395,000
2031	2,805,000	2045	8,670,000
2032	12,890,000	2046	5,810,000
2033	13,315,000	2047 <sup>†</sup>	5,885,000

<sup>†</sup> Final Maturity

The 2016 Series A Bonds maturing on April 1, 20[ ] are subject to mandatory redemption by the Authority on each date a Sinking Fund Installment is due, in the principal amount equal to such Sinking Fund Installment, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

### **2016 Series A Bonds**

<i>Redemption Date (April 1)</i>	<i>Sinking Fund Installment</i>	<i>Redemption Date (April 1)</i>	<i>Sinking Fund Installment</i>
2022	\$	2029	\$
2023		2030	
2024		2031	
2025		2032	
2026		2033	
2027		2034 <sup>†</sup>	
2028			

<sup>†</sup> Final Maturity

The 2016 Series B Bonds maturing on April 1, 20[ ] are subject to mandatory redemption by the Authority on each date a Sinking Fund Installment is due, in the principal amount equal to such Sinking Fund Installment, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

### **2016 Series B Bonds**

<i>Redemption Date (April 1)</i>	<i>Sinking Fund Installment</i>	<i>Redemption Date (April 1)</i>	<i>Sinking Fund Installment</i>
2022	\$	2029	\$
2023		2030	
2024		2031	
2025		2032	
2026		2033	
2027		2034 <sup>†</sup>	
2028			

<sup>†</sup> Final Maturity

### **Purchase In Lieu of Redemption**

In lieu of mandatory redemption, the Authority may surrender to the Senior Indenture Trustee for cancellation Variable Rate Senior Bonds purchased by it, and such Variable Rate Senior Bonds shall be cancelled by the Senior Indenture Trustee. Upon such cancellation, the Authority will designate the Sinking Fund Installments that are to be reduced in an aggregate amount equal to the principal amount of Variable Rate Senior Bonds of such maturity purchased and cancelled.

## **DESCRIPTION OF THE 2016 SERIES F-1 BONDS**

### **General**

The 2016 Series F-1 Bonds will be dated their date of delivery, will mature on the dates and will bear interest on the basis of a 360-day year comprised of twelve 30-day months at the rates per annum shown in the SUMMARY OF OFFERING. Interest on the 2016 Series F-1 Bonds will be payable on April 1 and October 1 of each year commencing on April 1, 2017 (each an "Interest Payment Date") and at maturity thereof. Each 2016 Series F-1 Bond will bear interest payable to the registered owner thereof from

the latest of: (i) its initial date of delivery, (ii) the most recent Interest Payment Date to which interest has been paid thereon or duly provided for, or (iii) if the date of authentication of such Bond is after a record date but prior to the immediately succeeding Interest Payment Date, the Interest Payment Date immediately succeeding such date of authentication. The record date for 2016 Series F-1 Bonds will be the fifteenth day (whether or not a Business Day) of the month preceding the Interest Payment Date. The 2016 Series F-1 Bonds will be issued in fully registered form in the denominations of \$5,000 and any integral multiple thereof.

### **No Early Redemption of the 2016 Series F-1 Bonds**

The 2016 Series F-1 Bonds are not subject to redemption prior to their respective stated maturities.

## **DESCRIPTION OF THE 2016 SUBORDINATE BONDS**

### **General**

The 2016 Subordinate Bonds will be dated their date of delivery, will mature on the dates and will bear interest on the basis of a 360-day year comprised of twelve 30-day months at the rates per annum shown in the SUMMARY OF OFFERING. Interest on the 2016 Subordinate Bonds will be payable on April 1 and October 1 of each year commencing on April 1, 2017 (each an “Interest Payment Date”) and at maturity or upon the prior redemption thereof. Each 2016 Subordinate Bond will bear interest payable to the registered owner thereof from the latest of: (i) its initial date of delivery, (ii) the most recent Interest Payment Date to which interest has been paid thereon or duly provided for, or (iii) if the date of authentication of such Subordinate Bond is after a record date but prior to the immediately succeeding Interest Payment Date, the Interest Payment Date immediately succeeding such date of authentication. The record date for 2016 Subordinate Bonds will be the fifteenth day (whether or not a Business Day) of the month preceding the Interest Payment Date. The 2016 Subordinate Bonds will be issued in fully registered form in the denominations of \$5,000 and any integral multiple thereof.

### **Redemption Terms of the 2016 Subordinate Bonds**

***Optional Redemption.*** The 2016 Series S-7 Bonds are subject to redemption prior to their stated maturity, at the option of the Authority, from any source of available funds, as a whole or in part on any date on and after October 1, 20[\_\_\_], at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest, if any, without premium.

The 2016 Series S-8 Bonds are subject to redemption prior to their stated maturity, at the option of the Authority, from any source of available funds, as a whole or in part on any date on and after October 1, 20[\_\_\_], at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest, if any, without premium.

***Mandatory Sinking Fund Redemption.*** The 2016 Series S-7 Bonds maturing on October 1, 20[\_\_\_] are subject to mandatory redemption by the Authority, in part, by lot, on each date a Sinking Fund Installment is due, in the principal amount equal to such Sinking Fund Installment, at a redemption price equal to the principal amount thereof, plus accrued but unpaid interest to the redemption date, without premium, as follows:



### **2016 Series S-7 Bonds**

<i>Redemption Date (October 1)</i>	<i>Sinking Fund Installment</i>
2051	\$
2052	
2053	
2054 <sup>†</sup>	

<sup>†</sup> Final Maturity

The 2016 Series S-8 Bonds maturing on October 1, 20[ ] are subject to mandatory redemption by the Authority, in part, by lot, on each date a Sinking Fund Installment is due, in the principal amount equal to such Sinking Fund Installment, at a redemption price equal to the principal amount thereof, plus accrued but unpaid interest to the redemption date, without premium, as follows:

### **2016 Series S-8 Bonds**

<i>Redemption Date (October 1)</i>	<i>Sinking Fund Installment</i>
2051	\$
2052	
2053	
2054 <sup>†</sup>	

<sup>†</sup> Final Maturity

### **Purchase In Lieu of Redemption**

In lieu of mandatory redemption, the Authority may surrender to the Subordinate Indenture Trustee for cancellation 2016 Subordinate Bonds purchased by the Authority, and such 2016 Subordinate Bonds shall be cancelled by the Subordinate Indenture Trustee. Upon such cancellation, the Authority will designate the Sinking Fund Installments for that Series and maturity, in an aggregate amount equal to the principal amount of cancelled 2016 Subordinate Bonds of such Series and maturity, that are to be reduced as allocated to such cancellation, and such Sinking Fund Installments shall be reduced accordingly.

## **GENERAL REDEMPTION PROVISIONS OF THE 2014/2016 SERIES BONDS**

### **Selection of 2014/2016 Series Bonds for Redemption**

In the case of redemptions of 2014/2016 Series Bonds at the option of the Authority, the Authority will designate which maturities of 2014/2016 Series Bonds are to be redeemed. If less than all 2014/2016 Series Bonds of a Series maturing on any one date are to be redeemed at any one time, DTC's practice is to determine by lot the amount of the interest of each DTC Direct Participant in the Series to be redeemed. See APPENDIX E – BOOK-ENTRY ONLY SYSTEM.” For purposes of such selection, the 2014/2016 Series Bonds shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed. In the event of an optional redemption of 2014/2016 Series Term Bonds, the Authority may designate the Sinking Fund Installments, or portions thereof, that are to be reduced as a result of such redemption.

## **Notice of Redemption**

Each notice of redemption is to be mailed by the applicable Trustee not less than 30 nor more than 60 days prior to the redemption date to DTC. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners of 2014/2016 Series Bonds will be governed by arrangements among them, and the Authority and the Trustees will not have any responsibility or obligation to send a notice of redemption except to DTC. Failure of DTC or any Beneficial Owner to receive any notice of redemption or any defect therein will not affect the sufficiency of any proceedings for redemption.

## **Conditional Notice of Redemption; Rescission**

Any notice of optional redemption of the 2014/2016 Series Bonds may be conditional and if any condition stated in the notice of redemption is not satisfied on or prior to the redemption date, said notice will be of no force and effect and the Authority will not redeem such 2014/2016 Series Bonds. The applicable Trustee will within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled.

In addition, the Authority may, at its option, on or prior to the date fixed for redemption in any notice of redemption, rescind and cancel such notice of redemption by Written Request of the Authority to the applicable Trustee, and the applicable Trustee is to mail notice of such cancellation to DTC.

Any optional redemption of the 2014/2016 Series Bonds and notice thereof will be rescinded and cancelled if for any reason on the date fixed for redemption moneys are not available in the Redemption Fund under the applicable Indenture or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, and interest and any premium due on, the 2014/2016 Series Bonds called for redemption.

## **Effect of Redemption**

Notice of redemption having been duly given pursuant to the applicable Indenture and moneys for payment of the redemption price of, together with interest accrued to the redemption date on, the 2014/2016 Series Bonds (or portions thereof) so called for redemption being held by the applicable Trustee, on the redemption date designated in such notice the 2014/2016 Series Bonds (or portions thereof) so called for redemption shall become due and payable at the redemption price specified in such notice, together with interest accrued thereon to the date fixed for redemption. Thereafter, interest on such 2014/2016 Series Bonds (or portions thereof) shall cease to accrue, and said 2014/2016 Series Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said 2014/2016 Series Bonds shall have no rights in respect thereof except to receive payment of said redemption price and accrued interest to the date fixed for redemption.

## **VARIABLE RATE SENIOR BONDS IN TERM RATE OR INDEX RATE MODE**

### **Interest Rate Determination Methods**

**General.** From the delivery date until the end of the respective Term Rate or Index Rate Period shown in the SUMMARY OF OFFERING, each Series of Variable Rate Senior Bonds will bear interest at the Term Rate or Index Rate as shown. Following mandatory tender, the Authority has the right to change the Interest Rate Determination Method for all (but not less than all) of any Series of the Variable Rate Senior Bonds to a different Interest Rate Determination Method (which may be the Daily Rate, the Weekly

Rate, the Commercial Paper Rate, the Index Rate, the Term Rate or the Fixed Rate). See “— Conversion of Interest Rate Determination Method” below.

Prior to the end of each of the respective initial Term Rate Period or Index Rate Period, the Authority will appoint one or more remarketing agents for the respective Series of the Variable Rate Senior Bonds, each of which is referred to herein as “Remarketing Agent” and collectively as “Remarketing Agents,” and an Index Agent, which initially will be the Senior Indenture Trustee. See “REMARKETING AGENTS” below.

While in the Term Rate or Index Rate Mode, the Variable Rate Senior Bonds are not subject to tender for purchase and remarketing at the option of the Owner or Beneficial Owners of such Variable Rate Senior Bonds. The Variable Rate Senior Bonds are subject to mandatory tender for purchase as described below under “—Mandatory Tender Provisions.” There will be no Credit Support Instrument for any of the Variable Rate Senior Bonds while in a Term Rate Period or Index Rate Period.

**2014 Series A Bonds and 2016 Series A Bonds Term Rate.** So long as the 2014 Series A Bonds are in their subsequent [Term] Rate Period, and 2016 Series A Bonds are in their initial Term Rate Period and until Conversion to another Interest Rate Determination Method or the establishment of a new Term Rate Period and a new Term Rate, such 2014 Series A Bonds and 2016 Series A Bonds will bear interest at the Term Rate for such Series shown in the SUMMARY OF OFFERING.

The Authority has selected the duration of the subsequent Term Rate Period for the 2014 Series A Bonds and the initial Term Rate Period for the 2016 Series A Bonds, each issued in the Term Rate Mode. Each Term Rate Period for the 2014 Series A Bonds and the 2016 Series A Bonds commences on the Delivery Date and ends on the day prior to the Purchase Date for such 2014 Series A Bonds and 2016 Series A Bonds shown in the SUMMARY OF OFFERING. Any subsequent Term Rate Period for the 2014 Series A Bonds or the 2016 Series A Bonds commences on the Term Rate Conversion Date and ends on a day that precedes a Business Day selected by the Authority that is a minimum of 180 days after the Term Rate Conversion Date, but in no event later than the maturity date of such 2014 Series A Bonds or 2016 Series A Bonds. Upon such selection, such Business Day will be an Interest Payment Date for such 2014 Series A Bonds or 2016 Series A Bonds.

Each Term Rate, except the initial Term Rate established upon issuance of the 2016 Series A Bonds, will be the rate of interest that, if borne by such Variable Rate Senior Bonds in such Term Rate Period, would, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for tax-exempt securities that are of the same general nature as the Series of Variable Rate Senior Bonds, or tax-exempt securities that are competitive as to credit and maturity (or period for tender) with the credit and maturity (or period for tender) of the Series of Variable Rate Senior Bonds, be the lowest interest rate that would enable such Remarketing Agent to place such Variable Rate Senior Bonds at a price of par on the first day of such Term Rate Period.

The duration of the Term Rate Period and the Stepped Rate (defined below), to be applicable to the 2014 Series A Bonds and the 2016 Series A Bonds should insufficient funds be available for their purchase at the end of such Term Rate Period, shall for the 2016 Series A Bonds initial Term Rate Period be as specified in the Supplemental Senior Indenture and shall for any 2014 Series A Bonds or 2016 Series A Bonds subsequent Term Rate Period, be as specified in the Pricing Notice given with respect to the Conversion of the 2014 Series A Bonds or the 2016 Series A Bonds to any new Term Rate and Term Rate Period. See “Term Rate Continuation” and “Insufficient Funds; Stepped Rate” below.

**Term Rate Continuation.** On any date a Series of Variable Rate Senior Bonds is subject to optional redemption or as of the day following the last day of a Term Rate Period for any Series of Variable Rate

Senior Bonds, unless the Authority has given a Conversion Notice with respect to the Conversion of such Series of Variable Rate Senior Bonds to another Interest Rate Determination Method, the Authority may establish a new Term Rate Period and Term Rate for such Series of Variable Rate Senior Bonds with such right to be exercised by delivery of a written notice (a “Term Rate Continuation Notice”) to the Senior Indenture Trustee, the Remarketing Agent and the Credit Provider (if any) for such Series of Variable Rate Senior Bonds no less than 31 days prior to the effective date of the new Term Rate Period. **There is no Credit Provider for any of the 2014 Series A Bonds and 2016 Series A Bonds during their respective Term Rate Period.**

Upon receipt of a Term Rate Continuation Notice from the Authority, and in any event not less than 30 days prior to the first day of the proposed Term Rate Period, the Senior Indenture Trustee will give notice by first-class mail to the Owners of the affected Series of Variable Rate Senior Bonds which notice will state in substance:

- that a new Term Rate Period and Term Rate is to be established for such Series of Variable Rate Senior Bonds on the applicable Term Rate Conversion Date if the conditions specified in the Indenture (and generally described in such notice) are satisfied on or before such date;
- the first day of the new Term Rate Period;
- that the Authority has delivered to the Senior Indenture Trustee the form of an Opinion of Bond Counsel proposed to be delivered to the Trustee in connection with the continuation of the Series Variable Rate Senior Bonds in the Term Rate;
- that a new Term Rate Period and Term Rate for such Series of Variable Rate Senior Bonds will not be established unless an Opinion of Bond Counsel is delivered to the Senior Indenture Trustee on (and as of) the first day of the new Term Rate Period and all such Series of Variable Rate Senior Bonds are successfully remarketed in the new Term Rate Period and at the new Term Rate on the first day thereof;
- the CUSIP numbers or other identification information of such Series of Variable Rate Senior Bonds;
- that all affected Variable Rate Senior Bonds are subject to mandatory tender for purchase on the first day of the new Term Rate Period, only upon a successful remarketing of the affected Variable Rate Senior Bonds at the new Term Rate, at the purchase price of 100% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the first day of the new Term Rate Period (the “Purchase Price”); and
- that, to the extent that there shall be on deposit with the Senior Indenture Trustee on the first day of the new Term Rate Period an amount of money sufficient to pay the Purchase Price thereof, all such affected Variable Rate Senior Bonds not delivered to the Senior Indenture Trustee on or prior to such date will be deemed to have been properly tendered for purchase and will cease to constitute or represent a right on behalf of the Owner thereof to the payment of principal thereof or interest thereon and will represent and constitute only the right to payment of the Purchase Price on deposit with the Senior Indenture Trustee, without interest accruing thereon after such date.

The Authority must also deliver a Pricing Notice to the Senior Indenture Trustee no later than two Business Days prior to the effective date of the new Term Rate Period, which must specify: (1) the duration of the Term Rate Period, (2) the optional redemption provisions applicable to such Series of Variable Rate

Senior Bonds during such Term Rate Period, if any, and (3) the Stepped Rate to be applicable to such Series of Variable Rate Senior Bonds bearing interest at the Term Rate upon any failure to remarket such Bonds at the end of such Term Rate Period. See “Insufficient Funds; Stepped Rate” below.

***Limitations on the Establishment of New Term Rates and New Term Rate Periods.*** Any establishment of a new Term Rate and Term Rate Period for any Series of the Variable Rate Senior Bonds must comply with the following:

- the first day of such new Term Rate Period must be a date on which the Variable Rate Senior Bonds are subject to optional redemption or a date on which such Series of Variable Rate Senior Bonds are subject to mandatory tender pursuant to the applicable provisions of the Senior Indenture;
- the first day of such new Term Rate Period must be a Business Day; and
- no new Term Rate shall become effective unless an Opinion of Bond Counsel is delivered on (and as of) the first day of the new Term Rate Period and all such Outstanding Variable Rate Senior Bonds of such Series are successfully remarketed in the new Term Rate Period at the new Term Rate on the first day of the new Term Rate Period.

***End of Term Rate.*** In the event the Authority has not given a Term Rate Continuation Notice or a Conversion Notice with respect to a Series of Variable Rate Senior Bonds bearing interest at a Term Rate at the time required, or if the conditions to the effectiveness of a new Term Rate Period and new Term Rate or the conditions to Conversion to another Interest Rate Determination Method are not satisfied, including as a result of the Remarketing Agent failing to establish a Term Rate or failing to remarket all such Variable Rate Senior Bonds at the new Term Rate, then on the day following the last day of the current Term Rate Period, a Weekly Rate Period shall automatically commence for such Series of Variable Rate Senior Bonds; provided that such Variable Rate Senior Bonds shall not be subject to optional tender by the Owners thereof and shall bear interest at the Stepped Rate. See “Insufficient Funds; Stepped Rate” below.

There is no Credit Support Instrument for any of the Variable Rate Senior Bonds during the Term Rate Period. Any failure to remarket any Series of Variable Rate Senior Bonds at a new Term Rate or to convert any Series of Variable Rate Senior Bonds to another Rate Period does not constitute an event of default under the Indenture. See “Insufficient Funds; Stepped Rate” below.

***2016 Series B Bonds Index Rate.*** Until such time as the 2016 Series B Bonds are successfully converted to another Interest Rate Determination Method, all 2016 Series B Bonds will bear interest at the Index Rate determined by the Index Agent or, following the end of the Index Rate Period upon a failure to remarket the 2016 Series B Bonds, at the Stepped Rate (as defined below). The initial Index Rate with respect to the 2016 Series B Bonds shall apply for the period from and including their issue date to and including the following Wednesday. Thereafter, until the end of the Index Rate Period, the Index Rate with respect to the 2016 Series B Bonds will apply to the period from and including Thursday through and including the following Wednesday.

Pursuant to the Indenture the Authority specified with respect to the initial Index Rate Period for the 2016 Series B Bonds that (i) the Index Rate Index will be the SIFMA Swap Index, (ii) the Interest Payment Dates will be the first Business Day of each month, (iii) the Index Rate will be determined on the Issue Date and Wednesday of each week thereafter during the initial Index Rate Period, or if such day is not a Business Day, then on the next preceding Business Day and (iv) the Index Rate will be determined by adding the Applicable Spread to the SIFMA Swap Index.

“Index Rate Determination Date” means the issue date and each Wednesday thereafter during the initial Index Rate Period, or if such day is not a Business Day, then the next preceding Business Day, such date being the same day the SIFMA Swap Index is expected to be published or otherwise made available to the Index Agent; and if the SIFMA Swap Index is published on a different day, such day will be the Index Rate Determination Date. Such Index Rate will apply for the weekly period running from and including the Thursday immediately following the Index Rate Determination Date through and including the following Wednesday.

Pursuant to the Indenture with respect to any subsequent Index Rate Periods, the duration of the Index Rate Period, the Stepped Rate (as defined below) to be applicable to such 2016 Series B should insufficient funds be available for their purchase at the end of such Index Rate Period, the next Purchase Date, the Index Rate Index, the frequency with which the Index Rate will be recalculated, the Interest Payment Dates applicable to the 2016 Series B Bonds and any alternative Index Rate Determination Dates shall be as specified in the Pricing Notice given with respect to the Conversion of such 2016 Series B Bonds to the Index Rate or with respect to any new Index Rate Period for such 2016 Series B Bonds then bearing interest at an Index Rate. See “Index Rate Continuation” and “Insufficient Funds; Stepped Rate” below.

***Determination of Applicable Spread.*** The Index Rate will be based on the Index Rate Index, which for the initial Index Rate Period for the 2016 Series B Bonds, is the SIFMA Swap Index, plus the Applicable Spread for each Series of Variable Rate Senior Bonds. The Applicable Spread for the initial Index Rate Period for the 2016 Series B Bonds is 0.[]%.

In connection with any future Conversion of a Series of Variable Rate Senior Bonds to an Index Rate Period or a Term Rate Period, or upon the establishment of a new Term Rate or new Index Rate following the end of the respective initial Term Rate Period and Index Rate Period, the Remarketing Agent will determine the Applicable Spread to be used in calculating the Index Rate for such Series of Variable Rate Senior Bonds on or before the Conversion Date or Purchase Date. Each such Applicable Spread will be the amount that, when added to or subtracted from the Index Rate Index, will result in the minimum Index Rate that, in the judgment of the Remarketing Agent under then-existing market conditions, will result in the remarketing of such Variable Rate Senior Bonds on their Conversion Date or Purchase Date at a price equal to 100% of the principal amount thereof.

***Calculation of Index Rate.*** The Index Rate periodically applicable to the 2016 Series B Bonds will be determined on each Index Rate Determination Date (preceding the date on which such Index Rate is to become effective) by the Index Agent. The Index Rate will be equal to (A) the SIFMA Swap Index on the Index Rate Determination Date, plus (B) the Applicable Spread that was determined by the Remarketing Agent as set forth in the Summary of Offering, and such Index Rate will be rounded to the nearest one hundred thousandth of one percent (0.00001%). The Index Agent will furnish the Index Rate to the Senior Indenture Trustee (if the Senior Indenture Trustee is not also the Index Agent) and the Authority by Electronic means on each Index Rate Determination Date. Upon the request of an Owner, the Senior Indenture Trustee shall confirm by Electronic means the Index Rate then in effect. Alternatively, the Senior Indenture Trustee may make such information available by readily accessible Electronic means.

The Index Rate shall never exceed 12% per annum. The determinations of the initial Index Rate and all subsequent Index Rates shall be conclusive and binding upon the Authority, the Senior Indenture Trustee, the Remarketing Agents, the Index Agent and the Owners.

***Index Rate Continuation.*** On any date a Series of Variable Rate Senior Bonds in an Index Rate Period are subject to optional redemption, or as of the Purchase Date of any Series of Variable Rate Senior Bonds in an Index Rate Period, unless the Authority has given a Conversion Notice with respect to the Conversion of such Series of Variable Rate Senior Bonds to another Interest Rate Determination Method,

the Authority may establish a new Index Rate Period for such Series of Variable Rate Senior Bonds by delivery of a written notice (an “Index Rate Continuation Notice”) to the Senior Indenture Trustee, the Index Agent (if the Senior Indenture Trustee is not the Index Agent), and the Remarketing Agent for such Series of Variable Rate Senior Bonds no less than 35 days prior to the effective date of the new Index Rate Period.

The Conversion Notice and the Index Rate Continuation Notice must contain: (1) the proposed Conversion Date; (2) the new Interest Rate Determination Method to take effect; (3) whether any Credit Support Instrument then in effect will remain in effect and, if applicable, the terms upon which the Owners of such Series of Variable Rate Senior Bonds shall have the option to tender such Variable Rate Senior Bonds for purchase during the new Interest Rate Determination Method; (4) if a new Credit Support Instrument will be in effect for such Series of Variable Rate Senior Bonds after the proposed Conversion Date, the form and terms of such Credit Support Instrument for such Series of Variable Rate Senior Bonds; and (5) if the Conversion is to the Fixed Rate, the redemption dates and redemption prices applicable to such Fixed Rate Period.

The Authority will also deliver a Pricing Notice to the Senior Indenture Trustee no later than [five] Business Days prior to the effective date of the new Index Rate Period. The Pricing Notice delivered in connection with a Conversion to or continuation of an Index Rate must specify: (1) the duration of the Index Rate Period, (2) the optional redemption provisions applicable to such Series of Variable Rate Senior Bonds during such Index Rate Period, if any, (3) the Stepped Rate (as defined below) to be applicable to such Series of Variable Rate Senior Bonds should insufficient funds be available to purchase such bonds at the end of such Index Rate Period, (4) the proposed next Purchase Date, if any, (5) the Index Rate Index, if other than the SIFMA Swap Index, (6) the frequency with which the Index Rate shall be recalculated, (7) the proposed Interest Payment Dates applicable to such Series of Variable Rate Senior Bonds while bearing interest in an Index Rate Period, and (8) alternative Index Rate Determination Dates and Stepped Rate Determination Dates, if any.

The first day of such new Index Rate Period shall be a Purchase Date on which such Series of Variable Rate Senior Bonds are subject to optional redemption or to mandatory tender pursuant to the applicable provisions of the Indenture. Each such Variable Rate Senior Bond will be subject to mandatory tender on the first day of such new Index Rate Period for purchase at its Purchase Price. No new Index Rate Period shall become effective unless an Opinion of Bond Counsel is delivered on (and as of) the first day of the new Index Rate Period and unless all such Outstanding Variable Rate Senior Bonds of such Series are successfully remarketed in the new Index Rate Period at the new Index Rate on the first day of the new Index Rate Period.

**Notice to Owners.** Not less than 30 days prior to the first day of the proposed new Index Rate Period, the Senior Indenture Trustee must give notice by first-class mail to the Owners of the affected Variable Rate Senior Bonds, the Index Agent (if the Senior Indenture Trustee is not the Index Agent) and the Remarketing Agent, which notice will (1) state in substance that a new Index Rate Period is to be established for such Series of Variable Rate Senior Bonds on the applicable Index Rate Conversion Date if the conditions specified in the Senior Indenture (and generally described in such notice) are satisfied on or before such date, (2) state that a new Index Rate Period shall not be established unless an Opinion of Bond Counsel is delivered to the Senior Indenture Trustee on (and as of) the first day of the new Index Rate Period and all such Variable Rate Senior Bonds of such Series are successfully remarketed in the new Index Rate Period and at the new Index Rate on the first day thereof.

**End of Index Rate.** In the event the Authority has not given an Index Rate Continuation Notice or a Conversion Notice with respect to a Series of Variable Rate Senior Bonds bearing interest at an Index Rate at the time required, or if the conditions to the effectiveness of a new Index Rate Period and new Index

Rate or the conditions to Conversion to another Interest Rate Determination Method are not satisfied, then on the day following the last day of the current Index Rate Period, a Weekly Rate Period shall automatically commence for such Series of Variable Rate Senior Bonds, provided that such Series of Variable Rate Senior Bonds shall not be subject to optional tender and such Series of Variable Rate Senior Bonds shall bear interest at a rate of interest equal to the Stepped Rate (defined below) until they are successfully remarketed.

The 2016 Series B Bonds will not have a Credit Support Instrument during the Index Rate Period. Any failure to remarket all such 2016 Series B Bonds at a new Index Rate or to convert any such 2016 Series B Bonds to another Interest Rate Period does not constitute an Event of Default under the Senior Indenture. See “Insufficient Funds; Stepped Rate” below.

### **Insufficient Funds; Stepped Rate**

For any Series of Variable Rate Senior Bonds bearing interest in a Term Rate Period or an Index Rate Period and not supported by a Credit Support Instrument, if sufficient funds are not available for the purchase of all Variable Rate Senior Bonds of such Series tendered or deemed tendered and required to be purchased on the Purchase Date following the end of the Term Rate Period or the Index Rate Period, all Variable Rate Senior Bonds of such Series shall automatically convert to a Weekly Rate Period and bear interest at a rate of interest equal to the Stepped Rate (defined below) from such Failed Tender Date (as defined below) until all such Variable Rate Senior Bonds are purchased, such rate to be determined in accordance with the Senior Supplemental Indenture, and all tendered Variable Rate Senior Bonds of such Series shall be returned to their respective Owners. Notwithstanding anything to the contrary in the Senior Indenture, such Variable Rate Senior Bonds bearing interest in a Weekly Rate Period at the Stepped Rate shall not be subject to optional tender by the Owners thereof. Interest on a Series of Variable Rate Senior Bonds while in the Weekly Rate Period bearing interest at the Stepped Rate will be payable on the first Business Day of each month following the Failed Tender Date and the Record Date for such payment of interest will be the Business Day next preceding such interest payment date. No Opinion of Bond Counsel is required in connection with this automatic adjustment to a Weekly Rate Period. Such failed purchase and return will not constitute an Event of Default. In addition, the Remarketing Agent shall remain obligated to remarket such Series of Variable Rate Senior Bonds and such Series of Variable Rate Senior Bonds bearing interest at a Stepped Rate shall remain subject to optional and mandatory redemption, mandatory tender for purchase, and Conversion as provided in the Senior Indenture. **None of the Variable Rate Senior Bonds will be supported by a Credit Support Instrument while in the respective initial Term Rate Periods or Index Rate Periods.**

From the Failed Tender Date until all of the affected Series of Variable Rate Senior Bonds are purchased as required under the Indenture, such Series of Variable Rate Senior Bonds shall, during each Weekly Rate Period (or portion thereof), bear interest at the applicable Stepped Rate calculated by the Senior Indenture Trustee. The Stepped Rate applicable to any Series of Variable Rate Senior Bonds will be determined by the Senior Indenture Trustee based upon the Stepped Rate Index determined each Stepped Rate Determination Date, which is defined to mean, the applicable Failed Tender Date and each Wednesday thereafter, or if any such Wednesday is not a Business Day then the next preceding Business Day, such date being the same day the SIFMA Swap Index is expected to be published or otherwise made available to the Index Agent, and if the SIFMA Swap Index is published on a different day, such day will be the Stepped Rate Determination Date. The Stepped Rate Index so calculated will apply to the Calendar Week from and including the immediately succeeding Thursday to and including the following Wednesday or for the initial period from the Failed Tender Date to and including the Wednesday following the Failed Tender Date, unless the Failed Tender Date is a Wednesday in which event such rate will be based on the SIFMA Swap Index determined on the prior Wednesday and will only apply to the Failed Tender Date.



The Senior Indenture Trustee will furnish the Stepped Rate to the Authority by Electronic means on each Stepped Rate Determination Date and each other date the Stepped Rate changes.

“Stepped Rate” means the rate or rates of interest applicable with respect to any Series of Variable Rate Senior Bonds should insufficient funds be available to purchase such Variable Rate Senior Bonds in connection with a mandatory tender at the end of a Term Rate Period or Index Rate Period during which such Series of Variable Rate Senior Bonds is not supported by a Credit Support Instrument, as specified by the Authority in the Pricing Notice delivered in connection with the Conversion of such Series of Bonds to a Term Rate or Index Rate Period or with the continuation of a Term Rate or Index Rate Period with respect to such Series of Variable Rate Senior Bonds pursuant to the terms of the Senior Indenture. If no Stepped Rate was specified in the Pricing Notice relating to the expiring Term Rate or Index Rate Period for such Series of Variable Rate Senior Bonds, and with respect to the initial Term Rate Period or Index Rate Period for each Series of Variable Rate Senior Bonds upon initial issuance, the Stepped Rate will be (a) for the period from and including the Failed Tender Date to but excluding the ninetieth (90th) day thereafter, a per annum interest rate equal to the Stepped Rate Index plus 2.50%; (b) for the period from and including the ninetieth (90<sup>th</sup>) day after the Failed Tender Date to but excluding the one hundred eightieth (180th) day after the Failed Tender Date, a per annum interest rate equal to the greater of (i) the Stepped Rate Index plus 5.00% or (ii) 7.50%; and (c) thereafter, the Maximum Interest Rate; provided that the Stepped Rate shall never be less than the rate of interest applicable to such Series of Variable Rate Senior Bonds on the Business Day prior to the Failed Tender Date. Notwithstanding anything to the contrary in this definition or the Senior Indenture, the Stepped Rate shall never exceed twelve percent (12%) per annum.

“Stepped Rate Index” means an index specified by the Authority in the Pricing Notice delivered in connection with the Conversion of a Series of Variable Rate Senior Bonds to a Term Rate Period or Index Rate Period or with the continuation of a Term Rate or Index Rate Period with respect to such Series of Variable Rate Senior Bonds pursuant to the terms of the Senior Indenture. Pursuant to the Senior Indenture with respect to the 2016 Variable Rate Senior Bonds, the Stepped Rate Index during the initial respective Term Rate Period or Index Rate Period as applicable to each Series of 2016 Variable Rate Senior Bonds shall be the SIFMA Swap Index.

“Failed Tender Date” means, for any Series of Variable Rate Senior Bonds bearing interest at a Term Rate or Index Rate, the date on which insufficient funds are available for the purchase of all Variable Rate Senior Bonds of such Series tendered or deemed tendered and required to be purchased at the end of the Term Rate or Index Rate Period as described in the Senior Indenture.

### **Conversion of Interest Rate Determination Method**

***Right of Conversion.*** The Interest Rate Determination Method for each Series of the Variable Rate Senior Bonds is subject to conversion, at the option of the Authority, from one Interest Rate Determination Method to another on any date on which such Series of Variable Rate Senior Bonds is subject to optional redemption and on the date following the end of the Term Rate or Index Rate Periods, with such right to be exercised by delivery of a Conversion Notice to the Senior Indenture Trustee, the Index Agent (if any) and the Remarketing Agent for such Series. Upon receipt of a Conversion Notice from an Authorized Representative, as soon as possible, but in any event not less than 30 days prior to the proposed Conversion Date, the Senior Indenture Trustee is to give notice by first-class mail to the Owners of the affected Series of the Variable Rate Senior Bonds in accordance with the Senior Indenture. The Senior Indenture provides that such notice may be rescinded on or prior to the effective date of the Conversion. See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE – THE SENIOR INDENTURE – Conversion of Interest Rate Determination Method.”

***Failure to Convert.*** The Indenture provides that at the end of a Term Rate or Index Rate Period upon a failed conversion of any Series of the Variable Rate Senior Bonds from a Term Rate or Index Rate to another Interest Rate Determination Method or to a new Term Rate or Index Rate Period, such Series of Variable Rate Senior Bonds will bear interest at the Stepped Rate described above. Unsuccessful conversions attempted prior to the end of a Term Rate or Index Rate Period do not result in a change in rate and the Owners of the Variable Rate Senior Bonds will continue to hold such Bonds at the Term Rate or Index Rate until the end of a Term Rate or Index Rate Period. However, after the end of the applicable Term Rate or Index Rate Period, any Series of Variable Rate Senior Bonds not remarketed will bear interest at the Stepped Rate.

In addition, the Remarketing Agent shall remain obligated to remarket such Series of Variable Rate Senior Bonds and such Series of Variable Rate Senior Bonds shall remain subject to optional and mandatory redemption, mandatory tender for purchase, and Conversion as provided in the Senior Indenture.

### **Mandatory Tender Provisions**

The Variable Rate Senior Bonds will be subject to mandatory tender for purchase at the applicable Purchase Price on the proposed Conversion Date (if the proposed Conversion does not occur, the Variable Rate Senior Bonds subject to mandatory purchase will not be purchased) to a new Interest Rate Determination Method specified in a Conversion Notice as described above under “Conversion of Interest Rate Determination Method.”

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners of Variable Rate Senior Bonds will be governed by arrangements among them, and the Authority and the Senior Indenture Trustee will not have any responsibility or obligation to send any notice to Beneficial Owners of Variable Rate Senior Bonds.

### **Funding Mandatory Tenders of Variable Rate Senior Bonds**

The Authority expects funds to be made available to purchase Variable Rate Senior Bonds tendered for purchase pursuant to the mandatory tender provisions described above by having the Remarketing Agents remarket the tendered Variable Rate Senior Bonds and having the proceeds applied to purchase the tendered Variable Rate Senior Bonds. See “REMARKETING AGENTS.”

The Authority is not obligated to provide any other funds for the purchase of the Variable Rate Senior Bonds following the end of the respective initial Term Rate Period or Index Rate Period other than remarketing proceeds and can give no assurance that sufficient remarketing proceeds will be available to pay the Variable Rate Senior Bonds upon mandatory tender. The Senior Indenture provides that if sufficient funds are not available for the purchase of any Series of Variable Rate Senior Bonds tendered for purchase following the end of the respective initial Term Rate Period or Index Rate Period pursuant to the mandatory tender provisions described above, such Series of Variable Rate Senior Bonds shall bear interest at the Stepped Rate following the end of the Term Rate or Index Rate Period. See “Insufficient Funds; Stepped Rate” above.

If such remarketing of the Variable Rate Senior Bonds is not successful, other potential sources of payment, which the Authority, in its sole discretion, may apply to the payment of the Purchase Price of any Series of the Variable Rate Senior Bonds include bridge toll revenues and unencumbered funds of the Authority. Principal of and accrued and unpaid interest on the Variable Rate Senior Bonds are payable from Revenue on a parity with the Authority’s other Outstanding Senior Bonds issued under the Senior Indenture and any Additional Senior Bonds and Senior Parity Obligations that may hereafter be issued by

the Authority in accordance with the Senior Indenture. See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE – THE SENIOR INDENTURE – Additional Senior Bonds; Subordinate Obligations.”

### **Mandatory Tender for Authority Purchase of Variable Rate Senior Bonds at Election of Authority**

The Variable Rate Senior Bonds are also subject to mandatory tender for purchase at the option of the Authority, in whole or in part (in Authorized Denominations), on any date such Variable Rate Senior Bonds would be subject to optional redemption (each, an “Optional Purchase Date”) at a purchase price, with respect to the Variable Rate Senior Bonds, equal to the principal amount of such Variable Rate Senior Bonds to be purchased on the Optional Purchase Date, plus accrued interest to the Optional Purchase Date (in each case, the “Optional Purchase Price”). See “DESCRIPTION OF THE VARIABLE RATE SENIOR BONDS – Redemption Terms of the Variable Rate Senior Bonds – *Optional Redemption*.” In the event that the Authority determines to purchase any Variable Rate Senior Bonds on any Optional Purchase Date, the Authority will provide the Senior Indenture Trustee with written notice of such determination at least 35 days prior to the Optional Purchase Date, which notice will specify the principal amount of the Variable Rate Senior Bonds of each maturity that are to be purchased and the Optional Purchase Date on which such purchase is to occur.

When the Senior Indenture Trustee receives notice from the Authority of its determination to purchase Variable Rate Senior Bonds pursuant the provisions described above, the Senior Indenture Trustee will give notice to the Owners of the Variable Rate Senior Bonds and the applicable Remarketing Agent, in the name of the Authority, of the mandatory tender for purchase such Variable Rate Senior Bonds, which notice shall be mailed, by first class mail, postage prepaid, not more than 60 nor less than 30 days before the Optional Purchase Date. Receipt of such notice of mandatory tender for purchase shall not be a condition precedent to the mandatory tender for purchase of the Variable Rate Senior Bonds and failure to receive any such notice or any defect in such notice shall not affect the validity of the proceedings for the mandatory tender for purchase of such Variable Rate Senior Bonds pursuant to the provisions of the Indenture described herein. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners of Variable Rate Senior Bonds will be governed by arrangements among them, and the Authority and the Senior Indenture Trustee will not have any responsibility or obligation to send any notice to Beneficial Owners of Variable Rate Senior Bonds.

If less than all of the Variable Rate Senior Bonds of a Series are to be called for mandatory tender at the election of the Authority, the Authority will select the principal amount and maturity of such Variable Rate Senior Bonds of such Series to be purchased at its sole discretion. If less than all of the Variable Rate Senior Bonds of a Series maturing by their terms on any one date are to be tendered at any one time, DTC’s practice is to determine by lot the amount of the interest of each DTC Direct Participant in the Variable Rate Senior Bonds to be tendered. See APPENDIX E – “BOOK-ENTRY ONLY SYSTEM.” For purposes of such selection, the Variable Rate Senior Bonds shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately tendered. If at the time the Senior Indenture Trustee sends any notice of mandatory tender for purchase of any Variable Rate Senior Bonds as described in the preceding paragraph, the Authority has not deposited with the Senior Indenture Trustee an amount sufficient to pay the full Optional Purchase Price of such Variable Rate Senior Bonds, or the portions thereof, to be purchased, such notice shall state that such mandatory tender for purchase is conditional upon the receipt by the Senior Indenture Trustee on or prior to the Optional Purchase Date fixed for such purchase of moneys sufficient to pay the Optional Purchase Price of such Variable Rate Senior Bonds, or the portions thereof to be purchased, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Authority shall not be required to purchase such Variable Rate Senior Bonds.

If all outstanding Variable Rate Senior Bonds of any Series are purchased by the Authority (i) the date of such purchase will be deemed to be the Purchase Date for such Series, and (ii) the Term Rate or Index Rate will be deemed to have expired on the day immediately preceding such Purchase Date. Upon the Authority's successful purchase, such Series of Variable Rate Senior Bonds will be subject to Conversion and remarketing without notice of Conversion being provided by the Authority.

## **REMARKETING AGENTS**

The Authority has entered into a Remarketing Agreement covering the 2014 Series A Bonds with [ ] (the "2014 Series A Remarketing Agent"). The 2014 Series A Remarketing Agent undertakes, among other things, to use its best efforts to remarket 2014 Series A Bonds tendered in connection with a conversion or extension of an Interest Rate Determination Method or upon mandatory tender for purchase at the election of the Authority.

Prior to the Purchase Date immediately following the end of the initial Term Rate Period or Index Rate Period for a Series of 2016 Variable Rate Senior Bonds, the Authority will appoint a Remarketing Agent and enter a Remarketing Agreement for the respective Series of the 2016 Variable Rate Senior Bonds. The remarketing agent will undertake, among other things, to use its best efforts to remarket 2016 Variable Rate Senior Bonds that are tendered for purchase.

## **SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS**

### **Statutory Lien on Bridge Toll Revenues**

The Act imposes a statutory lien upon all Bridge Toll Revenues in favor of the holders of the Authority's toll bridge revenue bonds and in favor of any provider of credit enhancement for those bonds. Bridge Toll Revenues include all tolls and all other income, including penalties for violations, allocated to the Authority pursuant to the Act derived from the Bridge System and not limited or restricted to a specific purpose. The statutory lien is subject to expenditures for operation and maintenance of the Bridges, including toll collection, unless those expenditures are otherwise provided for by statute. See Appendix A under the captions "THE BRIDGE SYSTEM—Bridge System Operations and Maintenance" and "LIQUIDITY, CASH RESERVES AND INVESTMENTS—Operations and Maintenance Fund," APPENDIX C — "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE" and APPENDIX D — "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE."

