

# Memorandum

To: CHAIR AND COMMISSIONERS

Meeting Date: August 27-28, 2008

Reference No.: 4.6  
Action Item

From: CINDY McKIM  
Chief Financial Officer

Prepared by: Norma Ortega  
Chief  
Division of Budgets

Subject: **APPROVAL OF BOND DOCUMENTS RELATED TO THE ISSUANCE OF GRANT  
ANTICIPATION REVENUE VEHICLES BONDS, SERIES 2008A  
RESOLUTION FG-08-01**

## **RECOMMENDATION:**

The California Department of Transportation (Department) recommends that the California Transportation Commission (Commission) adopt attached Resolution FG-08-01, which among other things:

- (1) approves the substantially final form of the Second Supplemental Indenture, and the Purchase Contract presented to the Commission and related to issuance of the Federal Highway Grant Anticipation Revenue Vehicles Bonds (GARVEE Bonds), Series 2008A;
- (2) authorizes the Executive Director of the Commission to execute the Second Supplemental Indenture as well as the Commission's acknowledgment of the Purchase Contract upon its execution and delivery in final form following final pricing of the GARVEE Bonds;
- (3) authorizes the State Treasurer's Office (STO) to include information in connection with the Commission in the Official Statement;
- (4) authorizes the Executive Director, Chief Deputy Director or any written designee to review for truth and accuracy information regarding the Commission that is contained in the Official Statement; and
- (5) approves, ratifies and confirms all prior actions taken by the Commission with respect to project programming and allocation related to issuance of the GARVEE Bonds and authorizing the Executive Director to take the necessary actions to assist consummating the issuance of the GARVEE Bonds.

## **ISSUE:**

The Department is proposing an issuance of GARVEE Bonds in Fiscal Year (FY) 2008-09 to fund two State Highway Operation and Protection Program (SHOPP) projects. The Department presented the two SHOPP projects totaling \$143 million at the March 2008 meeting as an information item, and at the April 2008 meeting, the Commission approved the selection of, and allocation for, the two projects for GARVEE financing to advance project delivery. The two priority SHOPP projects are

in Northern California and part of an overall program of projects identified in the current SHOPP to be financed with GARVEE Bonds in the next several years.

The actions requested of the Commission under the attached resolution would provide the additional authority necessary to consummate the issuance of the GARVEE Bonds.

**BACKGROUND:**

GARVEE Bonds are tax-exempt debt instrument financing mechanisms that are backed by annual federal appropriations for federal-aid transportation projects. Proceeds from the financing can be used for the costs of right of way and/or construction of highway or other transportation projects that are eligible under Title 23 of the United States Code and that meet all federal requirements. Additionally, projects must have environmental clearance and completed project design, be designated for GARVEE financing by the Commission, and eligible through Federal Highway Administration for advance construction using GARVEE financing. Due to state constitutional limitations, state funds are not used for payment of GARVEE debt service; therefore, GARVEE financing relies solely on future federal-aid funding for debt repayment, and as a result, is subject to federal match requirements. However, under certain requirements, state or local funds can be used for matching purposes outside of the GARVEE debt service, in funding components prior to, or throughout the construction period.

In March 2004, \$615 million in GARVEE Bonds (Series 2004A) were issued by the STO to advance eight State Transportation Improvement Program projects in various locations throughout the state that had been approved by the Commission.

In order to proceed with the FY 2008-09 GARVEE Bond issuance, the Commission will need to adopt the attached Resolution FG-08-01, which would among other things, approve the Second Supplemental Indenture and Purchase Contract in substantially final form for the sale of the Series 2008A GARVEE Bonds.

Attachments

**CALIFORNIA TRANSPORTATION COMMISSION**

**Resolution Regarding  
State of California  
(California Department of Transportation)  
Federal Grant Anticipation Bonds  
Series 2008A**

**Resolution FG-08-01**

- 1.1 WHEREAS, under the National Highway System Designation Act of 1995 and the Transportation Equity Act for the 21<sup>st</sup> Century, the United States Congress authorized states to issue GARVEE bonds, which are tax-exempt grant anticipation debt mechanisms backed by annual federal appropriations for federal aid transportation projects, and
- 1.2 WHEREAS, Sections 14550 and 14552-14555 were added to the Government Code of the State of California by Chapter 862 of the Statutes of 1999 (SB 928) (as amended, the “Act”) to provide for the issuance of such bonds, and
- 1.3 WHEREAS, in accordance with the Act, the California Transportation Commission (the “Commission”) has adopted Grant Anticipation Revenue Vehicle (GARVEE) Guidelines (the “Guidelines”), in order to establish guidelines for eligibility for funding allocations under the Act, and
- 1.4 WHEREAS, by Resolution FG-07-01 (the “Allocation Resolution”), adopted April 9, 2008, the Commission has allocated funds for the acquisition and construction of certain eligible projects as specifically identified by the Allocation Resolution (the “Series 2008A Projects”) and to provide for funding of the Series 2008A Projects through the issuance of a series of bonds under the Act and in accordance with the Guidelines, and
- 1.5 WHEREAS, in accordance with the Act and pursuant to the Allocation Resolution, the Commission has requested that the Treasurer of the State of California (the “Treasurer”) issue a series of bonds to provide the funds allocated for the Series 2008A Projects, and
- 1.6 WHEREAS, pursuant to the Act, the Treasurer will issue bonds designated “State of California (California Department of Transportation) Federal Highway Grant Anticipation Bonds, Series 2008A (the “Series 2008A Bonds”), and

- 1.7 WHEREAS, payment of the principal of and interest on the Series 2008A Bonds will be secured by the trust estate as described in a Master Indenture of Trust dated as of February 1, 2004 (the “Master Indenture”) among the Commission, the Department of Transportation (the “Department”) and the Treasurer, as issuer and as trustee, as supplemented by the First Supplemental Indenture of Trust dated as of February 1, 2004 (the “First Supplemental Indenture”) and as amended and supplemented by a Second Supplemental Indenture of Trust to be dated as of the first day of the month in which the Series 2008A Bonds are issued (the “Second Supplemental Indenture” and together with the Master Indenture and the First Supplemental Indenture, the “Indenture”), and
- 1.8 WHEREAS, there have been prepared and presented at this meeting the following documents required to be executed and delivered by or on behalf of the Commission for the issuance of the Series 2008A Bonds, and such documents are now in substantially final form, appropriate to be executed and delivered for the purposes intended:
  - (a) Form of Second Supplemental Indenture; and
  - (b) Form of the Purchase Contract to be entered into by and among the Treasurer, the Department and the underwriters to be named therein, and to be acknowledged by the Commission.
- 1.9 WHEREAS, in connection with the issuance of the Series 2008A Bonds, the Treasurer shall prepare and distribute a preliminary and final Official Statement with respect to the Series 2008A Bonds (collectively, the “Official Statement”).

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

- 2.1 The recitals set forth above are true and correct, and the Commission so finds.
- 2.2 Pursuant to the Act and the Indenture and for the purposes in the recitals set forth above, the Treasurer of the State of California is hereby requested to issue the Series 2008A Bonds in an amount not to exceed \$143,000,000. The Series 2008A Bonds shall be in the forms set forth in and otherwise in accordance with the Indenture. The Series 2008A Bonds shall be issued and secured in accordance with the terms of the Indenture. Payment of the principal of, redemption premium, if any, and interest on, the Series 2008A Bonds shall be made solely from the Trust Estate (as defined in the Indenture) and shall not be deemed to constitute a debt or liability of the Commission or any member of the Commission.
- 2.3 The form, terms and provisions of the Second Supplemental Indenture are hereby approved in substantially the form now before the Commission with such changes therein as shall be approved by the Executive Director of the Commission (the “Executive Director”) executing the same, including such changes as may be deemed necessary to cause the Second Supplemental Indenture to carry out the intent of this Resolution and as are approved by Bond Counsel in consultation with the Attorney General and counsel to the Department; the execution thereof shall constitute conclusive evidence of the Commission’s approval of any and all such changes or revisions from the form now before this Commission.

- 2.4 The Executive Director is hereby authorized to execute this Commission's acknowledgment of the Purchase Contract upon its execution and delivery in final form by the parties thereto following final pricing of the Series 2008A Bonds.
- 2.5 The Treasurer is hereby authorized to include in the Official Statement information provided by the Executive Director or Chief Deputy Director of the Commission or any written designee of the foregoing (each, a "Designated Officer") with respect to the Commission necessary for preparation of the Official Statement, and the Commission acknowledges that it shall at all times cooperate in the preparation and filing of any continuing disclosure with respect to such information and that the Treasurer shall only be responsible for such information contained in the Official Statement which the Treasurer is competent and able to provide.
- 2.6 A Designated Officer is hereby directed and authorized to provide necessary information with respect to the Commission for preparation of the Official Statement, to review the Official Statement with respect to the Series 2008A Bonds for the limited purpose of determining the truth and accuracy of information regarding the Commission contained in the Official Statement, and such Designated Officer is hereby authorized to execute and deliver certification on behalf of and in the name of the Commission at the time of the delivery of the Series 2008A Bonds as to the truth and accuracy of all information with respect to the Commission contained in the Official Statement.
- 2.7 All prior actions taken by the officers and agents of the Commission with respect to project programming and allocation in connection with the Series 2008A Projects and the issuance of the Series 2008A Bonds are hereby approved, ratified and confirmed, and any Designated Officer, acting alone, is hereby authorized and directed, for and in the name and on behalf of the Commission, to do any and all things and take any and all actions and execute and deliver all certificates and other documents which they, or any of them, may deem necessary or advisable in order to assist in consummating the lawful issuance and delivery of the Series 2008A Bonds and to effectuate the purposes thereof and of the documents herein approved in accordance with this resolution and the resolutions heretofore adopted by the Commission and otherwise in order to carry out the purposes hereof.
- 2.8 The provisions of this Resolution are hereby declared to be severable, and, if any section, phrase or provision shall for any reason be declared to be invalid, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions hereof.
- 2.9 This Resolution shall be effective upon adoption.

**SECOND SUPPLEMENTAL INDENTURE OF TRUST**

Dated as of [October] 1, 2008

By and Among

**CALIFORNIA TRANSPORTATION COMMISSION**

the

**TREASURER OF THE STATE OF CALIFORNIA**

and

**CALIFORNIA DEPARTMENT OF TRANSPORTATION**

Relating to the

**[\$143,000,000]**

**STATE OF CALIFORNIA**

**(CALIFORNIA DEPARTMENT OF TRANSPORTATION)**

**FEDERAL HIGHWAY GRANT ANTICIPATION BONDS**

**SERIES 2008A**

## SECOND SUPPLEMENTAL INDENTURE OF TRUST

This SECOND SUPPLEMENTAL INDENTURE OF TRUST, dated as of [October] 1, 2008 (this "Second Supplemental Indenture"), is by and among the CALIFORNIA TRANSPORTATION COMMISSION (the "Commission"), the CALIFORNIA DEPARTMENT OF TRANSPORTATION (the "Department") and the TREASURER OF THE STATE OF CALIFORNIA, as issuer and trustee (the "Treasurer" or the "Trustee," as applicable), and amends and supplements that certain Master Indenture of Trust, dated as of February 1, 2004 (the "Master Indenture"), by and among the Commission, the Department, the Treasurer and the Trustee.