### **Pledge by the State**

Pursuant to Section 30963 of the Act, the State has pledged and agreed with the holders of toll bridge revenue bonds and those parties who may enter into contracts with the Authority pursuant to the Act, that the State will not limit, alter, or restrict the rights vested by the Act in the Authority to finance the toll bridge improvements authorized by the Act. The State has further agreed not to impair the terms of any agreements made with the holders of the toll bridge revenue bonds and with parties who may enter into contracts with the Authority pursuant to the Act and has pledged and agreed not to impair the rights or remedies of the holders of any toll bridge revenue bonds or any such parties until the toll bridge revenue bonds, together with interest, are fully paid and discharged and any contracts are fully performed on the part of the Authority.

## **Toll Bridge Revenue Bonds**

Additional toll bridge revenue bonds may be issued in the future as either Senior Obligations or Subordinate Obligations (subject to the requirements of and limitations in the Senior Indenture or the Subordinate Indenture, described below).

Senior Bonds and obligations of the Authority that are payable on a parity with the Senior Bonds are “Senior Obligations.” Senior Obligations consist of the Senior Bonds and amounts due as regularly scheduled payments under the Authority’s Qualified Swap Agreements described in Appendix A under “OUTSTANDING AUTHORITY OBLIGATIONS—Qualified Swap Agreements.” Senior Obligations also include any amounts due as reimbursement obligations pursuant to the reimbursement agreement relating to the issuance of letters of credit securing variable rate demand bonds that are Senior Bonds and for Reserve Facility Costs, which are amounts to repay draws under surety bonds or insurance policies held in the reserve fund for Senior Bonds.

Subordinate Bonds and obligations of the Authority that are payable on a parity with the Subordinate Bonds are “Subordinate Obligations.” In addition, if the Authority were to become obligated to make termination payments under the Authority’s Qualified Swap Agreements described above, those obligations would be Subordinate Obligations.

See APPENDIX C — “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE” and APPENDIX D — “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE” for further information about the security for the Senior Bonds and the Subordinate Bonds.

### **Certain Provisions of the Senior Indenture**

The Senior Indenture provides that Senior Obligations are payable from and secured by “Revenue,” which consists of tolls paid by vehicles using the seven Bridges in the Bridge System (including income from penalties for toll violations), interest earnings on the Bay Area Toll Account and all other funds held by the Authority, interest earnings on fund balances held under the Senior Indenture, payments received under interest rate swap agreements, and interest subsidy payments received from the federal government on account of the issuance of Senior Bonds as Build America Bonds. Senior Obligations are also secured by and payable from all amounts (including the proceeds of Senior Bonds) held by the Senior Indenture Trustee (except amounts on deposit to be used to make rebate payments to the federal government and amounts on deposit to be used to provide liquidity support for variable rate demand Senior Bonds). The pledge securing Senior Obligations is irrevocable until all Senior Obligations are no longer outstanding.

***Authority for Issuance of Senior Bonds.*** The Senior Indenture permits Senior Bonds to be issued pursuant to the Act for the purpose of toll bridge program capital improvements and for the purpose of refunding Senior Bonds and other Senior Obligations.

***Transfers of Revenue.*** Under the Act, all Bridge Toll Revenues are required to be deposited into the Bay Area Toll Account held by the Authority. The Senior Indenture requires the Authority to transfer to the Senior Indenture Trustee, from the Bay Area Toll Account, Revenue sufficient to make payments on all Senior Obligations not later than three Business Days prior to their due dates.

Revenue so received from the Authority by the Senior Indenture Trustee is required by the Senior Indenture to be deposited in trust in the Bond Fund under the Senior Indenture. All Revenue held in that Bond Fund is to be held, applied, used and withdrawn only as provided in the Senior Indenture.

The Subordinate Indenture Trustee has been instructed by the Authority to transfer to the Senior Indenture Trustee any Revenue (as defined in the Senior Indenture) on deposit in the Bond Fund held by the Subordinate Indenture Trustee to the extent that there is any shortfall in amounts needed to make timely payments of principal, interest, and premium, if any, on Senior Obligations or to replenish the reserve fund for the Senior Bonds. Any such transfer to the Senior Indenture Trustee will not include proceeds of Subordinate Bonds, amounts attributable to interest subsidy payments received from the federal government on account of the issuance of Subordinate Bonds as Build America Bonds or any amounts attributable to a reserve account for Subordinate Bonds. The Senior Indenture Trustee has been instructed by the Authority to transfer to the Subordinate Indenture Trustee any amounts on deposit in the Fees and Expenses Fund under the Senior Indenture to the extent that there is any shortfall in the Bond Fund under the Subordinate Indenture of amounts needed to make timely payments of principal, interest, and premium, if any, on Subordinate Obligations and to replenish the reserve fund for the Subordinate Bonds, provided that no such transfer is to be made to the extent there is also a concurrent shortfall in the Bond Fund or reserve fund under the Senior Indenture. The Authority has instructed each trustee to notify the other trustee on the third Business Day preceding each principal or interest payment date of the need for such a transfer and to request such transfer on the second Business Day preceding each such payment date.

***Toll Rate Covenants.*** The Authority covenants in the Senior Indenture that it will at all times establish and maintain tolls on the Bridge System at rates sufficient to pay debt service on all Senior Obligations, to pay certain toll operations expenditures (defined in the Senior Indenture as “Category B” maintenance expenditures) and to otherwise comply with the Act.

The Authority also has covenanted in the Senior Indenture to compute coverage ratios specified in the Senior Indenture on an annual basis within ten Business Days after the beginning of each Fiscal Year and to increase tolls if any of the ratios, based on budgeted amounts for such Fiscal Year, is less than the required level. See APPENDIX C — “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE — THE SENIOR INDENTURE — Covenants of the Authority — Toll Rate Covenants.”

The Authority’s calculations as of the end of Fiscal Year 2016 of historical coverage ratios appear on Schedule 11 at page 103 in the Other Supplementary Information Section of the MTC 2016 CAFR. See APPENDIX A – “BAY AREA TOLL AUTHORITY – FINANCIAL STATEMENTS” for a reference to and definition of the MTC 2016 CAFR.

***Additional Bonds Test.*** Additional Senior Obligations may be issued under the Senior Indenture only if at least one of the following is true immediately following the issuance of such additional Senior Obligations:

- (a) the additional Senior Obligations are issued for refunding purposes to provide funds for the payment of any or all of the following: (1) the principal or redemption price of the Senior Obligations to be refunded; (2) all expenses incident to the calling, retiring or paying of such Senior Obligations and the Costs of Issuance of such refunding Senior Obligations; (3) interest on all Senior Obligations to be refunded to the date such Senior Obligations will be called for redemption or paid at maturity; and (4) interest on the refunding Senior Obligations from the date thereof to the date of payment or redemption of the Senior Obligations to be refunded; or
- (b) the governing board of the Authority determines that one of the following is true: (1) the ratio of (A) Net Revenue for the most recent Fiscal Year for which audited financial statements are available to (B) Maximum Annual Debt Service on the Senior Obligations, calculated as of the date of sale of, and including such additional Senior Obligations, will

not be less than 1.50:1; or (2) the ratio of (A) Net Revenue projected by the Authority for each of the next three Fiscal Years, including in such projections amounts projected to be received from any adopted toll increase or planned openings of an additional Bridge, to (B) Maximum Annual Debt Service on the Senior Obligations, calculated as of the date of sale of and including such additional Senior Obligations, will not be less than 1.50:1.

The Senior Indenture includes definitions of Net Revenue and Maximum Annual Debt Service and other requirements for the issuance of additional Senior Obligations. See APPENDIX C — “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE — THE SENIOR INDENTURE — Additional Senior Bonds; Subordinate Obligations.”

Pursuant to the Senior Indenture, at such time as the Authority determines to issue additional Senior Bonds, the Authority shall, in addition to fulfilling the requirements of the Senior Indenture described above, file with the Senior Indenture Trustee (a) a certificate of the Authority stating that no Event of Default specified in the Senior Indenture has occurred and is then continuing; (b) a certificate of the Authority stating that the requirements described above have been satisfied; (c) if such additional Bonds are being issued based upon compliance with (b)(1) above, a Certificate of the Authority stating that nothing has come to the attention of the Authority that would lead the Authority to believe that there has been a material adverse change in the operation of the Bay Area Bridges such that Net Revenue for the then current Fiscal Year would be insufficient to meet the debt service coverage requirement set forth in (b)(1) above; (d) the balance in the Reserve Fund will be increased, if necessary to an amount at least equal to the Reserve Requirement for all Senior Bonds Outstanding upon issuance of the new Senior Bonds; and (e) an Opinion of Bond Counsel to the effect that the Supplemental Senior Indenture creating such Series of Senior Bonds has been duly authorized by the Authority in accordance with the Senior Indenture and that such Series of Senior Bonds, when duly executed by the Authority and authenticated and delivered by the Senior Indenture Trustee, will be valid and binding obligations of the Authority.

**Reserve Fund.** The Reserve Fund established pursuant to the Senior Indenture is solely for the purpose of paying principal of and interest on the Senior Bonds when due when insufficient moneys for such payment are on deposit in the Principal Account and the Interest Account under the Senior Indenture. See APPENDIX C — “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE — THE SENIOR INDENTURE — Funds and Accounts — Establishment and Application of the Reserve Fund.”

The balance in the Reserve Fund is required by the Senior Indenture to equal or exceed the “Reserve Requirement” (defined in the Senior Indenture as an amount equal to the lesser of Maximum Annual Debt Service on all Senior Bonds and 125% of average Annual Debt Service on all Senior Bonds). The Reserve Requirement is approximately \$[334,392,152], and cash and investments aggregating at least that amount are held in the Reserve Fund. See APPENDIX C — “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE — DEFINITIONS.”

The Senior Indenture Trustee is to draw on the Reserve Fund to the extent necessary to fund any shortfall in the Interest Account or the Principal Account. The Authority is to replenish amounts drawn from the Reserve Fund by making monthly transfers to the Senior Indenture Trustee equal to one-twelfth (1/12th) of the initial aggregate amount of the deficiency in the Reserve Fund. See APPENDIX C — “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE — THE SENIOR INDENTURE — Funds and Accounts — Establishment and Application of the Reserve Fund” and “— Funding of the Reserve Fund.”

**Build America Bonds Federal Interest Subsidy Payments.** The Authority has issued Senior Bonds and Subordinate Bonds as taxable Build America Bonds under, and as defined in, the federal American

Recovery and Reinvestment Act of 2009 (the “Recovery Act”). Under the Recovery Act, issuers of qualified Build America Bonds may elect to receive from the federal government interest subsidy payments equal to 35% of the amount of interest paid by the issuer on the Build America Bonds. Such payments to the Authority on account of Senior Bonds constitute Revenue under the Senior Indenture. These payments have been reduced as a result of the congressionally-mandated sequestration process, and may continue to be reduced if federal spending reductions continue as a result of the sequestration. See “RISK FACTORS – Risk of Non-Payment of Direct Subsidy Payments.” Pursuant to the Indenture, the Authority treats such Subsidy Payments as an offset against interest paid on the Build America Bonds for purposes of the rate covenants and additional bonds tests described above under “Toll Rate Covenants” and “Additional Bonds Test,” and such Subsidy Payments are excluded from Net Revenue for purposes of such covenants and tests.

***Special Obligations.*** The Senior Bonds are special obligations of the Authority payable, as to interest thereon and principal thereof, solely from Revenue as defined and provided in the Senior Indenture, and the Authority is not obligated to pay them except from Revenue. The Senior Bonds do not constitute a debt or liability of the State, the Metropolitan Transportation Commission or any other political subdivision of the State other than the Authority, or a pledge of the full faith and credit of the State or of any political subdivision of the State.

### **Certain Provisions of the Subordinate Indenture**

The Subordinate Indenture provides that Subordinate Obligations are payable from and secured by a subordinate pledge of the Revenue and other amounts pledged to the Senior Obligations as described above under “Certain Provisions of the Senior Indenture” (other than amounts held in the reserve fund for Senior Bonds, other proceeds of Senior Bonds, and interest subsidy payments received from the federal government on account of the issuance of Senior Bonds as Build America Bonds). In addition, Subordinate Obligations are payable from and secured by interest earnings on fund balances held under the Subordinate Indenture, Subsidy Payments received from the federal government on account of the issuance of Subordinate Bonds as Build America Bonds, and all amounts (including the proceeds of Subordinate Bonds) held by the Subordinate Indenture Trustee (except amounts on deposit to be used to make rebate payments to the federal government and amounts on deposit to be used to provide liquidity support for variable rate demand Subordinate Bonds). The pledge securing Subordinate Obligations is irrevocable until all Subordinate Obligations are no longer outstanding.

***Authority for Issuance of Subordinate Bonds.*** The Subordinate Indenture permits Subordinate Bonds to be issued pursuant to the Act to finance the construction, improvement and equipping of the Bridge System and for any of the other purposes authorized by the Act, including refunding Senior Obligations, Subordinate Bonds and other Subordinate Obligations.

***Transfers of Revenue.*** Under the Act, all Bridge Toll Revenues are required to be deposited into the Bay Area Toll Account held by the Authority. The Subordinate Indenture requires the Authority to transfer to the Subordinate Indenture Trustee, from the Bay Area Toll Account, Revenue sufficient to make payments on all Subordinate Obligations not later than three Business Days prior to their due dates.

Revenue so received from the Authority by the Subordinate Indenture Trustee is required by the Subordinate Indenture to be deposited in trust in the Bond Fund under the Subordinate Indenture. All Revenue held in that Bond Fund is to be held, applied, used and withdrawn only as provided in the Subordinate Indenture.

The Subordinate Indenture Trustee has been instructed by the Authority to transfer to the Senior Indenture Trustee any Revenue (as defined in the Senior Indenture) on deposit in the Bond Fund held by



the Subordinate Indenture Trustee to the extent that there is any shortfall in amounts needed to make timely payments of principal, interest, and premium, if any, on Senior Obligations or to replenish the reserve fund for the Senior Bonds. Any such transfer to the Senior Indenture Trustee will not include proceeds of Subordinate Bonds, amounts attributable to interest subsidy payments received from the federal government on account of the issuance of Subordinate Bonds as Build America Bonds or any amounts attributable to a reserve account for Subordinate Bonds. The Senior Indenture Trustee has been instructed by the Authority to transfer to the Subordinate Indenture Trustee any amounts on deposit in the Fees and Expenses Fund under the Senior Indenture to the extent that there is any shortfall in the Bond Fund under the Subordinate Indenture of amounts needed to make timely payments of principal, interest, and premium, if any, on Subordinate Obligations and to replenish the reserve fund for the Subordinate Bonds, provided that no such transfer is to be made to the extent there is also a concurrent shortfall in the Bond Fund or reserve fund under the Senior Indenture. The Authority has instructed each trustee to notify the other trustee on the third Business Day preceding each principal or interest payment date of the need for such a transfer and to request such transfer on the second Business Day preceding each such payment date.

***Toll Rate Covenants.*** The Authority covenants in the Subordinate Indenture that it will at all times establish and maintain tolls on the Bridge System at rates projected by it to generate sufficient Revenue (as defined in the Subordinate Indenture) to pay, as and when due, amounts due on all Senior Bonds and other Senior Obligations, Subordinate Bonds and other Subordinate Obligations, Maintenance and Operation Expenses, and other obligations of the Authority, and to otherwise comply with the Act.

The Authority also has covenanted in the Subordinate Indenture to compute the debt service coverage ratio specified in the Subordinate Indenture on an annual basis within ten Business Days after the beginning of each Fiscal Year and to take such action as promptly as practicable thereafter (including, without limitation, increasing Bridge Toll Revenues through toll increases) as the Authority projects is necessary to cause the projected debt service coverage ratio for that Fiscal Year to equal or exceed 1.20:1. See APPENDIX D — “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE – THE SUBORDINATE INDENTURE – Covenants of the Authority – Revenue Covenants,” and Schedule 11 at page 103 in the Other Supplementary Information Section of the MTC 2016 CAFR. See APPENDIX A – “BAY AREA TOLL AUTHORITY – FINANCIAL STATEMENTS” for a reference to and definition of the MTC 2016 CAFR.

***Additional Bonds Test.*** Additional Subordinate Bonds (or additional Secured Obligations payable on a parity with Subordinate Bonds) may be issued under the Subordinate Indenture only if the requirements of (a) or (b) below are met:

- (a) the Subordinate Obligations are issued for refunding purposes to provide funds for the payment of any or all of the following: (1) the principal or redemption price of the Subordinate Obligations or Senior Obligations to be refunded; (2) all expenses incident to the calling, retiring or paying of such Subordinate Obligations or Senior Obligations, the Costs of Issuance of such refunding Subordinate Obligations, and any termination payments or other payments to the holders of obligations of the Authority entered into pursuant to California Government Code section 5922 (or any similar statute) related to such Subordinate Obligations or Senior Obligations; (3) interest on all Subordinate Obligations or Senior Obligations to be refunded to the date such Subordinate Obligations or Senior Obligations will be called for redemption or paid at maturity; and (4) interest on the refunding Subordinate Obligations from the date thereof to the date of payment or redemption of the Subordinate Obligations or Senior Obligations to be refunded; or
- (b) an Authorized Representative determines and certifies, as of the date of issuance of the additional Subordinate Obligations, that either: (1) the ratio of (A) Available Revenue for

the most recent Fiscal Year for which audited financial statements are available to (B) Maximum Annual Debt Service (defined in the Subordinate Indenture to include debt service on all Senior Obligations and Subordinate Obligations), calculated as of the date of sale of, and including such Subordinate Obligations, will not be less than 1.20:1; or (2) the ratio of (A) projected Available Revenue for each of three consecutive Fiscal Years (beginning with the current Fiscal Year or the Fiscal Year after the current Fiscal Year) to (B) Debt Service, calculated as of the date of sale of, and including, such Bonds or Parity Obligations, for each such Fiscal Year, will not be less than 1.20:1, and of (X) projected Available Revenue for the third such consecutive Fiscal Year to (Y) Maximum Annual Debt Service, calculated as of the date of sale of, and including, such Bonds or Parity Obligations, will not be less than 1.20:1. In calculating projected Available Revenue, the Authority will take into account amounts projected to be received from any adopted toll increase or increases and any additional Bay Area Bridge or Bridges.

The Subordinate Indenture includes definitions of Available Revenue, Debt Service, and Maximum Annual Debt Service and other requirements for the issuance of additional Subordinate Obligations. See APPENDIX D — “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE — THE SUBORDINATE INDENTURE — Additional Subordinate Bonds; Subordinate Parity Obligations; Subordinated Obligations.”

Pursuant to the Subordinate Indenture, at such time as the Authority determines to issue additional Subordinate Bonds, the Authority shall, in addition to fulfilling the requirements of the Subordinate Indenture described above, file with the Subordinate Indenture Trustee (a) a certificate of the Authority stating that no Event of Default specified in the Subordinate Indenture has occurred and is then continuing; (b) a certificate of the Authority stating that the requirements described above have been satisfied; (c) such amount, in cash or in the form of a Reserve Facility, as shall equal the Reserve Requirement, if any, for such Series of Subordinate Bonds for deposit in the Reserve Fund established pursuant to the Subordinate Indenture; and (d) an Opinion of Bond Counsel to the effect that the Supplemental Subordinate Indenture creating such Series of Subordinate Bonds has been duly executed and delivered by the Authority in accordance with the Subordinate Indenture and that such Series of Subordinate Bonds, when duly executed by the Authority and authenticated and delivered by the Subordinate Indenture Trustee, will be valid and binding obligations of the Authority. See “SUMMARY OF FINANCING PLAN – Additional Bonds Test” below for additional information related to the 2016 Subordinate Bonds.

***Reserve Fund.*** Subordinate Bonds may be issued with or without a Reserve Requirement. The Authority will decide at the time of issuance of a series of Subordinate Bonds whether to establish a Reserve Requirement for that series and the amount of the Reserve Requirement. On the date of issuance of any series of Subordinate Bonds that has a Reserve Requirement, the Reserve Requirement will be deposited in the Reserve Account established under the Subordinate Indenture for those bonds. Alternatively, the Authority may decide to establish a pooled Reserve Requirement for that series of Subordinate Bonds and any one or more subsequently issued series of Subordinate Bonds with the same pooled Reserve Requirement, in which case an amount necessary to bring the amount on deposit in the pooled Reserve Account to such pooled Reserve Requirement will be deposited in the pooled Reserve Account established under the Subordinate Indenture. In connection with the issuance of each series of Subordinate Bonds, a Reserve Account has been established and secures only that series of Subordinate Bonds, except for the 2014 Subordinate Bonds [and the 2016 Subordinate Bonds] which [each] share a common Reserve Account, as set out in the following table:

## SUBORDINATE BONDS RESERVE ACCOUNTS

<u>Series of Subordinate Bonds</u>	<u>Reserve Amount<sup>(1)</sup></u>
2010 Series S-1	\$67,938,000
2010 Series S-2	20,436,388
2010 Series S-3	21,325,363
2013 Series S-4	45,972,788
2014 Series S-5 and S-6	15,162,500
2016 Series S-7 and S-8	[ ]

<sup>(1)</sup> Amounts rounded to the nearest dollar. Funded at the maximum annual amount of interest payable for each series of Subordinate Bonds. Each such Reserve Account secures only that respective series of Subordinate Bonds or, in the case of the 2014 Series S-5 Bonds and the 2014 Series S-6 Bonds, [and the 2016 Series S-7 and the 2016 Series S-8,] secures only those series of Subordinate Bonds.

Money in an account in the Reserve Fund shall be used and withdrawn by the Subordinate Indenture Trustee solely for the purpose of paying principal of and interest on the Subordinate Bonds for which such account is held when such principal and interest are due if insufficient moneys for the payment thereof are on deposit with the Subordinate Indenture Trustee. The Authority is to replenish amounts drawn from the Reserve Fund by making monthly transfers to the Subordinate Indenture Trustee equal to one-twelfth (1/12th) of the aggregate amount of the deficiency in the Reserve Fund. See APPENDIX D — “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE — THE SUBORDINATE INDENTURE — Funds and Accounts — Establishment, Funding and Application of the Reserve Fund; Reserve Accounts.”

***Build America Bonds Federal Interest Subsidy Payments.*** The Authority has issued Senior Bonds and Subordinate Bonds as taxable Build America Bonds under, and as defined in, the federal American Recovery and Reinvestment Act of 2009 (the “Recovery Act”). Under the Recovery Act, issuers of qualified Build America Bonds may elect to receive from the federal government interest subsidy payments equal to 35% of the amount of interest paid by the issuer on the Build America Bonds. These payments have been reduced as a result of the congressionally-mandated sequestration process, and may continue to be reduced if federal spending reductions continue as a result of the sequestration. See “RISK FACTORS – Risk of Non-Payment of Direct Subsidy Payments.” Pursuant to the Subordinate Indenture, the Authority treats such subsidy payments as an offset against interest paid on Build America Bonds for purposes of the additional bonds test and the rate covenants described above under “Toll Rate Covenants” and “Additional Bonds Test,” and such Subsidy Payments are excluded from Available Revenue for purposes of such covenants and tests.

***Special Obligations.*** The Subordinate Bonds are special obligations of the Authority payable, as to interest thereon and principal thereof, solely from Revenue as defined and provided in the Subordinate Indenture, and the Authority is not obligated to pay them except from Revenue. The Subordinate Bonds do not constitute a debt or liability of the State, the Metropolitan Transportation Commission or any other political subdivision of the State other than the Authority, or a pledge of the full faith and credit of the State or of any political subdivision of the State.

## SUMMARY OF FINANCING PLAN

### Remarketing of 2014 Series A Bonds

Proceeds of the remarketing of the 2014 Series A Bonds will be used to pay the purchase price to the holders thereof pursuant to a mandatory tender at the election of the Authority. The purchase price for

the 2014 Series A Bonds is the principal amount thereof plus accrued and unpaid interest to the mandatory tender date, without premium.

### Proceeds of 2016 Series Bonds

Proceeds of the 2016 Series Bonds will be used to (i) refund all of the \$[ ] outstanding aggregate principal amount of the Authority's 20[ ] Series [ ] Bonds shown in the table below (the "Refunded Bonds"), (ii) fund capital projects, (iii) make a deposit to the Reserve Fund for the benefit of the 2016 [Subordinate] [Senior] Bonds and (iv) pay the costs of issuing the 2016 Series Bonds. A portion of the proceeds of the 2016 Series Bonds will be deposited into an escrow fund (the "Escrow Fund") to pay principal of and interest on and redemption price of the Refunded Bonds. Amounts in the Escrow Fund will be invested in Government Obligations, as defined in Appendix C — "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE — DEFINITIONS." The Refunded Bonds are to be paid at maturity or redeemed on April 1, 20[ ] from amounts held in the Escrow Fund.

**Refunded Bonds  
Bay Area Toll Authority  
San Francisco Bay Area Toll Bridge Revenue Bonds  
20[ ] Series [ ]**

<u>Maturity Date</u> <u>(April 1)</u>	<u>Principal</u> <u>Amount</u>	<u>CUSIP<sup>†</sup></u> <u>Number</u>	<u>Maturity Date</u> <u>(April 1)</u>	<u>Principal</u> <u>Amount</u>	<u>CUSIP<sup>†</sup></u> <u>Number</u>
	\$			\$	

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<sup>†</sup> CUSIP information herein is provided by CUSIP Global Services, managed by Standard and Poor's Financial Services LLC. CUSIP numbers are provided for convenience of reference only. Neither the Authority nor the Underwriters assume any responsibility for the accuracy of such numbers.

The refunding of the Refunded Bonds is expected to improve debt service coverage and increase cash flow available for projects during the initial Term Rate and Index Rate Periods of the Variable Rate Senior Bonds. On the Purchase Dates, the Variable Rate Senior Bonds are expected to be remarketed as Variable Rate Bonds (which under the Senior Indenture may be Daily Rate, Weekly Rate, Commercial Paper Rate, Index Rate or Term Rate Bonds) thereby better aligning the Authority's debt service with its investment earnings on its cash reserves. The Authority is issuing \$300,000,000 in fixed rate Subordinate Bonds to provide additional construction proceeds for the seismic retrofit program, toll bridge program capital improvements and RM-2 capital projects.

## Estimated Sources and Uses of Funds

The following are the estimated sources and uses of funds with respect to the 2016 Series Bonds:

	<b>2016 Senior Bonds</b>	<b>2016 Subordinate Bonds</b>	<b>Total</b>
<b>SOURCES:</b>			
Bond Proceeds:			
Principal Amount	\$	\$	\$
Plus Net Original Issue Premium			
	\$	\$	\$
Other Sources of Funds:			
Cash Contribution			
	\$	\$	\$
<b>TOTAL SOURCES</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>USES:</b>			
Project Fund	\$	\$	\$
Debt Service Reserve Fund Deposit			
Escrow Fund Deposit			
Costs of Issuance <sup>(1)</sup>			
	\$	\$	\$
<b>TOTAL USES</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

<sup>(1)</sup> Costs of issuance include rating agency, legal and financial advisory fees and printing costs and expenses; underwriters' discount; fees of the trustee; and other miscellaneous expenses.

## Additional Bonds Test

[The Authority is issuing the 2016 Senior Bonds as refunding bonds. The issuance of refunding bonds does not require any certification as to debt service coverage.]

The Authority is issuing the 2016 Subordinate Bonds as Additional Subordinate Bonds under the Subordinate Indenture for project purposes. This requires the Authority to certify that the ratio of Available Revenues to Maximum Annual Debt Service (defined in the Subordinate Indenture to include debt service on all Senior Obligations and Subordinate Obligations) following such issuance, based upon either an historical basis, using the most recent audited financial statements, or a projections basis, is at least 1.20:1. See "SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS – Certain Provisions of the Subordinate Indenture – Additional Bonds Test" above. The Authority will be relying on projections to comply with this provision of the Subordinate Indenture, as it has done with respect to all previous issues of Additional Subordinate Bonds under the Subordinate Indenture. The projections are the responsibility of and are prepared by Authority management. Maximum Annual Debt Service is projected to occur in Fiscal Year 20[43], and the Subordinate Indenture requires calculation of the projections with respect to Fiscal Year 2019. Upon issuance of the 2016 Subordinate Bonds, the ratio of Available Revenue in Fiscal Year 2016 to projected Maximum Annual Debt Service will be [1.11:1], and the ratio of projected Available Revenue in Fiscal Year 2019 to projected Maximum Annual Debt Service will be [1.22:1]. The Authority customarily revises its projections on an annual basis. The Authority currently projects an increase of approximately \$[60] million in Available Revenues in Fiscal Year 2019 over Available Revenues in Fiscal Year 2016. These projections differ from previous Authority projections

which projected only a nominal increase in Available Revenues in Fiscal Year 2019 over Fiscal Year 2016. For discussion of the projections and related assumptions used by the Authority, see APPENDIX A — “BAY AREA TOLL AUTHORITY – HISTORICAL AND PROJECTED REVENUE AND DEBT SERVICE COVERAGE” and “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS – Certain Provisions of the Subordinate Indenture – Toll Rate Covenants.”

### **Bond Reserve Funds**

Upon the refunding of the Refunded Bonds and the issuance of the Authority’s 2016 Series F-1 Bonds, the Reserve Requirement for all outstanding Senior Bonds will be approximately \$[334,392,152] and cash and investments aggregating that amount will be held in the Reserve Fund.

Upon issuance of the 2016 Subordinate Bonds, the Authority will establish with the Subordinate Indenture Trustee under the Subordinate Indenture a common reserve fund for the 2016 Subordinate Bonds (the “2016 Series S-7 and S-8 Subordinate Bonds Reserve Fund”). The Reserve Requirement for the 2016 Series S-7 and S-8 Subordinate Bonds Reserve Fund will be \$[ ] based on maximum annual interest payable on the 2016 Subordinate Bonds, and 2016 Subordinate Bonds proceeds aggregating that amount will be deposited in the 2016 Subordinate Bonds Reserve Fund.

### **Outstanding Senior Bonds and Senior Obligations**

Upon issuance of the 2016 Senior Bonds and defeasance of the Refunded Bonds, the Authority will have outstanding bonds secured by a pledge of Revenue that is on parity with the pledge of Revenue securing the 2016 Senior Bonds in the aggregate principal amount of \$[ ] comprised of \$[ ] aggregate principal amount of Variable Rate Bonds and \$[ ] aggregate principal amount of fixed rate bonds. Of the Variable Rate Bonds \$[ ] will be variable rate demand bonds bearing interest at a Weekly Rate, \$[ ] will be Variable Rate Bonds bearing interest at Index Rates tied to the SIFMA Swap Index, \$[ ] will be Variable Rate Bonds bearing interest at an Index Rate tied to 67% of 3-month LIBOR, and \$[ ] will be Variable Rate Bonds bearing interest at Term Rates. See APPENDIX A – “BAY AREA TOLL AUTHORITY – OUTSTANDING AUTHORITY OBLIGATIONS – Outstanding Senior Bonds and Senior Obligations – *Weekly Rate Bonds*” and “*Term Rate and Index Rate Bonds*” and APPENDIX G – “PROJECTED DEBT SERVICE SCHEDULE.”

Payments of principal of and interest on the Variable Rate Bonds bearing interest at a Weekly Rate will be made from draws on the Letters of Credit issued by banks that are parties to a Reimbursement Agreement among the Authority and the banks named therein. The reimbursement obligations created by draws on the Letters of Credit, including draws to purchase variable rate demand bonds tendered by the holders thereof and not remarketed, will be on a parity with the Senior Bonds, including the 2016 Senior Bonds. See the information in Appendix A under the captions “OUTSTANDING AUTHORITY OBLIGATIONS – Outstanding Senior Bonds and Senior Obligations – *Weekly Rate Bonds*” and “OTHER AUTHORITY OBLIGATIONS – Credit Facilities.”

The Authority also has outstanding interest rate swaps in the aggregate notional amount of \$[ ], the scheduled payments on which are on a parity with the Senior Bonds, including the Variable Rate Senior Bonds. Any swap termination payments are subordinate to the Senior Bonds and on parity with the Subordinate Bonds, including the 2016 Subordinate Bonds, described below. See Appendix A under the caption “OUTSTANDING AUTHORITY OBLIGATIONS – Qualified Swap Agreements.”

## **Outstanding Subordinate Bonds**

Upon issuance of the 2016 Subordinate Bonds, the Authority will have outstanding \$[ ] aggregate principal amount of fixed rate Subordinate Bonds secured by a pledge of Revenue that is subordinate to the pledge of Revenue securing the Senior Bonds. See Appendix A under the caption “OUTSTANDING AUTHORITY OBLIGATIONS — Outstanding Subordinate Bonds” and APPENDIX G — “PROJECTED DEBT SERVICE SCHEDULE.”

## **Anticipated Bond Issuances of the Authority**

The Authority is issuing the \$[ ] of 2016 Subordinate Bonds for capital projects prior to December 31, 2017 under existing governing board authority, and the Authority’s governing board may authorize the issuance of additional Subordinate Bonds or Senior Bonds in the future. The Authority has also authorized the issuance of refunding Bonds and the termination of existing interest rate swaps and the execution of new interest rate swaps. Toll bridge revenue bonds may be issued on a parity with the outstanding Senior Bonds under the Senior Indenture or as Subordinate Bonds on a parity with the outstanding Subordinate Bonds under the Subordinate Indenture. Additional toll bridge revenue bonds could be issued for refunding or restructuring purposes, additional work on the Bridges or other purposes authorized by the Act.

The principal amount of additional toll bridge revenue bonds (and any Senior Obligations or Subordinate Obligations) to be issued by the Authority and the timing of any such issuance or issuances will be determined by the Authority based on the actual costs of its programs (which are subject to modification by the Authority and by state law) and the resources then available. The Act does not limit the principal amount of Authority obligations that may be issued. The Senior Indenture and the Subordinate Indenture limit the issuance of Senior Bonds, obligations of the Authority that are payable on a parity with the Senior Bonds, Subordinate Bonds, and obligations that are payable on a parity with the Subordinate Bonds. See the information herein under the caption “SUMMARY OF FINANCING PLAN – Anticipated Bond Issuances of the Authority” and under the captions “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS – Certain Provisions of the Senior Indenture – Toll Rate Covenants” and “—Additional Bonds Test” and “—Certain Provisions of the Subordinate Indenture – Toll Rate Covenants” and “—Additional Bonds Test.”

## **Investment Policies and Portfolio**

For information concerning the Authority’s investment policies and the MTC investment portfolio, which includes funds of the Authority, see “LIQUIDITY, CASH RESERVES AND INVESTMENTS” in Appendix A.

## **RISK FACTORS**

The primary source of payment for the Authority’s toll bridge revenue bonds is the Authority’s bridge toll revenues. The level of bridge toll revenues collected at any time is dependent upon the level of traffic on the Bridge System, which, in turn, is related to several factors, including without limitation, the factors indicated below.

### **Risk of Faulty Forecast**

The levels of traffic assumed and toll revenue projected are based solely upon estimates and assumptions made by the Authority. Actual levels of traffic and toll revenue will differ, and may differ

materially, from the levels projected. Actual interest earnings, debt service interest rates, swap revenues and operations and maintenance expenses could also differ from the forecast.

## **Risk of Earthquake**

The Bay Area's historical level of seismic activity and the proximity of the Bridge System to a number of significant known earthquake faults (including most notably the San Andreas Fault and the Hayward Fault) increases the likelihood that an earthquake originating in the region could destroy or render unusable for a period of time one or more of the Bridges, their highway approaches or connected traffic corridors, thereby interrupting the collection of bridge toll revenues for an undetermined period of time.

An earthquake originating outside the immediate Bay Area could have an impact on Bridge System operations and bridge toll revenues. On October 17, 1989, the Bay Area experienced the effects of the Loma Prieta earthquake that registered 7.1 on the Richter Scale. The epicenter of the earthquake was located in Loma Prieta about 60 miles south of the City of San Francisco in the Santa Cruz Mountains. The Loma Prieta earthquake caused damage to the east span of the San Francisco-Oakland Bay Bridge and adjacent highways.

On August 24, 2014, a 6.0-magnitude earthquake occurred near Napa, California, the epicenter of which was located approximately 15 miles from the Carquinez and Benicia-Martinez Bridges. Caltrans has conducted inspections of the seven bridges of the Bridge System and found no damage from this event.

Research conducted since the 1989 Loma Prieta earthquake by the United States Geological Survey concludes that there is a 70% probability of at least one magnitude 6.7 or greater earthquake, capable of causing wide-spread damage, striking the Bay Area before 2030. Major earthquakes may occur at any time in any part of the Bay Area. An earthquake of such magnitude with an epicenter in sufficiently close proximity to the Bay Area could result in substantial damage.

The Seismic Retrofit Program was specifically intended to mitigate the risk of major damage to the Bridges due to seismic activity by enhancing the structural integrity of the Bridges to accommodate ground motions along the various identified faults with return periods of between 1,000 and 2,000 years. As described in APPENDIX A – “BAY AREA TOLL AUTHORITY,” the Seismic Retrofit Program has been substantially completed as of September 2013. However, the completion of the Seismic Retrofit Program will not ensure that one or more of the Bridges or their highway approach routes would not be damaged, destroyed or rendered unusable for a period of time in the event of a single earthquake or a combination of earthquakes.

When large seismic events have occurred in the past, Caltrans has demonstrated an ability to quickly repair bridge structures and reestablish traffic flows. As a consequence of the 1989 Loma Prieta earthquake, the San Francisco-Oakland Bay Bridge suffered collapse of a section of the bridge's east span upper deck. Within 30 days, two replacement deck sections were designed, ordered, fabricated, delivered and installed as part of an \$8.6 million construction project. With the completion of the Seismic Retrofit Program, the need for repairs of this magnitude is expected to be greatly reduced, especially on the San Francisco-Oakland Bay Bridge and the Benicia-Martinez Bridge, both of which have been strengthened to Lifeline Structure criteria. See APPENDIX A — “BAY AREA TOLL AUTHORITY — CAPITAL PROJECTS AND FUNDING — Seismic Retrofit Program – Seismic Design Strategies for the Bridge System.” However, the actual damage caused by a future seismic event could vary substantially from expectations or past experience.



## **Other Force Majeure Events**

Operation of the Bridge System and collection of bridge tolls is also at risk from other events of force majeure, such as damaging storms, winds and floods, fires and explosions, spills of hazardous substances, collisions involving maritime vessels, strikes and lockouts, sabotage, wars, blockades and riots. The Authority cannot predict the potential impact of such events on the financial condition of the Authority or on the Authority's ability to pay the principal of and interest on the Authority's toll bridge revenue bonds as and when due.

## **Climate Change Issues and Economic Impact of Possible New and Increased Regulation**

In 2006, the California legislature passed Assembly Bill 32, the "California Global Warming Solutions Act of 2006," which requires the Statewide level of greenhouse gas ("GHG") emissions to be reduced to 1990 levels by 2020 and directs the California Air Resources Board ("ARB") to serve as the lead agency to implement the law. On October 20, 2011, the ARB made the final adjustments to its implementation plan for Assembly Bill 32 - the "California Cap-and-Trade Program" or the "Program" - which was implemented and became effective in January 2012. The Program covers regulated entities emitting 25,000 million metric tons of carbon dioxide equivalent per year or more and entities in certain listed industries, including major industrial sources, electricity generating facilities, and fuel suppliers. Non-covered entities are encouraged to opt-in and voluntarily participate in the Program. The Program will expand on January 1, 2015 to include fuel distributors in order to capture emissions from motor vehicle fuels. A University of California study estimates that this expansion of the Program will cause an immediate increase in gasoline prices of 9 to 10 cents per gallon in January of 2015, and the California Legislative Analyst's Office estimates that Program will cause retail fuel prices to rise by 13 to 20 cents by 2020.

The Program may result in rising electricity and motor vehicle fuel costs which may adversely affect economic activity in the Bay Area and the projected increases in gasoline prices may impact transportation mode choices, both of which may have a negative impact on bridge toll revenues. Further, the Authority is unable to predict if any additional federal, State and local laws and regulations with respect to GHG emissions or other environmental issues (including but not limited to air, water, hazardous substances and waste regulations) will be adopted, or what effects such laws and regulations will have on the underlying factors that influence vehicle traffic volume on the Bridge System. The effects, however, while unknown could be material.

## **Threats and Acts of Terrorism**

Caltrans and law enforcement authorities have undertaken security measures in an effort to reduce the probability that the Bridges could be attacked by terrorists. However, such measures are not guaranteed to prevent an attack on the Bridges. The Authority cannot predict the likelihood of a terrorist attack on any of the Bridges or the extent of damage or vehicle traffic disruption that might result from an attack. The Bridges are not insured against terrorist attack.

## **No Insurance Coverage**

No business interruption insurance or any other commercially available insurance coverage is currently maintained by the Authority or Caltrans with respect to damage to or loss of use of any of the Bridges. However, pursuant to the Cooperative Agreement the Authority currently maintains a self insurance fund. The Cooperative Agreement calls for a minimum balance of \$50 million, which would be available for reconstruction, repair and operations in the event of damage due to a major emergency which would result in closure to traffic of a Bridge estimated to extend more than 30 days and to exceed \$10 million in cost. Such reserve is maintained pursuant to the Cooperative Agreement and upon agreement of

Caltrans and the Authority may be reduced or eliminated in its entirety. Pursuant to the Cooperative Agreement, replenishment of funds used for such repairs would be made by the Authority from bridge toll revenues.

As described above, the Authority's budget contemplates a \$1 billion reserve, including \$50 million in the Cooperative Agreement, \$150 million in the operations and maintenance fund, \$120 million for bridge rehabilitation, \$580 million in project contingency and self-insurance reserves and \$100 million in variable interest rate risk reserves. See the MTC 2014 CAFR at page 66 and "LIQUIDITY, CASH RESERVES AND INVESTMENTS – Cash Reserves" in Appendix A for more information on the reserve. Moreover, the Authority expects that emergency assistance and loans from the federal government would be made available to the State in the event of major damage to the Bridges caused by a major earthquake or other force majeure event.

### **Economic Factors**

A substantial deterioration in the level of economic activity within the Bay Area could have an adverse impact upon the level of bridge toll revenues collected. In addition, the occurrence of any natural catastrophe such as an earthquake may negatively affect the Bay Area economy or traffic using the Bridge System or both. See "Risk of Earthquake" above. Bridge toll revenues may also decline due to traffic interruptions as a result of construction, greater carpooling or use of mass transit, increased costs of gasoline and of operating an automobile, more reliance on telecommuting in lieu of commuting to work, relocation of businesses to suburban locations and similar activities. Regional Measure 2 (described in Appendices A and B hereto) includes a substantial allocation of funding for mass transit projects intended to reduce congestion in the Bridge System corridors.

### **Risk of Non-Payment of Direct Subsidy Payments**

A portion of the payments of interest on certain of the Authority's toll bridge revenue bonds is expected to be paid with Build America Bond subsidy payments that the Authority expects to receive from the federal government. The U.S. Treasury may offset any subsidy payment to which the Authority is otherwise entitled against any other liability of the Authority payable to the United States of America, including without limitation withholding or payroll taxes, or other penalties or interest that may be owed at any time to the United States of America. The Code authorizes federal regulations and other guidance to carry out the Build America Bond program, which may reduce the certainty of receipt of subsidy payments by the Authority. Subsidy payments do not constitute full faith and credit obligations of or guarantees by the United States of America, but are to be paid as tax credits by the U.S. Treasury under the Recovery Act. Accordingly, no assurance can be given that the U.S. Treasury will make payment of the subsidy payments in the amounts which the Authority expects to receive, or that such payments will be made in a timely manner. No assurance can be given that Congress will not amend or repeal provisions of the program and thereby affect the payment of subsidy payments.

The Budget Control Act of 2011 (the "Budget Control Act") provided for increases in the federal debt limit and established procedures designed to reduce the federal budget deficit. The Budget Control Act provided that a failure by Congress to otherwise reduce the deficit would result in sequestration: automatic, generally across-the-board spending reductions. Sequestration became effective March 1, 2013, and resulted in a reduction of the subsidy payments received by the Authority in connection with its Build America Bonds by 8.7% through September 30, 2013. This 8.7% reduction in the Authority's Build America Bond subsidy payments received from March 1, 2013 through September 30, 2013 equaled \$6,161,348. The Bipartisan Budget Act of 2013 extended and made certain modifications to sequestration, but generally did not affect the reduction of subsidy payments for Build America Bonds. Subsidy payments received by the Authority in connection with its Build America Bonds for the period of October 1, 2013

through September 30, 2014, (“Federal Fiscal Year 2014”), were reduced by 7.2%. The 7.2% reduction in the Authority’s Build America Bonds subsidy payments in Federal Fiscal Year 2014 equaled \$5,512,430. For the period of October 1, 2014 through September 30, 2015 (“Federal Fiscal Year 2015”), the Internal Revenue Service confirmed a reduction of 7.3% in Build America Bonds subsidy payments due to sequestration, which the Authority expects to reduce its Build America Bond subsidy payments by \$5,588,992 for Federal Fiscal Year 2015.

If the Authority fails to comply with the conditions to receiving the subsidy payments throughout the term of the toll bridge revenue bonds designated as Build America Bonds, it may no longer receive such payments and could be subject to a claim for the return of previously received payments. The Authority is obligated to make payments of principal of and interest on its toll bridge revenue bonds without regard to the receipt of subsidy payments.

### **Credit Facilities Risk**

The Authority has \$400 million of Outstanding Senior Bonds that are variable rate demand bonds bearing interest at a Weekly Rate supported by credit facilities and will need to renew or replace such facilities in the coming years or, alternatively, to restructure its variable rate debt to reduce the need for credit and/or liquidity facilities. See APPENDIX A — “BAY AREA TOLL AUTHORITY — OUTSTANDING AUTHORITY OBLIGATIONS — Table 7 — OUTSTANDING SENIOR WEEKLY RATE BONDS.” The rating agencies could announce changes in outlook, reviews for downgrade, or downgrades, of the ratings of the Authority’s credit facility providers. Current ratings of the Authority’s variable rate demand bonds are in part based on Credit Provider ratings. Adverse ratings developments with respect to Credit Providers could lead to the need for purchases by the Credit Providers of bonds pursuant to the Reimbursement Agreement described in Appendix A under the caption “OTHER AUTHORITY OBLIGATIONS — Credit Facilities” and therefore could cause a substantial increase in the Authority’s debt service-related costs. The Authority cannot predict the availability and cost of replacement bank facilities, of extending existing credit facilities, or of other refinancing strategies that would not require credit support.

### **Variable Rate Obligations Rate and Acceleration Risk**

The Senior Bonds that are variable rate demand bonds bearing interest at a Weekly Rate are subject to tender at the option of the owners thereof and if not remarketed will be purchased pursuant to the Reimbursement Agreement. Under certain conditions the reimbursement obligations related to such purchases may be due and payable immediately on a parity basis with the Senior Bonds. The Senior Bonds are not otherwise subject to acceleration. In addition, the interest rate on the Senior Bonds that are variable rate demand bonds bearing interest at a Weekly Rate fluctuates and could increase up to a maximum rate of 12% per annum or, if there is a failure to remarket, 15% per annum when purchased by a Credit Provider pursuant to the Reimbursement Agreement.

### **Remarketing Risk**

The Authority has \$[ ] of Senior Bonds outstanding (not including the 2016 Variable Rate Senior Bonds) bearing interest at a Term Rate or an Index Rate and that are not supported by a letter of credit or liquidity facility. These Senior Bonds are subject to mandatory tender on purchase dates ranging from April 3, 2017 to April 1, 2027. The Authority expects funds from remarketing these Senior Bonds to be applied to pay the purchase price of such Bonds upon mandatory tender. The Authority is not obligated to provide any other funds for the purchase of such Bonds other than remarketing proceeds and can give no assurance that sufficient remarketing proceeds will be available to pay such Bonds upon mandatory tender. If there are insufficient funds to purchase any Bonds at the end of any Term Rate Period or Index Rate

Period, the owners of such Bonds will retain such Bonds and such Bonds will bear interest at a Weekly Rate which shall be the Stepped Rate. The Stepped Rate increases over time as the Bonds are unable to be remarketed and may reach 12%. See “VARIABLE RATE SENIOR BONDS IN TERM RATE OR INDEX RATE MODE – Insufficient Funds; Stepped Rate” herein and “OUTSTANDING AUTHORITY OBLIGATIONS – Outstanding Senior Bonds and Senior Obligations – Term Rate and Index Rate Bonds” in Appendix A.

### **Index Determination Risk**

The Authority has a substantial amount of obligations and derivative contracts that are based on indices that are determined by third parties, including the SIFMA Swap Index and the LIBOR Index. See Tables 7, 8 and 10 in Appendix A under the caption “OUTSTANDING OBLIGATIONS OF THE AUTHORITY” for a detailed listing. The Authority is not responsible or accountable in any way for the determination of these indices or the procedures used in making those determinations and is not a member of or affiliated in any way with the associations or organizations responsible for determining these indices. The procedures employed in determining these indices may be modified from time to time and the publication of these indices may be delayed or discontinued entirely without any Authority involvement. Also, external market forces may result in the volatility of these indices. Moreover, these indices may be the subject of manipulation, as has been alleged by the Authority in pending litigation. See APPENDIX A — “BAY AREA TOLL AUTHORITY – OUTSTANDING AUTHORITY OBLIGATIONS — Qualified Swap Agreements — *LIBOR Litigation.*”

### **Swap Related Risks**

The Authority has Qualified Swap Agreements with, as of October 31, 2016, a notional amount of \$[ ] outstanding with various counterparties pursuant to which the Authority pays a fixed rate and receives a variable rate based on an index. The variable rates received pursuant to such agreements which are LIBOR-based may differ, at times substantially, from the interest rates on the Senior Bonds corresponding to such swap agreements. In addition, if the counterparties to such Qualified Swap Agreements encounter financial difficulties, under certain circumstances payments may not be received from such counterparties or the swap agreements may be terminated requiring, depending on market conditions at the time, termination payments to be made by the Authority. Such termination payments could be substantial and are payable as Subordinate Obligations, on a parity basis with the Subordinate Bonds. As of October 31, 2016, such termination payments would exceed an approximate estimated aggregate amount of \$[ ] million.

### **Rising Tolls, Construction Delays and Cost Escalation**

During 2010 through 2012, the Authority increased bridge tolls as described in Appendix A under the caption “THE BRIDGE SYSTEM — Bridge Toll Rates.” The Authority does not anticipate increasing bridge tolls in the near future. The Authority does expect to participate in the financing of other transportation projects in the Bay Area. Construction delays and cost escalation for such projects may occur as a result of any number of causes, including, but not limited to, adverse weather conditions, unavailability of contractors, coordination among contractors, environmental concerns, labor disputes, engineering errors or unanticipated or increased costs of construction such as labor, equipment, and materials. In addition, construction delays and increased costs may also be caused by uncontrollable circumstances, force majeure events, unforeseen geotechnical conditions, the presence of hazardous materials or endangered species, or for other reasons. Undertaking new projects and any construction delays or cost increases regarding such projects could result in further toll increases. Future toll increases could have an adverse effect on the level of traffic on the Bridge System and the level of bridge toll revenues collected. Lower traffic levels could result in lower total revenues, even though toll rates might increase.

## State Legislation

State legislation is introduced from time to time that could affect the finances or operations of the Authority or MTC or both, including, the level and expenditure of tolls. The Authority cannot predict whether any such legislation will be introduced or enacted in future legislative sessions.

[Recent legislation?]

## Voter Initiatives

In 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the “Right to Vote on Taxes Act” (“Proposition 218”). Proposition 218 added Articles XIIC and XIID to the California Constitution and contains a number of interrelated provisions affecting the ability of local governments, including local or regional agencies such as the Authority, to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government. The Authority does not believe that the levy and collection of bridge tolls are taxes subject to the voter approval provisions of Proposition 218. In 2010, the voters of the State approved Proposition 26, another constitutional initiative, entitled the “Supermajority Vote to Pass New Taxes and Fees Act” (“Proposition 26”). Proposition 26, among other things, added a definition of “tax” as used in Article XIII A and Article XIIC of the California Constitution.

Proposition 218 also provides for broad initiative powers to reduce or repeal any local tax, assessment, fee or charge. Article XIIC does not define the terms local “taxes,” “assessment,” “fee” or “charge.” However, the Supreme Court of California, in the case of *Bighorn–Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006), held that the initiative power described in Article XIIC applies to any local taxes, assessments, fees and charges as defined in Articles XIIC and XIID. Article XIID defines “fee” or “charge” to mean a levy (other than ad valorem or special taxes or assessments) imposed by a local government “upon a parcel or upon a person as an incident of property ownership”, including a user fee for a “property related service.” However, the Court also found that the terms “fee” and “charge” in section 3 of Article XIIC may not be subject to a “property related” qualification. The Authority does not believe that the bridge toll is a “fee” or “charge” as defined in Articles XIID or XIIC. If ultimately found to be applicable to the bridge tolls, the initiative power could be used to rescind or reduce the levy and collection of bridge tolls under Proposition 218. Any attempt by voters to use the initiative provisions under Proposition 218 in a manner which would prevent the payment of debt service on the Authority’s toll bridge revenue bonds should arguably violate the Impairment of Contract Clause of the United States Constitution and accordingly, be precluded. The Authority cannot predict the potential financial impact on the financial condition of the Authority and the Authority’s ability to pay the purchase price, principal of and interest on its toll bridge revenue bonds as and when due, as a result of the exercise of the initiative power under Proposition 218.

## ABSENCE OF MATERIAL LITIGATION

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Authority, threatened against the Authority in any way affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to restrain or to enjoin the issuance, sale or delivery of the 2016 Series Bonds, the application of the proceeds thereof in accordance with the Senior Indenture and the Subordinate Indenture, the collection or application of the Bridge Toll Revenues (as defined in Appendix A), or the statutory lien thereon, in any way contesting or affecting the validity or enforceability of the 2016 Series Bonds or the Senior Indenture or the Subordinate Indenture, in any way contesting the completeness or

accuracy of the Official Statement or the powers of the Authority with respect to the 2016 Series Bonds or the Senior Indenture or the Subordinate Indenture, or which could, if adversely decided, have a materially adverse impact on the Authority's financial position or the Authority's ability to collect Bridge Toll Revenues.

## **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2016 Series Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). In the further opinion of Bond Counsel, interest on the 2016 Series Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the 2016 Series Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on the 2016 Series Bonds. A complete copy of the proposed form of the opinion of Bond Counsel is set forth in Appendix F hereto.

To the extent the issue price of any maturity of the 2016 Series Bonds is less than the amount to be paid at maturity of such 2016 Series Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2016 Series Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the 2016 Series Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2016 Series Bonds is the first price at which a substantial amount of such maturity of the 2016 Series Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2016 Series Bonds accrues daily over the term to maturity of such 2016 Series Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2016 Series Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2016 Series Bonds. Beneficial owners of the 2016 Series Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2016 Series Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such 2016 Series Bonds in the original offering to the public at the first price at which a substantial amount of such 2016 Series Bonds is sold to the public.

2016 Series Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Beneficial owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2016 Series Bonds. The Authority has made certain representations and covenanted to comply with certain restrictions, conditions

and requirements designed to ensure that interest on the 2016 Series Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2016 Series Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2016 Series Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2016 Series Bonds may adversely affect the value of, or the tax status of interest on, the 2016 Series Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2016 Series Bonds is excluded from gross income for federal income tax purposes and that interest on the 2016 Series Bonds is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the 2016 Series Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2016 Series Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. For example, Representative Dave Camp, Chair of the House Ways and Means Committee released draft legislation that would subject interest on the 2016 Series Bonds to a federal income tax at an effective rate of 10% or more for individuals, trusts and estates in the highest tax bracket, and the Obama Administration proposed legislation that would limit the exclusion from gross income of interest on the 2016 Series Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2016 Series Bonds. Prospective purchasers of the 2016 Series Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2016 Series Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the requirements of the Code.

The IRS has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the IRS, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. Bond Counsel is not obligated to defend the owners regarding the tax-exempt status of the 2016 Series Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and their appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the 2016 Series Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market

price for, or the marketability of, the 2016 Series Bonds, and may cause the Authority or the beneficial owners to incur significant expense.

## **LEGAL MATTERS**

The validity of the 2016 Series Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A complete copy of the proposed form of opinion of Bond Counsel is contained in Appendix F hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement. Certain legal matters will be passed upon for the Authority by its general counsel and for the Underwriters by their counsel, Nixon Peabody LLP.

## **RATINGS**

### **2016 Senior Bonds**

Moody's Investors Service ("Moody's") has assigned a rating of "Aa3" to the 2016 Senior Bonds. Standard & Poor's Ratings Services ("S&P") has assigned a rating of "AA" to the 2016 Senior Bonds. Fitch Ratings ("Fitch") has assigned a rating of "AA" to the 2016 Senior Bonds.

### **2016 Subordinate Bonds**

Moody's has assigned a rating of "A1" to the 2016 Subordinate Bonds. S&P has assigned a rating of "A+" to the 2016 Subordinate Bonds.

### **Meaning of Ratings**

The ratings described above reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Fitch Ratings, One State Street Plaza, New York, New York 10004; Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007; and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. Such ratings could be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price of the 2016 Series Bonds.

## **UNDERWRITING**

The Authority will enter into a Purchase Contract (the "Purchase Contract") with respect to the 2016 Series Bonds with Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Barclays Capital Inc. and Goldman, Sachs & Co. (collectively, the "Underwriters"). Pursuant to the Purchase Contract, the Underwriters have agreed, subject to conditions, to purchase the 2016 Series Bonds for reoffering, at a purchase price of \$[\_\_\_\_\_], which represents the aggregate principal amount of the 2016 Series Bonds, plus a net original issue premium of \$[\_\_\_\_\_], less an underwriters' discount of \$[\_\_\_\_\_].

The Underwriters will purchase all of the 2016 Series Bonds if any are purchased. The Underwriters have agreed to make a public offering of the 2016 Series Bonds at the prices or yields shown in the SUMMARY OF OFFERING.



Citigroup Global Markets Inc., an Underwriter of the 2016 Series Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. (“TMC”) and UBS Financial Services Inc. (“UBSFS”). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the 2016 Series Bonds.

J.P. Morgan Securities LLC (“JPMS”), an Underwriter of the 2016 Series Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of CS&Co. and LPL will purchase 2016 Series Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2016 Series Bonds that such firm sells.

Goldman, Sachs & Co. (“Goldman Sachs”), one of the Underwriters of the 2016 Series Bonds, has entered into a master dealer agreement (the “Master Dealer Agreement”) with Incapital LLC (“Incapital”) for the distribution of certain municipal securities offerings, including the 2016 Series Bonds, to Incapital’s retail distribution network at the initial public offering prices. Pursuant to the Master Dealer Agreement, Incapital will purchase 2016 Series Bonds from Goldman Sachs at the initial public offering price less a negotiated portion of the selling concession applicable to any 2016 Series Bonds that Incapital sells.

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

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority (including 2009 Series F-1 Bonds that are being refunded with the proceeds of the 2016 Series Bonds).

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## **VERIFICATION REPORT**

Upon delivery of the 2016 Series Bonds, [Causey Demgen & Moore P.C.], independent certified public accountants, will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the maturing principal of and interest on the investments in the Escrow Fund and the other moneys in the Escrow Fund to pay when due the interest on and redemption price of the Refunded Bonds. See “SUMMARY OF FINANCING PLAN” herein.

## **FINANCIAL ADVISOR**

The Authority has retained Public Financial Management Inc., San Francisco, California, as financial advisor (the “Financial Advisor”) in connection with the issuance of the 2016 Series Bonds. The Financial Advisor is an Independent Registered Municipal Advisor under section 15B of the Securities Exchange Act of 1934 and the rules promulgated thereunder by the Securities and Exchange Commission. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement.

## **RELATIONSHIP OF CERTAIN PARTIES**

MUFG Union Bank, N.A. is the trustee under the Indenture pursuant to which the 2016 Series Bonds are issued and outstanding. MUFG Union Bank, N.A. is also a Letter of Credit Provider and a party to the Reimbursement Agreement. The Bank of New York Mellon Trust Company, N.A. is the Trustee for the Subordinate Bonds. The Bank of New York Mellon has entered into Qualified Swap Agreements with the Authority. The Bank of New York Mellon Trust Company, N.A. and The Bank of New York Mellon are affiliated and are subsidiaries of The Bank of New York Mellon Corporation. Bank of America, N.A. has entered into Qualified Swap Agreements with the Authority. Bank of America, N.A. is also a Letter of Credit Provider and a party to the Reimbursement Agreement. Merrill Lynch, Pierce, Fenner & Smith Incorporated is an underwriter with respect to 2016 Series Bonds and is a remarketing agent for some of the Authority’s outstanding variable rate bonds. Merrill Lynch, Pierce, Fenner & Smith Incorporated and Bank of America, N.A. are affiliated and are subsidiaries of Bank of America Corporation. Citibank, N.A. has entered into Qualified Swap Agreements with the Authority. Citigroup Global Markets Inc. is an underwriter with respect to 2016 Series Bonds and is a remarketing agent for some of the Authority’s outstanding variable rate bonds. Citigroup Global Markets Inc. and Citibank, N.A. are affiliated and are subsidiaries of Citigroup Inc. JPMorgan Chase Bank, National Association has entered into Qualified Swap Agreements with the Authority. J.P. Morgan Securities LLC is an underwriter with respect to 2016 Series Bonds and is a remarketing agent for some of the Authority’s outstanding variable rate bonds. J.P. Morgan Securities LLC and JPMorgan Chase Bank, National Association are affiliated and are subsidiaries of JPMorgan Chase & Co. Barclays Capital Inc. is an underwriter with respect to 2016 Series Bonds and is a remarketing agent for some of the Authority’s outstanding variable rate bonds. Goldman Sachs Mitsui Marine Derivative Products, L.P. has entered into Qualified Swap Agreements with the Authority. Goldman, Sachs & Co. is an underwriter with respect to the 2016 Series Bonds. Goldman Sachs Mitsui Marine Derivative Products, L.P. and Goldman, Sachs & Co. are affiliated and are subsidiaries of The Goldman Sachs Group Inc. See the information in Appendix A under the captions “OUTSTANDING AUTHORITY OBLIGATIONS — Qualified Swap Agreements” and “OTHER AUTHORITY OBLIGATIONS — Credit Facilities.”

The Authority’s capital improvement projects and related activities, including the sale of the 2016 Series Bonds, have been made possible, in part, by hiring underwriters, remarketing agents, bond insurers, reserve surety providers, liquidity providers, letter of credit providers, trustees and interest rate swap counterparties to assist the Authority. Certain of these entities or their affiliates have and continue to participate in more than one capacity in financings for, and contractual relationships with, the Authority.

## **CONTINUING DISCLOSURE**

The Authority has covenanted for the benefit of the owners and beneficial owners of certain of its Bonds, including the 2016 Series Bonds, to cause to be provided annual reports to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access website (“EMMA”) for purposes of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the “Rule”), including its audited financial statements and operating and other information as described in the applicable Continuing

Disclosure Agreement. Pursuant to such undertakings, the Authority will provide an annual report through EMMA not later than nine months after the end of each Fiscal Year of the Authority (presently June 30). The form of Continuing Disclosure Agreement for the 2016 Senior Bonds is attached as Appendix H hereto. The form of Continuing Disclosure Agreement for the 2016 Subordinate Bonds is attached as Appendix I hereto.

The Authority has filed annual reports as required by the Rule and its previous undertakings. However, the Authority has determined that its annual reports for the Fiscal Years 2007 through 2010 contained average toll rates on each of the Bay Area bridges rather than an update of toll rates by number of axles per vehicle. The Authority's annual report for the Fiscal Year 2011 contained the Authority's current schedule of toll rates by number of axles per vehicle. The Authority has also determined that certain of its annual reports and material event notices had not been recorded correctly by individual nine digit CUSIP numbers with respect to the Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds, 2009 Series F-1, although such reports were timely filed with respect to the six digit base CUSIP number. All relevant reports have now been filed on EMMA with respect to the 2009 Series F-1 Bonds.

### **MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement between the Authority and holders of any of the 2016 Series Bonds. All quotations from and summaries and explanations of the Indenture, and of other statutes and documents contained herein, do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions.

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

The execution and delivery of this Official Statement by an authorized officer of the Authority has been duly authorized by the Authority.

### **BAY AREA TOLL AUTHORITY**

By: \_\_\_\_\_  
Executive Director

**APPENDIX A**

**BAY AREA TOLL AUTHORITY**

## APPENDIX B

### REGIONAL MEASURE 2 PROJECTS (AS OF SEPTEMBER 30, 2014)

RM2 Project	Authorized Amounts
BART/MUNI Connection at Embarcadero and Civic Center Stations	\$ 3,000,000
MUNI Metro Third Street Light Rail Line	30,000,000
MUNI Waterfront Historic Streetcar Expansion	10,000,000
East to West Bay Commuter Rail Service over the Dumbarton Rail Bridge	9,157,000
Vallejo Station	26,000,000
Solano County Express Bus Intermodal Facilities	12,251,000
Solano County Corridor Improvements near Interstate 80/Interstate 680 Interchange	100,000,000
Interstate 80: Eastbound High-Occupancy Vehicle (HOV) Lane Extension from Route 4 to Carquinez Bridge*	37,175,000
Richmond Parkway Transit Center	3,850,000
Sonoma-Marin Area Rail Transit District (SMART) Extension to Larkspur or San Quentin	56,500,000
Greenbrae Interchange/Larkspur Ferry Access Improvements	43,500,000
Direct High-Occupancy Vehicle (HOV) lane connector from Interstate 680 to the Pleasant Hill or Walnut Creek BART Stations	20,425,000
Rail Extension to East Contra Costa/E-BART	96,000,000
Capital Corridor Improvements in Interstate 80/Interstate 680 Corridor	35,950,000
Central Contra Costa Bay Area Rapid Transit (BART) Crossover	25,000,000
Benicia-Martinez Bridge: New Span	50,000,000
Regional Express Bus North	18,799,000
Clipper	22,000,000
Real-Time Transit Information	20,000,000
Safe Routes to Transit	22,500,000
BART Tube Seismic Strengthening	33,801,000
Transbay Terminal/Downtown Caltrain Extension	150,000,000
Oakland Airport Connector	115,199,000
AC Transit Enhanced Bus-Phase 1 on Telegraph Avenue, International Boulevard, and East 14th Street	77,760,000
Commute Ferry Service for Alameda/Oakland/Harbor Bay	12,000,000
Commute Ferry Service for Berkeley/Albany	12,000,000
Commute Ferry Service for South San Francisco	12,000,000
Water Transit Facility Improvements, Spare Vessels, and Environmental Review Costs	48,000,000
Regional Express Bus Service for San Mateo, Dumbarton, and San Francisco-Oakland Bay Bridge Corridors	33,933,000
I-880 North Safety Improvements	12,300,000
BART Warm Springs Extension	186,000,000
I-580 (Tri Valley) Rapid Transit Corridor Improvements	65,000,000
Regional Rail Master Plan	6,500,000
Integrated Fare Structure Program	1,500,000
Transit Commuter Benefits Promotion	5,000,000
Caldecott Tunnel Improvements	45,075,000
BART Transit Capital Match	24,000,000
Regional Express Lane Network**	4,825,000
Modifications in I-80 and San Pablo**	8,000,000
Caltrain Electrification	20,000,000
<b>TOTAL</b>	<b>\$1,515,000,000</b>

\*Interstate 80 HOV project's budget was reduced by \$12,825,000 and allocated to Regional Express Lane Network and modifications in I-80 and San Pablo.

## **APPENDIX C**

### **DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE**

## **APPENDIX D**

### **DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE**

## APPENDIX E

### BOOK-ENTRY ONLY SYSTEM

**The following information concerning The Depository Trust Company (“DTC”) and DTC’s book-entry system has been obtained from sources that the Authority and the Underwriters believe to be reliable, but neither the Authority nor the Underwriters take responsibility for the accuracy thereof. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Official Statement and in APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE.”**

DTC will act as securities depository for the 2016 Series Bonds. The 2016 Series Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2016 Series Bond certificate will be issued for each maturity of each Series of the 2016 Series Bonds, in the aggregate principal amount of such maturity of the 2016 Series Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the 2016 Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 Series Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2016 Series Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2016 Series Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2016 Series Bonds, except in the event that use of the book-entry system for the 2016 Series Bonds is discontinued.



To facilitate subsequent transfers, all 2016 Series Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co, or such other name as may be requested by an authorized representative of DTC. The deposit of 2016 Series Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2016 Series Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016 Series Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. The Authority and the Trustee will not have any responsibility or obligation to such DTC Participants or the persons for whom they act as nominees with respect to the 2016 Series Bonds.

Redemption notices shall be sent to DTC. If less than all of the 2016 Series Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2016 Series Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2016 Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, premium, if any, and interest payments on the 2016 Series Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on each payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2016 Series Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2016 Series Bonds are required to be printed and delivered as described in the Subordinate Indenture.

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

## **No Assurance Regarding DTC Practices**

AS LONG AS CEDE & CO. OR ITS SUCCESSOR IS THE REGISTERED HOLDER OF THE 2016 SERIES BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED HOLDERS OF THE 2016 SERIES BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2016 SERIES BONDS. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTEXT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2016 SERIES BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE. Each person for whom a Participant acquires an interest in the 2016 Series Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such person, forwarded in writing by such Participant and to receive notification of all interest payments.

NONE OF THE AUTHORITY, THE TRUSTEE OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION WITH RESPECT TO THE PAYMENTS TO THE DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS, THE SELECTION OF THE BENEFICIAL INTERESTS IN THE 2016 SERIES BONDS TO BE REDEEMED IN THE EVENT OF REDEMPTION OF LESS THAN ALL 2016 SERIES BONDS OF A PARTICULAR MATURITY OR THE PROVISION OF NOTICE TO THE DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE 2016 SERIES BONDS. NO ASSURANCE CAN BE GIVEN BY THE AUTHORITY, THE TRUSTEE OR THE UNDERWRITERS THAT DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR OTHER NOMINEES OF THE BENEFICIAL OWNERS WILL MAKE PROMPT TRANSFER OF PAYMENTS TO THE BENEFICIAL OWNERS, THAT THEY WILL DISTRIBUTE NOTICES, INCLUDING REDEMPTION NOTICES (REFERRED TO ABOVE), RECEIVED AS THE REGISTERED OWNER OF THE 2016 SERIES BONDS TO THE BENEFICIAL OWNERS, THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THE OFFICIAL STATEMENT.

In the event the Authority or the Trustee determines not to continue the book-entry system or DTC determines to discontinue its services with respect to the 2016 Series Bonds, and the Authority does not select another qualified securities depository, the Authority shall deliver one or more 2016 Series Bonds in such principal amount or amounts, in authorized denominations, and registered in whatever name or names, as DTC shall designate. In such event, transfer and exchanges of 2016 Series Bonds will be governed by the provisions of the Subordinate Indenture.

## APPENDIX F

### PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Bay Area Toll Authority  
Oakland, California

Bay Area Toll Authority

San Francisco Bay Area Toll Bridge Revenue Bonds  
2016 Series A, 2016 Series B (Variable Rate Bonds)  
and 2016 Series F-1

San Francisco Bay Area Subordinate Toll Bridge Revenue Bonds  
2016 Series S-7 and 2016 Series S-8

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(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Bay Area Toll Authority (the “Issuer”) in connection with issuance of \$[ ] aggregate principal amount of Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds, 2016 Series A and 2016 Series B, (Variable Rate Bonds) and \$[ ] aggregate principal amount of Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds, 2016 Series F-1 (collectively, the “Senior Bonds”), issued pursuant to a Master Indenture, dated as of May 1, 2001, as previously supplemented and as supplemented by a Twenty-Fourth Supplemental Indenture, dated as of December 1, 2014 (hereinafter collectively referred to as the “Indenture”), between the Issuer and MUFG Union Bank, N.A. (formerly known as Union Bank, N.A., and prior thereto, Union Bank of California, N.A.), as trustee (the “Senior Trustee”) and \$[ ] aggregate principal amount of Bay Area Toll Authority San Francisco Bay Area Subordinate Toll Bridge Revenue Bonds, 2016 Series S-7 and 2016 Series S-8 (the “Subordinate Bonds” and collectively with the Senior Bonds, the “Bonds”), issued pursuant to a Subordinate Indenture, dated as of June 1, 2010, as previously supplemented, and as supplemented by a Fifth Supplemental Indenture, dated as of [ ], 2016 (hereinafter collectively referred to as the “Subordinate Indenture”), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Subordinate Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture, or if not defined in the Indenture, in the Subordinate Indenture.

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its

date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Subordinate Indenture and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Subordinate Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture with respect to the Senior Bonds and the Subordinate Indenture with respect to the Subordinate Bonds or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated December 9, 2014, or any other offering material relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute the valid and binding special obligations of the Issuer.
2. The Indenture and the Subordinate Indenture have each been duly executed and delivered by, and each constitutes the valid and binding obligation of, the Issuer.
3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

## APPENDIX G [UPDATE]

### PROJECTED DEBT SERVICE SCHEDULE

The table below shows the projected annual debt service requirements (including credit provider and remarketing agent fees) for all of the Authority's outstanding Senior Bonds and Subordinate Bonds as of the date of issuance of the 2016 Series Bonds assuming the 2016 Series Bonds are issued consistent with the description set forth under "SUMMARY OF FINANCING PLAN."

Fiscal Year Ending (June 30)	Outstanding Senior Debt Service <sup>(1)(2)</sup>	Outstanding Subordinate Debt Service <sup>(1)</sup>	2016 Series Bonds Debt Service <sup>(3)</sup>		Outstanding Total Debt Service <sup>(1)(2)(3)</sup>
			Principal	Interest	
2015	\$ 228,344,264	\$ 159,133,210	\$ —	\$ 7,184,942	\$ 394,662,416
2016	235,222,903	155,672,538	—	25,112,418	416,007,859
2017	234,644,041	155,672,538	—	25,112,418	415,428,997
2018	241,072,930	155,672,538	—	25,112,418	421,857,886
2019	237,220,515	155,672,538	5,615,000	25,112,418	423,620,471
2020	240,812,286	174,097,663	38,540,000	25,131,468	478,581,417
2021	240,436,395	174,840,966	36,180,000	27,693,450	479,150,811
2022	240,451,245	175,605,613	36,185,000	27,683,000	479,924,858
2023	240,484,922	176,371,066	37,270,000	26,597,450	480,723,438
2024	239,350,838	177,138,620	38,380,000	25,479,350	480,348,808
2025	238,462,983	177,908,618	39,550,000	24,390,450	480,312,051
2026	238,472,957	178,691,604	40,735,000	23,266,450	481,166,011
2027	238,353,416	204,287,407	41,945,000	22,044,400	506,630,223
2028	248,981,969	204,725,568	43,200,000	20,786,050	517,693,587
2029	250,447,128	205,161,822	43,115,000	19,490,050	518,214,000
2030	267,097,154	205,618,835	27,775,000	18,274,725	518,765,714
2031	267,359,624	206,077,275	28,355,000	17,519,600	519,311,499
2032	295,960,897	192,556,027	17,870,000	16,668,950	523,055,874
2033	296,293,135	193,131,023	18,335,000	16,132,850	523,892,008
2034	297,079,410	193,831,092	18,385,000	15,582,800	524,878,302
2035	316,238,177	194,408,910	—	15,096,875	525,743,962
2036	316,697,377	200,823,229	—	15,162,500	532,683,106
2037	317,185,024	201,133,628	—	15,162,500	533,481,152
2038	318,022,213	201,501,008	—	15,162,500	534,685,721
2039	318,880,803	201,855,221	—	15,162,500	535,898,524
2040	293,116,898	229,292,046	—	15,162,500	537,571,444
2041	294,424,687	228,702,600	—	15,162,500	538,289,787
2042	295,795,032	229,033,042	—	15,162,500	539,990,574
2043	297,248,126	227,313,011	—	15,162,500	539,723,637
2044	298,786,226	211,981,111	—	15,162,500	525,929,837
2045	300,568,434	210,827,485	—	15,162,500	526,558,419
2046	302,960,315	210,737,195	—	15,162,500	528,860,010
2047	307,165,407	201,763,464	—	15,162,500	524,091,371
2048	312,275,494	201,715,043	—	15,162,500	529,153,037
2049	318,388,243	165,425,365	—	15,162,500	498,976,108
2050	10,000,000	473,778,419	—	15,162,500	498,940,919
2051	10,000,000	324,619,944	—	15,162,500	349,782,444
2052	73,440,000	42,770,363	31,130,000	14,365,628	161,705,991

(Table continued on following page)

Fiscal Year Ending (June 30)	Outstanding Senior Debt Service <sup>(1)(2)</sup>	Outstanding Subordinate Debt Service <sup>(1)</sup>	2016 Series Bonds Debt Service <sup>(3)</sup>		Outstanding Total Debt Service <sup>(1)(2)(3)</sup>
			Principal	Interest	
2053	73,443,000	42,768,338	32,770,000	12,729,794	161,711,132
2054	73,442,250	—	78,355,000	9,911,109	161,708,359
2055	—	—	157,745,000	3,965,693	161,710,693
<b>TOTAL</b>	<b>\$9,864,626,718</b>	<b>\$7,622,315,983</b>	<b>\$811,435,000</b>	<b>\$733,044,752</b>	<b>\$19,031,422,453</b>

(1) Reflects actual interest rates for fixed rate bonds, and assumes interest rates for outstanding variable rate bonds based on current Term Rates on Term Rate Bonds, applicable fixed spread on Index Rate Bonds, interest rate swap arrangements, liquidity and remarketing fees (actual and projected) and projections of future interest rates. This table is not a contract for future debt service, but rather a projection based on assumptions the Authority believes are reasonable. The debt service presented in this table has not been prepared in accordance with the additional bonds requirements of the Senior Indenture or the Subordinate Indenture. Actual debt service could vary materially from the projections in the above table. Except for Fiscal Year 2015, debt service shown is net of the 35% federal interest subsidy for bonds issued under the Build America Bond program. Due to sequestration, the Authority received an aggregate \$2.7 million less than the programmed amount in Build America Bond subsidy payments for Senior Bonds and Subordinate Bonds for the April 1, 2014 debt service payments; debt service shown accounts for a reduction of subsidy payments in this same amount on both October 1, 2014 and April 1, 2015. It is assumed that the full subsidy payment amount will be received on October 1, 2015 and will continue throughout the life of the affected Senior Bonds and Subordinate Bonds. Debt service numbers reflect a refunding of all of the \$451,200,000 outstanding aggregate principal amount of the Authority's 2009 Series F-1 bonds as discussed in the forefront of this Official Statement under the caption "SUMMARY OF FINANCING PLAN."

(2) Reflects actual interest rates for fixed rate bonds and assumes interest rates for outstanding variable rate bonds as follows: (i) 4.590% per annum for the 2001 Series A Variable Rate Bonds through January 1, 2017 (based on interest rate swap arrangements and inclusive of fixed spread of 125 basis points) and 5.345% through the end of the index mode period (based on interest rate swap arrangements and inclusive of the fixed spread of 125 basis points) and 5.095% thereafter (based on interest rate swap arrangements and inclusive of liquidity facility and remarketing fees); (ii) 4.5418% per annum for the 2006 Series C-1 Variable Rate Bonds through the end of the index mode period (based on interest rate swap arrangements and inclusive of the fixed spread of 90 basis points) and 4.6418% thereafter (based on interest rate swap arrangements and inclusive of liquidity facility and remarketing fees); (iii) 1.45% through the end of the initial term period then 3.50% per annum thereafter for the 2006 Series C-2, C-3 and C-4 Variable Rate Bonds; (iv) the actual interest rates for the 2006 Series F Fixed Rate Bonds; (v) 4.3357% per annum for the 2007 Series A-1 and 2007 Series E-3 Variable Rate Bonds through the end of the index mode period (based on interest rate swap arrangements and the fixed spread of 70 basis points) and 4.6357% thereafter (based on the interest rate swap arrangements and inclusive of liquidity and remarketing fees); (vi) 4.536% per annum for the 2007 Series C-1 Variable Rate Bonds through the end of the index mode period (based on interest rate swap arrangements and inclusive of the fixed spread of 90 basis points) and 4.636% thereafter (based on the interest rate swap arrangements and inclusive of liquidity and remarketing fees); (vii) 4.636% per annum for the 2007 Series G-1 Variable Rate Bonds (based on interest rate swap arrangements and inclusive of liquidity facility and remarketing fees); (viii) the actual interest rates for the 2007 Series F Fixed Rate Bonds; (ix) 4.6357% per annum for the 2007 Series A-2 and D-2 Variable Rate Bonds (based on interest rate swap arrangements and inclusive of liquidity facility and remarketing fees); (x) 4.6264% per annum for the 2007 Series B-2 Variable Rate Bonds (based on interest rate swap arrangements and inclusive of liquidity facility and remarketing fees); (xi) 4.6255% per annum for the 2007 Series C-2 Variable Rate Bonds (based on interest rate swap arrangements and inclusive of liquidity facility and remarketing fees); (xii) 4.5375% per annum for the 2008 Series A-1 Variable Rate Bonds through the end of the index mode period (based on interest rate swap arrangements and inclusive of the fixed spread of 90 basis points) and 4.6375% thereafter (based on interest rate swap arrangements and inclusive of liquidity facility and remarketing fees); (xiii) 5.100% per annum for the 2008 Series B-1 Variable Rate Bonds through the end of the index mode period (based on interest rate swap arrangements and inclusive of the fixed spread of 110 basis points) and 5.000% thereafter (based on interest rate swap arrangements and inclusive of liquidity facility and remarketing fees); (xiv) 4.6375% per annum for the 2008 Series C-1 and E-1 Variable Rate Bonds (based on interest rate swap arrangements and inclusive of liquidity facility and remarketing fees); (xv) 4.7290% per annum through the end of the index mode period for the 2008 Series D-1 Variable Rate Bonds (based on interest rate swap arrangements and 80 basis point fixed spread while in an index mode) and 4.9290% thereafter (based on interest rate swap arrangements and inclusive of liquidity facilities and remarketing fees); (xvi) 4.810% per annum for the 2008 Series G-1 Variable Rate Bonds through the end of the index mode period (based on interest rate swap arrangements and inclusive of the fixed spread of 110 basis points) and 4.710% thereafter (based on interest rate swap arrangements and inclusive of liquidity facility and remarketing fees); and (xvii) actual interest rates on the 2008 Series F-1 Bonds, the 2009 Series F-1 Bonds, the 2009 Series F-2 Bonds, the 2010 Series S-1, S-2 and S-3 Bonds, the 2012 Series F-1 and the 2013 Series S-4 Bonds Fixed Rate Bonds.

(3) Based on issuance of \$511,435,000 of 2016 Series D, E, F-2, G and H Senior Bonds and \$300 million of 2016 Series S-5 and S-6 Subordinate Bonds as described in the Official Statement under the caption "SUMMARY OF FINANCING PLAN" bearing interest at the respective rates indicated in the "SUMMARY OF OFFERING" at the front of the Official Statement. Index Rate bonds assumed at 1.40% through initial Index Rate Periods. Following the initial Term Rate Periods and initial Index Rate Periods, all 2014 Variable Rate Senior Bonds are assumed to bear interest at the rate of 3.00% through maturity.

Note: Columns may not total correctly due to independent rounding of numbers.

## APPENDIX H

### FORM OF CONTINUING DISCLOSURE AGREEMENT FOR 2016 SENIOR BONDS

\$[\_\_\_\_\_]  
**BAY AREA TOLL AUTHORITY**  
**SAN FRANCISCO BAY AREA TOLL BRIDGE REVENUE BONDS**  
**2016 Series A, 2016 Series B, and 2016 Series F-1**

#### CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “**Disclosure Agreement**”) is executed and delivered by the Bay Area Toll Authority (the “**Authority**”) and MUFG Union Bank, N.A., as dissemination agent (the “**Dissemination Agent**”) in connection with the offering of the Authority’s \$[\_\_\_\_\_] San Francisco Bay Area Toll Bridge Revenue Bonds, 2016 Series A, 2016 Series B, and 2016 Series F-1, (the “**Bonds**”). The Bonds are being offered pursuant to a Master Indenture dated as of May 1, 2001, by and between the Authority and MUFG Union Bank, N.A., as trustee (the “**Trustee**”), as supplemented and amended from time to time pursuant to its terms (the “**Indenture**”).

The Authority and the Dissemination Agent covenant and agree as follows:

**Section 1. Purpose of this Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Authority for the benefit of the holders and beneficial owners of the Bonds and to assist the Participating Underwriters (defined below) in complying with the Rule (defined below).

**Section 2. Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“**Annual Report**” means any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“**Counsel**” means any nationally recognized bond counsel or counsel expert in federal securities laws.

“**Dissemination Agent**” means MUFG Union Bank, N.A., or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority and the Trustee a written acceptance of such designation.

“**Listed Events**” means any of the events listed in Section 5(a) or (b) of this Disclosure Agreement.

“**MSRB**” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“**Official Statement**” means the Official Statement dated [\_\_\_\_\_] 2016 relating to the Bonds.

**“Participating Underwriters”** means Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, Barclays Capital Inc., Citigroup Global Markets Inc. and Goldman, Sachs & Co.