### WITNESSETH:

WHEREAS, Section 2.9 of the Master Indenture provides for the issuance of Bonds (as defined therein), and Section 10.2 thereof provides for the execution and delivery of Supplemental Indentures setting forth the terms of such Bonds; and

WHEREAS, the parties hereto, by execution and delivery of this Second Supplemental Indenture and in compliance with the provisions of the Master Indenture, wish to set forth the terms of the \$[143,000,000] State of California (California Department of Transportation) Federal Highway Grant Anticipation Bonds, Series 2008A (the "Series 2008A Bonds"), provide for the deposit and use of the proceeds from the sale of the Series 2008A Bonds, and make other provisions pertaining thereto;

WHEREAS, Section 10.2 of the Master Indenture provides that the Commission, the Treasurer and the Department may, from time to time and at any time, without the consent of or notice to the Bondholders execute and deliver Supplemental Indentures supplementing and/or amending the Master Indenture to, *inter alia*, cure any formal defect, omission, inconsistency or ambiguity in this Indenture or any Supplemental Indenture, provided that the interests of the Bondholders will not be materially adversely affected thereby;

WHEREAS, the second paragraph of Section 2.1 of the Master Indenture provides that certain language describing the security for the Bonds be set forth on the face of each Bond;

WHEREAS, such descriptive language set forth in the second paragraph of Section 2.1 of the Master Indenture is inconsistent with the grant of the security of the Trust Estate in the granting clauses of the Master Indenture;

NOW, THEREFORE, the parties hereto agree as follows, each for the benefit of the other and of owners of the Series 2008A Bonds issued pursuant to this Second Supplemental Indenture:

## ARTICLE I

### DEFINITIONS

**Section 1.1. Definitions.** The terms defined in this Article I shall, for all purposes of this Second Supplemental Indenture, have the respective meanings specified herein unless the context clearly requires otherwise. Capitalized terms which are used but not otherwise defined herein shall have the respective meanings ascribed to them in the Master Indenture.

“Authorized Denomination” shall mean \$5,000 or any integral multiple thereof.

[“Bond Insurance Policy” shall mean \_\_\_\_\_].

[“Bond Insurer” shall mean \_\_\_\_\_].

“Bond Year” shall mean that certain period beginning and ending on the dates selected by the Treasurer in the Series 2008A Tax Certificate.

“Book-Entry System” shall mean a system similar to the system described in Section 2.3 herein.

“Costs of Issuance Fund” shall mean the fund so created and designated in Section 4.2 herein.

“Depository” shall mean the securities depository acting as Depository under Section 2.3 herein.

“DTC” shall mean The Depository Trust Company, New York, New York, and its successors and assigns.

“Insured 2008A Bonds” shall mean the Series 2008A Bonds maturing on February 1, \_\_\_\_ through and including February 1, \_\_\_\_.]

“Interest Payment Date” shall mean each February 1 and August 1, commencing February 1, 2009.

“Master Indenture” shall mean that certain Master Indenture of Trust, dated as of February 1, 2004, by and between the Commission, the Treasurer, the Department and the Trustee.

“Nominee” shall mean the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.3.

“Owner,” or “Bond Owner,” with respect to a Series 2008A Bond, shall mean the person in whose name such Bond is registered in the Bond Register.

“Participants” shall mean those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Series 2008A Bonds as a securities depository.

“Rebate Account” shall mean the Series 2008A Bonds Rebate Account created in the Rebate Fund pursuant to Section 4.4. hereof.

“Record Date” shall mean the close of business on the fifteenth day of the month preceding an Interest Payment Date (whether or not such day is a Business Day).

“Representation Letter” shall mean a letter of representations from the Treasurer and the Trustee to the Depository in substantially the form attached hereto as Exhibit B.

“Second Supplemental Indenture” shall mean this Second Supplemental Indenture of Trust, dated as of [October] 1, 2008, by and among the Commission, the Treasurer, the Department and the

Trustee, as it may be amended and/or supplemented from time to time in accordance with the provisions of the Master Indenture.

“Series 2008A Tax Certificate” shall mean the Tax Compliance Certificate with respect to the Series 2008A Bonds executed by the Treasurer and the Department on its Delivery Date establishing certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

Except as otherwise indicated, references to Articles and Sections are to the Articles and Sections of this Second Supplemental Indenture.

## ARTICLE II

### FORM, EXECUTION, DELIVERY AND REGISTRATION OF BONDS

**Section 2.1. Issuance of Bonds; Form.** At the request of the Commission, the Treasurer hereby authorizes the issuance of bonds hereunder in an aggregate principal amount of \$[143,000,000] for the principal purpose of providing funds to pay Construction Costs related to the Construction Projects identified in Exhibit C hereto. The bonds to be so issued are to be issued in one series designated the “State of California (California Department of Transportation) Federal Highway Grant Anticipation Bonds, Series 2008A.” The Series 2008A Bonds shall be in substantially the form set forth in Exhibit A hereto.

**Section 2.2. Terms of the Series 2008A Bonds.** The Series 2008A Bonds shall be dated, shall be issued in the principal amounts, shall bear interest at the rates and shall mature all as hereinafter set forth.

The Series 2008A Bonds shall be issued in fully registered form, without coupons, in Authorized Denominations. Unless the Treasurer shall otherwise direct, the Series 2008A Bonds shall be numbered as determined by the Trustee.

The principal of and the interest on the Series 2008A Bonds shall be payable in any coin or currency of the United States of America that is legal tender for the payment of public and private debts on the respective dates of payment thereof. The principal of each Series 2008A Bond shall be payable at the Principal Office of the Paying Agent, by check, upon the presentation and surrender of such Series 2008A Bond as the same shall become due and payable. Payment of interest on each Series 2008A Bond shall be made to the person appearing in the Bond Register as the registered Owner thereof on the applicable Record Date, such interest to be paid by the Paying Agent to such registered Owner (i) by bank check mailed by first class mail on the Interest Payment Date to such Owner’s address as it appears on the registration books of the Registrar or at such other address as has been furnished to the Registrar in writing by such Owner, or (ii) in immediately available funds (by wire transfer to an account within the United States or by deposit to such an account of the Owner of any such Series 2008A Bond if such account is maintained with the Paying Agent), but only to any Owner who owns Series 2008A Bonds in an aggregate principal amount of at least \$1,000,000 on the Record Date, according to the written instructions given by such Owner to the Registrar or, if no such instructions have been provided as of the Record Date, by check mailed by first class mail to the Owner at such Owner’s address as it appears as of the Record Date in the Bond Register or at such other address as provided by such Owner to the Registrar.

Subject to the foregoing provisions of this Section, each Series 2008A Bond delivered upon transfer of or in exchange for or in lieu of any other Series 2008A Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Series 2008A Bond; and each such Series 2008A Bond shall bear interest from such date, so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

The Series 2008A Bonds shall be dated [Closing Date], and shall mature on February 1 in each of the years and amounts, and shall bear interest at the rates, set forth below:

<i>Maturity Date (February 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
2009		
2010		
2011		
2012		
2012		
2013		
2014		
2015		
2016		
2017		
2018		
2019		
2020		

Each Series 2008A Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) it is authenticated on or before the first Record Date, in which event it shall bear interest from [Closing Date], provided, that if, as of the date of authentication of any such Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

**Section 2.3. Book-Entry System.** The Series 2008A Bonds shall be initially issued in the form of a separate single fully registered Series 2008A Bond for each maturity (which may be typewritten). Upon initial issuance, the ownership of each such Bond shall be registered in the Bond Register in the name of the Nominee, as nominee of the Depository. Except hereinafter as provided, all of the Outstanding Series 2008A Bonds shall be registered in the Bond Register in the name of the Nominee.

The Treasurer and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of whom such a Participant holds an interest in Series 2008A Bonds registered in the name of the Nominee. Without limiting the immediately preceding sentence, the Treasurer and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Series 2008A Bonds, (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Bond Register, of any notice with respect to the Series 2008A Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in the Series 2008A Bonds to be redeemed in the event the Treasurer redeems

Series 2008A Bonds in part, or (iv) the payment to any Participant or any other person, other than an Owner as shown in the Bond Register, of any amount with respect to principal of, premium, if any, or interest on the Series 2008A Bonds. The Treasurer and the Trustee may treat and consider the person in whose name each Series 2008A Bond is registered in the Bond Register as the absolute Owner of such Series 2008A Bond for the purpose of payment of principal, premium, if any, and interest with respect to such Series 2008A Bond, for the purpose of giving notices of redemption and other matters with respect to such Series 2008A Bond, for the purpose of registering transfers with respect to such Series 2008A Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the Series 2008A Bonds only to or upon the order of the respective Owner, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Treasurer's obligations with respect to payment of principal of, premium, if any, and interest on the Series 2008A Bonds to the extent of the sum or sums so paid. No person other than an Owner shall receive a Series 2008A Bond evidencing the obligation of the Treasurer to make payments of principal, premium, if any, and interest pursuant to this Second Supplemental Indenture. Upon delivery by the Depository to the Owner, Trustee and Treasurer of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the term "Nominee" in this Second Supplemental Indenture shall refer to such nominee of the Depository.

In order to qualify the Series 2008A Bonds for the Depository's book-entry system, the Treasurer shall execute and deliver the Representation Letter to the Depository concurrently with the issuance and delivery of the Series 2008A Bonds to their original purchasers. The execution and delivery of the Representation Letter shall not in any other way limit the provisions of this Section or in any other way impose upon the Treasurer any obligation whatsoever with respect to Persons having interests in the Series 2008A Bonds other than the Owners. In a separate agreement with the Depository, the Trustee shall have agreed to take all action necessary to ensure compliance with all representations of the Treasurer in the Representation Letter with respect to the Trustee at all times. In addition to the execution and delivery of the Representation Letter, the Treasurer shall take such other actions, not inconsistent with this Second Supplemental Indenture, as are reasonably necessary to qualify the Series 2008A Bonds for the Depository's book-entry program.

In the event (i) the Depository determines not to continue to act as securities depository for the Series 2008A Bonds or (ii) the Depository shall no longer so act and gives notice to the Trustee of such determination, then the Treasurer will discontinue the book-entry system with the Depository. If the Treasurer determines to replace the Depository with another qualified securities depository, the Treasurer shall prepare or direct the preparation of a new single, separate, fully registered Series 2008A Bond for each of the maturities of the Series 2008A Bonds, registered in the name of such successor or substitute qualified securities depository or its nominee. If the Treasurer fails to identify another qualified securities depository to replace the Depository then the Series 2008A Bonds shall no longer be restricted to being registered in the Bond Register in the name of the Nominee, but shall be registered in whatever name or names Owners transferring or exchanging Series 2008A Bonds shall designate, in accordance with the provisions of Section 2.6 of the Master Indenture.