**“Rule”** means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### **Section 3. Provision of Annual Reports.**

(a) The Authority shall provide, or shall cause the Dissemination Agent to provide, to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement by not later than 270 days after the end of the Authority’s fiscal year in each year commencing with the report for fiscal year ending June 30, 2017. Not later than fifteen Business Days prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent (if other than the Authority). The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may include by reference other information as provided in Section 4. If the Authority’s fiscal year changes, the Authority, upon becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) If by fifteen Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Authority to determine if the Authority is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall provide to the MSRB (with a copy to the Trustee) a notice, in substantially the form attached as Exhibit A hereto.

(d) The Dissemination Agent shall, unless the Authority has done so pursuant to Section 3(a) above:

- (i) Determine the then-current procedure for filing the Annual Report with the MSRB each year prior to the date for providing the Annual Report; and
- (ii) If the Dissemination Agent is other than the Authority, file a report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided.

**Section 4. Content of Annual Reports.** The Annual Report(s) shall contain or include by reference the following information:

(a) Audited financial statements of the Authority for the prior Fiscal Year (which may be a component of the financial statements of the Metropolitan Transportation Commission), prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, provided that if the audited financial statements of the Authority are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available; and

(b) To the extent not contained in the audited financial statements provided to the MSRB pursuant to the preceding subsection (a) by the date required by Section 3 hereof, historical financial



information and operating data of the Authority of the types found in the following tables from the Official Statement: (i) the table entitled “BRIDGE SYSTEM TOTAL TOLL RATES” set forth in Appendix A under the caption “THE BRIDGE SYSTEM — Bridge Toll Rates – *Toll Rate Increases*” (but only to the extent the toll rates for such fiscal year are different than those shown for such fiscal year in such Official Statement); (ii) the table entitled “TOTAL TOLL-PAYING MOTOR VEHICLE TRAFFIC” set forth in Appendix A under the caption “THE BRIDGE SYSTEM — Motor Vehicle Traffic;” and (iii) the table entitled “BRIDGE SYSTEM HISTORICAL REVENUE AND DEBT SERVICE COVERAGE” set forth in Appendix A under the caption “HISTORICAL AND PROJECTED REVENUE AND DEBT SERVICE COVERAGE – Historical Revenue and Debt Service Coverage.”

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which have been made available to the public on the MSRB’s website. The Authority shall clearly identify each such other document so included by reference.

The Trustee and the Dissemination Agent shall have no responsibility for the content of the Annual Report, or any part thereof.

Each Annual Report shall state on the cover that it is being provided to the MSRB with respect to the Bonds.

#### **Section 5. Reporting of Significant Events.**

(a) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.  
Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing

governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. Modifications to rights of Bond holders;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The Trustee shall promptly advise the Authority at its notice address in this Disclosure Agreement whenever, in the course of performing its duties as Trustee under the Indenture, the Trustee has actual notice of an occurrence of a Listed Event and request that the Authority promptly notify the Dissemination Agent in writing whether to report the event pursuant to subsection (f) of this Section 5. The Trustee shall have no liability for not reporting a Listed Event pursuant to Section 5(f) hereof, if so instructed by the Authority. The Trustee, in so notifying the Authority of such Listed Event, shall have no obligation to determine the materiality of the Listed Event or whether such Listed Event reflects financial difficulties.

(d) Whenever the Authority obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (c) or otherwise, the Authority shall notify the Dissemination Agent promptly in writing of such event. Subject to subsection (e), the notice shall instruct the Dissemination Agent to report the occurrence of such Listed Event pursuant to subsection (f).

(e) The Authority shall determine whether the occurrence of the Listed Event under subsection (b) would constitute material information for holders of Bonds within the meaning of the federal securities laws. The Authority shall include such determination in its notice delivered to the Dissemination Agent pursuant to subsection (d), and if material, shall direct the Dissemination Agent to report the occurrence pursuant subsection (f). If the Authority determines that the occurrence of a Listed Event under subsection (b) is not material under the federal securities laws, the Authority shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Authority to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB in a timely manner not later than ten business days after the occurrence of the event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(7) or (b)(3) of this Section 5 need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the holders of affected Bonds pursuant to the Indenture and notice of any other Listed Event is only required following the actual occurrence of the Listed Event. The notice of Listed Event must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

(g) The Trustee shall be entitled to request and receive, and may conclusively rely on, an opinion of Counsel that the Authority's instructions to the Trustee under this Section 5 comply with the requirements of the Rule.

#### **Section 6. Termination of Reporting Obligation.**

(a) The Authority's obligations under this Disclosure Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds. In addition, the Dissemination Agent's obligations hereunder shall terminate upon its resignation or removal as Trustee in accordance herewith.

(b) This Disclosure Agreement, or any provision hereof, shall be null and void in the event that the Authority (i) delivers to the Trustee an opinion of Counsel, addressed to the Authority and the Trustee, to the effect that those portions of the Rule which require this Disclosure Agreement, or any of the provisions hereof, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (ii) delivers copies of such opinion to the Dissemination Agent (if other than the Trustee) for delivery to the MSRB.

**Section 7. Dissemination Agent.** From time to time, the Authority may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agents with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

**Section 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Authority may amend this Disclosure Agreement (and, to the extent such amendment affects the rights or duties of the Dissemination Agent, with the written consent of the Dissemination Agent), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) The undertakings herein, as proposed to be amended or waived, in the opinion of Counsel, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) in

the opinion of Counsel, does not materially impair the interests of the holders or beneficial owners of the Bonds.

**Section 9. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 10. Default.** In the event of a failure of the Authority to comply with any provision of this Disclosure Agreement, any holder or beneficial owner of the Bonds or the Trustee may (and, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, and upon being indemnified to its satisfaction, the Trustee shall) take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority to comply with this Disclosure Agreement shall be an action to compel performance.

**Section 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Authority agrees to indemnify and hold harmless the Dissemination Agent, its officers, directors, employees and agents, against any loss, expense and liabilities which the Dissemination Agent may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall not be required to consent to any amendment that would impose any greater duties or risk of liability on the Dissemination Agent. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach of this Disclosure Agreement.

The Dissemination Agent shall be afforded the same rights, protections and immunities afforded to it as Trustee under the Indenture. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with the MSRB shall be prepared and provided to it by the Authority. The Dissemination Agent has undertaken no responsibility with respect to any reports, notices or disclosures provided to it under this Disclosure Agreement, and has no liability to any person, including any holder of Bonds, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Authority shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the Authority.

**Section 12. Notices.** Any notices given hereunder shall be given in writing at the addresses (including the facsimile numbers) set forth below:

If to the Authority:

Bay Area Toll Authority  
375 Beale Street  
Suite 800  
San Francisco, California 94105-2066  
Attention: Chief Financial Officer  
Phone: (415) 778-6730  
Fax: (415) \_\_\_\_\_

If to the Trustee/Dissemination Agent:

MUFG Union Bank, N.A.  
350 California Street, 11<sup>th</sup> Floor  
San Francisco, California 94104  
Attention: Corporate Trust Department  
Phone: (415) 273-2518  
Fax: (415) 273-2492

**Section 13. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the Authority, the Trustee, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**Section 14. Governing Law.** This Disclosure Agreement shall be governed by the laws of the State of California determined without regard to principles of conflict of law; provided, however, that the interpretation of the Rule shall be governed by the laws of the United States.

Date: [\_\_\_\_], 2016

**BAY AREA TOLL AUTHORITY**

By: \_\_\_\_\_  
Chief Financial Officer

The undersigned hereby agrees to act as Dissemination Agent pursuant to the foregoing Disclosure Agreement.

**MUFG UNION BANK, N.A.,** as Dissemination  
Agent

By: \_\_\_\_\_  
Its: \_\_\_\_\_

ACKNOWLEDGED:

**MUFG UNION BANK, N.A.,** as Trustee

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**EXHIBIT A**

**NOTICE TO THE MSRB OF FAILURE TO FILE DISCLOSURE REPORT**

Name of Issuer:

Bay Area Toll Authority

Name of Bond Issue:

San Francisco Bay Area Toll Bridge Revenue Bonds, 2016 Series A, 2016 Series B, and 2016 Series F-1

Date of Issuance: [\_\_\_\_], 2016

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board (the “MSRB”) that the Authority has not provided an annual Disclosure Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of [\_\_\_\_], 2016, by the Authority and MUFG Union Bank, N.A., as Dissemination Agent. The Authority anticipates that the annual Disclosure Report will be provided to the MSRB by \_\_\_\_\_.

Dated: \_\_\_\_\_

**MUFG UNION BANK, N.A., as Dissemination Agent**

By:\_\_\_\_\_

Its:\_\_\_\_\_

## APPENDIX I

### FORM OF CONTINUING DISCLOSURE AGREEMENT FOR 2016 SUBORDINATE BONDS

\$[\_\_\_\_\_]  
**BAY AREA TOLL AUTHORITY**  
**SAN FRANCISCO BAY AREA SUBORDINATE TOLL BRIDGE REVENUE BONDS**  
**2016 SERIES S-7 AND 2016 SERIES S-8**

#### CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “**Disclosure Agreement**”) is executed and delivered by the Bay Area Toll Authority (the “**Authority**”) and The Bank of New York Mellon Trust Company, N.A., as dissemination agent (the “**Dissemination Agent**”) in connection with the offering of the Authority’s \$[\_\_\_\_\_] San Francisco Bay Area Subordinate Toll Bridge Revenue Bonds, 2016 Series S-7 and 2016 Series S-8 (the “**Bonds**”). The Bonds are being offered pursuant to a Subordinate Indenture dated as of June 1, 2010, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”), as supplemented and amended from time to time pursuant to its terms (the “**Indenture**”).

The Authority and the Dissemination Agent covenant and agree as follows:

**Section 1. Purpose of this Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Authority for the benefit of the holders and beneficial owners of the Bonds and to assist the Participating Underwriters (defined below) in complying with the Rule (defined below).

**Section 2. Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“**Annual Report**” means any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“**Counsel**” means any nationally recognized bond counsel or counsel expert in federal securities laws.

“**Dissemination Agent**” means The Bank of New York Mellon Trust Company, N.A., or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority and the Trustee a written acceptance of such designation.

“**Listed Events**” means any of the events listed in Section 5(a) or (b) of this Disclosure Agreement.

“**MSRB**” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“**Official Statement**” means the Official Statement dated December 9, 2014, relating to the Bonds.

**“Participating Underwriters”** means Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Barclays Capital Inc. and Goldman, Sachs & Co.

**“Rule”** means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### **Section 3. Provision of Annual Reports.**

(a) The Authority shall provide, or shall cause the Dissemination Agent to provide, to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement by not later than 270 days after the end of the Authority’s fiscal year in each year commencing with the report for fiscal year ending June 30, 2017. Not later than fifteen Business Days prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent (if other than the Authority). The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may include by reference other information as provided in Section 4. If the Authority’s fiscal year changes, the Authority, upon becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) If by fifteen Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Authority to determine if the Authority is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall provide to the MSRB (with a copy to the Trustee) a notice, in substantially the form attached as Exhibit A hereto.

(d) The Dissemination Agent shall, unless the Authority has done so pursuant to Section 3(a) above:

- (i) Determine the then-current procedure for filing the Annual Report with the MSRB each year prior to the date for providing the Annual Report; and
- (ii) If the Dissemination Agent is other than the Authority, file a report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided.

**Section 4. Content of Annual Reports.** The Annual Report(s) shall contain or include by reference the following information:

(a) Audited financial statements of the Authority for the prior Fiscal Year (which may be a component of the financial statements of the Metropolitan Transportation Commission), prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, provided that if the audited financial statements of the Authority are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available; and



(b) To the extent not contained in the audited financial statements provided to the MSRB pursuant to the preceding subsection (a) by the date required by Section 3 hereof, historical financial information and operating data of the Authority of the types found in the following tables from the Official Statement: (i) the table entitled “BRIDGE SYSTEM TOTAL TOLL RATES” set forth in Appendix A under the caption “THE BRIDGE SYSTEM — Bridge Toll Rates – *Toll Rate Increases*” (but only to the extent the toll rates for such fiscal year are different than those shown for such fiscal year in such Official Statement); (ii) the table entitled “TOTAL TOLL-PAYING MOTOR VEHICLE TRAFFIC” set forth in Appendix A under the caption “THE BRIDGE SYSTEM — Motor Vehicle Traffic;” and (iii) the table entitled “BRIDGE SYSTEM HISTORICAL REVENUE AND DEBT SERVICE COVERAGE” set forth in Appendix A under the caption “HISTORICAL AND PROJECTED REVENUE AND DEBT SERVICE COVERAGE – Historical Revenue and Debt Service Coverage.”

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which have been made available to the public on the MSRB’s website. The Authority shall clearly identify each such other document so included by reference.

The Trustee and the Dissemination Agent shall have no responsibility for the content of the Annual Report, or any part thereof.

Each Annual Report shall state on the cover that it is being provided to the MSRB with respect to the Bonds.

#### **Section 5. Reporting of Significant Events.**

(a) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
  2. Unscheduled draws on debt service reserves reflecting financial difficulties;
  3. Unscheduled draws on credit enhancements reflecting financial difficulties;
  4. Substitution of credit or liquidity providers, or their failure to perform;
  5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
  6. Tender offers;
  7. Defeasances;
  8. Rating changes; or
  9. Bankruptcy, insolvency, receivership or similar event of the obligated person.
- Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental

authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. Modifications to rights of Bond holders;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The Trustee shall promptly advise the Authority at its notice address in this Disclosure Agreement whenever, in the course of performing its duties as Trustee under the Indenture, the Trustee has actual notice of an occurrence of a Listed Event and request that the Authority promptly notify the Dissemination Agent in writing whether to report the event pursuant to subsection (f) of this Section 5. The Trustee shall have no liability for not reporting a Listed Event pursuant to Section 5(f) hereof, if so instructed by the Authority. The Trustee, in so notifying the Authority of such Listed Event, shall have no obligation to determine the materiality of the Listed Event or whether such Listed Event reflects financial difficulties.

(d) Whenever the Authority obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (c) or otherwise, the Authority shall notify the Dissemination Agent promptly in writing of such event. Subject to subsection (e), the notice shall instruct the Dissemination Agent to report the occurrence of such Listed Event pursuant to subsection (f).

(e) The Authority shall determine whether the occurrence of the Listed Event under subsection (b) would constitute material information for holders of Bonds within the meaning of the federal securities laws. The Authority shall include such determination in its notice delivered to the Dissemination Agent pursuant to subsection (d), and if material, shall direct the Dissemination Agent to report the occurrence pursuant subsection (f). If the Authority determines that the occurrence of a Listed Event under subsection

(b) is not material under the federal securities laws, the Authority shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Authority to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB in a timely manner not later than ten business days after the occurrence of the event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(7) or (b)(3) of this Section 5 need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the holders of affected Bonds pursuant to the Indenture and notice of any other Listed Event is only required following the actual occurrence of the Listed Event. The notice of Listed Event must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

(g) The Trustee shall be entitled to request and receive, and may conclusively rely on, an opinion of Counsel that the Authority's instructions to the Trustee under this Section 5 comply with the requirements of the Rule.

#### **Section 6. Termination of Reporting Obligation.**

(a) The Authority's obligations under this Disclosure Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds. In addition, the Dissemination Agent's obligations hereunder shall terminate upon its resignation or removal as Trustee in accordance herewith.

(b) This Disclosure Agreement, or any provision hereof, shall be null and void in the event that the Authority (i) delivers to the Trustee an opinion of Counsel, addressed to the Authority and the Trustee, to the effect that those portions of the Rule which require this Disclosure Agreement, or any of the provisions hereof, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (ii) delivers copies of such opinion to the Dissemination Agent (if other than the Trustee) for delivery to the MSRB.

**Section 7. Dissemination Agent.** From time to time, the Authority may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agents with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

**Section 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Authority may amend this Disclosure Agreement (and, to the extent such amendment affects the rights or duties of the Dissemination Agent, with the written consent of the Dissemination Agent), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) The undertakings herein, as proposed to be amended or waived, in the opinion of Counsel, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) in the opinion of Counsel, does not materially impair the interests of the holders or beneficial owners of the Bonds.

**Section 9. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 10. Default.** In the event of a failure of the Authority to comply with any provision of this Disclosure Agreement, any holder or beneficial owner of the Bonds or the Trustee may (and, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, and upon being indemnified to its satisfaction, the Trustee shall) take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority to comply with this Disclosure Agreement shall be an action to compel performance.

**Section 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Authority agrees to indemnify and hold harmless the Dissemination Agent, its officers, directors, employees and agents, against any loss, expense and liabilities which the Dissemination Agent may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall not be required to consent to any amendment that would impose any greater duties or risk of liability on the Dissemination Agent. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach of this Disclosure Agreement.

The Dissemination Agent shall be afforded the same rights, protections and immunities afforded to it as Trustee under the Indenture. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with the MSRB shall be prepared and provided to it by the Authority. The Dissemination Agent has undertaken no responsibility with respect to any reports, notices or disclosures provided to it under this Disclosure Agreement, and has no liability to any person, including any holder of Bonds, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Authority shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the Authority.

**Section 12. Notices.** Any notices given hereunder shall be given in writing at the addresses (including the facsimile numbers) set forth below:

If to the Authority:

Bay Area Toll Authority  
375 Beale Street  
Suite 800  
San Francisco, California 94105-2066  
Attention: Chief Financial Officer  
Phone: (415) 778-6730  
Fax: (415) \_\_\_\_\_

If to the Trustee/Dissemination Agent:

The Bank of New York Mellon Trust Company, N.A.  
400 South Hope Street, Suite 400  
Los Angeles, California 90071  
Attention: Corporate Trust Department  
Phone: (213) 630-6231  
Fax: (213) 630-6215

**Section 13. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the Authority, the Trustee, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**Section 14. Governing Law.** This Disclosure Agreement shall be governed by the laws of the State of California determined without regard to principles of conflict of law; provided, however, that the interpretation of the Rule shall be governed by the laws of the United States.

Date: [\_\_\_\_], 2016

**BAY AREA TOLL AUTHORITY**

By: \_\_\_\_\_  
Chief Financial Officer

The undersigned hereby agrees to act as Dissemination Agent pursuant to the foregoing Disclosure Agreement.

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

By: \_\_\_\_\_  
Its: \_\_\_\_\_

ACKNOWLEDGED:

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

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**EXHIBIT A**

**NOTICE TO THE MSRB OF FAILURE TO FILE DISCLOSURE REPORT**

Name of Issuer:

Bay Area Toll Authority

Name of Bond Issue:

San Francisco Bay Area Toll Bridge Revenue Bonds, 2016 Series S-7 and 2016 Series S-8

Date of Issuance: [\_\_\_\_], 2016

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board (the “MSRB”) that the Authority has not provided an annual Disclosure Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of [\_\_\_\_], 2016, by the Authority and The Bank of New York Mellon Trust Company, N.A., as Dissemination Agent. The Authority anticipates that the annual Disclosure Report will be provided to the MSRB by \_\_\_\_\_.

Dated: \_\_\_\_\_

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

By: \_\_\_\_\_

Its: \_\_\_\_\_

**APPENDIX A  
BAY AREA TOLL AUTHORITY**



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## INTRODUCTION

The Bay Area Toll Authority (the “Authority” or “BATA”) administers the toll revenues from seven state-owned toll bridges in the San Francisco Bay area: the Antioch Bridge, the Benicia-Martinez Bridge, the Carquinez Bridge, the Dumbarton Bridge, the Richmond-San Rafael Bridge, the San Francisco-Oakland Bay Bridge and the San Mateo-Hayward Bridge (each, a “Bridge” and collectively, the “Bridge System”). See “THE BRIDGE SYSTEM.”

The Authority is a public agency created in 1997 by California law. It operates pursuant to Chapters 4, 4.3 and 4.5 of Division 17 of the California Streets and Highways Code and the provisions of the Revenue Bond Law of 1941 made applicable to the Authority by California Streets and Highways Code Section 30961 (collectively, as amended from time to time, the “Act”). The Act provides the Authority with broad toll-setting authority for the Bridges.

The governing body of the Authority consists of 18 voting members appointed by local agencies and three nonvoting members appointed by state and federal agencies. The current members are listed in the prefatory pages of the Official Statement. There are three members each from Alameda and Santa Clara Counties, including one member appointed by the mayor of San Jose and one member appointed by the mayor of Oakland, two members each from the City and County of San Francisco and from Contra Costa and San Mateo Counties, one member each from Marin, Napa, Solano and Sonoma Counties, one member each appointed by the Association of Bay Area Governments and the San Francisco Bay Conservation and Development Commission, and one non-voting member each appointed by the Secretary of the Business, Transportation and Housing Agency of the State of California, the United States Department of Transportation, and the United States Department of Housing and Urban Development. Each commissioner’s term of office is four years or until a successor is appointed.

The Authority has the same governing board members as the Metropolitan Transportation Commission (“MTC”). MTC is a public agency created in 1970 by California law for the purpose of providing regional transportation planning and organization for the nine San Francisco Bay Area counties of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma, sometimes collectively referred to herein as the “Bay Area.”

The Authority has used proceeds of its Senior Bonds and Subordinate Bonds, as well as accumulated Bridge Toll Revenues, to fund a number of significant regional transportation and transit projects and programs, including the seismic retrofit of each of the Bridges in the Bridge System. While some programs are ongoing, the major capital projects currently authorized for Bridge Toll Revenue funding are either complete or nearing completion. The Authority continues to fund most costs of operations and maintenance for the Bridge System and to administer the electronic toll collection system for the Bay Area, which includes the Golden Gate Bridge which is not part of the Bridge System. The Authority also has responsibility to fund rehabilitation of the Bridges as needed, as well as authority to undertake Bridge construction and improvement projects from time to time. See “CAPITAL PROJECTS AND FUNDING.”

From time to time, the Authority has issued Senior Bonds under the Senior Indenture and Subordinate Bonds under the Subordinate Indenture. As of [DATE, 2016], the aggregate principal amount of Senior Bonds outstanding was \$[\_\_\_\_\_]. As of [DATE, 2016], the aggregate principal amount of Subordinate Bonds outstanding was \$[\_\_\_\_\_]. See “OUTSTANDING AUTHORITY OBLIGATIONS,” “HISTORICAL AND PROJECTED REVENUE AND DEBT SERVICE COVERAGE,” and “OTHER AUTHORITY OBLIGATIONS.”

## FINANCIAL STATEMENTS

Audited financial information relating to the Authority is included in MTC's financial statements. MTC does not prepare separate financial statements for the Authority. MTC's Comprehensive Annual Financial Report for the Fiscal Year Ended ("FYE") June 30, 2016, including MTC's Financial Statements For FYE June 30, 2016 and 2015 (collectively, the "MTC 2016 CAFR"), has been posted to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) website at **[TO BE UPDATED]** and is incorporated herein by such reference as if fully included herein. Hereinafter references to "FYE" refer to, as the context requires, the fiscal year or years ended June 30 for MTC and the Authority.

## INDEPENDENT ACCOUNTANTS

The financial statements incorporated by reference in this Official Statement have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in MTC's Financial Statements For FYE June 30, 2016 and 2015.

## THE BRIDGE SYSTEM

### General

The Bridge System consists of the seven bridges described below. The Golden Gate Bridge, which connects San Francisco with Marin County, is not part of the Bridge System, although the Authority does provide electronic toll collection services for the Golden Gate Bridge. The seven bridges of the Bridge System interconnect various communities within the Bay Area and were used for approximately 135.3 million paid vehicle crossings in the FYE 2016. A map of the Bridge System appears in the prefatory pages of this Official Statement. For selected demographic statistics for the Bay Area, see Table 13 on page 138 of the MTC 2016 CAFR.

Given that the Bay Area is a seismically-active region, California laws enacted starting in 1989 have required the seismic retrofit of each Bridge within the Bridge System (the "Seismic Retrofit Program"). Caltrans invited bids and awarded contracts for the Seismic Retrofit Program. The Seismic Retrofit Program has been implemented using funding from Bridge Toll Revenues, proceeds of Bonds of the Authority, and State and federal funding. As of September 2, 2013, the Authority and Caltrans have substantially completed all projects in the Seismic Retrofit Program. See "CAPITAL PROJECTS AND FUNDING—Recent Developments Regarding the Seismic Retrofit Program—San Francisco-Oakland Bay Bridge—East Span Replacement and Funding Sources" in this Appendix A.

***San Francisco-Oakland Bay Bridge.*** The San Francisco-Oakland Bay Bridge opened to traffic in 1936 and connects San Francisco with Oakland and neighboring cities and suburban areas. The San Francisco-Oakland Bay Bridge provides the most direct connection between downtown San Francisco and the main transcontinental highways in the Bay Area.

The San Francisco-Oakland Bay Bridge has an overall length of approximately 8.5 miles consisting of two major bridge structures and a connecting tunnel on Yerba Buena Island, which is located at the midpoint of the bridge. The west span of the San Francisco-Oakland Bay Bridge is a double deck structure that consists of two suspension bridges with a common central anchorage and a concrete span at the San Francisco end; the length of the west span is 10,300 feet. Each deck has five traffic lanes with westbound traffic on the upper deck and eastbound traffic on the lower deck. Elevated approaches to the bridge carry through-traffic to and from Highway 101 south of San Francisco without use of local San Francisco streets.

Following the 1989 Loma Prieta earthquake that caused a section of the east span of the San Francisco-Oakland Bay Bridge to collapse, it was determined that a seismic retrofit of the west span and approach and the construction of a new east span of the bridge were necessary, and these projects were carried out as part of the Seismic Retrofit Program. The seismic retrofit of the west span was completed in 2004, and a seismic retrofit of the west approach to the bridge was completed in 2009. A 520 foot long tunnel on Yerba Buena Island connects the west span to the east span.

The new east span is 2.2 miles long on an alignment parallel to and north of the old east span. The new span consists of a transition off Yerba Buena Island, a self-anchored suspension (“SAS”) bridge span, a skyway and an approach/touchdown in Oakland. Unlike the old east span of the San Francisco-Oakland Bay Bridge which was double-decked, the replacement east span features side-by-side decks. The SAS bridge span is the world’s longest single tower self-anchored suspension structure, at approximately 2,051 feet long and approximately 525 feet high, matching the tower heights on the west span, with 8-foot diameter foundation piles that are 300 feet deep, three times deeper than the old east span piles. The side-by-side bridge decks each have five lanes plus shoulders. The eastbound deck also carries a 15.5 foot-wide bicycle and pedestrian path. At the eastern terminus, approaches connect through-traffic with Highways 80, 580 and 880. The new east span opened to traffic on September 2, 2013, and the new eastbound on ramp was completed in June 2016 with the bicycle and pedestrian path completed shortly thereafter in October 2016. See “CAPITAL PROJECTS AND FUNDING—Seismic Retrofit Program—Project Status” in this Appendix A.

***Carquinez Bridge.*** The Carquinez Bridge consists of two parallel spans that cross the Carquinez Strait between the Cities of Vallejo and Crockett and carry Highway 80, linking the Bay Area and Napa and Solano Counties. The spans are 28 miles northeast of San Francisco and 65 miles southwest of Sacramento. The east span is the older of the two bridges and opened in 1958. The east span is a steel through-truss superstructure 3,350 feet long with cantilever spans and carries four lanes of northbound Interstate 80 traffic. A seismic retrofit of the east span was completed in 2002. The west span is a recently constructed suspension bridge with concrete towers and steel orthotropic box girder decks that opened to traffic in 2003 and carries four lanes of southbound traffic with shoulders and a bicycle and pedestrian path.

***Benicia-Martinez Bridge.*** The Benicia-Martinez Bridge consists of two parallel spans that cross the Carquinez Strait approximately six miles east of the Carquinez Bridge and carry Highway 680. The bridge provides a direct connection from the north bay and Sacramento regions to central and eastern Contra Costa and Alameda and Santa Clara Counties. The bridge corridor is a major interstate route and links Highways 80, 680 and 780. The west span, opened to traffic in 1962, is a 6,215 foot-long, steel deck-truss, with seven 528-foot spans. The west span was originally designed to carry four lanes of traffic (two in each direction) and was subsequently expanded to carry six lanes (three in each direction) in the early 1990s. A seismic retrofit of the west span, consisting of the installation of isolation bearings and strengthening the superstructure and substructure, was completed in 2003. Following the opening of the east span in 2007 carrying five lanes of northbound traffic, the west span was modified to carry four lanes of southbound traffic and a bicycle and pedestrian path. The Bay Area’s first open-road tolling was opened along with the new east span. See “—Bridge Toll Collection—Toll Collection” below. The east span is a segmentally-erected, cast-in-place reinforced lightweight concrete structure that is 8,790 feet long including approaches.

***San Mateo-Hayward Bridge.*** The San Mateo-Hayward Bridge is approximately 17 miles south of the San Francisco-Oakland Bay Bridge, and carries Highway 92 across the San Francisco Bay, connecting Highway 101 and the City of San Mateo on the San Francisco peninsula to Highway 880 and the east shore of the San Francisco Bay in Alameda County, approximately five miles southwest of Hayward. The current bridge was built in 1967 and seismically retrofitted in 2000. The high-level section of the current structure consists of steel orthotropic box girders with concrete overlay. It is approximately two miles long and carries six lanes of traffic (three in each direction). The low-rise trestle section of the bridge was widened

to carry six lanes of traffic as well in 2003. Additional seismic retrofit work was conducted the weekend of October 19 through 21, 2012 when the bridge was closed for the installation of a new seismic joint and the replacement of a 60-foot span of the bridge deck.

***Richmond-San Rafael Bridge.*** The Richmond-San Rafael Bridge opened to traffic in 1956 and carries Highway 580 across the San Francisco Bay from a point about three miles west of the City of Richmond in Contra Costa County to the Marin County shore three miles southeast of the City of San Rafael. The Richmond-San Rafael Bridge is approximately 5.5 miles long and of cantilever-truss construction. Its major spans are 1,070 feet long. As originally constructed, a single deck carried two-way traffic. A lower deck was constructed later, resulting in a double deck structure carrying traffic in opposite directions. The bridge currently carries two lanes and a shoulder in each direction with westbound traffic on the upper deck and eastbound traffic on the lower deck. A seismic retrofit of the Richmond-San Rafael Bridge was completed in 2005.

***Dumbarton Bridge.*** The current Dumbarton Bridge opened in 1982. It carries Highway 84 across the San Francisco Bay and is situated approximately 10 miles south of the San Mateo-Hayward Bridge. The western end of the bridge is five miles northeast of the City of Palo Alto, and the eastern end is five miles west of the City of Newark, midway between the Cities of San Jose and Oakland. The Dumbarton Bridge is a six-lane structure that is 1.6 miles long with a bicycle and pedestrian path. The bridge connects Highway 101 and Palo Alto to Highway 880 in Alameda County. The approach spans are composed of pre-stressed lightweight concrete girders that support a lightweight concrete deck. The center spans are twin steel trapezoidal girders that also support a lightweight concrete deck. A seismic retrofit of the Dumbarton Bridge was completed in May 2013.

***Antioch Bridge.*** Located 25 miles east of the Benicia-Martinez Bridge, the Antioch Bridge carries Highway 160 and is the only northerly highway connection across the San Joaquin River linking east Contra Costa County to the delta communities of Rio Vista and Lodi. In 1978, a 1.8 mile long high-level fixed-span structure replaced the original bridge constructed in 1926. The Antioch Bridge spans the 3,600-foot wide San Joaquin River and extends 4,000 feet onto Sherman Island in Sacramento County to the north and 1,000 feet into Contra Costa County to the south. Traffic lanes consist of two 12-foot wide lanes for motor vehicles and two shoulders for pedestrians and bicyclists. A seismic retrofit of the Antioch Bridge was completed in April 2012.

## **Toll Setting Authority**

California law provides the Authority with broad toll setting authority. Toll rate increases are not limited in amount or duration, except that electronic and cash toll rates must be identical. No legislation or consent or approval by any other entity is required to increase tolls. The Authority is required to hold a public hearing and two public meetings at least 45 days before increasing tolls and is also required to provide at least 30 days' notice to the Legislature before increasing tolls.

California law requires the Authority to increase the toll rates specified in its adopted toll schedule in order to meet its obligations and covenants under any toll bridge revenue bond resolution or indenture of the Authority for any outstanding toll bridge revenue bonds issued by the Authority and the requirements of bond-related interest rate swap, credit and liquidity agreements. California law also authorizes the Authority to increase the toll rates specified in its adopted toll schedule to provide funds for the planning, design, construction, operation, maintenance, repair, replacement, rehabilitation, and seismic retrofit of the Bridges.

All bridge tolls are treated as a single revenue source for accounting and administrative purposes and for the purposes of the Authority's Senior Indenture and Subordinate Indenture.

## Bridge Toll Collection

***Toll Collection.*** Tolls on each of the Bridges are currently collected from vehicles crossing in one direction only. Cash toll payments are collected at each Bridge at toll booths staffed by employees of Caltrans. The Authority is responsible for processing all toll revenue collections. Tolls are also collected on the Bridges using the FasTrak system, which is an electronic toll collection (ETC) system operated by the Authority that allows prepayment of tolls, eliminating the need for vehicles to stop at the toll plaza. Open-road tolling, which eliminates cash toll booths for certain FasTrak lanes, commenced on the Benicia-Martinez Bridge in 2007 and on the San Francisco-Oakland Bay Bridge in 2009.

***The FasTrak System.*** The FasTrak system has three components: a toll tag, which is placed inside the vehicle; an overhead antenna in the toll plaza, which reads the toll tag and automatically deducts the appropriate toll from the associated prepaid account; and video cameras to identify toll evaders.

A toll tag is a small battery-powered device that transmits a radio signal to the overhead antenna in the toll plaza. A driver can obtain a toll tag and deposit value into the associated account at a participating retailer, or by mail, fax, phone or in-person. Toll accounts can be established for individuals and for businesses.

As the vehicle enters the toll lane, the toll tag is read by the overhead antennae, and the FasTrak account associated with the toll tag is charged the proper toll amount. Feedback is provided on an electronic display at the toll plaza and via a beep emitted by the toll tag. If a vehicle does not have a toll tag, the system classifies the vehicle as a violator, and cameras take photos of the vehicle and license plate for processing. Later, the system sweeps its records to identify any existing customer account associated with the license plate number; if there is an associated account, the account is simply debited the proper toll amount.

Revenue from the FasTrak ETC system continues to increase relative to cash toll revenue. For the FYE 2016, 66.8% of total toll-paying traffic were FasTrak users, compared to 65.1% in the FYE 2015. The growth in ETC processing has improved traffic flow on the Bridges but has also been associated with increased processing costs and toll violations. See “—Motor Vehicle Traffic” below and the MTC 2016 CAFR for further discussion of the effect of the FasTrak ETC system on toll-paying traffic.

***Toll Violators.*** Toll violators are drivers that intentionally avoid the payment of tolls. The subsequent recovery of payment from a toll violator is reported by the Authority as Revenue. See “HISTORICAL AND PROJECTED REVENUE AND DEBT SERVICE COVERAGE—Historical Revenue and Debt Service Coverage” below. The Authority has improved the process for collecting violation revenue through a series of system and process upgrades. The requirement commencing July 1, 2010, that vehicles using high occupancy vehicle lanes on the Bridge System have FasTrak toll tags has assisted in deterring toll violators and increased toll-paying traffic. See “—Motor Vehicle Traffic” below.

When a vehicle is identified as having crossed a Bridge without paying the toll, a violation notice is sent to the vehicle’s registered owner within 21 days of the toll violation at the address on file with the Department of Motor Vehicles (DMV), pursuant to State law. The first notice requests payment for the toll amount and a \$25 penalty. If the toll and penalty are not paid in response to the first notice, a second notice is sent for the toll amount plus a \$70 penalty (\$25 penalty plus \$45 late penalty). Failure to respond to the second notice results in additional penalties and fees and referral of the amount due to a collections agency and/or the withholding of the vehicle’s registration by the DMV.

Currently, California law does not require vehicles to be equipped with temporary license plates when they are sold by dealers. A permanent license plate is usually mailed to the registered owner within approximately three weeks of purchase. State law allows the vehicle to be driven without plates until the

permanent license plate is received. Therefore, certain vehicles in the Bay Area do not have license plates installed, and, as a result, the Authority does not have a way to contact the owner with a violation notice when such vehicles cross a Bridge without paying the toll. [The Authority estimates that there were approximately [\_\_ million] “no plate” vehicles crossings in the Bridge System in the FYE 2016 and [\_\_ million] in the FYE 2015. The Authority is pursuing an amendment to State law that would require dealers to equip vehicles with temporary license plates when sold.] **[BATA TO REVIEW/UPDATE.]**

***FasTrak Regional Customer Service Center.*** The Authority contracts with Xerox State and Local Solutions, Inc. (“Xerox”) for the management and operation of the FasTrak Regional Customer Service Center (“CSC”), which includes the FasTrak account management system, transaction processing, call center operations, web services, payment processing, customer communications, violation image review and violation noticing. Operations of the CSC under the Xerox contract commenced in November 2014, following substantial completion of the implementation of a new software system. Once the contract’s five year term expires, the Authority can renew the contract for a period of up to ten years. Funding for CSC operations is included in the Authority’s annual operating budget. The Authority’s CSC operations expenses for the FYE 2016 were approximately \$22.3 million.

CSC operations also support use of FasTrak on tolled facilities operated by other agencies, such as the Golden Gate Bridge and managed lanes in the Bay Area. The Authority receives reimbursement for related costs from such other agencies. These reimbursement revenues are not revenues of the Authority pledged for the repayment of its Secured Obligations, and amounted to approximately \$5.6 million in the FYE 2016.

## **Bridge Toll Rates**

***Toll Rate Increases.*** In 1988, Bay Area voters approved a ballot measure called Regional Measure 1 (“RM1”) establishing a uniform toll rate of \$1.00 on all Bridges for toll-paying, two-axle vehicles and higher tolls for all other toll-paying vehicles and authorizing certain Bridge improvements and transit funding. In 2004, Bay Area voters approved a ballot measure called Regional Measure 2 (“RM2”) that authorized a toll increase of \$1.00 for all toll-paying vehicles to fund specified projects and transit expansions. Commencing in 1998, a \$1.00 seismic surcharge was imposed by California law on toll-paying vehicles to fund part of the cost of the Seismic Retrofit Program for the Bridge System. The Act was subsequently amended to authorize the Authority to increase the amount of the seismic surcharge, and a \$1.00 per toll-paying vehicle increase took effect on January 1, 2007.

In January 2010, the Authority increased tolls on all of the Bridges, effective on July 1, 2010 for two-axle vehicles and effective in stages, on July 1, 2011 and July 1, 2012, for multi-axle vehicles (which represent about 3% of total traffic). Tolls for the San Francisco-Oakland Bay Bridge for two-axle vehicles are \$6.00 during peak hours, \$4.00 during non-peak hours, and \$5.00 on weekends; and the two-axle vehicle toll for the six other Bridges at all times is \$5.00.

As of July 1, 2010, the Authority began collecting tolls on the Bridges from high-occupancy vehicles (car pool vehicles and motorcycles) and inherently-low-emission vehicles (such as electric and hybrid cars), which had previously been granted toll-free passage on the Bridges during peak hours. High-occupancy vehicles and inherently-low-emission vehicles now pay a reduced-rate toll of \$2.50 on all Bridges during peak hours, which are from 5 a.m. to 10 a.m. and from 3 p.m. to 7 p.m. weekdays on all Bridges. High-occupancy vehicles and inherently-low-emission vehicles pay the two-axle vehicle rate outside of peak hours. Commuter buses and vanpool vehicles are permitted to cross the Bridges toll-free at all hours.

The increased tolls for multi-axle vehicles are based on a toll of \$5.00 times the number of axles. Approximately half of the increase took effect on July 1, 2011, and the rest of the increase took effect on July 1, 2012. The table below sets forth the Authority's adopted toll schedule.

**TABLE 1**  
**BRIDGE SYSTEM TOTAL TOLL RATES**

Number of Axles Per Vehicle	Toll Rate for FYE June 30, 2013 and Beyond
2 axles	\$ 5.00 <sup>†</sup>
3 axles	15.00
4 axles	20.00
5 axles	25.00
6 axles	30.00
7 axles or more	35.00

<sup>†</sup> During peak hours on all Bridges, a reduced-rate toll of \$2.50 is collected on high-occupancy and inherently-low-emission two-axle vehicles. On the San Francisco-Oakland Bay Bridge, a weekday toll of \$6.00 is collected on all other two-axle vehicles during peak hours, and a weekday toll of \$4.00 is collected on all two-axle vehicles during non-peak hours.

### Motor Vehicle Traffic

The following table sets forth total toll-paying motor vehicle traffic for FYE 2007 through 2016. Until July 1, 2010, high-occupancy vehicles and inherently-low-emission vehicles were permitted toll-free passage on the Bridges during peak hours on weekdays, and as a result such traffic is excluded from the data below for Fiscal Years prior to FYE 2011. See Table 9 on page 134 of the MTC 2016 CAFR.

**TABLE 2**  
**TOTAL TOLL-PAYING MOTOR VEHICLE TRAFFIC<sup>(1)</sup>**  
**(number of vehicles in thousands)**

FYE	San Francisco- Oakland Bay Bridge	Carquinez Bridge	Benicia- Martinez Bridge	San Mateo- Hayward Bridge	Richmond- San Rafael Bridge	Dumbarton Bridge	Antioch Bridge	Total <sup>(2)</sup>	Percent Change
2007	40,134	20,722	16,975	14,881	11,913	9,516	2,517	116,659	(1.4)
2008	39,555	19,875	17,440	14,358	11,782	9,194	2,366	114,570	(1.8)
2009	40,118	19,441	17,426	13,629	11,542	8,708	2,208	113,072	(1.3)
2010	38,649	19,057	17,715	14,058	11,752	8,746	2,136	112,113	(0.8)
2011	43,282	19,593	17,987	15,209	11,987	9,634	2,118	119,810	6.8 <sup>(3)</sup>
2012	43,382	19,613	17,908	16,016	12,320	9,777	2,124	121,140	1.1
2013	43,872	19,685	18,101	16,426	12,558	10,010	2,078	122,730	1.3
2014	44,037	19,856	18,791	17,434	13,309	10,712	2,142	126,281	2.9
2015	45,535	20,529	19,586	17,902	13,914	11,379	2,289	131,134	3.8
2016	46,038	21,241	20,637	19,079	14,267	11,648	2,346	135,256	3.1

<sup>(1)</sup> Traffic figures exclude toll violators. See "THE BRIDGE SYSTEM—Bridge Toll Collection—Toll Violators" above.

<sup>(2)</sup> Totals may not add due to rounding.

<sup>(3)</sup> The addition of toll-paying high-occupancy vehicles and inherently-low-emission vehicles accounts for most of the increase in toll-paying traffic on six Bridges in the FYE 2011.

Source: The Authority.

Total toll-paying traffic for the FYE 2016 increased by approximately 6.14 million vehicles, which represents an increase of approximately 4.7% over the FYE 2015 and represents a 6 consecutive year of



increased traffic. The Authority is unable to predict whether this upward trend will continue. In FYE 2016, toll-free traffic consisted of approximately 2.10 million vehicles (representing less than 1.51% of total traffic).

### **Bridge System Operations and Maintenance**

The Authority is responsible for paying all of the costs of operating and maintaining the Bridge System (except for maintenance expenditures on the San Francisco-Oakland Bay Bridge that are payable under State law by the State until the new east span of that Bridge is complete following demolition of the old east span). The Authority is required by the Senior Indenture and the Subordinate Indenture to maintain Bridge System tolls at rates sufficient to pay such costs. Under current law, the payment of such costs (other than certain Caltrans expenses) is subordinate to the payment of the Authority's Bonds and other Secured Obligations, unless those costs are otherwise provided for by statute.

The Authority's operations and maintenance expenses include both payments to Caltrans and direct Authority expenses. Caltrans is responsible for maintaining the Bridge System in good repair and condition. The Authority's payments to Caltrans are made pursuant to State law and a Cooperative Agreement between the Authority and Caltrans that addresses budget matters and allocates responsibilities for the operation and maintenance of the Bridge System between the Authority and Caltrans. The Authority's direct operating and administrative expenses for the Bridge System include the costs of the FasTrak system and related consultant and audit contracts.

The Authority's costs of operating and maintaining the Bridge System for FYE 2012 through 2016 were \$80,488,177; \$92,832,622; \$107,181,755; \$107,507,108; and \$79,147,618, respectively. Such figures include operating expenses incurred by Caltrans, which totaled approximately \$26.38 million in FYE 2016. The Authority's costs of operating and maintaining the Bridge System include expenses for the Transbay Terminal, however, the expenses of the Transbay Terminal were treated as a separate subordinate operating expense. [The increases in operations and maintenance costs for the Bridge System in the [FYE 2013, 2014, and 2015] can be attributed primarily to certain planned, project-based payments, including payments under the Xerox contracts relating to moving the site of the CSC, the implementation of all-electronic tolling on the Golden Gate Bridge and implementation of new FasTrak software; a major purchase of toll tag supplies; and consultant, audit and other costs associated with Xerox's implementation of the new FasTrak software.] [*BATA to Review/Confirm*]

### **Payments to MTC**

The Act provides for payments by the Authority to MTC for specified transportation projects and programs. The payments are subordinate to the payment of the Authority's Bonds and other Secured Obligations.

In 2010 MTC determined that certain of the payments, totaling approximately \$22 million in the FYE 2010 (collectively, the "Fund Transfers"), are essential to the regional transportation system but that the statutory schedule for Fund Transfers may be inadequate to timely fund some of the projects planned by MTC. To address this timing issue, the Authority and MTC entered into a Funding Agreement (the "Funding Agreement"), under which the Authority paid to MTC in September 2010 an amount of \$507 million, equal to the then present value of the bridge toll revenues that the Authority projected would be used for Fund Transfers for 50 years from July 1, 2010, in exchange for being relieved of responsibility for making Fund Transfers for that 50-year period.

The Authority's obligation to pay Regional Measure 2 Operating Transfers ("RM2 Operating Transfers" as further described herein) and Authority Administrative Costs, described below, to MTC is not affected by the Funding Agreement.

The following table sets forth the Authority's payments to MTC for the past five Fiscal Years.

**TABLE 3**  
**TRANSFERS TO MTC**  
**(\$ in millions)**

<b>FYE</b>	<b>RM2 Operating Transfers<sup>(1)</sup></b>	<b>Authority Administrative Costs<sup>(2)</sup></b>	<b>Total</b>
2012	36.80	10.84	47.64
2013	39.66	9.48	49.14
2014	37.86	9.54	47.40
2015	38.39	8.93	47.32
2016	36.52	10.79	47.31

(1) RM2 Operating Transfers are subject to a statutory cap of 38% of RM2 revenue. Total RM2 revenue equaled approximately \$128 million in FYE 2016.

(2) Authority Administrative Costs are transferred by the Authority to MTC. This amount does not include Authority Maintenance and Operation Expenses, which are also subordinate to the Authority's Bonds and other Secured Obligations and amounted to approximately \$79.15 million in FYE 2016, including \$48.95 million for the Authority's operating and maintenance expenses, \$26.38 million for operating expenses incurred by Caltrans, and \$3.82 million for operating expenses of the Transbay Joint Powers Authority.

Source: The Authority.

"RM2 Operating Transfers" are transfers by the Authority to MTC to provide operating assistance for transit purposes pursuant to RM2 and Section 30914(d) of the Act. The measure provides that not more than 38% of annual bridge toll revenues derived from the RM2 Toll increase imposed in conjunction with RM2 (\$1.00 in the case of all vehicles regardless of the number of axles) may be transferred to MTC as RM2 Operating Transfers, and that all such transfers must first be authorized by MTC. Under Section 129(a)(3) of Title 23 of the United States Code, federal participation is limited on facilities that expend toll revenues for certain types of projects, including transit operations. MTC has received an opinion from the Federal Highway Administration that transit planning is an eligible expense and, as such, the Authority has made transfers to MTC for such purpose. MTC also has received an opinion from the Federal Highway Administration that it may expend toll funds on transit operations, if such funds are collected on bridge facilities that have not received federal assistance. There are four Bridges (Dumbarton, San Mateo-Hayward, Carquinez and Antioch) that have not received federal assistance. The Authority limits RM2 Operating Transfers to revenue derived from the RM2 toll revenue from these four Bridges and expects that tolls from such four Bridges will be sufficient to make RM2 Operating Transfers.

"Authority Administrative Costs" means the amount which the Authority may retain on an annual basis for its cost of administration pursuant to Section 30958 of the Act, which amount may not exceed 1% of the gross annual Bridge System revenues.

A separate provision of State law amended effective January 1, 2014 permits the Authority to make direct contributions to MTC in an amount not to exceed 1% of the gross annual Bridge System revenues and interest-bearing loans to MTC in an amount not to exceed 1% of gross annual Bridge System revenues. No such loans are outstanding at this time.

## CAPITAL PROJECTS AND FUNDING

The Authority is authorized to use bridge toll revenues to fund capital projects, which have been authorized pursuant to certain programs described below.

### Regional Measure 1 and Regional Measure 2 Projects

Regional Measure 1 (“RM1”), which was approved by voters, authorized the Authority to pay for specified highway and bridge enhancement projects. The RM1 program was completed as of the close of the FYE 2013.

Voters also approved Regional Measure 2 (“RM2”), which authorizes the Authority to contribute up to \$1.515 billion to 40 transit, highway and bridge enhancement and improvement projects to reduce congestion or to make improvements to travel in the toll bridge corridors. Generally, RM2 funding covers only a portion of each project’s total cost. RM2 also authorizes the Authority to contribute funds every year for operating costs of specified public transportation agencies as another component of the regional traffic relief plan set forth in the ballot measure (the “RM2 Operating Transfers” described above under “THE BRIDGE SYSTEM – Payments to MTC”).

As [DATE], 2016, approximately \$[117] million of RM2 Projects remain to be funded out of the total budget of \$1.515 billion. Under the Act, the Authority may fund its specified RM2 Projects by issuance of additional toll bridge revenue bonds or transfer of toll bridge revenues in an amount not to exceed \$1.515 billion, but the Authority is under no obligation to provide funding for any project beyond the amount expressly provided in RM2 or to increase funding for all of the RM2 Projects beyond the aggregate authorization. [See APPENDIX B – “REGIONAL MEASURE 2 PROJECTS (AS OF [DATE], 2016)” for a listing of the RM2 Capital Projects.] [For Discussion – Is this Appendix Necessary?]

### Seismic Retrofit Program

Since 1989, California laws have required the seismic retrofit of each Bridge within the Bridge System (the “Seismic Retrofit Program”). With the opening of the new East Span of the San Francisco-Oakland Bay Bridge to traffic on September 2, 2013, all seven bridges in the Bridge System have now undergone either a seismic retrofit or a replacement of existing structures.

***Seismic Design Strategies for the Bridge System.*** The criteria used to determine post-earthquake performance standards for the Bridge System were specific to each bridge and were evaluated and refined by Caltrans during planning and design. The engineering was reviewed by an independent panel of recognized experts from the private sector and academia.

Each project was designed based upon a determination of the ground motions (earthquake forces) that influence a particular Bridge in the event of an earthquake. Each of these motions was defined differently for each Bridge site, as the seismic hazard at each site is unique (different faults, different distances, etc.).

All seven toll Bridges have been designed and have been retrofitted, at a minimum, to avoid a collapse if the ground motions used to design the projects were to occur at the respective sites. A decision was made in the case of each bridge as to how much should be invested beyond the “no collapse” life safety level. The design strategy selected for each bridge was based on levels of traffic use, expected useful life of the bridge, the cost of a higher earthquake performance level, and other considerations. Some bridges were designated “Lifeline Structures” for which seismic strategy incorporates designs intended to exhibit performance levels superior to those levels associated with the “no collapse” design strategy and intended

to create a post-earthquake condition in which Caltrans can put the bridge back into public service relatively quickly following a seismic event. A third seismic strategy, the “intermediate strategy,” was adopted for certain bridges and is intended to provide a level of performance with an expectation of damage and closure, but with a higher performance than that of the “no collapse” strategy and a lower performance than that of the Lifeline Structure.

The table below describes the design basis, seismic strategy and project status for each of the Bridges.

**TABLE 4**  
**TOLL BRIDGE SEISMIC RETROFIT PROJECTS**  
**BRIDGE DESIGN BASIS, SEISMIC STRATEGY AND STATUS**

<b>Bridge</b>	<b>Design Basis, Seismic Strategy</b>	<b>Project Status</b>
<b>Antioch</b>	“No Collapse” Strategy Avoid catastrophic failure	Complete
<b>Benicia—Martinez</b>	Lifeline Structure Minor to moderate damage expected, reopen to traffic quickly	Complete
<b>Carquinez</b>	Intermediate Strategy Moderate to major damage expected	Complete
<b>Dumbarton</b>	Intermediate Strategy Moderate to major damage expected	Complete
<b>Richmond—San Rafael</b>	“No Collapse” Strategy Avoid catastrophic failure	Complete
<b>San Francisco—Oakland Bay Bridge</b>	Lifeline Structure Minor to moderate damage expected, reopen to traffic quickly	Complete*
<b>San Mateo—Hayward</b>	Intermediate Strategy Moderate to major damage expected	Complete

Source: Caltrans.

\* The seismic safety opening of the San Francisco – Oakland Bay Bridge occurred on September 2, 2013. The removal of the old bridge structure accounts for the remainder of the work to be done on the project. See “Recent Developments Regarding the San Francisco-Oakland Bay Bridge Seismic Retrofit Project – Dismantling of Old Span.”

Caltrans’ bridge design standards are subject to ongoing review and modification as knowledge about earthquakes increases. Each of the Bridges is reevaluated as standards are improved. It is possible, however, that the design strategies employed at any given time will not perform to expectations. See “RISK FACTORS—Risk of Earthquake” in the forepart of this Official Statement.

**Program Financing.** The financing of the Seismic Retrofit Program is provided through a combination of funding sources including Bridge tolls, proceeds of Bonds of the Authority, and State and federal funding.

As of the close of the second quarter of 2016, Caltrans had completed all but one of the Seismic Retrofit Program capital projects and had spent approximately \$8.51 billion of a current approved budget of \$8.95 billion. The remaining projects include dismantling the former east span of the bridge, which is currently 60% complete, and finishing the Yerba Buena Island transition structures, which is currently 80% complete. Dismantling of the old east span is scheduled for completion in 2018. The replacement east span has been open to traffic since September 2, 2013. The Yerba Buena eastbound on-ramp opened in June 2016, and the permanent bicycle and pedestrian pathway opened in October 2016.

***Program Review and Oversight.*** The Seismic Retrofit Program is subject to project oversight and review by various commissions, panels and review boards (collectively, the “Review Panels”) appointed by various entities including the California legislature, Caltrans and the Oversight Committee (defined below). The analysis conducted by the Review Panels includes, among other things, review of seismic design, construction quality and techniques, contract award and expenditures of funds in connection with carrying out the Seismic Retrofit Program.

Legislation enacted in 2005 established the Toll Bridge Program Oversight Committee (the “Oversight Committee”) to provide project oversight and implement a project control process for the Seismic Retrofit Program projects. The Oversight Committee consists of the Director of Caltrans, the Executive Director of the California Transportation Commission and the Executive Director of the Authority. The Oversight Committee’s project oversight and control processes include, but are not limited to, reviewing bid specifications and documents, providing field staff to review ongoing costs, reviewing and approving significant change orders and claims (as determined by the Oversight Committee), and preparing project reports. All contract specifications and bid documents are developed by Caltrans and must be reviewed and approved by the Authority prior to their release. Caltrans is responsible for the bid and award of all contracts.

Caltrans is required to provide regular reports to the Oversight Committee regarding construction status, actual expenditures, and forecasted costs and schedules. The monthly project progress reports that are reviewed and approved by the Oversight Committee are also provided to the Authority. The Oversight Committee is required to provide quarterly reports with respect to the Seismic Retrofit Program projects to the transportation and fiscal committees of both houses of the State Legislature and the California Transportation Commission. Copies of such monthly and quarterly reports may be found at the Oversight Committee’s website.

During and after the construction of projects in the Seismic Retrofit Program, a number of questions have been raised about engineering, design and construction elements used on several of the Bridges, including without limitation the San Francisco-Oakland Bay Bridge, the Benicia-Martinez Bridge and the Richmond-San Rafael Bridge, as well as about oversight of the implementation of the projects. In response, the Oversight Committee convened and received inspections and reports from expert panels and hearings have been held by committees of the California legislature. Caltrans has also conducted its own internal reviews in certain cases. While these inspections, expert reports and hearings have identified potential improvements in the process for engineering, design, construction and oversight on future projects, or ongoing maintenance activity that may be advisable, the findings have not called into question the seismic safety of the Bridges upgraded through the Seismic Retrofit Program.

The Authority expects that one or more of the Review Panels will continue to evaluate the Seismic Retrofit Program projects during and after completion of the Seismic Retrofit Program. The Authority cannot predict the nature, outcome or effect of the reports submitted and findings of any of the Review Panels or the actions that may be taken in response by Caltrans, the California legislature, the Oversight Committee or the Authority.

**Program Contingency.** The Seismic Retrofit Program has a comprehensive risk management program to assess program and project risks, which includes a contingency fund. A comprehensive risk assessment is performed on a quarterly basis for each project in the Seismic Retrofit Program and used to develop forecast costs using the average cost of risk. These forecast costs can increase or decrease as risks are identified, resolved or retired.

Current risks under review include, among other things, matters related to the new San Francisco-Oakland Bay Bridge including, the self-anchored suspension span (“SAS”) contract close out, road realignment related to the Yerba Buena Island transition structure, contract costs and environmental challenges relating to the dismantling of the old east span of the San Francisco-Oakland Bay Bridge, including securing permits for the implosion pier removal method and deterring and mitigating bird nesting.

As of the end of the second quarter of 2016, the program contingency is \$67.7 million, and the 50 percent probable draw on the program contingency is \$184 million. The potential draw ranges from approximately \$100 million to \$270 million. The program contingency is currently insufficient to cover the cost of identified risks, and if those risks are not resolved, the Authority may need to allocate additional toll funds from its reserves to pay for the remainder of the work. See “Recent Developments Regarding the Seismic Retrofit Program – San Francisco-Oakland Bay Bridge – Dismantling of Old Span – SAS Contract Close Out” for additional discussion of current contingent costs and project risks.

As disclosed under “RISK FACTORS—Rising Tolls, Construction Delays and Cost Escalation” in the forepart of this Official Statement, a number of other factors could contribute to cost increases in the future, and thus it is possible that contingent costs of the completion of the Seismic Retrofit Program may exceed budgeted contingency amounts.

### **Recent Developments Regarding the San Francisco-Oakland Bay Bridge Seismic Retrofit Project**

As of [May] 2016, approximately \$6.136 billion (92%) of the \$6.672 billion forecasted cost of the new east span of the San Francisco-Oakland Bay Bridge had been expended. The remaining costs will be paid by the Authority from funds derived from various sources, including Bridge tolls, investment earnings, and Bond proceeds.

**Yerba Buena Island Transition.** The Yerba Buena Island transition structures for which Caltrans is responsible include only the eastbound on- and off-ramps from the San Francisco-Oakland Bay Bridge providing access to and from the island, which include completion of the bicycle and pedestrian pathway. The eastbound on-ramp opened in June 2016, and the bicycle and pedestrian pathway opened in October 2016. The City and County of San Francisco is currently working on replacements for the existing westbound on- and off-ramps from the Bridge providing access to and from the island. These structures will interface with the Bridge but are being constructed by the City and County of San Francisco using funding other than bridge tolls.

**Dismantling of Old Span.** Dismantling of the old span is underway, with the upper and lower concrete decks of the main cantilever section of the bridge having been removed, and the main cantilever truss was cut in half in April 2014. The largest trusses have also been lowered down to barges. Caltrans successfully tested and is utilizing controlled implosions to remove old span piers. Removing piers with controlled implosions as opposed to using mechanical means has reduced the impact on the environment and provided cost savings. To further reduce costs, the Oversight Committee is analyzing leaving the foundations for certain piers in place.

**SAS Contract Close Out.** The Oversight Committee authorized Caltrans to close out the SAS contract under the terms and conditions consistent with the findings of the July 2013 Oversight Committee

meeting investigative report that found three parties – the contractor, the designer and Caltrans – responsible for the failure of the high-strength rods on the east pier of the SAS, and the \$24 million cost of the “saddle retrofit” repair. Approximately \$49 million in outstanding amounts is being disputed by the contractor, and is expected to take time to resolve through negotiation or arbitration.

### **AB 1171 Capital Projects**

Pursuant to legislation adopted in 2001 known as “AB 1171” excess toll revenue generated from the seismic surcharge after a specified commitment for funding the Seismic Retrofit Program projects is achieved is required to be collected by the Authority and remitted to fund transportation and transit projects similar to those authorized by RM1 and RM2. The amount of such funds currently is programmed by MTC to be \$570 million and has been budgeted by the Authority to fund specified transportation projects such as the Doyle Drive replacement project, the extension of the Bay Area Rapid Transit system to east Contra Costa County, the Transbay Transit Center, improvements to the interchange of Highway 80 and Highway 680, and other transit and corridor improvement projects. As of [DATE], 2016 approximately \$320.5 million of the funds programmed have been spent on specified transportation projects.

### **Bridge Rehabilitation Program**

In addition to the RM1 Projects, RM2 Projects and Seismic Retrofit Program projects, the Authority funds other capital rehabilitation and operational improvement projects on the Bridge System designed to maintain and ensure the long-term safe operation of the Bridge System and associated toll facilities. [The Authority commissioned a study in 2011 to assess its planned maintenance, repair and rehabilitation schedules for the Bridge System. The Authority currently anticipates funding such rehabilitation and operational improvement projects in the amount of approximately \$60 million per Fiscal Year, on average.] [Subject to Review/Update] The Authority expects that actual maintenance, repair and rehabilitation costs will vary from year to year, largely as a result of the anticipated schedule for major rehabilitation of individual bridges, and that maintenance and repair costs generally will increase each year. The Bridges are inspected regularly, and from time to time those inspections identify necessary maintenance and repair work that is not anticipated in the schedule. Ongoing maintenance, repair and major rehabilitation work on the Bridges may require the temporary closure of a Bridge from time to time. The Authority anticipates undertaking major rehabilitation or replacement of one or more bridges in the Bridge System while its Bonds are Outstanding, but the Authority cannot predict the timing or costs of such work.

### **Additional Projects**

From time to time, the Authority has funded projects based on findings that such projects will improve the functioning or use of one or more of the Bridges.

The Authority included approximately \$326 million in its capital budget for projects consisting of the conversion of high-occupancy lanes to express lanes for the regional Express Lane Network (as defined herein). Revenue from the Express Lane Network is not pledged as a source of payment for the Authority’s Secured Obligations. See “RELATED ENTITIES – Express Lane Network” for further information on the Express Lane Network.

[The Transit Core Capacity Challenge Grant Program seeks to fund the replacement of all or a portion of the rolling stock of buses, streetcars and rail cars of the Alameda-Contra Costa Transit District, the San Francisco Municipal Transportation Agency and the Bay Area Rapid Transit District. The total estimated program cost is \$7.5 billion of which the Authority’s contribution in its capital budget is \$250 million. Other funding sources include local contributions and federal funds available to the region. The Authority is exploring options for a financing to leverage these funding streams. ]

## RELATED ENTITIES

The Authority has interactions with a number of related entities the obligations of which are not obligations of the Authority nor are the obligations of such entities payable from Bridge Toll Revenues. These agencies and certain of their activities are described below.

### *[Related Entities Description Subject to Review/Update/Discussion.]*

#### **Metropolitan Transportation Commission**

MTC is a public agency created in 1970 by California law for the purpose of providing regional transportation planning and organization for the nine San Francisco Bay Area counties of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma, sometimes collectively referred to herein as the “Bay Area.” As such, it is responsible for regularly updating the regional transportation plan, a comprehensive blueprint for the development of mass transit, highway, airport, seaport, ferry, railroad, and bicycle and pedestrian facilities. This regional transportation plan is published within the sustainable communities strategy that is jointly developed for the Bay Area by MTC and the Association of Bay Area Governments. MTC administers state and federal grants for transportation projects and screens requests from local agencies for such grant funding to determine their compatibility with the regional transportation plan. State legislation adopted in 1997 has given regional transportation planning agencies such as MTC increased decision-making authority over the selection of state highway projects and the allocation of transit expansion funds for the state transportation improvement program. MTC also monitors transit operators’ budgets, conducts performance audits and adopts a yearly transit improvement program to ensure that the region’s numerous bus, rail and ferry systems are coordinated in terms of their routes, fares, transfer policies, schedules, passenger information and facilities. Under legislation enacted in 2013, direction contributions from the Authority to MTC are limited to one percent (1%) of gross annual toll bridge revenues, including a contribution for overhead expenses as an authorized contribution.

#### **MTC – ABAG Merger Assessment**

*[OHS/BATA TO REVIEW & UPDATE]* [Both MTC and the Association of Bay Area Government (“ABAG”) have statutory roles and responsibility under SB 375 for transportation, housing and land use planning in the San Francisco Bay Area with a legislative mandate to all the major Metropolitan Planning Organizations (“MPOs”) in the State to produce a Sustainability Communities Strategy (“SCS”) every four years. The SCS is required to be included in the region’s Regional Transportation Plan, which is approved and adopted by MTC as the region’s MPO. In 2015, MTC and ABAG engaged in a series of discussions regarding regional planning responsibilities and related interagency funding agreements. A joint committee (“Joint Committee”) composed of the ABAG Administrative Committee and the MTC Planning Committee was assigned responsibility for managing a merger study, and in January 2016 hired a firm, Management Partners, to conduct a merger study to examine the policy, management, financial and legal implications associated with further integration, up to and including institutional merger between MTC and ABAG. In June 2016, following action by the ABAG Special Executive Board and by the MTC Commission, “Option 7” of the merger implementation action plan, which provides generally for entering into a contract between ABAG and MTC to consolidate staff functions under one Executive Director and enter into a Memorandum of Understanding to pursue new governance options, was adopted.] **[TO BE UPDATED IN NEXT DRAFT.]**

#### **Express Lane Network**

*[OHS/BATA TO REVIEW & UPDATE]* [MTC, in consultation with the Authority, is in the initial stages of planning to develop, administer, operate and maintain a multi-county, value-priced tolling system



within the high-occupancy toll lane network (the “Express Lane Network”) in the Bay Area. Vehicles that do not otherwise meet the applicable occupancy requirements for high-occupancy lane(s) within a particular segment of highway within the Express Lane Network will be able to use the FasTrak system to pay to access the otherwise-restricted lane(s). The California Transportation Commission took action in 2011 finding MTC eligible to develop and operate the Express Lane Network.]

[MTC has entered into a cooperative agreement with BAIFA, a joint exercise of powers authority created by a Joint Exercise of Powers Agreement between the Authority and MTC, under which MTC has delegated to BAIFA substantially all responsibility for developing and operating the Express Lanes Network. See “CAPITAL PROJECTS AND FUNDING—Additional Projects” for a discussion of BATA’s budgeted funding for Express Lane Network projects.]

[Environmental review, toll system development, design and construction for the initial phase of the Express Lane Network, consisting primarily of approximately 80 miles of conversion of existing high-occupancy vehicle (HOV) lanes to Express Lanes, has commenced. MTC is currently exploring financing options for future expansion of the Express Lane Network, including using bonds or other obligations issued by BAIFA. Future plans include approximately 190 miles of Express Lanes, consisting of converted HOV lanes and new lanes, located around the Bay Area. BAIFA expects to utilize the FasTrak electronic toll collection system administered by BATA to collect tolls in the Express Lane Network. However, tolls collected from vehicles in the Express Lane Network will not constitute bridge toll revenues and are not pledged to secure Bonds of the Authority.]

## **LIQUIDITY, CASH RESERVES AND INVESTMENTS**

### **Cash Reserves**

The Authority’s budget for the Fiscal Year ending June 30, 2017, includes the continued maintenance of a \$1 billion reserve designated to provide liquidity for debt service, variable costs associated with variable rate demand bonds, rehabilitation and operational improvements on the Bridges, and operating and other expenses to help the Authority maintain operations through various emergency scenarios.

As of June 30, 2016, the reserve was designated as follows: \$50 million in the Cooperative Agreement self-insurance emergency fund described below, \$150 million in the Operations and Maintenance fund described below for two years of Caltrans’ operation and maintenance of toll facilities, \$120 million for two years of rehabilitation expenses on the Bridges, \$580 million in project contingency and self-insurance reserves, and \$100 million in variable interest rate risk reserves. The Authority is permitted to redesignate the latter three reserve categories from time to time as necessary or desirable, and is currently evaluating alternative methods to structuring the self-insurance reserve.

For a discussion of the Authority’s cash, cash equivalents and investments as of June 30, 2016, see Note 3 on pages 56-62 of the MTC 2016 CAFR. The Authority is authorized to use available cash and investments in connection with the issuance of additional toll bridge revenue bonds for refunding or restructuring purposes. See “SUMMARY OF FINANCING PLAN—Anticipated Bond Issuances of the Authority” in the forepart of this Official Statement.

### **Operations and Maintenance Fund**

The Senior Indenture provides that at the beginning of each Fiscal Year, the Authority shall deposit in its Operations and Maintenance Fund from Bridge Toll Revenues such amount as shall be necessary so that the amount on deposit in the Operations and Maintenance Fund equals two times the budgeted expenditures for the Fiscal Year for Caltrans’ operation and maintenance of toll facilities on the Bridges,

including, but not limited to, toll collection costs, including wages and salaries. The principal amount held in the Operations and Maintenance Fund is to be used and withdrawn by the Authority solely to pay such expenses and is not pledged to the payment of the Authority's Secured Obligations. Interest and other income from the investment of money in the Operations and Maintenance Fund is pledged to the payment of the Authority's Secured Obligations. [The Authority, in its budget for the FYE June 30, 2017, requires that the balance in the Operations and Maintenance Fund be maintained at \$150 million.] See "THE BRIDGE SYSTEM—Bridge System Operations and Maintenance" in this Appendix A.

The Senior Indenture also provides that in the event that Bridge Toll Revenues on deposit in the Bay Area Toll Account are not sufficient at the beginning of any Fiscal Year to enable the Authority to make the transfer described above at the beginning of such Fiscal Year, the Authority shall not be required to make such transfer for such Fiscal Year and failure of the Authority to make such transfer shall not constitute an event of default under the Senior Indenture for as long as the Authority shall punctually pay the principal of and interest on the Senior Bonds as they become due and observe and comply with the toll rate covenants in the Senior Indenture. The Subordinate Indenture does not require the Operations and Maintenance Fund to be funded. See "SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS—Certain Provisions of the Senior Indenture—Toll Rate Covenants" in the forepart of this Official Statement and APPENDIX C—"DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE—THE SENIOR INDENTURE—Covenants of the Authority."

### **Cooperative Agreement Self-Insurance Fund**

Pursuant to its Cooperative Agreement with Caltrans, the Authority maintains a self-insurance fund. The Cooperative Agreement requires this fund to have a minimum balance of \$50 million, which would be available for reconstruction, repair and operations in the event of damage due to a major emergency that results in closure to traffic of a Bridge estimated to extend more than 30 days and to exceed \$10 million in cost. Pursuant to the Cooperative Agreement, replenishment of funds used for such repairs would be made by the Authority from bridge toll revenues. Upon agreement of Caltrans and the Authority, the minimum balance of the self-insurance fund may be reduced or eliminated in its entirety.

Neither the Authority nor Caltrans maintains business interruption insurance or any other commercially-available insurance with respect to damage to or loss of use of any of the Bridges.

### **Investment Policies**

Funds of the Authority are invested with other funds of MTC and related entities pursuant to an investment policy adopted by MTC, which permits the Authority to invest in some (but not all) of the types of securities authorized by State law for the investment of funds of local agencies (California Government Code Section 53600 et seq.) The securities in which the Authority currently is authorized to invest include United States treasury notes, bonds and bills, bonds, notes, bills, warrants and obligations issued by agencies of the United States, bankers acceptances, corporate commercial paper of prime quality, negotiable certificates of deposit, medium term corporate notes, shares of beneficial interest in diversified management companies (mutual funds), the State's local agency investment fund, the Alameda County local agency investment fund, collateralized repurchase agreements, debt obligations of the State and local agencies in the State, and other securities authorized under State law as appropriate for public fund investments and not specifically prohibited by the investment policy. The investment policy (which is subject to change in the future) does not allow investment in reverse repurchase agreements, financial futures, option contracts, mortgage interest strips, inverse floaters or securities lending or any investment that fails to meet the credit or portfolio limits of the investment policy at the time of investment.

Funds held by a trustee under the Authority's toll bridge revenue bond indentures are to be invested by the trustee in specified types of investments in accordance with instructions from the Authority. The instructions from the Authority currently restrict those investments to investments permitted by the investment policy adopted by MTC described above (except that the trustee is permitted to invest a greater percentage of funds in mutual funds and in a single mutual fund than the investment policy would otherwise permit).

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

As explained in the MTC 2016 CAFR at Note 1.T on page 55, and in the discussion of "Derivative Instruments" on page 72, the Authority's investment income for the FYE 2016 and 2015 was comprised of interest income from investments and changes in the fair market value of certain interest rate swaps that were hedges for variable rate demand bonds that were refunded and that no longer had an underlying bond to hedge. This resulted in a non-cash derivative investment gain of \$12,005,791 in the FYE 2016 and a non-cash derivative investment charge of \$187,386,795 in the FYE 2016. The Authority's Senior Indenture and Subordinate Indenture do not require the Authority to take that non-cash charge into account in calculating Revenue or for purposes of the additional bonds tests and the rate covenants described under "SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS" in the forepart of this Official Statement.

For more information regarding the investment policy and portfolio of MTC and the Authority, including a discussion of certain deposit and investment risk factors, see Note 1.H and Note 3.A, starting at page 49 and page 56, respectively, of the MTC 2016 CAFR.

## Investment Portfolio

As of [DATE], 2016, the average maturity of the investment portfolio of MTC, which includes investments on behalf of the Authority, was [##] days, with an average yield to maturity of approximately [ ]%.

**TABLE 5**  
**INVESTMENT PORTFOLIO INFORMATION<sup>(1)</sup>**  
**as of [DATE], 2016 (Unaudited)**

Investments	Percent of Portfolio	Par Value	Market Value
Cash			
Government Sponsored Enterprises <sup>(2)</sup>			
Municipal Bonds			
Certificates of Deposit			
Commercial Paper			
Corporate Bonds			
Mutual Funds			
Government Pools <sup>(3)</sup>			
CalTrust Heritage Money Market			
California Asset Management Program			
<b>TOTAL INVESTMENTS</b>			

<sup>(1)</sup> The investment portfolio includes funds of MTC and related entities and trustee held funds, approximately \$[ ] billion of which are funds of the Authority.

<sup>(2)</sup> Federal Home Loan Mortgage Corp., Federal Home Loan Banks, Federal National Mortgage Association and Federal Farm Credit Bank.

<sup>(3)</sup> Local Agency Investment Fund maintained by the Treasurer of the State of California and the County of Alameda, California Treasurer's Investment Pool.

Source: MTC Monthly Investment Report.

## OUTSTANDING AUTHORITY OBLIGATIONS

### Outstanding Senior Bonds and Senior Obligations

*[Subject to Review/Update.]* Upon issuance of the [ ] Senior Bonds and [ ], the Authority will have outstanding Senior Bonds in the aggregate principal amount of \$[ ] comprised of: (i) \$[ ] of fixed rate bonds; (ii) \$[ ] variable rate demand bonds bearing interest at a Weekly Rate; (iii) \$[ ] of bonds bearing interest at Index Rates tied to the SIFMA Swap Index; (iv) \$[ ] of bonds bearing interest at an Index Rate tied to 67% of 3-month LIBOR; and (v) \$[ ] bonds bearing interest at Term Rates, all as more specifically set forth herein.

**Fixed Rate Bonds.** Upon issuance of the [ ] Senior Bonds and [ ], the following will be the outstanding Senior Bonds that bear interest at a Fixed Rate:

**TABLE 6**  
**OUTSTANDING SENIOR FIXED RATE BONDS**

<u>Bonds</u>	<u>Outstanding Principal Amount</u>	<u>Interest Rate</u>
San Francisco Bay Area Toll Bridge Revenue Bonds, 2007 Series F	\$30,500,000	Fixed
San Francisco Bay Area Toll Bridge Revenue Bonds, 2009 Series F-2	\$1,300,000,000	Fixed (Taxable)
San Francisco Bay Area Toll Bridge Revenue Bonds, 2012 Series F-1	\$907,525,000	Fixed
San Francisco Bay Area Toll Bridge Revenue Bonds, 2014 Series F-1	\$200,000,000	Fixed
San Francisco Bay Area Toll Bridge Revenue Bonds, 2014 Series F-2	<u>\$80,335,000</u>	Fixed
<b>TOTAL</b>	<b><u>\$2,518,360,000</u></b>	

**Weekly Rate Bonds.** The following are outstanding Senior Bonds that bear interest at a Weekly Rate, together with the letter of credit provider and expiration date of the letter of credit for each Series of such Senior Bonds:

**TABLE 7**  
**OUTSTANDING SENIOR WEEKLY RATE BONDS**

<b>Bonds</b>	<b>Outstanding Principal Amount</b>	<b>Letter of Credit Provider</b>	<b>Expiration Date</b>
San Francisco Bay Area Toll Bridge Revenue Bonds, 2007 Series G-1	\$50,000,000	U.S. Bank National Association	October 16, 2017
San Francisco Bay Area Toll Bridge Revenue Bonds, 2007 Series A-2	\$75,000,000	The Bank of Tokyo – Mitsubishi UFJ, Ltd., acting through its New York Branch	October 16, 2019
San Francisco Bay Area Toll Bridge Revenue Bonds, 2007 Series B-2	\$75,000,000	Sumitomo Mitsui Banking Corporation, acting through its New York Branch	October 16, 2019
San Francisco Bay Area Toll Bridge Revenue Bonds, 2007 Series C-2	\$25,000,000	The Bank of Tokyo – Mitsubishi UFJ, Ltd., acting through its New York Branch	October 16, 2019
San Francisco Bay Area Toll Bridge Revenue Bonds, 2007 Series D-2	\$100,000,000	Bank of America, N.A.	October 16, 2019
San Francisco Bay Area Toll Bridge Revenue Bonds, 2008 Series C-1	\$25,000,000	Sumitomo Mitsui Banking Corporation, acting through its New York Branch	October 16, 2019
San Francisco Bay Area Toll Bridge Revenue Bonds, 2008 Series E-1	\$50,000,000	The Bank of Tokyo – Mitsubishi UFJ, Ltd., acting through its New York Branch	October 16, 2019
<b>TOTAL</b>	<b><u>\$400,000,000</u></b>		

**Term Rate and Index Rate Bonds.** Upon issuance of the [ ] Senior Bonds, the following will be the outstanding Senior Bonds that bear interest at a Term Rate or Index Rate, as described below, and are not supported by a letter of credit or liquidity facility:

**TABLE 8  
OUTSTANDING SENIOR TERM RATE AND INDEX RATE BONDS**

<b>Series</b>	<b>Principal Amount</b>	<b>Term Rate</b>	<b>Index Rate</b>	<b>Purchase Date Following End of Index Rate or Term Rate Period<sup>(1)</sup></b>
2001 Series A (Francis F. Chin Issue)	\$ 150,000,000		SIFMA Swap Index plus 1.25%	April 1, 2027
2006 Series C-1	125,000,000		SIFMA Swap Index plus 0.90%	May 1, 2023
2006 Series C-2	100,000,000	1.45%		August 1, 2017
2006 Series C-3	25,000,000	1.45%		August 1, 2017
2006 Series C-4	25,000,000	1.45%		August 1, 2017
2007 Series A-1	50,000,000		SIFMA Swap Index plus 0.70%	October 1, 2019
2007 Series C-1	50,000,000		SIFMA Swap Index plus 0.90%	May 1, 2023
2007 Series E-3	100,000,000		SIFMA Swap Index plus 0.70%	October 1, 2019
2008 Series A-1	110,000,000		SIFMA Swap Index plus 0.90%	May 1, 2023
2008 Series B-1	110,000,000		SIFMA Swap Index plus 1.10% 67% of 3-month LIBOR plus 0.80%	April 1, 2024 August 1, 2017
2008 Series D-1	155,000,000			
2008 Series G-1	50,000,000		SIFMA Swap Index plus 1.10%	April 1, 2024
2014 Series A	247,445,000	1.00%		April 3, 2017
2014 Series B	552,085,000	1.50%		April 2, 2018
2014 Series C	402,105,000	1.875%		April 1, 2019
2014 Series D	143,730,000	1.875%		April 1, 2020
2014 Series E	143,675,000	2.000%		April 1, 2021
2014 Series G	71,865,000		SIFMA Swap Index plus 0.60%	April 1, 2020
2014 Series H	71,830,000		SIFMA Swap Index plus 0.70%	April 1, 2021
<b>TOTAL</b>	<b><u>\$2,682,735,000</u></b>			

<sup>(1)</sup> The Authority expects funds from remarketing to be applied to pay the purchase price of such Bonds upon mandatory tender. The Authority is not obligated to provide any other funds for the purchase of such Bonds other than remarketing proceeds and can give no assurance that sufficient remarketing proceeds will be available to pay such Bonds upon mandatory tender. If there are insufficient funds to purchase any Series of Bonds identified in the table above at the end of any Term Rate Period or Index Rate Period, the owners of such Bonds will retain such Bonds and such Bonds will bear interest at the Stepped Rate. In its Pricing Notices for each Series of Bonds identified in the table above, the Authority specified that the Stepped Rate Index for such Bonds is the SIFMA Swap Index. See “RISK FACTORS – Remarketing Risk” in the forepart of this Official Statement.

## Outstanding Subordinate Bonds

Upon issuance of the [ ] Subordinate Bonds, the Authority will have outstanding \$3,585,000,000 aggregate principal amount of fixed rate Subordinate Bonds secured by a pledge of Revenue that is subordinate to the pledge of Revenue securing the Senior Bonds.

**TABLE 9**  
**OUTSTANDING SUBORDINATE BONDS**

Bonds	Outstanding Principal Amount	Interest Rate
San Francisco Bay Area Subordinate Toll Bridge Revenue Bonds, 2010 Series S-1	\$1,500,000,000	Fixed (Taxable)
San Francisco Bay Area Subordinate Toll Bridge Revenue Bonds, 2010 Series S-2	\$410,000,000	Fixed
San Francisco Bay Area Subordinate Toll Bridge Revenue Bonds, 2010 Series S-3	\$475,000,000	Fixed (Taxable)
San Francisco Bay Area Subordinate Toll Bridge Revenue Bonds, 2013 Series S-4	\$900,000,000	Fixed
San Francisco Bay Area Subordinate Toll Bridge Revenue Bonds, 2014 Series S-5	\$25,000,000	Fixed
San Francisco Bay Area Subordinate Toll Bridge Revenue Bonds, 2014 Series S-6	\$275,000,000	Fixed
<b>TOTAL</b>	<b><u>\$3,585,000,000</u></b>	

## Qualified Swap Agreements

The Authority currently has outstanding seventeen Qualified Swap Agreements with seven counterparties that, as of June 30, 2016, had an aggregate notional amount of \$1,917,845,000. Of these, thirteen, having an aggregate notional amount of \$1,440,000,000, are agreements pursuant to which the Authority pays a fixed rate and receives a variable rate based on an index and four of these, having an aggregate notional amount of \$477,845,000, are agreements pursuant to which the Authority pays a variable rate based on an index and receives a fixed rate. The governing board of the Authority has authorized the amendment, restructuring, and termination of existing Qualified Swap Agreements and the governing board has authorized the Authority to enter into additional Qualified Swap Agreements.

For a discussion of the Authority's outstanding Qualified Swap Agreements as of June 30, 2016, see "Note 5—Derivative Instruments" and "—Objective and Terms of Hedging Derivative Instruments" on pages 72-76 and Schedules 15 through 19 on pages 119-123, of the MTC 2016 CAFR.

Each Qualified Swap Agreement may terminate prior to its scheduled termination date and prior to the maturity of the Senior Bonds to which it relates. As of June 30, 2016, the aggregate mark-to-market (including accrued interest) of the Qualified Swap Agreements pursuant to which the Authority pays a fixed rate and receives a variable rate based on an index is approximately \$400.9 million, payable by the Authority and the aggregate mark-to-market (including accrued interest) of the Qualified Swap Agreements pursuant to which the Authority pays a variable rate based on an index and receives a fixed rate is approximately \$15.19 million, payable by the Authority.



Each Qualified Swap Agreement pursuant to which the Authority pays a variable rate based on an index and receives a fixed rate may be terminated in whole or in part at the option of the counterparty on April 1, 2018. No payment would be due from the Authority or the counterparty if the option is exercised, other than net accrued interest for the then-current calculation period until that date.

There are no automatic termination events under any of the Authority's Qualified Swap Agreements, except in the case of bankruptcy under certain circumstances.

Each of the Authority's Qualified Swap Agreements may be terminated at the option of the Authority or its counterparty upon the occurrence of certain events. Such events include, among other events, the election of the Authority to terminate (in its sole discretion) at any time and the election of the counterparty to terminate if the Authority's unenhanced Senior Bond credit rating is withdrawn, suspended or reduced below "BBB-" by Standard & Poor's (or in certain cases below "BBB" or "BBB+") or is withdrawn, suspended or reduced below "Baa3" by Moody's (or in certain cases below "Baa2" or "Baa1") and that withdrawal, suspension or reduction continues for five business days. In the event a Qualified Swap Agreement is so terminated, a termination payment will be payable by either the Authority or the counterparty, depending on market conditions and the specific provisions of the Qualified Swap Agreement. Any such termination payment payable by the Authority could be substantial. Termination payments payable pursuant to Qualified Swap Agreements are payable on parity with the Subordinate Bonds and constitute "Parity Obligations" under the Subordinate Indenture.