Subject to the second paragraph of this Section 2.3, but notwithstanding any other provision of this Second Supplemental Indenture to the contrary, so long as any Series 2008A Bond is registered in the name of the Nominee, all payments with respect to principal of, premium, if any, and interest on such Series 2008A Bond and all notices with respect to such Series 2008A Bond shall

be made and given, respectively by the Trustee on behalf of the Treasurer, as provided in the Representation Letter or as otherwise instructed by the Depository to the Trustee.

The initial Depository under this Section shall be DTC. The initial Nominee shall be Cede & Co., as Nominee of DTC.

**Section 2.4. Transfer of Bonds.** The transfer of Series 2008A Bonds may be registered in accordance with the provisions of Section 2.6 of the Master Indenture, provided that the Trustee shall not be required to register the transfer of any Series 2008A Bond during the five Business Days preceding the selection of Series 2008A Bonds for redemption or of any Series 2008A Bond selected for redemption.

### ARTICLE III

#### [NO] REDEMPTION OF BONDS

**Section 3.1. [Bonds Not Redeemable.]** The Series 2008A Bonds are not subject to redemption prior to their stated maturities.]

### ARTICLE IV

#### REVENUES AND FUNDS

**Section 4.1. Disposition of Bond Proceeds and Certain Other Moneys.** The net proceeds received by the Trustee from the sale of the Series 2008A Bonds shall be credited to the following funds in the amounts hereinafter specified: (i) to the Series 2008A Bonds Costs of Issuance Fund (within this Second Supplemental Indenture, the “Costs of Issuance Fund”) pursuant to Section 4.2. hereof, \$[\_\_\_\_\_][, provided that if the premium for the Bond Insurance Policy has been paid directly to the Bond Insurer by the initial purchasers of the Series 2008A Bonds, the amount to be deposited therein shall be reduced to \$[\_\_\_\_\_]]; and (ii) to the Construction Fund pursuant to Section 4.4 hereof, \$[Construction].

**Section 4.2. Costs of Issuance Fund.** A separate fund is hereby created and designated as the Costs of Issuance Fund. The Costs of Issuance Fund shall be a subaccount of the Transportation Financing Subaccount and shall be under the control of the Department. The moneys in the Costs of Issuance Fund shall be used and withdrawn to pay the Costs of Issuance relating to the Series 2008A Bonds upon submission of written certificate executed by the Treasurer to the Department stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred, that such payment is a proper charge against said fund and that payment for such charge has not previously been made. On or about the first Business Day that is at least six months after the date of issuance of the Series 2008A Bonds, upon the earlier written direction of an Authorized Department Representative, all amounts remaining in the Costs of Issuance Fund shall be deposited in the Debt Service Fund.

**Section 4.3. Rebate Account.** An account within the Rebate Fund is hereby created and designated the “Series 2008A Bonds Rebate Account” (within this Second Supplemental Indenture, the “Rebate Account”), which account is to be under the control of the Trustee. Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Series 2008A Bonds will not be adversely affected, the Department shall deposit, or cause to be

deposited, in the Rebate Account such amounts as are required to be deposited therein pursuant to the Indenture and the Series 2008A Tax Certificate. All money at any time deposited in the Rebate Account shall be held in trust for payment of yield reduction and rebate payments to the United States Treasury. All amounts on deposit in the Rebate Account shall be governed by the Indenture and the Series 2008A Tax Certificate, unless and to the extent that the Department delivers to the Treasurer and the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Series 2008A Bonds will not be adversely affected if such requirements are not satisfied.

**Section 4.4. Subaccounts of Construction Fund.**

(a) Establishment of PPNO 5092 Account. A subaccount in the Construction Fund is hereby created and designated the “Placer County – Interstate 80 Pavement Rehabilitation (PPNO 5092) Account” (the “PPNO 5092 Account”), which account is to be under the control of the Department. The amount of \$[Project 1 Deposit] shall be deposited to the PPNO 5092 Account from the moneys representing proceeds of the Series 2008A Bonds deposited to the Construction Fund pursuant to Section 4.1 hereof. Moneys in the PPNO 5092 Account shall be held and applied to the payment of Construction Costs related to the Placer County – Interstate 80 Pavement Rehabilitation Project and as provided otherwise in the Master Indenture.

(b) Establishment of PPNO 4237 Account. A subaccount in the Construction Fund is hereby created and designated the “Nevada and Sierra Counties – Interstate 80 Pavement Rehabilitation Account” (the “PPNO 4237 Account”), which account is to be under the control of the Department. The amount of \$[Project 2 Deposit] shall be deposited to the PPNO 4237 Account from moneys representing proceeds of the Series 2008A Bonds pursuant to Section 4.1 hereof. Moneys in the PPNO 4237 Account shall be held and applied to the payment of Construction Costs related to the Nevada and Sierra Counties – Interstate 80 Pavement Rehabilitation Project and as provided otherwise in the Master Indenture.

**ARTICLE V**

**[PROVISIONS RELATING TO BOND INSURANCE ]**

**[TBD-Based on Market Conditions]**

**[Section 5.1. Certain Amendments Require Consent of Bond Insurer.** No provision of the Master Indenture or of this Second Supplemental Indenture expressly recognizing or granting rights in or to a Bond Insurer may be amended in any manner which affects the rights of such Bond Insurer thereunder or hereunder without the prior written consent of the Bond Insurer. The Treasurer shall not enter into any contract or take any action as a result of which the rights of a Bond Insurer or security for or sources of payment of the Series 2008A Bonds insured by such Bond Insurer may be impaired or prejudiced in any material respect without the prior written consent of such Bond Insurer. Each Bond Insurer reserves the right to charge a reasonable fee for any consent or amendment to the Master Indenture or this Second Supplemental Indenture and such fee shall be deemed to be an Administrative Expense.

**Section 5.2. Consent of Bond Insurer in Lieu of Owners of Insured 2008A Bonds.** So long as the Bond Insurer has not defaulted on its obligations under the Bond Insurance Policy, the

consent of the Bond Insurer shall be required in lieu of the consent of the Owners of the Insured 2008A Bonds when consent of such Owners is required by the Master Indenture.

**Section 5.3. Other Provisions Relating to Supplemental Indentures.** In determining whether any Supplemental Indenture would adversely effect the interests of the Bondholders, the provisions of such Supplemental Indenture shall be considered as if there were no Bond Insurance Policy in effect.

**Section 5.4. Rights of Bond Insurer in Case of Default.** The Bond Insurer shall be entitled to notify the Trustee, the Treasurer or any applicable receiver of the occurrence of any Event of Default and to request the Trustee or receiver to intervene in judicial proceedings that affect the Insured 2008A Bonds or the security therefor; and the Trustee or receiver is required to accept notice of default from a Bond Insurer as provided for above. For the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of Insured 2008A Bonds are entitled to take pursuant to Article VIII of the Master Indenture, absent a default by the Bond Insurer under the Bond Insurance Policy, the Bond Insurer shall be deemed to be the sole owner of such Insured 2008A Bonds. Upon the occurrence and continuance of an Event of Default, absent a default by the Bond Insurer under the Bond Insurance Policy, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Insured 2008A Bonds. In the event of any reorganization or liquidation of the assets of the Office of the Treasurer or the Department, the Bond Insurer shall have the right to vote on behalf of all Owners of Insured 2008A Bonds absent a default under the Bond Insurance Policy. *[Will conform to insurer requirements.]*

**Section 5.5. Nature of Rights of Bond Insurer.** The rights granted to the Bond Insurer under the Master Indenture and this Second Supplemental Indenture to request, consent to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of its Bond Insurance Policy. Any exercise by the Bond Insurer of such rights is merely the exercise of its contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Owners of Insured 2008A Bonds, nor does such action evidence any position of the Bond Insurer, positive or negative, as to whether such Owners' consent is required in addition to consent of the Bond Insurer.

**Section 5.6. Defeasance.** In addition to the requirements of Article VII of the Master Indenture, in order to defease any Insured 2008A Bonds, the following requirements shall apply: *[Will conform to insurer requirements.]*

**Section 5.7. Successor Trustees.** The Bond Insurer shall be furnished with written notice of the resignation or removal of the Trustee or any Paying Agent or Registrar and the appointment of any successor thereto.

**Section 5.8. Payments Made by Bond Insurer.** Any principal of or interest on Bonds paid by the Bond Insurer pursuant to its Bond Insurance Policy shall not be deemed paid for purposes of the Master Indenture and shall remain Outstanding and continue to be due and owing until paid by the Treasurer in accordance with the Master Indenture. To the extent that a Bond Insurer makes any payment of principal of or interest on Insured 2008A Bonds, the Bond Insurer shall become subrogated to the rights of the recipients of such payments in accordance with the terms of the applicable Bond Insurance Policy. The Master Indenture shall not be discharged until all amounts due or to become due to the Bond Insurer have been paid in full or duly provided for.

**Section 5.9. Payment Provision Bond Insurer.** As long as the Ambac Financial Guaranty Insurance Policy shall be in full force and effect, the Treasurer, the Trustee and any Paying Agent agree to comply with the following provisions: *[Will conform to insurer requirements.]*

**Section 5.10. Additional Notices.** The Bond Insurer shall receive a copy of all reports, notices and correspondence required to be delivered to Bondholders under the terms of the Master Indenture and this Second Supplemental Indenture. In addition, each Bond Insurer shall be provided with *[Will conform to insurer requirements.]*

**Section 5.11. Notices.** Accept as otherwise provided in this Second Supplemental Indenture, all notices, certificates, requests, requisitions or other communications required or permitted to be made to the Bond Insurer shall be in writing and shall be sufficiently given and shall be deemed given when mailed by registered mail, postage pre-paid addressed as follows:

If to the Bond Insurer:]

## ARTICLE VI

### MISCELLANEOUS PROVISIONS

**Section 6.1. Incorporation by Reference of Master Indenture.** The Master Indenture is incorporated herein by this reference as though set forth in full; and except to the extent specifically otherwise provided for herein, each of the provisions thereof shall be deemed to be in full force and effect with respect to the Series 2008A Bonds.

**Section 6.2. Parties in Interest.** Except as herein otherwise specifically provided and notwithstanding any provision of the Master Indenture to the contrary, nothing in this Second Supplemental Indenture expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the Commission, the Treasurer, the Department, the Paying Agent, the Trustee and the Secured Owners of or with respect to the Series 2008A Bonds any right, remedy or claim under or by reason of this Second Supplemental Indenture, this Second Supplemental Indenture being intended to be for the sole and exclusive benefit of the Commission, the Treasurer, the Department, the Paying Agent, the Trustee and the Secured Owners of the Series 2008A Bonds.