The Authority is not required to post collateral under its Qualified Swap Agreements. The counterparties are not required to post collateral unless they are rated below either "AA-" by Standard & Poor's or "Aa3" by Moody's. Each swap counterparty is required to post collateral to the Authority to secure its exposure in excess of \$10 million if the counterparty is rated between either "A+" and "A-" by Standard & Poor's or "A1" and "A3" by Moody's. However, each counterparty must secure its entire exposure if it is rated below either "A-" by Standard & Poor's or "A3" by Moody's. Additionally, each of the Qualified Swap Agreements provide the Authority with the right to terminate if the rating of the counterparty (or, if applicable, its credit support provider) to the agreement is withdrawn, suspended or reduced below specified levels by either Standard & Poor's or Moody's.

The Authority terminates, novates and amends existing swaps and enters into new swaps from time to time. In June 2015, the Authority partially terminated a total of four existing cancellable fixed-receiver interest rate swaps. The counter parties to the swaps were Bank of America N.A., for \$160 million and \$40 million, The Bank of New York Mello for \$146.445 million and Wells Fargo Bank N.A. for \$136.2 million. The partial termination included a suspension of payments from July 1, 2015 through April 1, 2018, and resulted in a total net payment of \$34,020,000 to the Authority. The payment was recorded by the Authority as investment income, and was used to reduce the fixed rates on three existing fixed-payer swaps associated with the same counterparties. See Note 5— "Long-Term Debt – Derivative Instruments" on pages 72-76 of the MTC 2016 CAFR for further discussion.

***LIBOR Litigation.*** The Authority has entered into interest rate swap contracts under which periodic payments to the Authority are calculated based on the U.S. dollar London InterBank Offered Rate (LIBOR). LIBOR is a benchmark rate calculated using an average of daily estimates of the interest rates at which a panel of international banks are prepared to lend unsecured funds to one another. LIBOR rates are set for several maturities (for example, 1-month, 3-months and 6-months) and several currencies, including the U.S. dollar. The panel banks are primarily selected by the British Bankers' Association, which owns LIBOR.

On March 31, 2014 the Authority initiated litigation against 25 named defendants in the United States District Court for the Northern District of California seeking recovery for damages allegedly suffered

by the Authority under interest rate swap contracts with certain of the panel banks and other counterparties resulting from the alleged manipulation of U.S. dollar LIBOR between August 2007 and May 2010 (the “LIBOR Litigation”). The LIBOR Litigation is currently being conducted in the United States District Court Southern District of New York, where that case and cases initiated by numerous other plaintiffs were transferred for pretrial proceedings. The Authority filed an amended complaint in October 2014.

The defendants named by the Authority include Bank of America Corporation, Barclays Bank, plc, British Bankers’ Association, Citigroup, Inc. and Citibank, N.A., Cooperatieve Centrale Raiffeisen-Boerenleenbank, B.A., Credit Suisse Group AG, Deutsche Bank AG, HSBC Holdings plc, JPMorgan Chase & Co., Lloyds Banking Group plc, The Norinchukin Bank, Royal Bank of Canada, The Royal Bank of Scotland plc, The Bank of Tokyo-Mitsubishi UFJ Ltd., UBS AG, and Portigon AG. The defendants deny the allegations.

The LIBOR Litigation asserts, among other things, that the panel banks secretly manipulated U.S. dollar LIBOR downward by making suppressed submissions that did not accurately reflect their expected borrowing rate. According to the complaint, this, in turn, resulted in lower amounts being payable to the Authority by certain of its interest rate swap counterparties. A number of the panel banks have settled enforcement actions initiated by United Kingdom, Swiss, and United States authorities. Publicly available data indicate that more than \$5 billion in regulatory penalties and disgorgements have been levied on certain of the panel banks, with more proceedings ongoing by various regulatory authorities globally.

In opinions issued on October 20, 2015 and September 12, 2016, the court overseeing the LIBOR Litigation dismissed numerous state-law claims asserted by the Authority (as well as claims by numerous other plaintiffs in the coordinated, multidistrict LIBOR proceedings) against many of the named defendants, for lack of personal jurisdiction and on other grounds. The court upheld, at least in part, claims by the Authority against Bank of America, N.A., Citibank, N.A., and JPMorgan Chase Bank, N.A. for breach of the implied covenant of good faith and fair dealing inherent in the subject swap agreements as well as for unjust enrichment.

Additionally, in a May 23, 2016 opinion, the Second Circuit Court of Appeals revived federal and state antitrust claims asserted by the Authority (and other plaintiffs) against all of the named defendants, which the district court had dismissed. Those claims are now subject to pending motions to dismiss on grounds separate from those on which the district court previously dismissed the claims.

As described above, the Authority has initiated the LIBOR Litigation against certain counterparties, which are identified in the table below.

**TABLE 10**  
**QUALIFIED SWAP AGREEMENTS**  
**(as of [DATE], 2016)**

Counterparty	Notional Amount	Rate Paid by Authority	Rate Received by Authority
Bank of America, N.A. <sup>(1)</sup>	\$30,000,000 amortizing to \$0 by April 1, 2045	3.633% per annum	A floating per annum rate based on 68% of the one- month LIBOR Index <sup>(2)</sup>
Bank of America, N.A. <sup>(1)</sup>	\$50,000,000 amortizing to \$0 by April 1, 2047	3.6255% per annum	A floating per annum rate based on 68% of the one- month LIBOR Index <sup>(2)</sup>
Bank of America, N.A. <sup>(1)</sup>	\$160,000,000 amortizing to \$0 by April 1, 2045 <sup>(3)</sup>	A floating per annum rate based on the SIFMA Swap Index <sup>(4)</sup>	3.395% per annum
Bank of America, N.A. <sup>(1)</sup>	\$125,000,000 amortizing to \$0 by April 1, 2045	[2.96%] per annum  [Updated based on 2016 CAFR; <i>BATA to confirm</i> ]	A floating per annum rate based on 68% of the one- month LIBOR Index <sup>(2)</sup>
Bank of America, N.A. <sup>(1)</sup>	\$40,000,000 amortizing to \$0 by April 1, 2047 <sup>(3)</sup>	A floating per annum rate based on the SIFMA Swap Index <sup>(4)</sup>	3.55% per annum
Citibank, N.A. <sup>(1)</sup>	\$115,000,000 amortizing to \$0 by April 1, 2045	3.6375% per annum	A floating per annum rate based on 53.80% of the one- month LIBOR Index <sup>(2)</sup> plus 0.74%
Citibank, N.A. <sup>(1)</sup>	\$260,000,000 amortizing to \$0 by April 1, 2047	3.636% per annum	A floating per annum rate based on 53.80% of the one- month LIBOR Index <sup>(2)</sup> plus 0.74%
Goldman Sachs Mitsui Marine Derivative Products, L.P.	\$85,000,000 amortizing to \$0 by April 1, 2047	3.6357% per annum	A floating per annum rate based on 68% of the one- month LIBOR Index <sup>(2)</sup>
Goldman Sachs Mitsui Marine Derivative Products, L.P.	\$60,000,000 amortizing to \$0 by April 1, 2045	3.6418% per annum	A floating per annum rate based on 68% of the one- month LIBOR Index <sup>(2)</sup>
JPMorgan Chase Bank, N.A. <sup>(1)</sup>	\$245,000,000 amortizing to \$0 by April 1, 2045	4.00% per annum	A floating per annum rate based on 75.105% of the one-month LIBOR Index <sup>(2)</sup>
Morgan Stanley Capital Services Inc.	\$75,000,000, amortizing to \$0 by April 1, 2036	4.09% per annum (except 3.34% from 1/1/2014 through 12/31/2016)	A floating per annum rate based on 65% of the one- month LIBOR Index <sup>(2)</sup>
The Bank of New York Mellon	\$146,445,000 amortizing to \$0 by April 1, 2047 <sup>(3)</sup>	A floating per annum rate based on the SIFMA Swap Index <sup>(4)</sup>	3.2525% per annum
The Bank of New York Mellon	\$170,000,000 amortizing to \$0 by April 1, 2047	3.6357% per annum	A floating per annum rate based on 68% of the one- month LIBOR Index <sup>(2)</sup>

Counterparty	Notional Amount	Rate Paid by Authority	Rate Received by Authority
The Bank of New York Mellon	\$40,000,000 amortizing to \$0 by April 1, 2047	[2.22%] per annum [Updated based on 2016 CAFR; <i>BATA to confirm</i> ]	A floating per annum rate based on 68% of the one-month LIBOR Index <sup>(2)</sup>
Wells Fargo Bank, N.A.	\$75,000,000 amortizing to \$0 by April 1, 2036	4.10% per annum	A floating per annum rate based on 65% of the one-month LIBOR Index <sup>(2)</sup>
Wells Fargo Bank, N.A.	\$110,000,000 amortizing to \$0 by April 1, 2045	[3.29%] per annum [Updated based on 2016 CAFR; <i>BATA to confirm</i> ]	A floating per annum rate based on 53.80% of the one-month LIBOR Index <sup>(2)</sup> plus 0.74%
Wells Fargo Bank, N.A.	\$137,700,000 amortizing to \$0 by April 1, 2047 <sup>(3)</sup>	A floating per annum rate based on the SIFMA Swap Index <sup>(4)</sup>	3.10% per annum

<sup>(1)</sup> Named Defendant in LIBOR Litigation described in “OUTSTANDING AUTHORITY OBLIGATIONS – Qualified Swap Agreement – *LIBOR Litigation*.”

<sup>(2)</sup> Defined, generally, as the average interest rate at which a selection of banks in London are prepared to lend to one another in United States dollars with a maturity of one month.

<sup>(3)</sup> Counterparties have the right to cancel the Qualified Swap Agreement on April 1, 2018, without termination payments.

<sup>(4)</sup> Defined, generally, as a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations as produced by Municipal Market Data and made available by Bloomberg.

## HISTORICAL AND PROJECTED REVENUE AND DEBT SERVICE COVERAGE

### Historical Revenue and Debt Service Coverage

The following table sets forth Bridge System historical revenue and debt service coverage for the FYE 2012 through 2016. Information in the table is intended to provide potential investors with information about revenues and gross debt service coverage. The presentation is not prepared in accordance with generally accepted accounting principles and could differ from comparable presentations by other similar organizations. This table does not calculate coverage ratio covenants or additional bonds tests that are discussed under “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS” and “SUMMARY OF FINANCING PLAN – Additional Bonds Test” in the forepart of this Official Statement and in APPENDIX C — “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE” and APPENDIX D — “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE.” Generally swap rates are used for variable rate demand bonds that have corresponding qualified swap agreements, the interest rates on taxable Build America Bonds are net of the expected subsidy payments, which payments are excluded from revenues, and bank fees are excluded from debt service.

**TABLE 11**  
**BRIDGE SYSTEM**  
**HISTORICAL REVENUE AND DEBT SERVICE COVERAGE**  
**(\$ in thousands)**

<b>Fiscal Year Ended June 30,</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Revenue</b>					
Bridge Toll Revenues	\$ 625,863	\$ 652,975	\$671,507	\$694,955	\$714,132
Interest Earnings <sup>(1)</sup>	6,800	3,021	5,808	8,230	12,006
Other Revenues <sup>(2)</sup>	17,681	16,507	19,707	22,384	22,830
Senior Bond Subsidy Payments <sup>(3)</sup>	--	--	--	--	--
<b>Total Revenue Under Senior Indenture [A]</b>	<b>\$ 650,344</b>	<b>\$ 672,503</b>	<b>\$697,022</b>	<b>\$729,568</b>	<b>\$748,968</b>
<b>Debt Service on Senior Bonds and Parity Obligations<sup>(3)</sup> [B]</b>	<b>\$ 262,693</b>	<b>\$ 256,775<sup>(6)</sup></b>	<b>\$264,503<sup>(6)</sup></b>	<b>\$241,889<sup>(6)</sup></b>	<b>\$255,563<sup>(6)</sup></b>
<b>Gross Senior Debt Service Coverage [A/B]</b>	<b>2.48x</b>	<b>2.62x</b>	<b>2.64x</b>	<b>3.02x</b>	<b>2.93x</b>
Less Maintenance and Operation Expenses [C]	(80,488)	(92,833)	(107,182)	(107,507)	(79,148)
<b>Total Available Revenue Under Subordinate Indenture<sup>(5)</sup> [A-C = D]</b>	<b>\$ 569,856</b>	<b>\$ 579,670</b>	<b>\$589,840</b>	<b>\$622,061</b>	<b>\$669,820</b>
<b>Debt Service on Senior Bonds, Parity Obligations and Subordinate Bonds<sup>(3)</sup> [E]</b>	<b>\$ 372,247</b>	<b>\$ 368,958<sup>(6)</sup></b>	<b>\$419,380<sup>(6)</sup></b>	<b>\$408,587<sup>(6)</sup></b>	<b>\$428,692<sup>(6)</sup></b>
<b>Gross Debt Service Coverage [D/E]</b>	<b>1.53x</b>	<b>1.57x</b>	<b>1.41x</b>	<b>1.52x</b>	<b>1.63x</b>

<sup>(1)</sup> Does not reflect non-cash derivative investment charges or gains that do not reduce or increase Revenue under provisions of the Senior Indenture. See “LIQUIDITY, CASH RESERVES AND INVESTMENTS—Investment Policies.”

<sup>(2)</sup> Consists of, among other things, violation revenues. Includes transfers from MTC relating to interest on BART’s loan payment. Includes revenues from Electronic Toll Collection reimbursement received from agencies participating in the FasTrak program.

<sup>(3)</sup> Senior Bond Subsidy Payments consist of a 35% federal interest subsidy for the 2009 Series F-2 Bonds issued under the Build America Bond program which the Authority received in the FYE 2010. Beginning in the FYE 2011 debt service on all Senior Bonds and Subordinate Bonds issued under the Build America Bond program is calculated net of such Bond Subsidy Payments that are actually received and such payments are excluded from Available Revenue.

<sup>(4)</sup> As a result of implementing GASB 62 and GASB 65 in fiscal year 2012, the Authority restated its fiscal year 2011 financial information which decreased the debt service calculations.

<sup>(5)</sup> No Subordinate Indenture existed prior to the FYE 2011.

<sup>(6)</sup> Including accrual of interest less Build America Bonds Subsidy, which subsidy was reduced by approximately 8.7% in federal fiscal year 2013, 7.2% in federal fiscal year 2014, 7.3% in federal fiscal year 2015 and 6.8% in federal fiscal year 2016 as a result of the sequestration order. See “RISK FACTORS—Risk of Non-Payment of Direct Subsidy Payments” in the forepart of this Official Statement.

Source: The Authority.

Maintenance and Operation Expenses shown in the table above include the Authority’s operating expenses, operating expenses incurred by Caltrans, and operating expenses of the Transbay Joint Powers Authority, as follows (dollars in millions):

**TABLE 12**  
**HISTORICAL OPERATING EXPENSES**

<u>FYE</u>	<u>Authority Operating Expenses</u>	<u>Caltrans Operating Expenses</u>	<u>Transbay JPA Expenses</u>	<u>Total</u>
2012	\$52.9	\$23.8	\$3.7	\$ 80.5
2013	64.7	24.6	3.5	92.8
2014	77.3	26.1	3.7	107.1
2015	76.8	26.9	3.6	107.5
2016 <sup>(1)</sup>	49.0	26.4	3.8	79.2

<sup>(1)</sup> [Update to come. BATA to provide footnote re 2016 operating expenses.]

See “THE BRIDGE SYSTEM – Bridge System Operations and Maintenance” for further discussion of the Authority’s operating expenses during the period covered by the tables above.

### **Projected Revenue, Operations & Maintenance Expenses and Debt Service Coverage**

*[Subject to Review/Update.]* The following table sets forth projected revenues and expenditures of the Authority and projected debt service coverage for its fiscal years ending June 30, 2017 through 2021. Generally, the Authority’s projections for the fiscal year ending June 30, 2017 reflect budgeted revenues and expenses. Further assumptions made in preparing the projections are detailed below.

The prospective financial information was not prepared with a view toward compliance with published guidelines of the United States Securities and Exchange Commission or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information.

The projections set forth below represent the Authority’s forecast of future results based on information currently available to the Authority as well as estimates, trends and assumptions that are inherently subject to economic, political, regulatory, competitive and other uncertainties, all of which are difficult to predict and many of which will be beyond the control of the Authority. As a result, projected results may not be realized and actual results could be significantly higher or lower than projected. The Authority is not obligated to update, or otherwise revise the financial projections or the specific portions presented to reflect circumstances existing after the date when made or to reflect the occurrence of future events, even in the event that any or all of the assumptions are shown to be in error. The projected financial information was not prepared in accordance with generally accepted accounting principles and could differ from comparable presentations by other similar organizations.

The prospective financial information included in the Official Statement has been prepared by, and is the responsibility of, the Authority’s management. PricewaterhouseCoopers LLP has neither examined, compiled nor performed any procedures with respect to the accompanying prospective financial information and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto. The PricewaterhouseCoopers LLP report incorporated by reference in the Official Statement relates to the Authority’s historical financial information. It does not extend to the prospective financial information and should not be read to do so.

**TABLE 13**  
**BRIDGE SYSTEM**  
**PROJECTED REVENUE, OPERATIONS & MAINTENANCE**  
**EXPENSES AND DEBT SERVICE COVERAGE <sup>(1)</sup>**  
**(\$ in thousands)**

		Fiscal Year Ending June 30,				
		2017	2018	2019	2020	2021
<b>Senior Obligation Debt Service</b>						
A	Bridge Toll Revenues <sup>(2)</sup>	\$679,500	\$682,897	\$686,312		
B	Interest Earnings	32,921	35,371	35,457		
C	Other Revenues <sup>(3)</sup>	22,339	22,451	22,563		
D	Total Revenue Under Senior Indenture	<u>734,759</u>	<u>740,719</u>	<u>744,331</u>		
E	Existing Senior Bonds and Parity Obligations <sup>(4)</sup>	232,644	238,365	233,885		
F	Additional Senior Bonds	12,044	12,044	21,474		
G	Total Senior Bonds and Parity Obligations	<u>244,688</u>	<u>250,409</u>	<u>255,359</u>		
H	Senior Debt Service Coverage (D/G)	3.00	2.96	2.91		
<b>Projected Subordinate Bond Debt Service</b>						
I	Total Revenue Under Subordinate Indenture	<u>734,759</u>	<u>740,719</u>	<u>744,331</u>		
J	Debt Service on Senior Bonds and Parity Obligations	244,688	250,409	255,359		
K	Existing Subordinate Bond Debt Service <sup>(5)</sup>	155,673	155,673	155,673		
L	Additional Subordinate Bond Debt Service	13,625	13,625	13,625		
M	Aggregate Debt Service	<u>413,986</u>	<u>419,707</u>	<u>424,657</u>		
N	Gross Aggregate Debt Service Coverage (I/M)	1.77	1.76	1.75		
O	Total Revenue Under Subordinate Indenture	734,759	740,719	744,331		
P	Less: Maintenance and Operations Expenses <sup>(6)</sup>	(84,567)	(90,155)	(103,813)		
Q	Net Available Revenue Under Subordinate Indenture	<u>\$650,192</u>	<u>\$650,564</u>	<u>\$640,518</u>		
	Net Aggregate Debt Service Coverage (M/Q)	1.57	1.55	1.51		

<sup>(1)</sup> As described in the forepart of this Official Statement under the heading “SUMMARY OF FINANCING PLAN,” for purposes of this table the following assumptions are made: (a) issuance of \$814 million of additional and refunding bonds and (b) the refunding of all bonds identified in the table in the forepart of this Official Statement titled “Refunding Bonds Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds 2009 Series F-1.” This table does not calculate coverage ratio covenants or additional bonds tests that are discussed in the forepart of this Official Statement under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS” and in “APPENDIX C – DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE” and “APPENDIX D – DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE” to this Official Statement. Debt payments are shown on a cash payment basis and will differ slightly from the GAAP based accrual costs recorded by the Authority.

<sup>(2)</sup> The projected Bridge Toll Revenues assume FYE 2015 traffic is the same as FYE 2016 traffic and grows at 0.50% annually thereafter. In accounting for peak traffic tolling, instead of actual revenues, it is assumed that the average 2-axle toll rate on the San Francisco-Oakland Bay Bridge is \$5.00.

<sup>(3)</sup> Other Revenues include revenues from toll violations and Electronic Toll Collection reimbursement revenues. Other Revenues are assumed to increase at the same growth rate as Bridge Toll Revenues of 0.50% annually after FYE 2015.

- (4) Reflects actual interest rates for outstanding fixed rate Senior Bonds. Assumes an interest rate per annum for hedged variable rate Senior Bonds equal to the fixed rate payable under related interest rate swap arrangements plus any fixed spread on relevant bonds while in an Index Mode. Assumes an interest rate of 0.90% on unhedged variable rate bonds in FYE 2015 and FYE 2016, 1.75% in FYE 2017, 2.27% in FYE 2018 and thereafter. For any unhedged term mode bonds, assumes the actual term rates through the end of any term mode periods and then the unhedged variable rate assumption of 2.50% from the mandatory tender date through maturity. See the table titled “Outstanding Senior Bonds – Term Rate and Index Rate Bonds” above. Does not include ongoing remarketing fees, liquidity fees and any basis risk for the Senior Bonds. The annual remarketing and liquidity facility fees for FYE 2016 were \$4.6 million. Except for FYE 2015, debt service shown is net of the full 35% federal interest subsidy for bonds issued under the Build America Bond program. Due to sequestration, the Authority received \$1.0 million less in Build America Bond subsidy payments on Senior Bonds than expected for the April 1, 2014 debt service payment; debt service shown accounts for a reduction of subsidy payments in this same amount on both October 1, 2014 and April 1, 2015. It is assumed that the full subsidy will be received on October 1, 2015 and will continue throughout the life of the affected bonds. See “RISK FACTORS — Risk of Non-Payment of Direct Subsidy Payments” in the forepart of this Official Statement.
- (5) Reflects the actual interest rates for outstanding fixed rate Subordinate Bonds. Except for FYE 2015, debt service shown is net of the full 35% federal interest subsidy for bonds issued under the Build America Bond program. Due to sequestration, the Authority received \$1.7 million less in Build America Bond subsidy payments on Subordinate Bonds than expected for the April 1, 2014 debt service payment; debt service shown accounts for a reduction of subsidy payments in this same amount on both October 1, 2014 and April 1, 2015. See “RISK FACTORS — Risk of Non-Payment of Direct Subsidy Payments” in the forepart of this Official Statement.
- (6) Includes Maintenance and Operation Expenses as defined in the Subordinate Indenture. See discussion following table for more detailed description of Maintenance and Operations Expenses presented in this table and related assumptions.

Source: The Authority.

**[Subject to Review/Update.]** The levels of traffic assumed, toll revenue projected, additional bonds debt service projected and maintenance and operations expenses projected in the foregoing are based solely upon estimates and assumptions made by the Authority. Additional bonds projected debt service does not reflect actual pricing information for the 2017 Series Bonds. Actual levels of traffic and toll revenue have differed, will differ, and may differ materially, from the levels projected. Actual interest earnings, debt service interest rates, interest subsidy payments, swap revenues and maintenance and operations expenses could also differ materially from the forecast.

The interest earnings shown in the table above are calculated assuming that the investment rates reflected in the Interpolated US Treasury Forward Curve are realized, on average, by the Authority in its investment of cash balances, including debt service reserve funds. [The rates assumed are 1.75% in Fiscal Year 2017, 2.19% in Fiscal Year 2018, Fiscal Year 2019, [ ]% in Fiscal Year 2020 and [ ]% in Fiscal Year 2021. As of [DATE], 2016, the average maturity of the investment portfolio of MTC, which includes investments on behalf of the Authority, was [ ] days, with an average yield to maturity of approximately [ ]%.

Maintenance and Operations Expenses shown in the table above are based on the Authority’s adopted budget for the FYE 2017 and are projected thereafter to include all Maintenance and Operation Expenses as defined in the Subordinate Indenture, which include operating expenses incurred by the Authority and Caltrans, together with operating expenses of the Transbay Joint Powers Authority.

The Authority’s projections for the FYE 2017 reflect an approximate \$16.9 million reduction in Maintenance and Operations Expenses relative to the audited results for the FYE 2016. The Authority’s projections for the FYE 2018 reflect a further reduction of approximately \$[ ] million in Maintenance and Operations Expenses relative to the FYE 2017. These reductions reflect the completion of certain planned, project-based expenditures described further under “THE BRIDGE SYSTEM – Bridge System Operations and Maintenance” that the Authority does not project to recur during the projection period.



These reductions are offset by annual increases in Maintenance and Operations Expenses reflecting the expected transfer of maintenance expenses associated with the San Francisco-Oakland Bay Bridge as construction of the eastern span is completed, with full inclusion of such expenses during the FYE 2019. See “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS” and in “APPENDIX C – DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE” and “APPENDIX D – DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE” to this Official Statement.

The debt service coverage ratios set forth in the foregoing table are for information purposes only. The Authority is only required to meet the coverage ratios specified in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS – Certain Provisions of the Senior Indenture – Toll Rate Covenants” and “—Certain Provisions of the Subordinate Indenture – Toll Rate Covenants” in the forepart of this Official Statement. Coverage ratios are also taken into account in determining the amount of toll bridge revenue bonds and parity obligations the Authority can issue. See “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS – Certain Provisions of the Senior Indenture – Additional Bonds Test” and “—Certain Provisions of the Subordinate Indenture – Additional Bonds Test” in the forepart of this Official Statement.

## **OTHER AUTHORITY OBLIGATIONS**

### **Credit Facilities**

On October 16, 2014, the Authority entered into a Reimbursement Agreement with certain banks and with Bank of America, N.A., as agent for such banks, pursuant to which the banks provided irrevocable, direct-pay letters of credit (the “Letters of Credit”) for the Authority’s outstanding variable rate demand Senior Bonds. See “OUTSTANDING AUTHORITY OBLIGATIONS – Outstanding Senior Bonds and Senior Obligations – Weekly Rate Bonds.”

The Letters of Credit are available to be drawn on for funds to pay principal of and interest on the applicable Senior Bonds and payment of the Purchase Price for such Senior Bonds tendered for purchase or subject to mandatory purchase in accordance with the Senior Indenture and not remarketed. Senior Bonds so purchased with proceeds of draws under the Letters of Credit (“Credit Provider Bonds”) will continue to be Senior Bonds under the Senior Indenture payable on a parity basis with other Senior Bonds, but they will bear interest at the applicable rate of interest set forth in the Reimbursement Agreement. Reimbursement obligations created by unreimbursed principal and interest draws under the Letter of Credit will be Senior Parity Obligations, payable on a parity basis with Senior Bonds. Under the Reimbursement Agreement, fees and other payments due to the banks providing the Letters of Credit are subordinate to Senior Obligations and Subordinate Obligations and are payable from the Fees and Expenses Fund held by the Senior Indenture Trustee. The Authority’s obligation to pay interest on reimbursement obligations and on Credit Provider Bonds evidencing the Authority’s obligation to pay amounts advanced under the Letters of Credit can be as high as 15% per annum.

The Letters of Credit will expire on the dates shown on Table 7 — “OUTSTANDING SENIOR WEEKLY RATE BONDS” above. An extension of the Letters of Credit or the substitution of another liquidity facility for the applicable Senior Bonds is required by the Indenture until such Senior Bonds are retired or changed to bear interest, as permitted by the Indenture, at a Fixed Rate, a Term Rate, a Commercial Paper Rate, or an Index Rate. The scheduled expiration or the termination by the Authority of a Letter of Credit will, and the substitution of another liquidity facility may, result in a mandatory purchase of the Senior Bonds supported by such Letter of Credit as explained under APPENDIX C – DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE – THE SENIOR INDENTURE – Mechanics of Optional and Mandatory Tenders.

The Authority's obligation to reimburse the banks on account of the purchase of the Authority's Senior Bonds that are tendered for purchase and not successfully remarketed may, under specified circumstances, be converted to a liquidity advance, evidenced by a "Bank Bond." In such a case, the Reimbursement Agreement requires the Authority to redeem any Bank Bond that is not remarketed in 13 equal quarterly installments beginning on the first Business Day of the twenty-fourth calendar month immediately following the purchase of the Bank Bond by the applicable bank, but that amortization period may be accelerated by the banks in the event of the occurrence of an event of default under the Reimbursement Agreement. Events of default under the Reimbursement Agreement include, among other events, the failure of the Authority to pay debt service on its Senior Bonds or Subordinate Bonds as and when due, the default by the Authority in the observance or performance of covenants or agreements in the Reimbursement Agreement or related documents, and a reduction in the long-term unenhanced ratings of any Senior Obligations below "BBB-", "BBB-" and "Baa3," respectively by any two of Fitch, S&P and Moody's, or a withdrawal or suspension for credit-related reasons of such ratings by any two of such rating agencies. The Indenture requires Bank Bonds of a Series to be remarketed prior to the remarketing of any other remarketed Bonds of such Series tendered for purchase or subject to mandatory purchase.

In addition, in order for a liquidity drawing to be converted to a liquidity advance under the Reimbursement Agreement, certain preconditions must be satisfied by the Authority. These include, in addition to there being no event of default under the Reimbursement Agreement, the requirement that the Authority be able to make, as of the conversion date, certain representations and warranties set forth in the Reimbursement Agreement, including representations regarding the absence of certain litigation or legislation. Such representations may not be possible under circumstances that are beyond the control of the Authority. If the preconditions to the conversion to a liquidity advance cannot be met, the liquidity drawing is due and payable immediately by the Authority. Liquidity drawings and liquidity advances under the Reimbursement Agreement are required to be paid on a parity with the Senior Bonds and prior to the Subordinate Bonds.

### **Further Subordinated Obligations**

The Authority may issue or incur obligations that would be secured by Revenue on a basis junior and subordinate to the payment of the principal, interest and reserve fund requirements for the Subordinate Obligations. Other than fees and other payments due to the Credit Providers, the Authority had no such obligations outstanding as of the date of this Official Statement. Such obligations could consist of toll bridge revenue bonds or payment obligations under liquidity or credit agreements or interest rate swap agreements. The Authority also has other obligations such as remarketing agent fees that are payable from Revenues.

### **CalPERS and MTC Retirement Plan**

MTC, which includes the Authority, provides a defined benefit pension plan, the Miscellaneous Plan of Metropolitan Transportation Commission (the "MTC Plan"), which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The MTC Plan is part of the Public Agency portion of the California Public Employees' Retirement System ("CalPERS"). CalPERS provides an actuarially determined contribution rate that is applied to eligible covered payroll cost on a monthly basis by MTC, a proportionate share of which is allocated to the Authority.

All information presented below is for MTC, which includes salary and benefit costs of the employees of the Authority. MTC incurred a pension expense of \$2,580,963 for FYE 2016, of which \$679,825 was allocated to the Authority, based on the measurement period ending June 30, 2015. See Note 1.K and Note 8, on pages 51 and 80, respectively of the MTC 2016 CAFR for additional information on the MTC Plan.

In August 2016 MTC received from CalPERS its Actuarial Valuation as of June 30, 2015 for the MTC Plan (the “CalPERS 2015 MTC Actuarial Valuation”), which included, among other things, projected future contribution rates for the MTC plan. According to the CalPERS 2015 MTC Actuarial Valuation, the MTC employer contribution rate for the FYE 2017 is 18.420% of covered payroll and is projected to be 17.972% of covered payroll for the FYE 2018.

The CalPERS 2015 MTC Actuarial Valuation includes the table below that shows the recent history of the actuarial accrued liability, actuarial value of assets, their relationship and the relationship of the unfunded actuarial accrued liability to payroll for MTC for the FYE 2011 through 2015.

**TABLE 14**  
**MTC PENSION PLAN INFORMATION**

<b>Valuation Date (June 30)</b>	<b>Accrued Liability [A]</b>	<b>Actuarial Value of Assets (AVA) [B]</b>	<b>Unfunded Liability (UL) [A]-[B]</b>	<b>Funded Ratios [B]/[A]</b>	<b>Annual Covered Payroll [C]</b>
2011	96,864,616	83,576,646	13,287,970	86.3%	17,276,635
2012	104,221,731	89,628,911	14,592,820	86.0%	17,092,546
2013	112,527,842	86,159,031	26,368,811	76.6%	19,517,512
2014	127,057,878	102,510,742	24,547,136	80.7%	20,134,570
2015	135,380,171	105,327,088	29,753,083	78.0%	22,145,005

Source: CalPERS Actuarial Valuation as of June 30, 2015, delivered August 2016.

CalPERS issues a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS comprehensive annual financial report and actuarial valuations, including the CalPERS 2014 MTC Plan Report, may be obtained from CalPERS Financial Services Division. The information set forth therein is not incorporated by reference in this Official Statement.

## LITIGATION

On July 3, 2014, November 23, 2015, March 14, 2016 and September 7, 2016 class action complaints (“Lawsuits”) were filed in San Francisco Superior Court against the Authority and others claiming deficiencies in policies and procedures with regard to the processing and assessment of violation penalties by the All Electronic Toll (“AET”) collection system on the Golden Gate Bridge. The fourth class action, filed on September 7, 2016, additionally alleges that the Authority improperly discloses personally identifiable information to third parties in violation of California Streets & Highways Code Section 31490 and other consumer privacy statutes. The Authority has been served in the first three cases. AET is currently in effect only on the Golden Gate Bridge and is not currently in effect on any of the Bridge System bridges. The Authority was named because it oversees and holds the contract with Xerox, which as described under “THE BRIDGE SYSTEM—Bridge Toll Collection—FasTrak Regional Customer Service Center” manages the toll collection customer service center for the Golden Gate Bridge as well as all the bridges in the Bridge System. The first three cases follow claims filed by the initial class action Plaintiff and thus far do not implicate the toll collection system on any of the Bridge System bridges. The fourth class action differs in that it defines “Toll Bridges” to include all of the Bridge System bridges, however, the specific allegations at this early juncture appear only to relate to the Golden Gate Bridge. The Lawsuits seek actual damages, punitive damages, attorneys’ fees, and injunctive and declaratory relief. The Authority cannot

predict the timeframe for consideration of the cases. Discovery has occurred in the first three cases, and class certification hearings are expected to occur in March, 2017. Based on the facts known to the Authority as of the date hereof, and prior to any additional facts learned through discovery that has not yet occurred, the Authority does not expect the litigation to have a material adverse impact on its revenues or its ability to pay its obligations, including the[ ] Series Bonds.

See “OUTSTANDING AUTHORITY OBLIGATIONS—Qualified Swap Agreements—LIBOR Litigation” for a discussion of another pending lawsuit that was initiated by the Authority.

## LEGISLATION

*[Subject to Review/Update.]* [From time to time, bills are introduced in the California Legislature that may impact the Authority. The Authority is not aware of any pending legislation which could have a material adverse effect on the Authority’s finances or operations.]

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CREDIT FACILITY AND REIMBURSEMENT AGREEMENT

Dated as of [●], 201[●]

between

BAY AREA TOLL AUTHORITY

and

BANK OF AMERICA, N.A.

Relating to:

San Francisco Bay Area Toll Bridge Revenue Bonds, [●] Series [●]

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EXHIBITS

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Exhibit B – Notice of Mandatory Tender



This CREDIT FACILITY AND REIMBURSEMENT AGREEMENT, dated as of [●], 201[●] (as amended, modified and supplemented from time to time, this “Agreement”), is entered into between the Bay Area Toll Authority (the “Authority”), and Bank of America, N.A., and its successors and assigns (the “Bank”). Unless otherwise defined herein, capitalized terms used in this Agreement shall have the meaning given in Section 1.1 hereof.

## RECITALS

WHEREAS, the Authority [has heretofore issued] [proposes to issue] its San Francisco Bay Area Toll Bridge Revenue Bonds, [●] Series [●] (the “Series [●] Bonds”) pursuant to the terms of the hereinafter defined Indenture [and the Authority desires to remarket the Series [●] Bonds];

WHEREAS, Bank of America, N.A. [or an Affiliate thereof] (the “Purchaser”) desires to purchase the Series [●] Bonds upon [upon the remarketing thereof] [issuance] and, in connection therewith, requires that the Authority and the Bank enter into this Agreement; and

NOW, THEREFORE, in consideration of the foregoing recitals and other consideration, the receipt and sufficiency of which is hereby acknowledged, the Authority and the Bank, on behalf of itself and the Holders, hereby agree as follows:

### 1. DEFINITIONS; INCORPORATION BY REFERENCE; CONSTRUCTION

#### 1.1 Defined Terms. The following definitions apply herein.

“Act” means Chapter 4.3 of Division 17 of the California Streets and Highways Code (commencing with Section 30950) and the Revenue Bond Law of 1941, as incorporated by Section 30961 of the California Streets and Highways Code, as each may be amended from time to time.

“Additional Rights” has the meaning specified in Section 5.17(a).

“Advance” has the meaning specified in Section 2.3(b). “Agreement” has the meaning specified in the introductory paragraph.

“Affiliate” of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term “control” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“Anti-Corruption Laws” means all laws, rules, and regulations of any jurisdiction applicable to the Authority from time to time concerning or relating to bribery or corruption.

“Authorized Representative” has the meaning specified in the Indenture.

“Bank” has the meaning specified in the introductory paragraph, and includes its successors and permitted assigns.

“Bank Agreement” means any credit agreement, bond purchase agreement (other than underwriting bond purchase agreements), liquidity agreement or other agreement or instrument (or any amendment, supplemental or modification thereto) entered into by the Authority with any Person or Persons under which such Person or Persons (each, a “Bank Party”) undertakes to make loans, extend credit or liquidity to, or issue letters of credit on account of, the Authority in connection with Debt of the Authority or purchase Debt of the Authority, in each case secured by Bridge Toll Revenues on parity with, or senior in right of payment to, the Bonds and the Obligations.

“Bank Party” has the meaning specified in the defined term “Bank Agreement.”

“Bond Purchase Agreement” means the Bond Purchase Agreement, dated [●], 201[●], between the Purchaser and the Authority.

“Bonds” has the meaning specified in the Indenture.

“Bridge Toll Revenues” has the meaning specified in the Indenture in effect on the Effective Date.

“Business Day” means any day other than (i) a Saturday, (ii) a Sunday, (iii) any other day on which banks located in the States of California or New York or the State in which the Trustee has its principal corporate trust office are authorized or required by executive order or law to remain closed or (iv) in the case of the Bank, any other day on which Bank in the state in which the funding office of the Bank is located is authorized or required by executive order or law to remain closed.

“Change in Law” means the occurrence, after the Effective Date, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; including any of the foregoing not yet implemented or effective (including those, if any, with retroactive application) under (i) the Dodd-Frank Act and (ii) Basel III promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III.

“Code” means the Internal Revenue Code of 1986 and the rules and all promulgated (including temporary) regulations thereunder.

“Commitment” means \$[\_\_\_,000,000] (the aggregate principal amount of the Series [●] Bonds).

“Custodian” means the Trustee in its capacity as custodian under the Custodian Agreement.

“Custodian Agreement” means, on any date of determination, the custodian agreement in effect on such date among the Trustee in its capacity as custodian, the Authority and the Bank.

“Debt” of any Person means at any date, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (d) all obligations of such Person as lessee under capital leases, (e) all Debt of others secured by a lien on any asset of such Person, whether or not such Debt is assumed by such Person, and (f) all obligations, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person including, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement condition or otherwise), or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part). For purposes of clarification, membership of the Authority in a joint powers authority will not cause the Debt of the joint powers authority to be considered guaranteed by the Authority.

“Default Rate” means [twelve percent (12%) per annum.

“Dodd-Frank Act” means the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as enacted by the United States Congress, and signed into law on July 21, 2010, and all statutes, rules, guidelines or directives promulgated thereunder.

“Effective Date” has the meaning specified in Section 4.1.

“Event of Default” means an event specified in Section 6.1.

“Event of Insolvency” means the occurrence and continuance of one or more of the following events: (a) the Authority shall (i) voluntarily commence any case or proceeding or file any petition seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it, or seeking to declare a moratorium with respect to any obligations of the Authority under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, (ii) consent to the institution of, or fail to controvert in a timely and appropriate manner, any such case or proceeding or the filing of any such case or petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for itself or for a substantial part of its property, (iv) file an answer admitting the material allegations of a case or petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable or admit in writing its inability to pay its debts as they become due or (vii) take action for the purpose of effecting any of the foregoing; (b) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Authority or of a substantial part of the property of the Authority, under any federal, state or foreign bankruptcy, insolvency or similar law or (ii) the appointment of a receiver, trustee, custodian, sequestrator or similar official for the Authority or for a substantial part of the property of the Authority, and such proceeding or petition shall continue undismissed and unstayed for sixty (60) days; or (c) an order or decree for relief shall be entered against the Authority in a court of competent jurisdiction under any existing or future law of any

jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors.

“Fitch” means Fitch Inc.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

“Holder” shall mean each registered owner of the Series [●] Bonds, including each registered owner of Series [●] Credit Provider Bonds.

“Indenture” means the Master Indenture dated as of May 1, 2001 between the Authority and the Trustee, as amended or supplemented from time to time in accordance with its terms and this Agreement.

“Initial Term” means [X] years from the date of [issuance, execution and delivery] [remarketing] of the Series [●] Bonds.

“Majority Holder” means Holders owning a majority of the aggregate principal amount of Series [●] Credit Provider Bonds from time to time; *provided* that, the Majority Holder shall at all times be Bank of America, N.A., any Affiliate of Bank of America, N.A. or any commercial bank. As of the Effective Date, the Bank shall be the Majority Holder.

“Mandatory Tender” has the meaning specified in Section 2.1.

“Mandatory Tender Date” has the meaning specified in Section 2.2.

“Maximum Bank Rate” means fifteen percent (15%) per annum.

“Moody’s” means Moody’s Investors Service, Inc.

“MTC” means the Metropolitan Transportation Commission.

“Notice” means any notice by facsimile or other telecommunication device given to the other parties thereto. Such notice is deemed given only when actually received by such other parties.

“Notice of Mandatory Tender” means the form of Notice of Mandatory Tender delivered by the Bank pursuant to the terms of Section 2.2 hereof and attached hereto as Exhibit B.

“Notice of Optional Tender” means the form of Notice of Optional Tender delivered by the Bank pursuant to the terms of Section 2.2 hereof and attached hereto as Exhibit A.

“Obligations” means Reimbursement Obligations and all other obligations of the Authority to the Bank and the Majority Holder arising under or in relation to this Agreement,

Series [●] Credit Provider Bonds and the other Related Documents, including, without limitation, the obligation to pay fees and expenses.

“Optional Tender” has the meaning specified in Section 2.1.

“Other Taxes” has the meaning specified in Section 2.7(d).

“Owner” has the meaning specified in the Indenture.

“Participant” means any Person to whom the Majority Holder has sold a participation interest pursuant to Section 7.5(d).

“Payment Account” means the account from time to time designated by the Bank in writing to the Authority and the Trustee as the Bank’s “payment account.”

“Person” means any individual, partnership, limited liability company, firm, corporation, association, joint venture, trust or other entity, or any government (or political subdivision or agency, department or instrumentality thereof).

“Purchase Date” means the purchase date for the Series [●] Bonds following the expiration of the Initial Term.

“Purchaser” has the meaning specified in the Recitals to this Agreement.

“Rating” means, with respect to any Rating Agency, the unenhanced (without regard to bond insurance or any other form of credit enhancement) long-term rating assigned by such Rating Agency to the Bonds or any other long-term Debt of the Authority secured by Bridge Toll Revenues that is senior to or on a parity with the Series [●] Bonds.

“Rating Agency” means each of Moody’s, S&P and Fitch and “Rating Agencies” means all of them.

“Reimbursement Obligation” means the obligation of the Authority to reimburse the Bank for Advances.

“Related Documents” means, collectively, this Agreement, the Series [●] Bonds (including Series [●] Credit Provider Bonds), the Indenture, the Supplemental Indenture, the Bond Purchase Agreement and the Custodian Agreement.

“S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business.

“Sanctions” means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State.

“Series [●] Bonds” has the meaning specified in the Recitals to this Agreement.

“Series [●] Credit Provider Bonds” means Series [●] Bonds purchased by the Bank pursuant to this Agreement and held pursuant to the terms of the Custodian Agreement.

“Supplemental Indenture” means the [●] Supplemental Indenture, dated as of [●], 201[●], between the Authority and the Trustee, setting forth the terms of the Series [●] Bonds.

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

“Swap Obligation” means any payment obligation of the Authority under any Swap Contract.

“Taxes” has the meaning specified in Section 2.7(d).

“Tender Period” means the period from the Effective Date hereof to and including the earliest of the close of business on (a) the date that is thirty (30) days following after the Purchase Date, (b) the date on which no Series [●] Bonds are outstanding, and (c) the date that Bank of America, N.A. or any of its Affiliates no longer own any of the Series [●] Bonds.

“Tender Price” means with respect to a Series [●] Bond the outstanding principal amount thereof plus accrued and unpaid interest thereon through, but excluding, the date of purchase.

“Trustee” means MUFG Union Bank, N.A. (formerly known as Union Bank, N.A. and prior thereto as Union Bank of California, N.A.), as trustee under the Indenture, and its successors.

“Trust Estate” means the revenues, moneys and funds pledged pursuant to the Indenture for payment of the principal of and interest on the Bonds and other bonds issued under the Indenture.

“United States” and “U.S.” mean the United States of America.

1.2 Incorporation of Certain Definitions by Reference. Each capitalized term used herein and not defined herein has the meaning provided therefor in the Indenture.

1.3 Construction. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement,

instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof and (d) all references herein to Sections, Schedules and Exhibits shall be construed to refer to Sections of, and Schedules and Exhibits to, this Agreement.

## 2. ADVANCES; SERIES [●] CREDIT PROVIDER BONDS

2.1 Tenders. The Bank agrees, on the terms and conditions contained in this Agreement, from time to time during the Tender Period to advance funds on behalf of the Authority purchase at the Tender Price the Series [●] Bonds tendered by the Holders thereof in accordance with the terms of the Indenture following and during the continuance of an Indenture Event of Default (each, an "Optional Tender"). The Bank shall have the right, but not the obligation, on the terms and conditions contained in this Agreement, to require the Holders to tender all but not less than all of their Series [●] Bonds for purchase by the Bank at the Tender Price (a "Mandatory Tender") from funds advanced by the Bank on behalf of the Authority (i) following and during the continuance of an Event of Default and/or (ii) on any date after the Purchase Date and prior to the end of the Tender Period. The aggregate principal amount (or portion thereof) of any Series [●] Bonds held by the Bank on and after any Tender Date shall be an Authorized Denomination. Any Series [●] Bonds so held shall thereupon constitute Series [●] Credit Provider Bonds and shall, from the date of such tender and while they are Series [●] Credit Provider Bonds, bear interest at the Default Rate and have other characteristics of Series [●] Credit Provider Bonds as set forth herein and in the Indenture.

2.2 Method of Tender; Advancement of Funds. If, before the close of business of the Bank on any Business Day during the Tender Period, the Bank receives a Notice of Optional Tender from any Holder, the Bank shall advance funds to purchase, all but not less than all of, the Series [●] Bonds owned by such Holder by payment of the Tender Price therefor to such Holder no later than 2:00 p.m., New York City time, on the next Business Day whereupon such Series [●] Bonds shall become Series [●] Credit Provider Bonds. If the Bank elects to exercise its Mandatory Tender right, the Bank shall deliver to the Trustee a Notice of Mandatory Tender and payment of the Tender Price no later than 2:00 p.m., New York City time, on a Business Day (the "Mandatory Tender Date"). If the Bank exercises its Mandatory Tender right in accordance with the preceding sentence, the Series [●] Bonds shall be deemed purchased on the Mandatory Tender Date and become Series [●] Credit Provider Bonds.

### 2.3 Payment Obligations.

(a) The Authority hereby unconditionally, irrevocably and absolutely agrees to make prompt and full payment of all payment obligations owed to the Bank, the Majority Holder and the Holders under the Related Documents and to pay any other Obligations owing to the Bank, the Majority Holder and the Holders, whether now existing or hereafter arising, irrespective of their nature, whether direct or indirect, absolute or contingent, with interest thereon at the rate or rates provided in such Related Documents for the Obligations.

(b) Each advance made by a Bank to purchase Series [●] Bonds shall be a loan by the Bank to the Authority under this Agreement and pursuant to California Government Code Section 5922(c) (each, an "Advance"). The Authority's obligation to repay each Advance with

interest in accordance with this Agreement shall be evidenced by this Agreement and the Series [●] Credit Provider Bonds. There shall be credited against amounts advanced by the Bank pursuant to Section 2.2 any amount received by the Bank in respect of the payment of principal of, interest on, redemption price or purchase price of Series [●] Credit Provider Bonds (or beneficial interests therein).

(c) The Authority shall pay within thirty (30) days after demand:

(i) if an Event of Default shall have occurred, all reasonable costs and expenses of the Holders in connection with the enforcement (whether by means of legal proceedings or otherwise) of any of their rights under this Agreement, the other Related Documents and such other documents as may be delivered in connection herewith or therewith, including, without limitation, the reasonable fees and expenses for counsel and other reasonably required consultants to such Holders in connection with advising such Holders as to their rights and remedies under this Agreement, the other Related Documents and such other documents;

(ii) a fee for each amendment of any Related Document or consent by the Bank, the Majority Holder or the Holders or waiver by the Bank, the Majority Holder or the Holders under any Related Document, in each case in a minimum amount of \$3,500, plus the reasonable fees and expenses of any counsel retained by the Holders in connection therewith; and

(iii) any amounts advanced by or on behalf of Bank, the Majority Holder or the Holders to the extent required to cure any Event of Default (or an event or condition which, but for the lapse of time or the giving of notice, or both, would constitute an Event of Default) or event of nonperformance hereunder or under any other Related Document, together with interest at the Default Rate.

In addition, if at any time any Governmental Authority shall require revenue or other documentary stamps or any other tax in connection with the execution or delivery of this Agreement or other Related Documents, then, if the Authority lawfully may pay for such stamps, taxes or fees, the Authority shall pay, when due and payable, for all such stamps, taxes and fees, including interest and penalties thereon, and the Authority agrees, to the extent permitted by law, to save the Holders harmless from and against any and all liabilities with respect to or resulting from any delay of the Authority in paying, or omission of the Authority to pay, for such stamps, taxes and fees hereunder.

2.4 Interest; Clawback. As long as no Event of Default has occurred and is continuing, Series [●] Credit Provider Bonds and each corresponding Advance shall bear interest at the same rate (calculated using the same method and using the same day count) as Series [●] Bonds (other than Series [●] Credit Provider Bonds) and such interest shall be payable on the same dates as Series [●] Bonds (other than Series [●] Credit Provider Bonds). If an Event of Default has occurred and is continuing, Series [●] Credit Provider Bonds and each corresponding Advance shall bear interest at the Default Rate, calculated on the basis of a 365-day year and actual days elapsed and interest shall be payable upon demand. Any interest payable pursuant to this Agreement or any Series [●] Credit Provider Bond shall not exceed the Maximum Bank Rate. In the event any interest required to be paid hereunder or in respect of any Series [●] Credit Provider Bond at any time exceeds the Maximum Bank Rate, the portion of such interest required to be paid on a current basis shall equal the Maximum Bank Rate; provided, however,



that the differential between the amount of interest payable assuming no Maximum Bank Rate and the amount paid on a current basis after giving effect to the Maximum Bank Rate shall be carried forward and shall be payable on any subsequent date of calculation so as to result in a recovery of interest previously unrealized (because of the limitation dictated by the Maximum Bank Rate) at a rate of interest, and as part of the interest payable, that, after giving effect to the recovery of such excess and all other interest paid and accrued hereunder or under such Series [●] Credit Provider Bond to the date of calculation, does not exceed the Maximum Bank Rate. Upon the termination of this Agreement and the payment in full of all obligations of the Authority in connection therewith, in consideration for the limitation of the rate of interest otherwise payable hereunder, to the extent permitted by law, the Authority shall pay to the Bank a fee equal to the amount of all unpaid deferred interest.

## 2.5 Remarketing of Series [●] Credit Provider Bonds.

(a) On any Business Day that Series [●] Credit Provider Bonds are outstanding, the Authority may cause the Trustee to give Notice to the Bank stating that the Authority elects to remarket such Bonds in a minimum principal amount of \$100,000 and multiples of \$5,000 in excess thereof, and such Notice may state that the Series [●] Credit Provider Bonds are to be remarketed to the Authority. Bonds that are purchased by the Authority in any such remarketing will not be cancelled. Any such Notice that is received by a Bank on or before 12:30 p.m. New York City time on a Business Day shall be effective on the Business Day it is received and any such Notice that is received by a Bank after 12:30 p.m. New York City time on a Business Day shall be effective on the next succeeding Business Day. The Bank hereby instructs the Trustee and/or Custodian to release such Series [●] Credit Provider Bonds, if such Series [●] Credit Provider Bonds are then held by the Trustee or Custodian, or to tender such Series [●] Credit Provider Bonds to the Trustee for purchase, if such Series [●] Credit Provider Bonds are not then held by the Trustee, no later than 3:30 p.m. New York City time on the date designated by the Trustee for remarketing of such Series [●] Credit Provider Bonds, but only against delivery by wire transfer to the Trustee, the Custodian or the Bank, as the case may be, of the principal amount of the Series [●] Credit Provider Bonds that are being remarketed plus accrued interest on such Series [●] Credit Provider Bonds calculated pursuant to Section 2.3; provided that the Bank shall not be obligated to release or tender Series [●] Credit Provider Bonds for remarketing and no Bank shall have any obligation to sell such Series [●] Credit Provider Bonds unless the Bank has received not less than two Business Days' prior written notice of such sale. Any sale of Series [●] Credit Provider Bonds pursuant to this Section 2.5(a) shall be without recourse to the seller and without representation or warranty of any kind.

(b) The Authority may optionally redeem any Series [●] Credit Provider Bond and prepay each corresponding Advance at any time upon not less than two Business Days' prior Notice. If Credit Provider Bonds of more than one Series are outstanding on the date the Authority desires to optionally redeem Series [●] Credit Provider Bonds, the Authority shall redeem Credit Provider Bonds from each Series pro rata based upon the aggregate principal amount of Credit Provider Bonds outstanding on such date.

## 2.6 Increased Costs.

(a) If any Change in Law:

(i) shall subject the Bank to any tax, duty, assessment or other charge with respect to this Agreement or any Series [●] Credit Provider Bonds held by or on

behalf of the Bank, or shall change the basis of taxation of payments to the Bank of any amounts due under this Agreement or the Series [●] Credit Provider Bonds held by or on behalf of the Bank (except for changes in the rate of tax on the overall net income of the Bank); or

(ii) shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System), special deposit, compulsory loan, insurance charge or similar requirement against the assets of, deposits with or for the account of, or credit extended by, the Bank (including advances) or shall impose on the Bank or on the United States market for loans any other condition affecting its obligations under this Agreement;

and the result of any of the foregoing is to increase the cost to the Bank of performing its obligations under this Agreement, or to reduce the amount of any sum received or receivable by the Bank under this Agreement or the Series [●] Credit Provider Bonds owned by the Bank, by an amount deemed by the Bank to be material, then, within 30 days after demand by the Bank (or, if such increased costs will continue to be incurred by the Bank, in arrears on a monthly basis as agreed between the Authority and the Bank), the Authority shall pay to the Bank such additional amount or amounts as will compensate the Bank for such increased cost or reduction.

(b) If the Bank determines that any Change in Law affecting the Bank or any Person controlling the Bank (a “Parent”) regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on the capital or liquidity of the Bank or its Parent as a consequence of this Agreement to a level below that which the Bank or its Parent would have achieved but for such Change in Law (taking into consideration the Bank’s policies and the policies of its Parent with respect to capital adequacy), then from time to time, within 30 days after demand by the Bank (or if such additional costs of the Bank will continue to be suffered by the Bank, in arrears on a monthly basis as agreed between the Authority and the Bank), the Authority shall pay to the Bank such additional amount or amounts as will compensate the Bank or its Parent for such reduction in the rate of return on the capital or liquidity of the Bank or its Parent.

(c) The Bank will use its best efforts to notify the Authority within 90 days of the Bank’s obtaining knowledge of any Change in Law which will entitle the Bank to compensation pursuant to this Section. If the Bank fails to notify the Authority within such 90-day period, the Authority shall be relieved from any liability for payment of such compensation for any increased costs or reduction in return to the extent (and only to such extent) that such increased costs or reduction in return are incurred during the period commencing after the date the Bank obtains such knowledge and ending on the date the Bank notifies the Authority of such event. A certificate of the Bank claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder and attaching such information in reasonable detail as may be reasonably requested by the Authority shall be conclusive in the absence of manifest error. In determining such amount, the Bank may use any reasonable average and attribution methods.

(d) No Participant or other transferee of the Bank’s rights shall be entitled to receive any greater payment under this Section than the Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Authority’s prior written consent.

(e) The obligations of the Authority under this Section 2.6 shall survive the termination of this Agreement.

2.7 Manner and Place of Payments; Interest Calculation.

(a) Unless otherwise specified herein, all payments by the Authority under this Agreement, including, without limitation, payments of principal of or interest on Reimbursement Obligations and Series [●] Credit Provider Bonds, shall be effective only if made in lawful money of the United States and in immediately available funds by wire transfer to the Payment Account of the Bank.

(b) All payments by or on behalf of the Authority hereunder shall be made to the Bank not later than 4:30 p.m., New York City time, to its Payment Account. If any payment hereunder becomes due and payable on a day other than a Business Day, the due date for such payment shall be extended without penalty to the next succeeding Business Day. If the date for any payment hereunder is extended by operation of law or otherwise, interest thereon shall be payable for such extended time. All payments received later than 4:30 p.m. New York City time on the date due shall bear interest for each day from the due date until payment in full at the Default Rate for such day.

(c) If any amount with respect to the Series [●] Credit Provider Bond or any Reimbursement Obligation is not paid when due, such obligation shall bear interest until paid in full at the Default Rate, calculated on the basis of a 365-day year and actual days elapsed and payable upon demand.

(d) Any and all payments to the Bank by or on behalf of the Authority hereunder shall be made free and clear of and without deduction for any and all taxes, levies, imposts, deductions, charges, withholdings or liabilities imposed thereon, excluding, however, taxes imposed on or measured by the net income or capital of the Bank by any jurisdiction or any political subdivision or taxing authority thereof or therein solely as a result of a connection between the Bank and such jurisdiction or political subdivision (all such non excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Authority shall be required by law to withhold or deduct any Taxes imposed by the United States or any political subdivision thereof from or in respect of any sum payable hereunder to the Bank, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.7), the Bank receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Authority shall make such deductions and (iii) the Authority shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. In addition, the Authority agrees to pay any present or future stamp, recording or documentary taxes and any other excise or property taxes, charges or similar levies that arise under the laws of the United States of America, the State of California, the State of New York or any other taxing authority from any payment made hereunder or from the execution or delivery or otherwise with respect to this Agreement (hereinafter referred to as "Other Taxes"). The Bank shall provide to the Authority within a reasonable time a copy of any written notification it receives with respect to Other Taxes owing by the Authority to the Bank hereunder; provided that the failure by the Bank to send such notice shall not relieve the Authority of its obligation to pay such amounts hereunder.

(e) The Authority shall, to the fullest extent permitted by law, indemnify the Bank for the full amount of Taxes and Other Taxes including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.7 paid by the Bank or any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted; provided, that the Authority shall not be obligated to indemnify the Bank for any penalties, interest or expenses relating to Taxes or Other Taxes arising from the Bank's gross negligence or willful misconduct. The Bank agrees to give notice to the Authority of the assertion of any claim against the Bank relating to such Taxes or Other Taxes as promptly as is practicable after being notified of such assertion; provided, that the Bank's failure to notify the Authority promptly of such assertion shall not relieve the Authority of its obligation under this Section 2.7. Payments by the Authority pursuant to this indemnification shall be made within thirty (30) days from the date the Bank makes written demand therefor, which demand shall be accompanied by a certificate describing in reasonable detail the basis thereof.

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

(g) The obligations of the Authority under this Section 2.7 shall survive the termination of this Agreement.

2.8 Rights of Bank Holder of Series [●] Credit Provider Bonds. Upon holding Series [●] Credit Provider Bonds after an Optional Tender or Mandatory Tender, the Bank shall be entitled to and, where necessary, shall be deemed assigned all rights, privileges and security accorded Holders as provided in the Bonds and in the Indenture, other than the right (a) to tender such Series [●] Credit Provider Bonds for purchase, (b) to have such Series [●] Credit Provider Bonds purchased upon an expiration or termination of this Agreement or (c) in any event, to have such Series [●] Credit Provider Bonds purchased with amounts drawn hereunder; provided, however, that to the extent additional rights and privileges are provided to Series [●] Credit Provider Bonds pursuant to this Agreement, the terms of this Agreement shall prevail and govern. Upon purchasing Series [●] Credit Provider Bonds, the Bank shall be recognized by the Authority and the Trustee as the true and lawful owners of the Series [●] Credit Provider Bonds (or, in the case of Book Entry Bonds, the beneficial owners thereof), and the Authority and the Trustee acknowledge that Series [●] Credit Provider Bonds shall be considered Bonds for purposes of the Related Documents and shall be secured to the same extent as any other holders of Bonds under the Indenture, including, without limitation, the right to receive payments of principal and interest, and all rights under the Indenture upon the occurrence of any "event of default" under the Indenture, except to the extent the Indenture provides to the Bank rights, privileges or obligations that are not applicable to holders of Bonds in general. Series [●] Credit Provider Bonds shall be held pursuant to the Custodian Agreement.

### 3. REPRESENTATIONS AND WARRANTIES OF AUTHORITY

The Authority by its acceptance hereof represents, warrants and agrees with the Bank as follows:

3.1 Power and Authority. The Authority has all requisite power and authority to adopt, execute, deliver and perform all of its obligations under the Related Documents and to incur the indebtedness evidenced by the Series [●] Bonds and the Series [●] Credit Provider Bonds, and to adopt, execute and deliver any and all instruments and documents required to be adopted, executed or delivered pursuant to or in connection herewith or therewith and to perform each and all of the matters and things provided for herein and therein.

3.2 No Violation. The execution, delivery and performance by the Authority of the Related Documents and any and all instruments or documents required to be adopted or executed in connection herewith or therewith have been duly authorized and do not and will not, in any respect material to the ability of the Authority to perform its obligations under this Agreement or the remedies of the Bank under this Agreement, (i) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award in effect having applicability to the Authority or (ii) result in a breach of or constitute a default under any indenture, loan, credit agreement or any other agreement, lease or instrument to which the Authority is a party or by which the Authority is bound.

3.3 Authorization. No authorization, consent, approval, license, exemption from or registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, other than those which have been obtained, will be necessary for the valid adoption, execution, delivery and performance by the Authority of any of the Related Documents.

3.4 Binding Agreements. This Agreement and each of the other Related Documents constitutes the valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms, except as such enforceability may be limited by insolvency, moratorium or other laws or equitable principles relating to or affecting the enforcement of creditors' rights generally, by application of equitable principles, and by the limitations on legal remedies against the Authority in the State of California, which limitations are set forth in California Government Code Sections 900 through 985 and California Code of Civil Procedure Sections 695.040, 695.050 and 712.070 and applicable court decisions, and payment of the Series [●] Bonds and the Series [●] Credit Provider Bonds is and shall continue to be an obligation of the Authority secured by and payable from the sources specified in the Indenture.

3.5 No Litigation. There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, arbitrator, governmental or other board, body or official, pending with service of process accomplished or, to the best knowledge of the Authority after due inquiry, threatened against or affecting the Authority, which in any manner draws into question the validity or enforceability of any of the Related Documents or in any way contests the existence, organization or powers of the Authority or any elected official thereof to adopt, execute and deliver any of the Related Documents, to [issue, execute and deliver] [remarket] the Series [●] Bonds or to perform the obligations thereunder or contemplated thereby.

3.6 Accurate Disclosure. To the knowledge of the Authority, all factual information provided to the Bank by or on behalf of the Authority in connection with this Agreement is, and all other such factual information hereafter provided will be, accurate in all material respects on the date as of which such information is certified, shall not contain any untrue statement of a material fact and will not as of its date omit to state a material fact

necessary to make the statements therein, in the light of the circumstances under which made, not misleading.

3.7 Financial Statements. The most recent audited financial statements of the Authority delivered to the Bank correctly and fairly present the financial condition of the Authority as of the last day of the fiscal year described therein and the results of the operations of the Authority for such fiscal year then ended, and have been prepared in accordance with generally accepted accounting principles consistently applied except as stated in the notes thereto. Except as disclosed to the Bank in writing prior to the Effective Date, there has been no material adverse change in the condition, financial or otherwise, of the Authority from that set forth in those audited financial statements of the Authority.

3.8 Sovereign Immunity. The Authority is not entitled to immunity from legal proceedings to enforce this Agreement, the Series [●] Bonds (including Series [●] Credit Provider Bonds) or any other Related Document (including, without limitation, immunity from service of process or immunity from jurisdiction of any court otherwise having jurisdiction); provided, however, the Authority is a public agency subject to the rules of procedure applicable to public agencies that differ from those applicable to other Persons.

3.9 Compliance With Agreements. The Authority is in compliance with the terms and conditions of this Agreement and each of the other Related Documents, and no breach of the terms hereof or thereof nor any Event of Default has occurred and is continuing, and no event, act or omission has occurred and is continuing which, with the lapse of time, the giving of notice, or both, would constitute an Event of Default or a breach of the terms hereof or thereof.

3.10 Trust Estate. The Indenture creates a valid pledge in favor of the Trustee in the Trust Estate and all necessary action on the part of the Authority, the Trustee and the Bank has been taken as required (other than delivery of possession of after-acquired moneys, securities and instruments to the Trustee) to pledge and grant a valid security interest in the Trust Estate for the benefit of the Owners under the Indenture (including the Bank as Owner of Series [●] Credit Provider Bonds), the holders of Parity Obligations (including the Bank holding a Reimbursement Obligation) and the Bank (as holder of Obligations other than Reimbursement Obligations) prior to any pledge, lien, assignment or security interest of any other creditors of the Authority except that the Obligations (other than Reimbursement Obligations) in favor of the Bank are secured on a basis subordinate to the Subordinate Obligations of the Authority.

3.11 Bonds; Parity Obligations. Each Series [●] Bond (including the Series [●] Credit Provider Bonds) and each Advance is entitled to the benefits of the Indenture. The obligation of the Authority to pay Advances, to pay interest thereon and to pay Series [●] Credit Provider Bonds and interest thereon is secured by Bridge Toll Revenues on parity with the obligation of the Authority to pay the principal of, and interest on, the Bonds and such obligations are designated as Parity Obligations under the Indenture. The Authority has no outstanding Debt secured by Bridge Toll Revenues that is senior in right of payment to the obligation of the Authority to reimburse the Bank for Advances and to pay interest thereon.

3.12 Related Documents. Each of the Related Documents (other than this Agreement) to which the Authority is a party is in full force and effect and none of the Related Documents has been amended or supplemented except by such amendments or supplements as have previously been delivered to the Bank.

3.13 Prospective Change in Law. To the best knowledge of the Authority, there is no amendment, or proposed amendment certified for placement on a statewide ballot, to the Constitution of the State of California or any published administrative interpretation of the Constitution of the State of California or any State of California law, or any legislation which has passed either house of the State legislature, the effect of which is to materially adversely affect the ability of the Authority to perform its obligations under this Agreement or any of the other Related Documents.

3.14 Self-Insurance. The Authority has established and maintains a self-insurance reserve fund to provide self-insurance with respect to the properties and operations of the Authority, the balance of which fund equals or exceeds \$50 million.

3.15 Compliance With Laws. The Authority and its officers and employees and to the knowledge of the Authority its directors, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. The, Authority is in compliance with all other laws, ordinances, orders, rules regulations applicable to it, noncompliance with which could, individually or in the aggregate, reasonably be expected to have (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, liabilities (actual or contingent), condition (financial or otherwise) or prospects of the Authority; (b) a material impairment of the ability of the Authority to perform its obligations under any Related Document to which it is a party; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the Authority of any Related Document to which it is a party. All cash and other assets of the Authority are invested in accordance with established investment policy guidelines (a true and correct copy of which guidelines in effect as of the Effective Date are available to the public on the Authority's website), as amended or otherwise modified from time to time.

3.16 No ERISA Plans. The Authority has never established, is not a party to and has never contributed to any "employee benefit plan" within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended, or any other form of bonus, incentive compensation, deferred compensation or other similar plan or arrangement, other than a "governmental plan" within the meaning of Section 414(b) of the Code or Section 3(32) of the Employee Retirement Income Security Act of 1974, as amended.

3.17 Tax Exempt Status of Bonds. The Authority has not taken any action, and knows of no action that any other Person has taken, which would cause interest on the Series [●] Bonds (including the Series [●] Credit Provider Bonds) to be includable in the gross income of the recipients thereof for Federal income tax purposes.

3.18 Use of Proceeds. No part of the proceeds made available hereunder will (a) be used for the purpose, whether immediate, incidental, or ultimate, to purchase or carry any margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, as amended from time to time), or to extend credit to others for the purpose of purchasing or carrying any margin stock, or for any other purpose which would violate any of the regulations of said Board of Governors or (b) violate Anti-Corruption Laws or applicable Sanctions. [The proceeds of the Series [●] Bonds other than amounts held in the reserve fund have been fully expended in accordance with the terms of the Indenture.]

3.19 Incorporation of Representations and Warranties by Reference. The Authority hereby makes to the Bank the same representations and warranties as are set forth in

the Related Documents, which representations and warranties, as well as the related defined terms contained therein, are hereby incorporated by reference with the same effect as if each and every representation and warranty and defined term were set forth herein in its entirety.

#### 4. CONDITIONS PRECEDENT

4.1 Conditions to Effectiveness and Issuance. This Agreement shall become effective on the first date on which (i) each party hereto has executed and delivered to the other party an original counterpart to this Agreement and (ii) all of the conditions precedent set forth below have been satisfied or waived by the Bank (such first date, the “Effective Date”):

(a) The Bank shall have received (A) true and complete executed copies of the Related Documents to which the Authority is a party, certified as to accuracy and completeness by a duly authorized officer of the Authority; [(B) a copy of the [official statement] [remarketing circular or memorandum] for the Series [●] Bonds;] (C) a specimen Series [●] Bond; (D) a specimen Series [●] Credit Provider Bond and (E) a copy of the Authority’s investment policy;

(b) The Bank shall have received a certificate of the Authority signed by a duly authorized officer, dated the Effective Date, certifying the names and true signatures of the officers of the Authority authorized to execute this Agreement and the other Related Documents to which the Authority is a party on the Effective Date;

(c) The Bank shall have received a certificate of the Authority signed by an executive officer of the Authority, stating that the representations and warranties set forth in Section 3 (other than Section 3.7) of this Agreement and in all other Related Documents to which the Authority is a party are true and correct in all material respects as of the Effective Date; the Bank shall have received a certificate of the Authority signed by its chief financial officer, stating that the representations and warranties set forth in Section 3.7 of this Agreement are true and correct in all material respects as of the Effective Date;

(d) The Bank shall have received resolutions of the Authority authorizing this Agreement and the other Related Documents to which the Authority is a party certified as of the Effective Date by an Authorized Representative as being true, complete and in full force and effect;

(e) On the Effective Date and after giving effect to the transactions contemplated by this Agreement to occur on the Effective Date, (i) there shall exist no Event of Default or event, condition or occurrence that with notice, lapse of time or both would become an Event of Default, (ii) all representations and warranties made by the Authority herein or in any of the Related Documents to which it is a party on the Effective Date shall be true and correct with the same effect as though such representations and warranties had been made at and as of such time (except for representations expressly stated to have been made as of a specific date which shall be true and correct as of such date) and (iii) each of the Related Documents to which the Authority is a party on the Effective Date, as amended (if applicable), shall be in full force and effect and shall not have been further amended, modified or changed from those provided to the Bank;

(f) The Bank shall have received (i) an opinion, addressed to the Bank, dated the Effective Date and in form and substance satisfactory to the Bank, of the General Counsel of



the Authority; and (ii) a reliance letter from Orrick, Herrington & Sutcliffe LLP permitting the Bank to rely upon the bond opinion of Orrick, Herrington & Sutcliffe LLP rendered in connection with the [original] issuance of the Bonds [and the reoffering of the Bonds];

(g) The Bank shall have received evidence satisfactory to the Bank that [(i)] the Authority's long-term unenhanced Debt ratings in respect of fixed rate bonds secured by Bridge Toll Revenues on a senior lien basis on the Effective Date are not lower than "Aa3" by Moody's, "AA" by S&P and "AA-" by Fitch; [and (ii) at least one Rating Agency has issued an investment grade rating for the Series [●] Credit Provider Bonds];

(h) [The Authority and the Purchaser shall have executed and delivered the Bond Purchase Agreement and the Bank shall have received evidence that all conditions precedent (other than the effectiveness of this Agreement) to the Purchaser purchasing the Bonds under the Bond Purchase Agreement shall have been satisfied;]<sup>1</sup>

(i) The Authority shall have paid the legal fees and expenses of counsel to the Bank;

(j) The Bank shall have received such other documents, certificates, opinions, approvals and filings with respect to this Agreement and the other Related Documents as the Bank may reasonably request; and

(k) All other legal matters pertaining to the execution and delivery of the Related Documents and the [issuance, execution and delivery] [remarketing] of the Series [●] Bonds shall be reasonably satisfactory to the Bank and its counsel.

The delivery by the Bank of its signature page to this Agreement shall constitute an acknowledgment by the Bank that the conditions precedent set forth above have been satisfied or waived to the satisfaction of the Bank.

Promptly following the Effective Date, at the Authority's expense, the Authority shall provide the Bank and counsel to the Bank with a closing transcript containing all of the documents listed in this Section 4.1. The closing transcript delivered to the Bank shall comprise original executed signature pages together with two compact discs.

## 5. COVENANTS

The Authority will do the following so long as the Bank or any Holder is an owner of the Series [●] Credit Provider Bonds and any Obligations remain outstanding under this Agreement, unless the Majority Holder shall otherwise consent in writing:

5.1 Notice. The Authority will promptly give written notice to the Majority Holder of the occurrence of any Event of Default known to the Authority or any event known to the Authority which, upon a lapse of time or notice or both, could reasonably be expected to become an Event of Default and shall provide a written statement of an Authorized Authority

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<sup>1</sup> NTD: This condition seemed to be missing from the Denver Airport financing. Was this omission deliberate?

Representative setting forth the details of each such Event of Default or potential Event of Default and the action which the Authority proposes to take with respect thereto.

5.2 Accounting Records; Information. The Authority will maintain adequate books, accounts and records in order to present its financial statements as required by the laws of California. The Authority shall provide to the Majority Holder or shall make available to the public free of charge (or other restrictions) on the Authority's website or via the Electronic Municipal Market Access the following:

(a) a copy of its audited annual financial statements as soon as they are available (and in no event later than 210 days after the end of each fiscal year of the Authority), together with an audit opinion thereon prepared by an independent certified public accountant and a certificate of the Authority signed by a duly authorized officer certifying that as of the date of such certificate no Event of Default has occurred and is continuing and the Authority is in compliance with Section 5.12 hereof;

(b) (i) as soon as practicable and in any event within sixty (60) days following the end of each of the first three fiscal quarters of the fiscal year beginning on July 1st of each year, commencing with the first of such fiscal quarters ending on or following the Effective Date, a copy of the Authority's unaudited financial reports cover letter, a comparison of the Authority's operating budget to actual amounts incurred and the MTC investment report for the fiscal quarter then ended; and (ii) as soon as practicable and in any event within ninety (90) days following the end of the fourth fiscal quarter of the fiscal year beginning on July 1st of each year, a copy of the Authority's unaudited financial reports cover letter, a comparison of the Authority's operating budget to actual amounts incurred and the MTC investment report for the fiscal quarter then ended; and

(c) as soon as practicable and in any event within sixty (60) days of adoption, a copy of the annual budget of the Authority for each fiscal year of the Authority.

The Authority shall also provide to the Majority Holder the following:

(1) (i) as soon as practicable and in any event within sixty (60) days following the end of each of the first three fiscal quarters of the fiscal year beginning on July 1st of each year, commencing with the first of such fiscal quarters ending on or following the Effective Date, a schedule setting forth the Authority's swap portfolio as of the end of such fiscal quarter, which schedule shall set forth the following: the identity of each swap counterparty, the notional amount of the swap and the market value of each swap; and (ii) as soon as practicable and in any event within ninety (90) days following the fourth fiscal quarter of the fiscal year beginning on July 1st of each year, a schedule setting forth the Authority's swap portfolio as of the end of such fiscal quarter, which schedule shall set forth the following: the identity of each swap counterparty, the notional amount of each swap and the market value of each swap; and

(2) a copy of any supplement, amendment or modification to the Indenture as soon as it is available (and in no event later than thirty (30) days after the effectiveness thereof).

5.3 Maintenance of Tax-Exempt Status. The Authority will take no action or fail to take any action with respect to investment of proceeds of the Series [●] Bonds or in any

other respect which will result in the Series [●] Bonds being considered “arbitrage bonds” within the meaning of the Code or otherwise adversely affect the exclusion of interest on any Series [●] Bond from gross income for federal income tax purposes.

5.4 Access to Books and Records. To the extent permitted by law and with reasonable notice, the Authority will permit any person designated by the Majority Holder to visit the offices of the Authority to examine the books and financial records, including minutes of meetings of any relevant governmental committees or agencies, and make copies thereof or extracts therefrom, and to discuss the affairs, finances and accounts of the Authority with its principal officials, all at such reasonable times and as often as the Majority Holder may reasonably request. The Majority Holder agrees to maintain the confidentiality of all such books, records and information regarding the Authority which is not otherwise publicly available; provided, however, that the Majority Holder shall not be precluded from disclosing such information or the contents of such books and records (i) to its officers, directors, employees, agents, attorneys, auditors and accountants who have a need to know such books, records or information in accordance with customary banking practices and who receive such books, records or information having been made aware of the restrictions set forth in this Section 5.4, (ii) to any actual or proposed Participant, transferee, assignee, pledgee of the Majority Holder which has agreed in writing to be bound by the provisions of this Section 5.4, (iii) to the extent disclosure is required by law, statute, rule, regulation or judicial process or (iv) upon the lawful demand of any court or agency or regulator having jurisdiction over the Majority Holder or any Participant.

5.5 Compliance with Documents. The Authority agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by it in the Related Documents.

5.6 Compliance with Laws. The Authority shall comply with all laws, rules and regulations, and with all final orders, writs, judgments, injunctions, decrees or awards to which it may be subject; provided, however, that the Authority may contest the validity or application thereof and appeal or otherwise seek relief therefrom, and exercise any and all of the rights and remedies which it may have with regard thereto, so long as such acts do not affect the Authority’s power and authority to execute and deliver the Related Documents, to perform its obligations thereunder and to pay all amounts payable by it hereunder.

5.7 Amendments. The Authority shall not amend, modify, terminate or grant, or permit the amendment, modification, termination or grant of, any waiver under, or consent to, or permit or suffer to occur any action or omission which results in, or is equivalent to, an amendment, termination, modification, or grant of a waiver of a material nature under the Indenture or any Series [●] Bond without the prior written consent of the Majority Holder except as permitted in Article IX of the Indenture and Section 5.10 of this Agreement.

5.8 Certain Notices. The Authority shall give the Majority Holder prompt notice of any action, suit or proceeding known to it at law or in equity or by or before any governmental instrumentality, entity or other agency which, if adversely determined, would materially impair the ability of the Authority to carry out its obligations under this Agreement, the other Related Documents or any other document, instrument or agreement required hereunder or thereunder. The Authority shall promptly give written notice to the Majority Holder of any material dispute which may exist between the Authority on the one hand and the

Trustee on the other hand or any dispute in connection with any transaction contemplated under this Agreement or any other Related Document.

5.9 Existence. The Authority shall maintain its legal existence.

5.10 Incorporation of Certain Covenants. The covenants of the Authority set forth in Articles V and VI of the Indenture (in each case, as in effect on the Effective Date), as well as the related defined terms contained therein, are hereby incorporated by reference with the same effect as if each and every covenant and defined term were set forth herein in its entirety. Without the written consent of the Majority Holder, no amendment to such covenants or defined terms made pursuant to the Indenture shall be effective to amend such covenants and defined terms as incorporated by reference herein.

5.11 Removal and Appointment of Successor Trustee. The Authority shall not, without prior consultation with the Majority Holder in good faith, remove the Trustee. If the Trustee is removed or resigns, the Authority may appoint any of the Persons listed on Schedule 5.11 under the caption “Permitted Trustees” as successor Trustee without the consent of the Majority Holder. If the Authority desires to appoint a Person other than a Person listed on Schedule 5.11 as successor Trustee, the Authority must first obtain the prior written consent of the Majority Holder, which consent shall not be unreasonably withheld. The Authority shall cause each successor Trustee to enter into a Custodian Agreement with the Authority and the Majority Holder at the time such successor is appointed.

5.12 Minimum Coverage. The Authority shall establish tolls on the Bay Area Bridges in accordance with Section 6.04 of the Indenture at rates sufficient to pay all amounts due from time to time (including, without limitation, principal of, and interest on, Debt of the Authority) in respect of obligations secured by Bridge Toll Revenues.

5.13 Proceeds. The proceeds of Advances will be used solely to the pay the purchase price of Series [●] Bonds and for no other purpose, including, without limitation, a purpose in violation of Anti-Corruption Laws or Sanctions.

5.14 Exempt Status. The Authority shall not take any action or omit to take any action that, if taken or omitted, would adversely affect the excludability of interest on the Series [●] Bonds from the gross income of the holders thereof for purposes of Federal income taxation.

5.15 ERISA. The Authority will not establish, become a party to or contribute to any “employee benefit plan” within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended, or any other form of bonus, incentive compensation, deferred compensation or other similar plan or arrangement other than a “governmental plan” within the meaning of Section 414(b) of the Code and Section 3(32) of the Employee Retirement Income Security Act of 1974, as amended.

5.16 Limitations on issuance of Bonds secured by Bridge Toll Revenues. So long as this Agreement has not terminated, the Authority shall not: (a) issue any bonds pursuant to the Act payable from and secured by Bridge Toll Revenues other than bonds issued pursuant to the Indenture or bonds issued pursuant to another indenture that are subordinate in right of payment to bonds issued pursuant to the Indenture or (b) issue any bonds payable from and

secured by Bridge Toll Revenues the principal of which may be accelerated upon the occurrence of one or more events or at the direction of any Person.

5.17 Other Bank Agreements. In the event that the Authority shall enter into a Bank Agreement providing a Bank Party with additional or more restrictive covenants; additional or more restrictive events of default; additional or more expansive remedies (other than pricing or interest rate increases) and/or additional or more expansive security/collateral provisions (collectively, the “Additional Rights”) than are provided to the Majority Holder in this Agreement, the Authority shall promptly notify the Majority Holder of such Additional Rights and, if within thirty (30) days after such notice the Majority Holder so requests, the Authority and the Bank shall promptly enter into an amendment to this Agreement to include such Additional Rights in this Agreement, effective immediately after any applicable requirements of the Indenture have been satisfied.

## 6. EVENTS OF DEFAULT; REMEDIES

6.1 Events of Default. It shall be an “Event of Default” hereunder if any of the following events shall occur and be continuing:

(a) The Authority shall fail to pay, or cause to be paid, when due (i) the principal of, or interest on, any Advance or Series [●] Credit Provider Bond; or (ii) any Obligation (other than an Obligation described in clause (i) immediately above) and, in the case of this clause (ii) only, such failure shall continue unremedied for ten (10) Business Days or more; or

(b) The Authority shall have declared a moratorium on the payment of, or repudiated, any Obligation or Bond; or

(c) The Authority shall fail to pay, or cause to be paid, when due (whether by scheduled maturity, redemption or otherwise) any Debt or Swap Obligation that is secured by Bridge Toll Revenues, and such failure shall continue after any applicable grace period, or shall have declared a moratorium on the payment of, or repudiated, any such Debt or Swap Obligation; or

(d) Any material provision of any Related Document at any time for any reason ceases to be valid and binding on the Authority in accordance with the terms of such Related Document or is declared or ruled to be null and void by a court or other governmental agency of appropriate jurisdiction; or

(e) An Event of Insolvency shall have occurred; or

(f) The long-term ratings of any Debt of the Authority that is senior to or on parity with the Bonds and secured by and payable from Bridge Toll Revenues without regard to the provision of credit enhancement such as a letter of credit, bond insurance policy or other financial guarantee shall be withdrawn or suspended for credit related reasons by any two of Fitch, Moody’s and S&P or reduced below “BBB-,” “BBB-” and “Baa3,” respectively, by any two of Fitch, S&P and Moody’s; or

(g) A breach by the Authority of the provisions of, or an event of default by the Authority shall occur and be continuing under, any Related Document (other than this Agreement) and the expiration of any applicable grace period shall have occurred; or

(h) The Authority shall default in the observance or performance of any covenant or agreement set forth in Section 5.1, 5.7, 5.9, 5.11 or 5.13 of this Agreement; or

(i) The Authority shall default in the observance or performance of any covenant or agreement contained in this Agreement (other than those contained in Sections 5.2(b) and Section 5.2(1) and those listed in Section 6.1(h)) and such default shall continue for thirty (30) days after written notice of such default shall have been given to the Authority by the Majority Holder; or

(j) Any representation or warranty on the part of the Authority contained in, or incorporated into, this Agreement shall at any time prove to have been untrue in any material respect when made or when reaffirmed, as the case may be;

(k) The existence of the Authority is terminated or the Authority is dissolved;  
or

(l) One or more judgments or orders for the payment of money in excess of \$35,000,000 in the aggregate and payable from Bridge Toll Revenues and for which insurance proceeds shall not be available (or for which insurance coverage has been denied) shall be rendered against the Authority and such judgment(s) or order(s) shall not be stayed, bonded, vacated, discharged or satisfied for a period of sixty (60) days; or

(m) The Act is repealed, reenacted or amended by legislative or judicial action or any other legislation is enacted, repealed, reenacted or amended, in a manner that could reasonably be expected to result in a material adverse effect on the ability of the Authority to timely perform its obligations under the Related Documents.