**Section 6.3. Notices to Rating Agencies.** The Trustee shall promptly notify each Rating Agency of: (i) the resignation, termination, or appointment of a successor to the Trustee, the Paying Agent, or the Registrar; (ii) any amendment to the Master Indenture or this Second Supplemental Indenture; or (iii) a defeasance of any Series 2008A Bond.

**Section 6.4. Tax Covenants.**

(a) The Department covenants that it will use, and will restrict the use and investment of, the proceeds of the Series 2008A Bonds in such manner and to such extent as may be necessary so that (i) the Series 2008A Bonds will not (1) constitute private activity bonds, arbitrage bonds or hedge bonds under Section 141, 148 or 149 of the Code; or (2) be treated other than as bonds to which Section 103(a) of the Code applies, and (ii) the interest thereon will not be treated as a preference item under the Code for purposes of the federal alternative minimum tax.

(b) The Department further covenants (i) that it will take or cause to be taken such actions that may be required of it for the interest on the Series 2008A Bonds to be and remain excluded from gross income for federal income tax purposes, (ii) that it will not take or authorize to be taken any actions that would adversely affect that exclusion, and (iii) that it, or persons acting for it, will, among other acts of compliance, (1) apply the proceeds of the Series 2008A Bonds to the governmental purposes of the borrowing, (2) restrict the yield on investment property, (3) make timely and adequate payments to the federal government as required under the Series 2008A Tax Certificate, (4) maintain books and records and make calculations and reports, and (5) refrain from certain uses of those proceeds and, as applicable, of property financed with such proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Code.

(c) The Department covenants that it will take no action inconsistent with the expectations stated in the Series 2008A Tax Certificate and will comply with the covenants and requirements stated therein and incorporated by reference herein.

**Section 6.5 Amendment to Master Indenture without Consent of the Bondholders.** The second paragraph of Section 2.1 of the Master Indenture is hereby deleted and replaced with the following:

“All Bonds shall contain on the face thereof a statement to the following effect:

This Bond shall not be deemed to constitute a debt or liability of the State of California or of any political subdivision thereof; and neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of this Bond. The State of California shall not be obligated to pay the principal of, or interest on this Bond, except from the Trust Estate, as provided in the Master Trust Indenture dated as of February 1, 2004, as amended and supplemented from time to time. The issuance of this Bond shall not directly or indirectly or contingently obligate the State of California or any of its political subdivisions to levy or to pledge any form of taxation whatever or to make any payment with respect to this Bond.”

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed all as of the date first above written.

TREASURER OF THE STATE OF CALIFORNIA,  
as Issuer and Trustee

---

Deputy Treasurer  
For State Treasurer, Bill Lockyer

CALIFORNIA TRANSPORTATION COMMISSION

---

Executive Director

CALIFORNIA DEPARTMENT OF  
TRANSPORTATION

---

Authorized Department Representative

**EXHIBIT A**

**FORM OF SERIES 2008A BOND**

R-\_\_

\$\_\_\_\_\_

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

As provided in the Indenture referred to herein, until the termination of the system of book-entry only transfers through DTC and notwithstanding any other provision of the Indenture to the contrary, a portion of the principal amount of this Bond may be paid or redeemed without surrender hereof to the Paying Agent, DTC or a nominee, transferee or assignee of DTC of this Bond may not rely upon the principal amount indicated hereon as the principal amount hereof outstanding and unpaid. The principal amount hereof outstanding and unpaid shall for all purposes be the amount determined in the manner provided in the Indenture.

**STATE OF CALIFORNIA  
(CALIFORNIA DEPARTMENT OF TRANSPORTATION)  
FEDERAL HIGHWAY GRANT ANTICIPATION BONDS  
SERIES 2008A**

*This Bond shall not be deemed to constitute a debt or liability of the State of California or of any political subdivision thereof; and neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of this Bond. The State of California shall not be obligated to pay the principal of, or interest on this Bond, except from the Trust Estate, as provided in the Master Trust Indenture dated as of February 1, 2004, as amended and supplemented from time to time. The issuance of this Bond shall not directly or indirectly or contingently obligate the State of California or any of its political subdivisions to levy or to pledge any form of taxation whatever or to make any payment with respect to this Bond.*

INTEREST RATE                      MATURITY DATE                      DATED DATE                      CUSIP NO.  
  
\_\_\_\_\_ %                      February 1, \_\_\_\_\_                      [Closing Date]                      \_\_\_\_\_

REGISTERED OWNER:              CEDE & CO.

PRINCIPAL AMOUNT:              \_\_\_\_\_ AND NO/100 DOLLARS

The STATE OF CALIFORNIA (the “State”), for value received, hereby promises to pay (but solely out of the funds hereinafter mentioned) to the registered owner specified above or registered assigns (the “Owner”) the principal amount stated above on the maturity date stated above and to pay interest thereon at the interest rate specified above to the person shown in the Bond Register as the Owner hereof as of the close of business of the fifteenth (15<sup>th</sup>) day of the month preceding an Interest Payment Date (as defined herein) (the “Record Date”), except as otherwise provided below, on each February 1 and August 1, commencing on February 1, 2009 (each such date, an “Interest Payment Date”) by bank check of \_\_\_\_\_ (the “Trustee”), as paying agent (the “Paying Agent”), sent by first class mail to such Owner at the address of such Owner as it appears on the register kept by the Registrar or at such other address as has been furnished to the Registrar in writing by such Owner, or in immediately available funds (by wire transfer to an account within the United States or by deposit to such an account of the Owner if such account is maintained with the Paying Agent), but

only to any Owner which owns Series 2008A Bonds in an aggregate principal amount of at least \$1,000,000 on the Record Date and has provided written instructions to the Registrar.

This Bond is one of a duly authorized issue of Bonds designated “State of California (California Department of Transportation) Federal Highway Grant Anticipation Bonds, Series 2008A,” issued in an aggregate initial principal amount of \$[143,000,000] (the “Bonds” or the “Series 2008A Bonds”). The Bonds are issued pursuant to the provisions of Chapter 4, Part 5.3, Division 3 of Title 2 (sections 14550 et seq. of the California Government Code, as amended) and under the Master Trust Indenture dated as of February 1, 2004, by and among the Commission, the Department, the Treasurer and the Trustee, as supplemented by the First Supplemental Indenture of Trust dated as of February 1, 2004 and the Second Supplemental Indenture of Trust dated as of [October] 1, 2008 (such Master Trust Indenture, as so supplemented, the “Indenture”). Copies of the Indenture are on file with the Trustee. The Bonds are issued for the principal purpose of providing financing for Construction Costs of the Construction Projects. Capitalized terms which are not otherwise defined herein shall have the respective meanings ascribed to them in the Indenture.

Each Series 2008A Bond is issued in a denomination of \$5,000 or any integral multiple thereof (an “Authorized Denomination”) and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) unless it is authenticated on or before the first Record Date, in which event it shall bear interest from the Dated Date specified above; provided, that if, as of the date of authentication of any such Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment. Both principal of and interest on this Series 2008A Bond are payable in lawful money of the United States of America, and (except for interest, which is payable by check as stated above) are payable upon presentation of this Series 2008A Bond at the Principal Office of the Paying Agent in \_\_\_\_\_, California or such other place as may be designated by the Trustee. Interest on this Series 2008A Bond shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

**NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, OR INTEREST ON, THIS SERIES 2008A BOND. THIS SERIES 2008A BOND DOES NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.**

The Treasurer of the State of California (the “Treasurer”) and the Trustee may treat the Owner of this Series 2008A Bond (as evidenced by the Bond Register) as its absolute Owner for all purposes, and the Treasurer and the Trustee shall not be affected by any notice to the contrary.

All of the Bonds are secured in accordance with the terms of the Indenture, reference to which is hereby made for a specific description of the security provided for the Bonds, for the nature, extent and manner of enforcement of such security, for the covenants and agreements made for the benefit of the Owners of the Series 2008A Bonds, and for a statement of the rights of the Owners of the Series 2008A Bonds. By the acceptance of this Series 2008A Bond the Owner hereof consents to all of the terms, conditions and provisions of the Indenture including, but not limited to, the limitations on the exercise of certain remedies set forth therein. In the manner provided in the Indenture, the Indenture and the rights and obligations of the Treasurer and of the Owner may (with

certain exceptions as stated in the Indenture) be modified or amended with the consent of the Owners of not less than a majority of the aggregate principal amount of all the Bonds then Outstanding under the Indenture, including the Series 2004A Bonds and any additional Series of Bonds issued under the Indenture, unless the modification or amendment is for the purpose of curing ambiguities, defects, or accomplishing the other purposes set forth in the Indenture, in which case no consent of the Owners is required.

The principal of and interest on this Series 2008A Bond are secured by an irrevocable pledge of, and are payable solely out of, the Trust Estate, all as more particularly set forth in the Indenture. The Series 2008A Bonds are issued on a parity with any additional obligations meeting the requirements of the Indenture for Bonds on a parity with the Series 2008A Bonds.

**[The Series 2008A Bonds are not subject to redemption prior to their maturity.]**

This Series 2008A Bond is issued in fully registered form and is negotiable upon proper transfer of registration. This Series 2008A Bond may be exchanged for an aggregate principal amount of the Series 2008A Bonds in an Authorized Denomination. This Series 2008A Bond is transferable by the Owner in person or by his attorney duly authorized in writing, at the Principal Office of the Registrar, upon surrender and cancellation of this Series 2008A Bond but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture. Upon transfer, a new Series 2008A Bond of any Authorized Denomination for the same aggregate principal amount will be issued to the transferee in exchange therefor.

This Series 2008A Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been signed by the Trustee.

It is hereby recited, certified and declared that any and all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Series 2008A Bonds exist, have happened and have been performed in due time, form and manner as required by the Constitution and laws of the State of California.

IN WITNESS WHEREOF, the Treasurer has caused this Series 2008A Bond to be signed on its behalf by facsimile signature, all as of the date set forth above.

---

Treasurer of the State  
of California

[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the Series 2008A Bonds described in the within-mentioned Indenture.

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

\_\_\_\_\_,  
as Registrar

---

Deputy Treasurer  
For State Treasurer, Bill Lockyer

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within-registered Bond and hereby irrevocably constitute(s) and appoints(s)

\_\_\_\_\_, attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated:

Signature Guaranteed:

Signature:

Note: Signature(s) must be guaranteed by an eligible guarantor institution.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within registered Bond in every particular without alteration or enlargement or any change whatsoever.