6.2 Remedies. In addition to any other remedies herein or by law or by equity provided, upon the occurrence and during the continuance of any Event of Default, the Majority Holder may:

(a) Unless the Bank has previously purchased all outstanding Series [●] Bonds, cause the Bank to deliver a Notice of Mandatory Tender to the Trustee;

(b) Exercise all remedies available under the Related Documents and under applicable law and in equity, including, but not limited to, the right to seek mandamus; and/or

(c) By notice to the Authority, declare all Obligations (including Advances but excluding Series [●] Credit Provider Bonds) to be, and such amounts shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Authority, provided that upon the occurrence of an Event of Default under Section 6.1(e) hereof such acceleration shall automatically occur with notice or further action on the part of the Bank, the Majority Holder or any Holder.

6.3 Remedies Cumulative; Solely for the Benefit of Bank, the Majority Holder and the Holders. To the extent permitted by, and subject to the mandatory requirements of,

applicable law, each and every right, power and remedy herein specifically given to the Bank, the Majority Holder and the Holders in the Related Documents shall be cumulative, concurrent and nonexclusive and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy (whether specifically herein given or otherwise existing) may be exercised from time to time and as often and in such order as may be deemed expedient by the Bank, the Majority Holder or the Holders, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy.

The rights and remedies of the Bank, the Majority Holder and the Holders specified herein are for the sole and exclusive benefit, use and protection of the Bank, the Majority Holder and the Holders, and the Bank, the Majority Holder and the Holders are entitled, but shall have no duty or obligation to the Authority, the Trustee or any other Person or otherwise, to exercise or to refrain from exercising any right or remedy reserved to the Bank, the Majority Holder or the Holders hereunder or under any of the other Related Documents.

6.4 Waivers or Omissions. No delay or omission by the Bank, the Majority Holder or the Holders in the exercise of any right, remedy or power or in the pursuit of any remedy shall impair any such right remedy or power or be construed to be a waiver of any default on the part of the Bank, the Majority Holder or the Holders or to be acquiescence therein. No express or implied waiver by the Bank, the Majority Holder or the Holders of any Event of Default shall in any way be a waiver of any future or subsequent Event of Default.

6.5 Discontinuance of Proceedings. In case the Bank, the Majority Holder or the Holders shall proceed to invoke any right, remedy or recourse permitted hereunder or under the Related Documents and shall thereafter elect to discontinue or abandon the same for any reason, the Bank, the Majority Holder or the Holders shall have the unqualified right so to do and, in such event, the Authority and the Bank, the Majority Holder and the Holders shall be restored to their former positions with respect to the Obligations, the Related Documents and otherwise, and the rights, remedies, recourse and powers of the Bank, the Majority Holder and the Holders hereunder shall continue as if the same had never been invoked.

## 7. MISCELLANEOUS

7.1 Addresses for Notices etc. Except as otherwise expressly provided herein, all notices and requests to, and consents by, any party hereunder shall be in writing and shall be personally served on an officer of the receiving party or sent by United States mail, registered or certified, return receipt requested, or express mail, postage prepaid and shall be deemed to have been given upon receipt by the party notified. For the purposes hereof, the addresses of the Authority, the Bank and the Bank (until notice of a change thereof is delivered as provided in this Section 7.1) shall be as specified in Schedule 7.1 hereto as the Notice Address for each such party. A copy of any Notice of Mandatory Tender given by the Bank under Section 6.2(a) hereof shall be delivered to the Trustee at the following address:

MUFG Union Bank, N.A.  
350 California Street, 11th Floor  
San Francisco, California 94104  
Attention: Corporate Trust Department  
Email: [keith.sevigny@unionbank.com](mailto:keith.sevigny@unionbank.com)

Telephone: (415) 273-2515  
Facsimile: (415) 273-2492

With an email copy to:

[Accountadministration-corporatetrust@unionbank.com](mailto:Accountadministration-corporatetrust@unionbank.com)

or such other address as shall be notified to such party in writing.

7.2 Severability. If any provision of this Agreement shall be held to be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstances, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

7.3 Amendments, etc. No provision of this Agreement may be amended or waived, unless such amendment or waiver is in writing and is signed by the Authority and the Bank (and, if the rights or duties of the Trustee are affected thereby, by the Trustee).

7.4 Indemnification. To the extent permitted by law, the Authority hereby agrees to indemnify the Bank and each of its officers, directors, employees and agents (each, an "indemnified person"), upon demand, and to hold harmless each indemnified person from and against, any and all claims, damages, losses, liabilities and reasonable costs and expenses which such person may incur by reason of or in connection with (i) the offering, reoffering, sale, remarketing or resale of the Series [●] Bonds; (ii) the validity of the Related Documents (other than a failure thereof resulting from any invalidity on the part of the Bank); or (iii) the execution, delivery and performance of this Agreement; provided, however, that the Authority shall not be required to indemnify an indemnified person for any claims, damages, losses, liabilities, costs or expenses to the extent that such claims, damages, losses, liabilities, costs or expenses were caused by the willful misconduct or gross negligence of such indemnified person. Nothing in this Section 7.4 is intended to limit any other obligation of the Authority contained in this Agreement or in any other Related Document.

An indemnified person shall, promptly after the receipt of notice of the commencement of any action against the indemnified person in respect of which indemnification may be sought against the Authority, notify the Authority in writing of the commencement thereof. In case any such action shall be brought against an indemnified person and such indemnified person shall notify the Authority of the commencement thereof, the Authority may, or if so requested by the indemnified person shall, participate therein or assume the defense thereof, with counsel reasonably satisfactory to the indemnified person, and after notice from the Authority to the indemnified person of an election to so assume the defense thereof, the Authority will not be liable to the indemnified person under this paragraph for any legal or other expenses subsequently incurred by the indemnified person in connection with the defense thereof other than reasonable costs of investigation; provided, however, that unless and until the Authority assumes the defense of any such action at the request of an indemnified person, the Authority shall have the right to participate at its own expense in the defense of any such action. If the Authority shall not have employed counsel to have charge of the defense of any such action or if the indemnified person shall have reasonably concluded that there may be defenses



available to it which are different from or additional to those available to the Authority (in which case the Authority shall not have the right to direct the defense of such action on behalf of the indemnified person), reasonable legal and other expenses incurred by the indemnified person shall be borne by the Authority. The Authority shall not be liable for any settlement of any such action by an indemnified person effected without the consent of the Authority, which consent shall not be unreasonably withheld, but if settled with the consent of the Authority or if there is a final judgment for the plaintiff in any such action, the Authority will indemnify and hold harmless the indemnified person from and against any loss or liability by reason of such settlement or judgment insofar as such settlement or judgment shall relate to any liability in respect of which the indemnified person is entitled to indemnity hereunder.

To the extent permitted by law, the Authority agrees to indemnify and hold harmless each indemnified person (on a net after-tax basis) from any present or future claim or liability for stamp, transfer, documentary, excise or other similar tax and any penalties or interest with respect thereto, which may be assessed, levied or collected by any jurisdiction in connection with the execution, delivery and performance of, or any payment made under, this Agreement, the Bonds and the other Related Documents, or any amendment thereto.

All rights and responsibilities under this Section 7.4 shall survive the termination of this Agreement and apply to claims, damages, losses, liabilities and costs and expenses incurred or claimed thereafter.

#### 7.5 Successors and Assigns; Participations.

(a) This Agreement is a continuing obligation and shall be binding upon the Authority and its successors, transferees and assigns and shall inure to the benefit of the Holders and their respective permitted successors, transferees and assigns. The Authority may not assign or otherwise transfer any of its rights or Obligations hereunder without the prior written consent of the Majority Holder. Upon prior written notice to the Authority, the Majority Holder may, in its sole discretion and in accordance with applicable law, from time to time assign, sell or transfer in whole or in part, this Agreement, its interest in the Series [●] Bonds (including Series [●] Credit Provider Bonds) and the Related Documents in accordance with paragraph (b) or (c) of this Section. The Majority Holder may at any time and from time to time enter into participation agreements in accordance with the provisions of paragraph (d) of this Section. Each Holder may at any time pledge or assign a security interest subject to the restrictions of paragraph (e) of this Section.

(b) Without limitation of the foregoing generality, the Majority Holder may at any time sell or otherwise transfer to one or more transferees all or a portion of the Series [●] Bonds (including Series [●] Credit Provider Bonds) to a Person that is (i) an Affiliate of the Majority Holder, (ii) a trust or other custodial arrangement established by the Majority Holder or an Affiliate of the Majority Holder the owners of any beneficial interest in which are limited to “qualified institutional buyers” as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the “1933 Act”), or “accredited investors” as defined in Rule 501 of Regulation D under the 1933 Act (each, a “Bank Transferee”) or (iii) a commercial bank. From and after the date of such sale or transfer, the Majority Holder (and its successors) shall continue to have all of the rights of the Holders, the Bank and Majority Holder hereunder and under the other Related Documents as if no such transfer or sale had occurred; provided, however, that (A) no such sale or transfer referred to in clause (b)(i) or (b)(ii) hereof shall in any way affect the obligations of the Majority Holder hereunder, (B) the Authority shall be required to deal only

with the Majority Holder with respect to any matters under this Agreement and (C) in the case of a sale or transfer referred to in clause (b)(i) or (b)(ii) hereof, only the Majority Holder shall be entitled to enforce the provisions of this Agreement against the Authority.

(c) Without limitation of the foregoing generality, a Holder may at any time sell or otherwise transfer to one or more transferees which are not Bank Transferees (each a “Non-Bank Transferee”) all or a portion of the Series [●] Bonds (including Series [●] Credit Provider Bonds) if (i) written notice of such sale or transfer, including that such sale or transfer is to a Non-Bank Transferee, together with addresses and related information with respect to the Non-Bank Transferee, shall have been given to the Authority and the Majority Holder (if different than the Holder) by such selling Holder and Non-Bank Transferee, and (ii) the Non-Bank Transferee shall have delivered to the Authority and the Majority Holder, a purchaser letter substantially in the form of Exhibit [ ] to the Bond Purchase Agreement in which it certifies that it is a “qualified institutional buyer” as defined in Rule 144A promulgated under the 1933 Act, or an “accredited investor” as defined in Rule 501 of Regulation D under the 1933 Act (the “Purchaser Letter”). From and after the date the Authority and the Majority Holder have received an executed Purchaser Letter, (A) the Non-Bank Transferee thereunder shall be a party hereto and shall have the rights and Obligations of a Holder hereunder and under the other Related Documents, and this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to effect the addition of the Non-Bank Transferee, and any reference to the assigning Holder hereunder and under the other Related Documents shall thereafter refer to such transferring Holder and to the Non-Bank Transferee to the extent of their respective interests, and (B) if the transferring Holder no longer owns any Series [●] Bonds (including Series [●] Credit Provider Bonds), then it shall relinquish its rights and be released from its Obligations hereunder and under the Related Documents. At no time shall a Non-Bank Transferee constitute all or any portion of the Majority Holder.

(d) The Majority Holder shall have the right to grant participations in all or a portion of the Majority Holder’s interest in the Series [●] Bonds (including Series [●] Credit Provider Bonds), this Agreement and the other Related Documents to one or more other banking institutions and such participants shall be entitled to the benefits of this Agreement, including, without limitation, Sections 2.6 and 2.7 hereof, to the same extent as if they were a direct party hereto. Notwithstanding the foregoing, the Authority may look solely to the Majority Holder as the entity to whom performance of any of its obligations hereunder are owed.

(e) In addition to the rights of the Holders set forth above in this Section 7.5, each Holder may at any time pledge or grant a security interest in all or any portion of its rights or interests under the Series [●] Bonds (including Series [●] Credit Provider Bonds), this Agreement and/or the Related Documents to secure obligations of such Holder, including any pledge or assignment to secure obligations to a Federal Reserve Bank or to pay state or local governmental entity or with respect to public deposits; *provided* that no such pledge or assignment shall release the Bank from any of its obligations hereunder or substitute any such pledgee or assignee for the Bank as a party hereto.

(f) The Majority Holder or any other Holder shall provide the Authority prior written notice of any assignment pursuant to this Section 7.5.

**7.6 Fees and Expenses.** The Authority shall pay (a) all reasonable out-of-pocket expenses of the Bank, including reasonable fees and expenses of counsel retained by the Bank in connection with any waiver or consent hereunder or under any other Related Document

or any amendment or modification hereof or thereof and (b) if any Event of Default occurs, all reasonable out-of-pocket expenses incurred by the Bank, including reasonable fees and disbursements of counsel and experts retained by the Bank in connection with such Event of Default and collection and other enforcement proceedings resulting therefrom.

7.7 Counterparts. This Agreement may be executed in several counterparts and by different parties on different counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

7.8 Governing Law.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of California.

(b) Any and all disputes or legal actions or proceedings arising out of, under and/or pertaining to the Related Documents or any document related thereto shall be brought in the courts of the State of California located in the County of Alameda or of the Courts of the United States of America for the Central, Northern or Eastern Districts of California and, by execution and delivery of this Agreement, the parties hereto consent to and hereby accept for themselves and in respect of their property, generally and unconditionally, the jurisdiction of the aforesaid courts. To the extent permitted by law, the parties hereto hereby irrevocably waive any objection, including, without limitation, any objection to the laying of venue or based on the grounds of forum non conveniens, which they may now or hereafter have to the bringing of any such action or proceeding in such respective jurisdictions. The provisions of this Section 7.8(b) shall not limit the rights of any parties hereto to bring any such action or proceeding against the Bank in any jurisdiction where such action or proceeding is legally permissible.

(c) The parties hereto further irrevocably consent, to the extent permitted by law, to the service of process of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to such parties at their respective Notice Address pursuant to Section 7.1 hereof, such service to become effective thirty (30) days after such mailing.

(d) The parties hereto waive, to the extent permitted by law, a trial by jury in any such action or proceeding.

7.9 Complete Statement of Agreement. This Agreement, together with the documents referred to in this Agreement, is the complete and exclusive statement of the terms of the agreement among the parties hereto relating to the subject matter described herein and therein and supersedes all prior agreements.

7.10 Heading. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

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

7.12 Liability of the Bank. The Authority agrees that none of the Bank or its respective officers, directors, employees and agents shall have any liability or responsibility for the acts or omissions of the Trustee in respect of its use of any amounts made available by the Bank thereunder. The Bank and its respective officers, directors, employees and agents shall have no responsibility for, nor incur any liability in respect of, any act, or any failure to act, by the Trustee which results in the failure of the Trustee to effect the purchase of Series [●] Bonds with funds provided by the Bank hereunder or to comply with the applicable provisions of the Indenture.

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

- (a) any lack of validity or enforceability of the Related Documents;
- (b) any amendment or waiver of or any consent to or departure from all or any of the Related Documents;
- (c) the existence of any claim, set-off, defense or other rights which the Authority may have at any time against the Trustee, the Bank, the Majority Holder, any other Holder or any Participant, whether in connection with the transactions contemplated by any Related Document or any related or unrelated transactions;
- (d) any breach of contract or other dispute between the Authority and the Trustee, the owners of the Series [●] Bonds, the Bank or any other Person;
- (e) any delay, extension of time, renewal, compromise or other indulgence or modification granted or agreed to by the Bank, with or without notice to or approval by the Authority, in respect of any of the Authority's obligations to the Bank under this Agreement;
- (f) any certificate, statement or any other document presented under this Agreement proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;
- (g) any non-application or misapplication by the Trustee of the proceeds of any Advance; and
- (h) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

7.14 Government Regulations. The Authority shall ensure that the proceeds of the Series [●] Bonds and the Advances shall not be used to violate any of the foreign asset control regulations of Office of Foreign Assets Control or any enabling statute or Executive Order relating thereto. Further, the Authority shall comply with all applicable Bank Secrecy Act laws and regulations, as amended. The Authority agrees to provide documentary and other evidence of the Authority's identity as may be requested by the Bank at any time to enable the Bank to verify the Authority's identity or to comply with any applicable law or regulation, including, without limitation, Section 326 of the USA Patriot Act of 2001, 31 U.S.C. Section 5318.

7.15 No Advisory or Fiduciary Responsibility. In connection with all aspects of the transactions contemplated hereby, the Authority acknowledges and agrees that: (i) (A) the arranging and other services regarding this Agreement provided by the Bank are arm's-length commercial transactions between the Authority, on the one hand, and the Bank, on the other hand, (B) the Authority has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate and (C) the Authority is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Related Documents; (ii) (A) the Bank is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Authority or any other Person and (B) the Bank has no obligation to the Authority with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Related Documents other than those imposed by law, e.g., good faith and fair dealing; and (iii) the Bank and its Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Authority, and the Bank has no obligation to disclose any of such interests to the Authority.

*[Remainder of page intentionally left blank; signature pages follow.]*

IN WITNESS WHEREOF, each of the Authority and the Bank have caused this Agreement to be signed in their respective names by one or more officers, all as of the day and year first above written.

BAY AREA TOLL AUTHORITY

By: \_\_\_\_\_  
Name: Brian Mayhew  
Title: Chief Financial Officer

BANK OF AMERICA, N.A.

By:\_\_\_\_\_

Name: Grace L. Barvin

Title: Senior Vice President

§[•]  
**BAY AREA TOLL AUTHORITY**  
**SAN FRANCISCO BAY AREA TOLL BRIDGE REVENUE BONDS**  
**201[•] Series [•]**

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**PURCHASE CONTRACT**

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[•], 201[•]

Bay Area Toll Authority  
Oakland, California

Ladies and Gentlemen:

The undersigned, [Bank of America, N.A.] [[•], an affiliate of Bank of America, N.A.] (the “Purchaser”), offers to enter into this Purchase Contract (the “Purchase Contract”) with you, the Bay Area Toll Authority (the “Authority”), which upon the Authority’s acceptance of this offer will be binding upon the Authority and the Purchaser. This offer is made subject to acceptance by you prior to 11:59 P.M., California time, on the date hereof. If this offer is not so accepted, this offer will be subject to withdrawal by the Purchaser upon notice delivered to the Authority at any time prior to acceptance. Upon acceptance, this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon the Authority and the Purchaser. Capitalized terms not otherwise defined herein shall have the meanings as defined in the Indenture (as defined herein).

The Authority acknowledges and agrees that (i) the purchase and sale of the Bonds (as defined herein) pursuant to this Purchase Contract is an arm’s-length commercial transaction between the Authority and the Purchaser and the Purchaser has financial and other interests that differ from those of the Authority, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Purchaser is and has been acting solely as principal and is not acting as the agent, municipal advisor, financial advisor or fiduciary of the Authority nor has the Purchaser assumed an advisory or fiduciary responsibility in favor of the Authority, (iii) the only contractual obligations the Purchaser has to the Authority with respect to the transaction contemplated hereby are set forth in this Purchase Contract, and (iv) the Authority has consulted its own legal, financial, municipal and other advisors to the extent it has deemed appropriate.

1. Purchase, Sale and Delivery of the Bonds.

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Purchaser hereby agrees to purchase and the Authority agrees to sell and deliver to the Purchaser all (but not less than all) of (i) the



\$[●] aggregate principal amount of Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds, 201[●] Series [●] (the “Bonds”).

(b) The Bonds [shall be] [were] issued pursuant to Chapters 4, 4.3 and 4.5 of Division 17 of the Streets and Highways Code of the State of California (commencing with Section 30950 et seq.) and the Revenue Bond Law of 1941 (as incorporated therein), each as amended to date (the “Act”), Resolution No. [●] of the governing board of the Authority adopted on [●], 201[●] and Resolution No. [●] of the governing board of the Authority adopted on [●], 201[●] (collectively, the “Resolutions”). The Bonds shall also be issued pursuant to the Master Indenture, dated as of May 1, 2001 (the “Master Indenture”), as supplemented and amended, including as supplemented by a [●] Supplemental Indenture, dated as of [●], 201[●] (the “Senior Supplemental Indenture” and, together with the Master Indenture, as previously supplemented, the “Indenture”), between the Authority and MUFG Union Bank, N.A., as trustee (the “Trustee”).

(c) The purchase price for the Bonds (the “Purchase Price”) shall be \$[●] representing the par amount of the Bonds.

(d) The Bonds shall be substantially in the form described in, and shall be issued and secured under, the provisions of the Indenture. The Bonds are limited obligations of the Authority and are payable as provided in the Indenture. The Bonds are being issued for [describe purpose]. [A portion of the proceeds of the Bonds will be deposited in an escrow fund (the “Escrow Fund”) held by MUFG Union Bank, N.A. as escrow agent (the “Escrow Agent”), established pursuant to an Escrow Agreement, dated as of [●], 201[●] (the “Escrow Agreement”), between the Authority and the Escrow Agent and applied to the defeasance and redemption of all of the Authority’s currently outstanding 20[●] Series [●] Bonds (the “Refunded Bonds”).]

The Bonds will be dated the date of delivery thereof. The Bonds will mature in the principal amounts and on the dates set forth below:

[date]	[principal amount]
[date]	[principal amount]
[date]	[principal amount]
[date]	[principal amount]
[date]	[principal amount]

The Bonds will initially bear interest at the [●] Rate. Interest on the Bonds will be payable on [April 1 and October 1 of each year commencing on [●], 201[●]] [on the first Business Day of each month during the Index Rate Period commencing on [●], 201[●]].

(e) The Authority will undertake, pursuant to a Continuing Disclosure Agreement, dated the Closing Date (as defined herein) (the “Continuing Disclosure Agreement”), between the Authority and the Trustee, with the Trustee serving as Dissemination Agent for the Bonds, to provide annual reports and notices of certain events described therein. The Continuing Disclosure Agreement, the Indenture, the Escrow Agreement, the Credit Facility and Reimbursement Agreement, dated as of the Closing

Date, between the Authority and Bank of America, N.A. (the “Credit Facility”), this Purchase Contract and the Tax Certificate, dated the Closing Date (the “Tax Certificate”), executed and delivered by the Authority in connection with the issuance of the Bonds, are collectively referred to herein as the “Legal Documents.”

(f) At or before 10:00 a.m., California time, on [●], 201[●], or at such other time or on such other date as the Authority and the Purchaser mutually agree upon (the “Closing Date”), the Authority will, subject to the terms and conditions hereof, cause to be delivered to the Purchaser, the executed Bonds (delivered through the book-entry system of The Depository Trust Company), and at the offices of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, or at such other place mutually agreed upon by the Authority and the Purchaser, the other documents mentioned herein (provided that the other documents shall be available a reasonable amount of time prior to 10:00 a.m. to allow for a review by the Purchaser and counsel to the Purchaser). The Purchaser will accept such delivery and will pay the Purchase Price as set forth in subparagraph (c) above in immediately available funds (such delivery and payment being herein referred to as the “Closing”) in the amount of such Purchase Price to the order of the Trustee.

2. Representations, Warranties and Agreements of the Authority. The Authority hereby represents, warrants and agrees with the Purchaser as follows:

(a) The Authority is, and will be on the Closing Date, a public entity duly established and existing pursuant to the Act, organized and operating pursuant to the laws of the State of California with the full power and authority to issue the Bonds pursuant to the Act and to execute, deliver and perform its obligations under the Legal Documents;

(b) By all necessary official action of the Authority prior to or concurrently with the acceptance hereof the Authority has duly authorized and approved the execution and delivery of the Legal Documents, and the performance by the Authority of the obligations on its part contained therein, and the consummation by it of all other transactions with respect to the Bonds contemplated under the Legal Documents;

(c) The Authority is not in any respect in breach of or default under any applicable constitutional provision, law or administrative regulation to which it is subject or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or to which the Authority or any of its property or assets is otherwise subject, which breach or default would have a material adverse effect on the ability of the Authority to perform its obligations under any of the Legal Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default in any material respect under any such instrument; and the adoption of the Resolutions, the issuance of the Bonds and the execution and delivery of the Legal Documents, and compliance on the Authority’s part with the provisions contained herein and therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, nor will any such execution, delivery, adoption

or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided in the Legal Documents;

(d) Except as previously disclosed in writing to the Purchaser, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or, to the best knowledge of the Authority after reasonable investigation, threatened against the Authority in any material respect affecting the existence of the Authority or the titles of its officers to their respective offices, or seeking to prohibit, restrain or enjoin the collection of Bridge Toll Revenues to be applied to pay the principal and interest with respect to the Bonds, or the pledge thereof, or affecting or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds or contesting or affecting, the validity or enforceability of the Bonds, the Resolutions or any of the Legal Documents, or contesting the powers of the Authority or its authority to adopt the Resolutions and enter into or perform its obligations under any of the foregoing, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Resolutions or any of the Legal Documents;

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations in connection with the issuance of the Bonds under the Indenture have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state or foreign nation in connection with the offering and sale of the Bonds; and, except as previously disclosed in writing to the Purchaser, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Authority of its obligations under the Resolutions or any of the Legal Documents have been duly obtained;

(f) No representation, warranty or other statement made by the Authority in or pursuant to this Purchase Contract or any other Legal Document or any other document or financial statement provided by the Authority (the term “provided” to include the Authority’s filings on the MSRB’s Electronic Municipal Market Access or EMMA system) to the Purchaser in connection with this Purchase Contract or any other Legal Document, contains any untrue statement of a material fact or omits (as of the date made) any material fact necessary to make the statements herein or therein not misleading in light of the circumstances under which they are made. To the best of the knowledge of the Authority there is no fact, which the Authority has not disclosed to the Purchaser in writing which materially adversely affects or, so far as the Authority can now reasonably foresee, is likely

to materially adversely affect the ability (financial or otherwise) of the Authority to perform its obligations hereunder or under the Legal Documents.

(g) The Authority will apply, or cause the application of, the proceeds of the Bonds in accordance with the Indenture; and

(h) Any certificate signed by any authorized official of the Authority, and delivered to the Purchaser in connection with the execution and delivery of the Bonds, shall be deemed a representation and warranty by the Authority to the Purchaser as to the statements made therein.

3. Conditions to the Obligations of the Purchaser. The Purchaser hereby enters into this Purchase Contract in reliance upon the representations and warranties of the Authority contained herein and the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Authority of its obligations both on and as of the date hereof and as of the Closing Date. Accordingly, the Purchaser' obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds shall be subject, at the option of the Purchaser, to the accuracy in all material respects of the representations and warranties of the Authority contained herein as of the date hereof and as of the Closing Date (as if made on and at the Closing), to the accuracy in all material respects of the statements of the officers and other officials of the Authority made in any certificate or other document furnished pursuant to the provisions hereof, to the performance by the Authority of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing Date, and also shall be subject to the following additional conditions:

(a) At the Closing, the Legal Documents shall have been duly authorized, executed and delivered by the respective parties thereto, all in substantially the forms heretofore submitted to the Purchaser, with only such changes as shall have been agreed to in writing by the Purchaser, and shall be in full force and effect; and there shall be in full force and effect such resolutions of the governing board of the Authority as, in the opinion of Orrick, Herrington & Sutcliffe, LLP, San Francisco, California ("Bond Counsel"), shall be necessary or appropriate in connection with the transactions contemplated hereby;

(b) Between the date hereof and the Closing Date, the market price or marketability of the Bonds shall not have been materially adversely affected, in the reasonable judgment of the Purchaser (evidenced by a written notice to the Authority terminating the obligation of the Purchaser to accept delivery of and make any payment for the Bonds), by reason of any of the following:

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

(2) the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds or obligations of the general character of the Bonds or securities generally, or the material increase of any such restrictions now

in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Purchaser;

(3) an order, decree or injunction of any court of competent jurisdiction, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby is or would be in violation of the federal securities laws as amended and then in effect; or

(4) (i) the withdrawal or downgrading of the long-term unenhanced rating of the Authority by a national rating agency or (ii) there shall have been any official statement as to a possible downgrading (such as being placed on “credit watch” or “negative outlook” or any similar qualification) of any rating by a national agency of any debt securities issued by the Authority.

(c) At the Closing Date, the Authority shall have duly executed and authorized the Trustee to deliver, upon receipt of payment therefor, the Bonds.

(d) At or prior to the Closing Date, the Purchaser shall have received the following documents, in each case satisfactory in form and substance to the Purchaser:

(1) Legal Documents. An executed copy of each of the Legal Documents;

(2) Final Opinion of Bond Counsel. The approving opinion of Bond Counsel, dated the Closing Date and addressed to the Authority, in substantially the form attached hereto as Appendix A, and a letter of such counsel, dated the Closing Date and addressed to the Purchaser, to the effect that such opinion may be relied upon by the Purchaser to the same extent as if such opinion were addressed to it;

(3) Supplemental Opinion of Bond Counsel. An opinion of Bond Counsel, dated the Closing Date and addressed to the Purchaser, in substantially the form of Appendix B attached hereto;

(4) Opinion of Counsel to the Authority. The opinion of Adrienne D. Weil, Esq., General Counsel for the Authority, Oakland, California, dated the Closing Date and addressed to the Purchaser and the Trustee, in substantially the form of Appendix C attached hereto;

(5) Opinion of Trustee’s Counsel. An opinion of counsel to the Trustee, dated the Closing Date and addressed to the Authority and the Purchaser, to the effect that (i) the Trustee is a national banking association duly organized and existing under and by virtue of the laws of the United States of America, having the full power and being qualified to enter into and perform its duties under the Indenture and the Continuing Disclosure Agreement (collectively, the “Trustee Documents”) and to authenticate and deliver the Bonds; (ii) the Trustee has duly authorized, executed and delivered the Trustee Documents, has duly authenticated and delivered the Bonds and each of the Trustee Documents constitutes the legal,

valid and binding obligation of the Trustee enforceable in accordance with its respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limited by the rights of creditors generally; (iii) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee is or will be required for its execution and delivery of the Trustee Documents or the authentication and delivery of the Bonds; and (iv) the execution and delivery by the Trustee of the Trustee Documents and compliance with the provisions on the Trustee's part contained therein and the authentication and delivery of the Bonds by the Trustee, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, or to the best of my knowledge, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Trustee is a party or is otherwise subject (except that no representation, warranty or agreement is made with respect to any federal or state securities or Blue Sky laws or regulations), nor will any such execution, authentication, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the lien created by the Trustee Documents under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Trustee Documents;

(6) Certificate of the Authority. A certificate or certificates, dated the Closing Date, signed by a duly authorized official of the Authority, in form and substance satisfactory to the Purchaser, to the effect that (i) the representations and warranties of the Authority contained in the Legal Documents are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (ii) the Resolutions and the Legal Documents constitute valid and binding obligations, enforceable against the Authority in accordance with their respective terms, except as the binding effect and enforceability thereof may be limited by bankruptcy, insolvency or other applicable laws in effect from time to time affecting the rights of creditors generally and except to the extent that the enforceability thereof may be limited by the application of general principles of equity, judicial discretion and the limitation on legal remedies against public entities in California; and (iii) there is no action, suit, proceeding, inquiry or investigation pending or, to the best knowledge of such official after reasonable investigation, threatened (a) to restrain or enjoin the execution, sale or delivery of any of the Bonds, (b) in any way affecting the validity of the Bonds or the Legal Documents, or (c) in any way contesting the existence or powers of the Authority;

(7) Certificate of the Trustee. A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee, satisfactory in form and substance to the Purchaser, to the effect that (i) the Trustee is a national banking association organized and existing under and by virtue of the laws of the United States of America, having the full power and being qualified to enter into and perform its duties under the Indenture; (ii) the Trustee is duly authorized to enter

into, has duly executed and delivered the Trustee Documents and has duly authenticated and delivered the Bonds; (iii) the execution and delivery of the Trustee Documents and compliance with the provisions on the Trustee's part contained therein, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, material agreement or material instrument to which the Trustee is a party or is otherwise subject (except that no representation, warranty or agreement is made with respect to any federal or state securities or Blue Sky laws or regulations), nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the lien created by the Indenture under the terms of any such law, administrative regulation, judgment, decree, material agreement or material instrument, except as provided by the Indenture; and (iv) to its knowledge it has not been served with any action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, nor to its knowledge is any such action threatened against the Trustee affecting the existence of the Trustee, or the titles of its officers to their respective offices, or in any way contesting or affecting the validity or enforceability of the Trustee Documents, or contesting the powers of the Trustee or its authority to enter into, adopt or perform its obligations under any of the foregoing, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability against the Trustee of the Trustee Documents;

(8) Trustee Resolution. A certified copy of the general resolution or other documentation of the Trustee authorizing the execution and delivery of the Trustee Documents;

(9) Authority Resolutions. Certified copies of Resolutions authorizing the issuance of the Bonds and the execution and delivery of the Legal Documents;

(10) Tax Certificate. The Tax Certificate executed by the Authority in form and substance acceptable to Bond Counsel;

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

(12) [Verification Report]. An executed copy of a report by Causey Demgen & Moore P.C., independent certified public accountants, to the effect that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the maturing principal of and interest on the investments in the Escrow Fund and other moneys in the Escrow Fund to pay, when due, the principal at maturity or the redemption price of and interest on the Refunded Bonds;]

(13) [Defeasance Opinion]. An opinion of Bond Counsel, dated the Closing Date and addressed to the Trustee to the effect that upon deposit into the Escrow Fund of the investments and moneys called for in the Escrow Agreement,

and in reliance on the Verification Report as to the adequacy of such amounts, the Refunded Bonds will be deemed to have been paid within the meaning of Section 10.01 of the Indenture;]

(14) [Opinion of Escrow Agent's Counsel]. An opinion of counsel to the Escrow Agent, dated the Closing Date and addressed to the Authority and the Purchaser, to the effect that (i) the Escrow Agent is a national banking association duly organized, validly existing and in good standing under the laws of the United States of America, having full power and authority to enter into and perform its duties under the Escrow Agreement; (ii) the Escrow Agent has duly authorized, executed and delivered the Escrow Agreement and the Escrow Agreement constitutes the legal, valid and binding obligations of the Escrow Agent enforceable in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limited by the rights of creditors generally; (iii) the Escrow Agent's actions in executing and delivering the Escrow Agreement are in full compliance with and do not conflict with or constitute a breach of or a default under any law or governmental regulation or, to the best of my knowledge after reasonable inquiry, do not conflict with or violate any contract to which the Escrow Agent is a party or any administrative or judicial decision by which the Escrow Agent is bound; and (iv) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Escrow Agent is or will be required for the execution and delivery by the Escrow Agent of the Escrow Agreement or the performance by the Escrow Agent of its duties and obligations thereunder;] and

(15) Miscellaneous. Such additional legal opinions, certificates, proceedings, instruments, insurance policies or evidences thereof and other documents as the Purchaser, Purchaser' Counsel or Bond Counsel may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the representations of the Authority herein, and the due performance or satisfaction by the Authority at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by the Authority in connection with the transactions contemplated hereby and by the Indenture.

If the Authority shall be unable to satisfy the conditions to the Purchaser' obligations contained in this Purchase Contract or if the Purchaser' obligations shall be terminated for any reason permitted herein, all obligations of the Purchaser hereunder may be terminated by the Purchaser at, or at any time prior to, the Closing Date by written notice to the Authority, and neither the Purchaser nor the Authority shall have any further obligations hereunder.

4. Conditions to the Obligations of the Authority. The obligations of the Authority to issue and deliver the Bonds on the Closing Date shall be subject, at the option of the Authority, to the performance by the Purchaser of their obligations to be performed hereunder at or prior to the Closing Date and to the following additional conditions:



(a) The Senior Supplemental Indenture and this Purchase Contract shall have been executed by the other parties thereto;

(b) No order, decree, injunction, ruling or regulation of any court, regulatory agency, public board or body shall have been issued, nor shall any legislation have been enacted, with the purpose or effect, directly or indirectly, of prohibiting (i) the offering, sale or issuance of the Bonds as contemplated hereby or (ii) the exclusion from gross income for federal income tax purposes of interest payments on obligations of the general character of the Bonds;

(c) The documents contemplated by Section 3(d) the forms of which are set forth herein shall have been delivered substantially in the forms set forth herein, and the other documents contemplated by Section 3(d) shall have been delivered to the Authority in form and substance satisfactory to the Authority and Bond Counsel; and

(d) An investor letter in substantially the form of Appendix D attached hereto executed by the Purchaser.

5. Expenses. All expenses and costs incident to the authorization, issuance, delivery and sale of the Bonds to the Purchaser, including the costs of printing of the Bonds, the fees of accountants, financial advisors, the verification agent and rating agencies, the initial fees of the Trustee and its counsel in connection with the issuance of the Bonds, the fees and expenses of Bond Counsel and Purchaser's counsel, and the California Debt and Investment Advisory Commission fee shall be paid from the proceeds of the Bonds. In the event that the Bonds for any reason are not issued, or to the extent proceeds of the Bonds are insufficient or unavailable therefor, any fees, costs and expenses owed by the Authority, which otherwise would have been paid from the proceeds of the Bonds and that are not contingent upon their issuance, shall be paid by the Authority.

6. Notices. Any notice or other communication to be given under this Purchase Contract may be given by delivering the same in writing to the respective parties at the following address:

Purchaser: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_

Authority: Bay Area Toll Authority  
101 Eighth Street  
Oakland, California 94607-4700  
Attention: Brian Mayhew, Chief Financial Officer

7. Survival of Representations and Warranties. The representations and warranties of the Authority set forth in or made pursuant to this Purchase Contract shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Purchase Contract and regardless of any investigations or statements as to the results thereof made by or on behalf of the Purchaser and regardless of delivery of and payment for the Bonds.

8. Effectiveness and Counterpart Signatures. This Purchase Contract shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by duly authorized officers of the Authority and shall be valid and enforceable as of the time of such acceptance. This Purchase Contract may be executed by the parties hereto by facsimile transmission and in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

9. Parties in Interest. This Purchase Contract is made solely for the benefit of the Authority and the Purchaser (including the successors or assigns of the Purchaser) and no other person shall acquire or have any right hereunder or by virtue hereof.

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

*[Signature Page Follows]*

11. Governing Law. This Purchase Contract shall be construed in accordance with the laws of the State of California.

Very truly yours,

[NAME OF PURCHASER]

By: \_\_\_\_\_  
[Name and Title]

ACCEPTED:

BAY AREA TOLL AUTHORITY

By: \_\_\_\_\_  
Brian Mayhew  
Chief Financial Officer

**APPENDIX A**  
**FORM OF FINAL OPINION OF BOND COUNSEL**

## **APPENDIX B**

### **FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL**

## **APPENDIX C**

### **FORM OF OPINION OF COUNSEL TO THE AUTHORITY**

**APPENDIX D**  
**FORM OF INVESTOR LETTER**

[•], 201[•]

Bay Area Toll Authority  
101 Eighth Street  
Oakland, California 94607-4700  
Attention: Chief Financial Officer

\$[•]  
BAY AREA TOLL AUTHORITY  
SAN FRANCISCO BAY AREA TOLL BRIDGE REVENUE BONDS  
201[•] Series [•]

Ladies and Gentlemen:

Bank of America, N.A. or an affiliate (the “Purchaser”) has agreed to purchase, on a private placement (non-public offering) basis, the above-referenced bonds (the “Debt Obligations”) to be issued by the Bay Area Toll Authority (the “Authority”) pursuant to the Master Indenture, dated as of May 1, 2001 (the “Master Indenture”), as supplemented and amended, including as supplemented by a [•] Supplemental Indenture, dated as of [•], 201[•] (the “Senior Supplemental Indenture” and, together with the Master Indenture, as previously supplemented, the “Indenture”), between the Authority and MUFG Union Bank, N.A., as trustee. The Debt Obligations, as initially issued and as purchased by the Purchaser on the date hereof, are in minimum authorized denominations of \$100,000 and \$5,000 increments in excess thereof, bear interest at a [•] rate and are subject to tender for purchase and to optional redemption, all as further described in the Senior Supplemental Indenture. All capitalized terms used herein, but not defined herein, shall have the respective meanings set forth in the Indenture.

The undersigned, an authorized representative of the Purchaser, hereby represents that:

- (1) The Purchaser has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits represented by the purchase of the Debt Obligations.
- (2) The Purchaser has authority to purchase the Debt Obligations and to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Debt Obligations.
- (3) The Purchaser understands that an official statement, prospectus, offering circular, or other comprehensive offering statement has not been provided with respect to the Debt Obligations. The Purchaser has made its own inquiry and analysis with respect to the Authority, the Debt Obligations and the security therefor, and other material factors affecting the security for and payment of the Debt Obligations.

(4) The Purchaser acknowledges that it has reviewed information, including financial statements and other financial information regarding the Authority and has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Authority, the Debt Obligations and the security therefor, so that it has been able to make an informed decision to purchase the Debt Obligations; provided, however, that this letter shall not constitute a waiver of any rights or remedies the Purchaser may have with respect to any untrue information it may have received or any material information which was withheld from its review.

(5) The Purchaser understands that the Debt Obligations: (a) are not registered under the Securities Act of 1933, as amended (the "1933 Act"), and are not registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (b) are not listed on any stock or other securities exchange, and (c) have not been rated by any credit rating agency.

(6) The Debt Obligations are being acquired by the Purchaser for its own account and not with a present view toward resale or distribution; provided, however, the Purchaser reserves the right to sell, transfer or redistribute the Debt Obligations, but agrees that any such sale, transfer or distribution by the Purchaser shall be to a Person that is:

(a) an Affiliate of the Purchaser;

(b) a trust or other custodial arrangement established by the Purchaser or an Affiliate of the Purchaser, the owners of any beneficial interest in which are limited to "qualified institutional buyers" as defined in Rule 144A promulgated under the 1933 Act, or "accredited investors" as defined in Rule 501 of Regulation D under the 1933 Act;

(c) that is a secured party, custodian or other entity in connection with a pledge by the Purchaser to secure public deposits or other obligations of the Purchaser or one of its affiliates to state or local governmental entities;

(d) a commercial bank; or

(e) a "qualified institutional buyer" as defined in Rule 144A promulgated under the 1933 Act, or an "accredited investor" as defined in Rule 501 of Regulation D under the 1933 Act.

[NAME OF PURCHASER]

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