*Table of Contents*

	<i>Page</i>
<b>ARTICLE I DEFINITIONS .....</b>	<b>1</b>
<b>Section 1.1 Definitions .....</b>	<b>1</b>
<b>ARTICLE II FORM, EXECUTION, DELIVERY AND REGISTRATION OF BONDS .....</b>	<b>3</b>
<b>Section 2.1 Issuance of Bonds; Form .....</b>	<b>3</b>
<b>Section 2.2 Terms of the Bonds .....</b>	<b>3</b>
<b>Section 2.3 Book-Entry System .....</b>	<b>4</b>
<b>Section 2.4 Transfer of Bonds .....</b>	<b>6</b>
<b>ARTICLE III NO REDEMPTION OF BONDS .....</b>	<b>6</b>
<b>Section 3.1 Bonds Not Redeemable .....</b>	<b>6</b>
<b>ARTICLE IV REVENUES AND FUNDS .....</b>	<b>6</b>
<b>Section 4.1 Disposition of Bond Proceeds and Certain Other Moneys .....</b>	<b>6</b>
<b>Section 4.2 Costs of Issuance Fund .....</b>	<b>6</b>
<b>Section 4.3 Rebate Account .....</b>	<b>6</b>
<b>Section 4.4 Subaccounts of Construction Fund .....</b>	<b>7</b>
<b>ARTICLE V PROVISIONS RELATING TO BOND INSURANCE .....</b>	<b>7</b>
<b>Section 5.1 Certain Amendments Require Consent of Bond Insurers.....</b>	<b>7</b>
<b>Section 5.2 Consent of Bond Insurers in Addition to Bondholders.....</b>	<b>7</b>
<b>Section 5.3 Other Provisions Relating to Supplemental Indentures .....</b>	<b>8</b>
<b>Section 5.4 Rights of Bond Insurers in Case of Default .....</b>	<b>8</b>
<b>Section 5.5 Nature of Rights of Bond Insurers .....</b>	<b>8</b>
<b>Section 5.6 Defeasance .....</b>	<b>8</b>
<b>Section 5.7 Successor Trustees .....</b>	<b>8</b>
<b>Section 5.8 Payments Made by Bond Insurer .....</b>	<b>8</b>
<b>Section 5.9 Payment Provision for Ambac Insured Bonds .....</b>	<b>9</b>
<b>Section 5.10 Additional Notices .....</b>	<b>9</b>
<b>Section 5.11 Notices.....</b>	<b>9</b>
<b>ARTICLE VI MISCELLANEOUS PROVISIONS .....</b>	<b>9</b>
<b>Section 6.1 Incorporation by Reference of Master Indenture .....</b>	<b>9</b>
<b>Section 6.2 Parties in Interest .....</b>	<b>9</b>
<b>Section 6.3 Notices to Rating Agencies .....</b>	<b>9</b>
<b>Section 6.4 Tax Covenants .....</b>	<b>9</b>
<b>EXHIBIT A Form of Series 2008A Bond .....</b>	<b>A-1</b>
<b>EXHIBIT B Form of Blanket Issuer Letter Of Representations .....</b>	<b>B-1</b>
<b>EXHIBIT C Series 2008A Construction Projects .....</b>	<b>C-1</b>

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**STATE OF CALIFORNIA  
(CALIFORNIA DEPARTMENT OF TRANSPORTATION)  
FEDERAL HIGHWAY GRANT ANTICIPATION BONDS  
SERIES 2008A**

**PURCHASE CONTRACT**

October \_\_\_\_, 2008

The Honorable Bill Lockyer  
Treasurer of the State of California  
915 Capitol Mall, Room 261  
Sacramento, California 95814

Honorable Bill Lockyer:

The undersigned, J.P. Morgan Securities Inc., for itself and as representative of \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
(collectively, the “Underwriters”), offers to enter into this Purchase Contract (the “Purchase Contract”) with the Treasurer of the State of California (the “State Treasurer”). Upon acceptance hereof and approval by the California Department of Transportation (the “Department”), and upon acknowledgement hereof by the California Transportation Commission (the “Commission”), this offer will become binding upon the State Treasurer, the Department and the Underwriters. This offer is made subject to acceptance by delivery to the Representative of an executed counterpart hereof at or prior to 11:59 p.m., Pacific Time, on this date, or on such later time as shall have been consented to by the State Treasurer and the Underwriter.

Capitalized terms used in this Purchase Contract and not otherwise defined herein shall have the meanings ascribed to such terms as set forth in the Indenture (defined below).

Any authority, discretion or other power conferred upon the Underwriters by this Purchase Contract may be exercised by J.P. Morgan Securities Inc. (the “Representative”) alone.

**1. PURCHASE, SALE AND DELIVERY OF THE BONDS; OFFICIAL STATEMENT.**

(a) Upon the basis of the representations, warranties and agreements herein set forth and subject to the terms and conditions contained herein, the Underwriters hereby,

jointly and severally, agree to purchase from the State Treasurer, and the State Treasurer hereby agrees to sell to the Underwriters, all (but not less than all) of the \$\_\_\_\_\_ aggregate principal amount of the State of California (California Department of Transportation) Federal Highway Grant Anticipation Bonds, Series 2008A (the "Bonds"). The Bonds shall be dated their date of delivery and bear interest at the rates and mature on the dates and in the principal amounts as set forth in Exhibit A hereto.

The Underwriters shall purchase the Bonds at an aggregate price of \$\_\_\_\_\_ (being the aggregate principal amount of the Bonds of \$\_\_\_\_\_, less an underwriters' discount of \$\_\_\_\_\_, and plus a net premium of \$\_\_\_\_\_) (the "Purchase Price"). Such payment and delivery and the other actions contemplated hereunder to be taken at the time of such payment and delivery being sometimes called the "Closing."

The Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable as provided in, that certain Master Indenture of Trust, dated as of February 1, 2004, as amended by a First Supplemental Indenture dated as of February 1, 2004 (the "Master Indenture"), and that certain Second Supplemental Indenture, dated as of September 1, 2008 (the "Second Supplemental Indenture," and, together with the Master Indenture, the "Indenture"), each among the Commission, the Department and the State Treasurer, as issuer and trustee (the "Trustee").

[The Bonds maturing on February 1, 20\_\_ (the "Uninsured Bonds") will not be insured.]

[The scheduled payment of principal and interest when due with respect to the Bonds maturing on February 1, 20\_\_, 20\_\_ and 20\_\_ (collectively, the "Insured Bonds"), shall be guaranteed under an insurance policy (the "Bond Insurance Policy") to be issued concurrently with the delivery of the Bonds by \_\_\_\_\_ (the "Bond Insurer").]

The State Treasurer and the Department have each delivered to the Representative certificates, dated the date of the Preliminary Official Statement (defined below), pursuant to Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12") relating to the Preliminary Official Statement, in substantially the forms attached hereto as Exhibit B-1 and Exhibit B-2, respectively.

Prior to the date hereof, the Commission has, pursuant to its Resolutions adopted on April 9, 2008 and August \_\_, 2008 (collectively, the "Commission Resolution"), done the following: pledged the Federal Transportation Funds, selected the Construction Projects to be financed with the Bonds, requested the State Treasurer to issue the Bonds, made the findings and taken all actions required of the Commission by Chapter 4 (commencing with Section 14550) of Part 5.3 of Division 3 of Title 20 of the California Government Code (the "Act"), and authorized the execution and delivery of the Second Supplemental Indenture, acknowledgment of this Purchase Contract and participation in the preparation of the Official Statement (defined below).

Prior to the date hereof, the Department has done the following: authorized the execution and delivery of the Second Supplemental Indenture, this Purchase Contract and the Continuing Disclosure Agreement (as hereinafter defined); approved and authorized the distribution of the Preliminary Official Statement and the Official Statement (each as herein defined); executed and

delivered a Memorandum of Agreement, dated August \_\_\_, 2008, between the Federal Highway Administration (“FHWA”) and the Department and a Federal Aid Project Agreement, dated August \_\_\_, 2008, between the FHWA and the Department (collectively, the “Federal Aid Agreement”), pursuant to which FHWA has agreed to pay Federal Transportation Funds (as defined in the Indenture) to the Department in amounts sufficient to pay, when due, the Bonds.

(b) The State Treasurer has delivered to the Underwriters the Preliminary Official Statement dated September [18], 2008 relating to the Bonds (the “Preliminary Official Statement”). The State Treasurer shall deliver within seven business days of the date of this Purchase Contract, but in any event not later than two business days prior to the Closing, the final Official Statement dated the date hereof substantially in the form of the Preliminary Official Statement, with only such changes therein as have been accepted by the Underwriters (the Preliminary Official Statement with such changes, and including the cover page and all appendices, exhibits, reports and statements included therein or attached thereto, being herein called the “Official Statement”). The Official Statement shall be signed on behalf of the State Treasurer by a Deputy Treasurer, and on behalf of the Department by its Chief Financial Officer (or such other officers as are acceptable to the Underwriters), and shall be in such quantities as the Underwriters shall request to comply with Rule 15c2-12(b)(4) and the rules of the Municipal Securities Rulemaking Board (the “MSRB”).

(c) The State Treasurer and the Department each hereby authorizes the use of the Official Statement and the information contained therein by the Underwriters in connection with the public offering and the sale of the Bonds. The State Treasurer and the Department each consents to the use by the Underwriters prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Bonds.

(d) The Department shall undertake, pursuant to the Continuing Disclosure Agreement to be dated the Closing Date (the “Continuing Disclosure Agreement”), between the Department and the State Treasurer, as the dissemination agent, to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking and the form of the Continuing Disclosure Agreement are set forth in the Preliminary Official Statement and shall also be set forth in the final Official Statement.

(e) At 8:00 A.M., California time, on October \_\_\_, 2008, or on such earlier or later date as may be mutually agreed upon by the Underwriters and the State Treasurer (the “Closing Date”), the State Treasurer will deliver or cause to be delivered to The Depository Trust Company (“DTC”) for the account of the Underwriters in New York, New York, or at such other place as may be agreed upon between the State Treasurer and the Underwriters, the Bonds in definitive form, bearing proper CUSIP numbers, duly executed and authenticated, together with the other documents hereinafter mentioned, and, subject to the terms and conditions of this Purchase Contract, the Underwriters will accept delivery of the Bonds through the facilities of DTC or such other place as shall have been mutually agreed upon by the Underwriters and the State Treasurer and pay the Purchase Price (less the amount of the deposit referred to in Section 1(g) of this Purchase Contract) by wire transfer in immediately available funds to the order of the State Treasurer, for deposit as provided in the Indenture (or by such other form of payment in immediately available funds as shall have been mutually agreed upon by the State Treasurer and the Underwriters). Delivery of the documents provided for herein to be made at

the Closing and payment for the Bonds as aforesaid shall be made at the office of the State Treasurer in Sacramento, California, or such other place as shall have been mutually agreed upon by the Underwriters and the State Treasurer.

The Bonds shall be issued in fully registered form, shall be evidenced by typewritten, lithographed or word processed bonds forms, and shall be prepared and delivered as one Bond for each interest rate within a maturity within a series registered in the name of Cede & Co., as nominee of DTC. The Bonds shall be made available to the Underwriters at the office of the State Treasurer in Sacramento, California (or such other place or date as shall have been mutually agreed upon by the State Treasurer and the Underwriters) by one day prior to the Closing for purposes of inspection and packaging.

(f) The Underwriters have entered into this Purchase Contract in reliance upon: the representations and warranties of the State Treasurer and the Department contained herein; the certificates of the State Treasurer, the Commission, the Department and the Trustee to be delivered pursuant to this Purchase Contract and the Indenture; and the opinions of the Honorable Edmund G. Brown Jr., Attorney General of the State of California (the "Attorney General"), Squire, Sanders & Dempsey L.L.P. ("Bond Counsel"), Hawkins, Delafield & Wood LLP ("Disclosure Counsel"), counsel to the Commission and counsel to the Department, which are required to be delivered pursuant to this Purchase Contract and the Indenture.

(g) The State Treasurer acknowledges receipt of a wire transfer (in immediately available funds) for the account of the Department (or such other form of payment in immediately available funds as shall have been mutually agreed upon by the State Treasurer and the Underwriters) in an amount equal to \$\_\_\_\_\_. Such wire transfer (or other form of payment) has been delivered by the Underwriters as security for the performance by the Underwriters of their obligations hereunder to purchase, accept delivery of and pay for the Bonds at Closing.

On the Closing Date, the Underwriters shall pay or cause to be paid \$\_\_\_\_\_, which is the Purchase Price of the Bonds (as specified in this Section 1(a)), less [(i)] the amount of such deposit of \$\_\_\_\_\_, without interest, [and (ii)] \$\_\_\_\_\_ which is the amount of the premium for the Bond Insurance Policy, which amount the Underwriters shall wire transfer to the Bond Insurer]. If the State Treasurer and the Department do not accept this offer, the State Treasurer shall forthwith return the amount of such deposit, without interest to the Underwriters. Should the State Treasurer fail to deliver the Bonds on the Closing Date, or should the State Treasurer, the Commission or the Department be unable to satisfy the conditions to the obligations of the Underwriters to accept delivery of and to pay for the Bonds as set forth in this Purchase Contract (unless waived by the Underwriters), or should such obligations of the Underwriters be terminated for a reason permitted by this Purchase Contract, then the State Treasurer shall forthwith return the amount of such deposit, without interest, to the Underwriters. If the Underwriters fail (other than for a reason permitted hereunder) to accept delivery of and pay for any of the Bonds at the Closing as herein provided, then such deposit shall be retained by the State Treasurer on behalf of the Department as and for full liquidated damages for the failure of the Underwriters to accept delivery of and pay for the Bonds. The retention of such sum shall constitute a full release and discharge of all claims and rights of the State Treasurer, the Commission and the Department against the Underwriters on

account of such failure and a waiver of any right the State Treasurer, the Commission and the Department may have to additional damages for such failure. The Underwriters waive any right to claim that actual damages resulting from such failure are less than the amount of such liquidated damages.

## **2. REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF THE STATE TREASURER.**

The State Treasurer represents and warrants to and agrees with the Underwriters as follows:

(a) As of the date of this Purchase Contract, the State Treasurer has, and at the Closing Date will have, requisite right, power and authority under the Act and other laws to enter into this Purchase Contract, the Indenture and Continuing Disclosure Agreement, as dissemination agent, and the Tax Compliance Certificate for the Bonds (the “Tax Certificate”), and to issue the Bonds.

(b) As of the date of this Purchase Contract, all requirements of the Act, other laws and administrative regulations, and all authorizations, approvals, licenses, consents and orders of any governmental authority or agency or officer having jurisdiction of the matter, which would constitute a condition precedent to, or the absence of which would materially and adversely affect, the performance by the State Treasurer of his obligations under the Bonds, this Purchase Contract, the Indenture and Continuing Disclosure Agreement, have been complied with or obtained and are in full and continuing force and effect.

(c) The State Treasurer has authorized the execution and delivery of the Second Supplemental Indenture, the Continuing Disclosure Agreement, the Tax Certificate and this Purchase Contract, and the delivery of the Official Statement, and is authorized to perform the obligations on his part to be performed under the Indenture, the Tax Certificate, the Continuing Disclosure Agreement and this Purchase Contract, and at the date of Closing, this Purchase Contract, the Indenture, the Tax Certificate and the Continuing Disclosure Agreement will each constitute the legal, valid and binding obligations of the State Treasurer enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, or other laws affecting the enforcement of creditors’ rights generally and by the application of equitable principles if equitable remedies are sought.

(d) At the Closing, the Bonds will have been duly authorized, executed, issued and delivered and, upon payment by the Underwriters, will constitute valid and binding limited obligations as provided in the Indenture, enforceable in accordance with their terms, in conformity with, and entitled to the benefit and security of, the Indenture.

(e) The State Treasurer shall furnish or cause to be furnished such information, execute or cause to be executed such instruments and take or cause to be taken such other action in cooperation with the Underwriters as the Underwriters may deem necessary in order to (i) qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect

so long as required for distribution of the Bonds; provided, however, that the foregoing shall not require the State Treasurer to execute a consent to service of process or to qualify as a foreign corporation in connection with such qualification in any foreign jurisdiction.

(f) The execution and delivery by the State Treasurer of the Bonds, the Indenture, the Continuing Disclosure Agreement, this Purchase Contract, the Tax Certificate and the [delivery by the State Treasurer of the] Official Statement, and compliance with the provisions on the State Treasurer's part contained therein, will not violate or constitute a breach of or default under the Act or any other law, administrative regulation, judgment, decree, loan agreement, pledge agreement, indenture, bond, note, resolution, agreement or other instrument to which the State Treasurer 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 the Federal Transportation Funds under the terms of the Act, or any such law, administrative regulation, judgment, decree, loan agreement, pledge agreement, indenture, bond, note, resolution, agreement or other instrument, except as expressly provided by the Indenture.

(g) At the time of the State Treasurer's acceptance of this Purchase Contract and at all times subsequent thereto up to and including the time of the Closing, the Official Statement (excluding the information relating to the Commission, the Department, DTC [and the Bond Insurer]) is and will be true and correct in all material respects, and does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, it being further understood that no such representation, warranty or agreement shall apply to statements or information in or omissions from the Official Statement furnished by the Underwriters for inclusion therein or with respect to which the Department agrees to indemnify the Commission and the State Treasurer as provided in Section 3(o) hereof.

(h) If, between the date of this Purchase Contract and up to and including the 25th day following the "end of the underwriting period" (as such term is defined in Rule 15c2-12(f)(2)) any event occurs, of which the State Treasurer has actual knowledge, or information becomes known to the State Treasurer, which might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of the material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or if the State Treasurer is notified by the Department, or is otherwise requested by the Department or the Commission to amend, supplement or otherwise change the Official Statement, then (A) the State Treasurer shall promptly notify the Underwriters and the Department of such event, and (B) if in the opinion of Disclosure Counsel or the Underwriters, such event requires the preparation and publication of a supplement or amendment to the Official Statement, then the State Treasurer shall amend or supplement the Official Statement in a form and in a manner approved by the Underwriters and Disclosure Counsel, provided all expense thereby incurred will be paid by the Department as provided in Section 3(k) hereof. For the purposes of this Section 2(h), the State Treasurer shall furnish to the Underwriters such information as the Underwriters may from time to time reasonably request.

The State Treasurer may assume that the “end of the underwriting period” for purposes of Rule 15c2-12 will occur on the Closing Date unless otherwise notified, in writing, by the Underwriters on or prior to the Closing Date.

(i) From the date of the final Official Statement through twenty-five (25) days from the date of the end of the underwriting period (as such term is defined in Rule 15c2-12)), (i) the State Treasurer shall not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Department or the Underwriters shall reasonably object in writing or which shall be disapproved by any of their respective counsel and (ii) if any event shall occur or information becomes known as a result of which it is necessary, in the opinion of Disclosure Counsel or the Underwriters, to amend or supplement the Official Statement in order to make the Official Statement true and correct in all material respects and not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made not, misleading, then the State Treasurer shall forthwith prepare and furnish to the Underwriters and the Department (at the expense of the Department for ninety (90) days from the date of Closing, and thereafter at the expense of the Underwriters) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to Disclosure Counsel and the Underwriters) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading. For purposes of this subsection, the State Treasurer shall furnish such information as the Underwriters may from time to time reasonably request.

### **3. REPRESENTATIONS, WARRANTIES, AND AGREEMENTS OF THE DEPARTMENT.**

The Department hereby represents, warrants and agrees as follows:

(a) The Department is an agency of the State of California, duly organized and validly existing under the laws of the State of California. The Department has, and at the Closing Date will have, full legal right, power and authority: (i) to enter into this Purchase Contract, the Second Supplemental Indenture, the Continuing Disclosure Agreement, a Tax Certificate with respect to the Bonds, and the Federal Aid Agreement (collectively the “Department Documents”), (ii) to approve the Official Statement, and (iii) to carry out and consummate all transactions contemplated by the Department Documents and the Official Statement. The Department has duly authorized the execution and delivery of the Department Documents, has approved the Official Statement, and has authorized the distribution of the Preliminary Official Statement and the Official Statement.

(b) The officers of the Department executing the Department Documents and approving and executing the Official Statement are duly and properly in office and are fully authorized to execute, deliver and approve the same.

(c) The review, approval and execution of the Official Statement by officers of the Department has been authorized by the Department; the execution and delivery of the Department Documents has been duly authorized and at the Closing each of the Department

Documents will have been duly executed and delivered by the Department and will constitute the legal, valid and binding obligation of the Department enforceable against the Department in accordance with its terms, except as enforcement of each of the above-referenced documents may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought.

(d) The Department is not (i) in violation of the Act, Federal Aid Authorization (as defined in the Indenture) or any other applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree, which violation would materially adversely affect the receipt of Federal Transportation Funds or the financial position or operations of the Department or (ii) in default under any loan agreement, pledge agreement, indenture, bond, note, resolution, agreement or other instrument to which the Department is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute an event of default under any such instrument, which default would materially adversely affect the receipt by the Department of Federal Transportation Funds pursuant to the Federal Aid Agreement in amounts sufficient to pay, when due, the Bonds, or the financial position or operations of the Department.

(e) As of date of this Purchase Contract, (i) all appropriations, legislation and all other actions of the State Legislature have been enacted, signed by the State Governor and are in full force and effect as are necessary or appropriate under State law to provide full and continuing legal authority so long as the Bonds are outstanding for (A) the Department to deposit all Federal Transportation Funds as defined in the Indenture into the Senior Lien Debt Service Fund (as defined in the Indenture) in the amount, and as and when, required by the Indenture, and (B) the State Treasurer to withdraw Federal Transportation Funds from the Senior Lien Debt Service Fund and Subordinated Lien Debt Service Fund and Bond proceeds from the Construction Fund as required by the Indenture and pay such money to the Trustee in the amount, and as and when, required to pay all principal of and interest on the Bonds, when due, (ii) all requirements of the Act and other laws and regulations pertaining to the Department in connection with authorization of and compliance with the Department Documents have been complied with, and (iii) all licenses, consents and orders of any governmental authority or agency or officer that would constitute a condition precedent to, or the absence of which would materially and adversely affect, the performance by the Department of its obligations under the Department Documents have been obtained and are in full and continuing force and effect.

(f) The execution and delivery of the Department Documents by the Department, the Department's approval of the Official Statement, the consummation by the Department of the transactions herein and therein contemplated, and the Department's fulfillment of or compliance with the terms and conditions hereof and thereof, will not (i) violate or constitute a breach of or default (with due notice or the passage of time or both) under (A) the Act, Federal Aid Authorization, or any other law or administrative rule or regulation or any court or administrative decree or order applicable to the Department, (B) any bylaws, orders or regulations of the Department, or (C) any Federal Aid Agreement or any other indenture, mortgage, deed of trust, loan agreement, pledge agreement, contract, lease or other agreement or instrument to which the Department is a party or by which it or its properties are otherwise subject or bound, or (ii) result in the creation or imposition of any lien, charge or encumbrance of

any nature whatsoever upon any of the property or assets of the Department (other than the pledge created under the Indenture), which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Department Documents or the Official Statement, or receipt by the Department of Federal Transportation Funds pursuant to the Federal Aid Agreement in amounts sufficient to pay, when due, the Bonds, or the financial condition, assets, properties or operations of the Department.

(g) No consent or approval of any trustee or holder of any indebtedness or other obligations of the Department, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except in connection with Blue Sky proceedings) is necessary in connection with the execution and delivery of this Purchase Contract or any other Department Documents at the Closing, the approval of the Official Statement, or the consummation of any transaction contemplated herein, therein or under the Federal Aid Agreements, except in all such cases as have been obtained or made and as are in full force and effect.

(h) There are no actions, suits, proceedings, inquiries or investigation which have been served on the Department or, to the knowledge of the Department, are otherwise pending or threatened against the Department:

(1) to restrain or enjoin the issuance or delivery of any of the Bonds or the receipt by the Department of Federal Transportation Funds or any payments to be made by the Department pursuant to the Department Documents;

(2) in any way contesting or affecting the issuance or delivery of the Bonds, the validity when executed and delivered of the Bonds or the Department Documents, or the receipt by the Department of Federal Transportation Funds; or

(3) in any way contesting the existence or powers of the Department which, if determined adversely to it, might materially adversely affect the consummation of the transactions contemplated by the Department Documents or the financial condition, assets or properties of the Department.

(i) Between the date hereof and the Closing, the Department will not, without the prior written consent of the Underwriters, except as described in or contemplated by the Official Statement, incur any material liabilities, direct or contingent, affecting the financial condition or operations of the Department other than in the ordinary course of Department business.

(j) The Department shall cooperate with the State Treasurer to deliver, or cause to be delivered, to the Underwriters, within seven (7) business days after acceptance hereof, copies of the Official Statement, dated the date hereof, substantially in the form of the Preliminary Official Statement, with only such changes therein as have been accepted by the Underwriters, signed on behalf of the Department by its Chief Financial Officer (or such other officers as are acceptable to the Underwriters), in such quantities as the Underwriters shall request. The Department confirms that it deemed the information contained in the Preliminary

Official Statement to be final as of its date for purposes of Securities and Exchange Commission Rule 15c2-12, except for any information permitted to be omitted therefrom by Rule 15c2-12. The Official Statement, as amended or supplemented pursuant to the Purchase Contract, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) If, between the date hereof and up to and including the 25th day following the end of the underwriting period (as such term is defined in Rule 15c2-12), any event shall occur or information becomes known to the Department which might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, then (i) the Department shall promptly notify the State Treasurer and the Underwriters of such event and (ii) if in the opinion of Disclosure Counsel or the Underwriters, such event requires the preparation and publication of a supplement or amendment to the Official Statement, then the Department will request the State Treasurer to cause the Official Statement to be amended or supplemented in a form and in a manner approved by the Underwriters and Disclosure Counsel, provided all expenses thereby incurred will be paid by the Department from Bond funds.

(l) From the date of the final Official Statement through twenty-five (25) days from the date of the end of the Underwriting Period (as defined in Rule 15c2-12), (i) the Department shall not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the State Treasurer or the Underwriters shall reasonably object in writing or which shall be disapproved by their respective counsel and (ii) if any event shall occur or information becomes known as a result of which it is necessary, in the opinion of Disclosure Counsel or the Underwriters, to amend or supplement the Official Statement in order to make the Official Statement true and correct in all material respects and not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, then the Department will forthwith prepare and furnish to the Underwriters and the State Treasurer (at the expense of the Department from Bond funds for ninety (90) days from the date of Closing, and thereafter at the expense of the Underwriters) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to Disclosure Counsel and the Underwriters) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

For the purposes of this subsection, the Department shall furnish such information with respect to itself, the Federal Aid Agreement, Federal Transportation Funds and the Federal Aid Authorization, as the Underwriters may from time to time reasonably request.

(m) The Department shall inquire on a regular basis, of the Commission, during the period from the date of this Purchase Contract and up to and including the 25th day following the end of the underwriting period (as such term is defined in Rule 15c2-12), (i) to determine whether any event has occurred of which the Commission has actual knowledge

which might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. If the Department learns from the Commission of the occurrence of such event, then the Department shall promptly advise the State Treasurer and the Underwriters of such event and use its best efforts to obtain the cooperation of the Commission in the preparation and delivery of any amendment or supplement to the Official Statement required by Section 3(k).

(n) From the date of the final Official Statement through twenty-five (25) days from the date of the end of the underwriting period (as such term is defined in Rule 15c2-12), if any event relating to or affecting the Commission shall occur as a result of which it is necessary, in the opinion of Disclosure Counsel or the Underwriters, to amend or supplement the Official Statement in order to make the Official Statement true and correct in all material respects and not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, then the Department shall use its best efforts to obtain the cooperation of the Commission in the preparation and furnishing to the Underwriters, the State Treasurer and the Department (at the expense of the Department from Bond funds for ninety (90) days from the date of Closing, and thereafter at the expense of the Underwriters) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to Disclosure Counsel and the Underwriters) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

For purposes of this subsection, the Department shall use its best efforts to obtain the cooperation of the Commission to furnish such information with respect to the Commission as the Underwriters may from time to time reasonably request during such 25-day period.

(o) To the extent permitted by law, and, to the extent required by law, subject to specific funding authority under the State Budget Act, the Department agrees to indemnify and hold harmless the Commission and the State Treasurer and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended (the "Securities Act")) the Commission and the State Treasurer and the officers, agents and employees of the Commission and the State Treasurer (collectively, the "Indemnified Persons," and individually, an "Indemnified Person"), from and against any and all judgments, losses, claims, damages or liabilities, joint or several, to which any Indemnified Person may become subject insofar as such judgments, losses, claims, damages or liabilities (or actions in respect thereof) arise out of, or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Official Statement or in the Official Statement under the captions "THE SERIES 2008A CONSTRUCTION PROJECTS," "INFORMATION CONCERNING THE FUNDING OF FEDERAL AID HIGHWAYS," "FEDERAL AID FUNDS," "THE DEPARTMENT" and "NO LITIGATION" (as it applies to the Department) or that arise out of or are based upon the omission or alleged omission of the Department to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading with respect to the information contained therein and will reimburse each Indemnified Person for any legal or other expenses reasonably incurred by such Indemnified Person in connection with investigating,

defending or preparing to defend any such loss, claim, damage, liability or any action in respect thereof; provided, however, that the Department shall not be liable to any Indemnified Person in any such case to the extent that any such loss, claim, damage or liability arises out of, or is based upon, any information furnished by such Indemnified Person specifically for inclusion therein.

Promptly after receipt by an Indemnified Person of notice of the assertion of any claim or the commencement of any action, such Indemnified Person shall, if a claim in respect thereof is to be made against the Department, notify the Department in writing of the assertion or commencement thereof. In case any such action shall be brought against any Indemnified Person, and such Indemnified Person shall notify the Department of the commencement thereof, the Department shall be entitled to participate in and, to the extent authorized by such Indemnified Person, to assume the defense thereof, with counsel reasonably satisfactory to such Indemnified Person, and after notice from the Department to such Indemnified Person of its election so to assume the defense thereof (in the event such Indemnified Person has authorized the Department to assume the defense thereof), the Department shall not be liable to such Indemnified Person under this Section 3(o) for any legal or other expenses subsequently incurred by such Indemnified Person in connection with the defense thereof; provided, however, that if the named parties to any such action (including any impleaded parties) include the Indemnified Person and the Department, and the Indemnified Persons reasonably conclude that there may be one or more legal defenses available to them which are different from or additional to those available to the Department, the Indemnified Persons shall have the right to select separate counsel to assume such legal defense and to otherwise participate in the defense of such action on behalf of the Indemnified Persons; provided, further, however, that the Department shall not, in connection with any one such action or separate but substantially similar or related actions arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys at any point in time for the Indemnified Persons.

#### **4. CONDITIONS TO THE OBLIGATIONS OF THE UNDERWRITERS.**

The obligation of the Underwriters to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriters, to the accuracy in all material respects of the representations, warranties and agreements on the part of the State Treasurer and the Department contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the State Treasurer, the Commission and the Department made in any certificates or other documents furnished pursuant to the provisions hereof, and to the performance by the State Treasurer, the Commission and the Department of its obligations to be performed hereunder on or prior to the Closing Date and to the following additional conditions:

(a) At the time of Closing, the Indenture, the Federal Aid Agreement, the Tax Certificate with respect to the Bonds, the Continuing Disclosure Agreement and this Purchase Contract shall be in full force and effect as valid, binding and enforceable agreements between or among the various parties thereto, and this Purchase Contract, the Indenture, the Federal Aid Agreement, the Tax Certificate, the Continuing Disclosure Agreement and the Official Statement shall not have been amended, modified or supplemented, except as described herein or as may otherwise have been agreed to in writing by the Underwriters, and there shall have been taken in connection with the issuance of the Bonds and with the transactions contemplated thereby and by

this Purchase Contract, all such actions as, in the opinion of the Attorney General and Bond Counsel, shall be necessary and appropriate.

(b) At the Closing Date, the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriters.

(c) The Underwriters shall have the right to terminate their obligations to purchase the Bonds by written notification to the State Treasurer if at any time after the date of this Purchase Contract and prior to the Closing any of the following occurs which, in the reasonable judgment of the Representative after consultation with the State Treasurer, requires such termination:

(1) any event shall occur or any circumstance shall exist which causes the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; or

(2) any national securities exchange, the Comptroller of the Currency, or any other governmental authority shall impose as to the Bonds or obligations of the general character of the Bonds any material restriction not now in force or shall increase materially any restriction now in force any restriction with respect to the extension of credit by the Underwriters or charges to the net capital requirements of the Underwriters; or

(3) legislation shall be enacted, or a decision by a court of the United States shall be rendered, or any action shall be taken by, or on behalf of, the Securities and Exchange Commission which has the effect of requiring the Bonds to be registered under, or the sale thereof to be in violation of, the Securities Act of 1933, as amended ("Securities Act"), or has the effect of requiring the Resolutions or the Indenture to be qualified under the Trust Indenture Act of 1939, as amended ("Trust Indenture Act"), or, in each case, any law analogous thereto relating to governmental bodies;

(d) the Underwriters shall have the further right to terminate their obligations to purchase the Bonds by written notification to the State Treasurer if at any time after the date of this Purchase Contract and prior to the Closing any of the following occurs and in the reasonable judgment of the Representative after consultation with the State Treasurer would have the effect of materially adversely affecting, directly or indirectly, the market price of the Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds at the contemplated offering price(s):

(1) any rating of the Bonds described herein shall have been downgraded or withdrawn by a national rating service;

(2) a general banking moratorium shall have been declared by federal, New York or State authorities having jurisdiction and shall remain in force, or material disruption in commercial banking or securities settlement or clearances services shall have occurred;

(3) any proceeding shall have been commenced or be threatened in writing by the Securities and Exchange Commission against the State which, in the reasonable judgment of the Representative would have the effect of materially adversely affecting, directly or indirectly, the market price of the Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds at the contemplated offering price(s);

(4) the income received by any holder of obligations of the same type and character as the Bonds shall be declared under any federal income tax law not to be excludable from gross income or to be subject to alternative minimum tax (in each case either at the time of the declaration or at any future date) either (A) by regulation (other than proposed regulation not applicable to the Bonds), ruling, order, release or other official action of a federal income tax authority, (B) by any federal court decision which is followed by the Internal Revenue Service, or (C) by enactment of any law by the Congress;

(5) any law is enacted or approved by the Congress of the United States, either house of Congress, a committee of either house of Congress or a conference committee of the Congress which law would have a material adverse effect on the exclusion of interest on the Bonds from gross income for federal income tax purposes or the applicability of any alternative minimum tax to interest on the Bonds; or

(6) there shall have occurred a material effect on the financial markets of the United States resulting from any new material outbreak or escalation of hostilities or any domestic or international calamity or crisis.

(e) At or prior to the Closing Date, the Underwriters shall have received the following documents, in each case satisfactory in form and substance to the Underwriters:

(1) The Indenture, the Federal Aid Agreement and the Continuing Disclosure Agreement, duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Underwriters;

(2) Three copies of the Official Statement executed [on behalf of the State Treasurer by a Deputy Treasurer and] by the Department by its Chief Financial Officer;

(3) Opinions of the Attorney General and Bond Counsel, dated the Closing Date, in substantially the form attached to the Official Statement as Appendix D, together with a reliance letter addressed to the Underwriters, and supplemental opinions, in substantially the form attached hereto as Exhibit C-1 and Exhibit C-2;

(4) The opinion of Disclosure Counsel, dated the Closing Date and addressed to the Underwriters, the State Treasurer, the Department and the Commission, to the effect that, based upon the information made available to

them in the course of their participation in the preparation of the Official Statement and without passing on and without assuming any responsibility for the accuracy, completeness and fairness of the statements in the Official Statement, and having made no independent investigation or verification thereof, no information has come to their attention that leads them to believe that, as of the Closing Date, the Official Statement (except for any financial or statistical data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion or Appendices [C] or any information about book-entry or DTC [or the Bond Insurer or the Bond Insurance Policy] included therein, as to which no opinion or view need be expressed) contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that the Bonds are exempt from registration under the Securities Act of 1933, as amended and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;

(5) The opinion of the Attorney General, as counsel to the Commission, dated the Closing Date and addressed to the State Treasurer, the Department and the Underwriters, in substantially the form attached hereto as Exhibit D;

(6) The opinion of Chief Counsel to the Department, dated the Closing Date and addressed to the State Treasurer, the Commission, and the Underwriters, in substantially the form attached hereto as Exhibit E;

(7) The opinion of Nixon Peabody LLP, counsel to the Underwriters, dated the Closing Date and addressed to the Underwriters, in form satisfactory to the Representative;

(8) A certificate of the State Treasurer, dated the Closing Date, executed on his behalf by any Deputy State Treasurer, to the effect that:

(A) the representations and warranties of the State Treasurer contained in this Purchase Contract and the Indenture are true, complete and correct as of the date of the Closing as if made on such date;

(B) the State Treasurer has fulfilled or performed each of his obligations contained in the Act, Indenture and this Purchase Contract required to be fulfilled or performed by him as of the Closing Date; and

(C) the State Treasurer has no knowledge of the occurrence of any event since the date of the Official Statement which either makes untrue or incorrect in any material respect, as of the Closing Date, any statement or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order

to make the statements and information therein not misleading in any material respect;

(9) A certificate of the Executive Director, or such other authorized official of the Commission as is acceptable to the Underwriters, dated the Closing Date substantially in the form of Exhibit G hereto;

(10) A certificate of the Chief Financial Officer of the Department, or such other authorized official of the Department as is acceptable to the Underwriters, dated the Closing Date, to the effect that:

(A) the representations and warranties made by the Department in the Indenture, the Federal Aid Agreement and this Purchase Contract are true and correct as of the Closing Date;

(B) no material and adverse change has occurred relating to the Federal Aid Agreement, Federal Aid Authorization or Federal Transportation Funds which is not described in the Official Statement;

(C) [Federal Transportation Funds received by the State are required to be deposited to the Federal Trust Fund in the State Treasury. Provided that Federal Transportation Funds are appropriated by the State Legislature to the support of the Department, the Department makes expenditures from the State Highway Account in the State Highway Fund and receives reimbursement for expenditures eligible for such reimbursement from the Federal Trust Fund from Federal Transportation Funds apportioned by the federal government to the State and deposited to the Federal Trust Fund. Pursuant to the provisions of each Budget Act, expenditures from the Federal Trust Fund, which reimburse amount expended from the State Highway Account, are deemed to be expenditures from the State Highway Account.

Prior Budget Acts have appropriated Federal Transportation Funds for the support of the Department in amounts sufficient to permit payment of Debt Service (as that term is defined in the Indenture) with respect to the Bonds, and the Commission has, by resolution adopted August \_\_, 2008, pledged future Federal Transportation Funds to the repayment of the Bonds under the Indenture.

The Department has no reason to believe that the State Legislature will fail to appropriate to the Department the Federal Transportation Funds apportioned to the State by the federal government in the future. The Department has received appropriations of Federal Transportation Funds averaging approximately \$2.6 billion per year for each of the State fiscal years beginning with the 1999-00 fiscal year. At the end of each of those fiscal years, after accounting for expenditure of appropriation authority of Federal Transportation Funds in that fiscal year

and additional appropriation authority received during the fiscal year, the Department has carried over an average of \$1.5 billion of unspent appropriation authority to subsequent fiscal years.

Accordingly, the requirements of Section 14554.8 of the Act have been satisfied and there exists and in any fiscal year there will exist continuous appropriation of Federal Transportation Funds sufficient to pay Debt Service with respect to the Bonds when due.]

(D) no event has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect, as of the Closing Date, any statement or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect; and

(E) The Department has fulfilled or performed each of its obligations contained in the Act, the Federal Aid Agreement, the Indenture and this Purchase Contract required to be fulfilled or performed by it as of the Closing Date; and

(F) The Department has not offered or issued any bonds, notes or other obligations for borrowed money or incurred any material liabilities, direct or contingent, other than in the ordinary course of business, which are not described in or contemplated by the Official Statement;

(G) there are no actions, suits or proceedings pending against the Department or, to the knowledge of the Department, threatened against the Department (i) to restrain or enjoin the issuance or delivery of any of the Bonds or the receipt of any Federal Transportation Funds pledged under the Indenture or any payments to be made by the Federal Highway Administration pursuant to the Federal Aid Agreement; (ii) in any way contesting or affecting the issuance or delivery of the Bonds or the validity when executed and delivered of the Bonds, the Indenture, the Federal Aid Agreement, the Purchase Contract, Continuing Disclosure Agreement, or the receipt of Federal Transportation Funds pledged under the Indenture; (iii) in any way contesting the existence or powers of the Department; or (iv) which, if determined adversely, might materially adversely affect the consummation of the transactions contemplated by the Official Statement, the Purchase Contract, the Federal Aid Agreement, the Continuing Disclosure Agreement, the Tax Certificate or the Federal Transportation Funds;

The Chief Counsel of the Department shall certify to the content of (C) and (G) above.

(11) A no litigation certificate executed by the Attorney General, dated the Closing Date, substantially in the form attached hereto as Exhibit F;

(12) A certificate, dated the Closing Date, signed by a duly authorized officer of the Trustee, satisfactory in form and substance to the Underwriters, to the effect that: the Trustee accepts the duties and obligations of Trustee under the Indenture, the Indenture has been duly executed and delivered by, and constitutes the legal, valid and binding obligation of, the Trustee enforceable against the Trustee in accordance with its terms;

(13) A certificate, dated the Closing Date, of the Assistant Program Budget Manager, or such other authorized official of the Department of Finance as is acceptable to the Underwriters, substantially in the form of Exhibit H hereto;

(14) The Blanket Issuer Letter of Representations of the State Treasurer, addressed to DTC, together with evidence that the Bonds have been deposited with and received by DTC or such other evidence, satisfactory to the Underwriters, that the Bonds have been duly accepted by the Trustee;

(15) A certified copy of the Commission Resolution;

(16) The Tax Certificate duly executed by the parties thereto and an Internal Revenue Service Form 8038 executed by the State Treasurer;

(17) Satisfactory evidence that the [Insured Bonds have been rated “Aaa” by Moody’s, “AAA” by S&P and “AAA” by Fitch, and evidence that the Uninsured] Bonds have been rated “Aa3” by Moody’s, “AA-” by S&P and “AA-” by Fitch;

(18) [A copy of the fully executed Bond Insurance Policy;]

(19) [A certificate of an authorized representative of the Bond Insurer, in form and substance satisfactory to Bond Counsel, Disclosure Counsel and Underwriter’s Counsel, with respect to the information contained in the Official Statement describing the Bond Insurer and its Bond Insurance Policy;]

(20) [An opinion of counsel to the Bond Insurer with respect to its Bond Insurance Policy, addressed to the State Treasurer and the Underwriters in form and substance satisfactory to Bond Counsel, the Disclosure Counsel and Underwriter’s Counsel;] and

(21) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriters or Bond Counsel may reasonably request to evidence compliance by the State Treasurer, the Commission and the Department with the Act and all other legal requirements, the truth and accuracy, as of the Closing Date, of the representations of the State Treasurer, the Commission and the Department contained herein and of the statements and information contained in the Official Statement, and the due

performance or satisfaction by the State Treasurer, the Commission and the Department at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the State Treasurer, the Commission and the Department.

No later than ten calendar days after the Closing Date, the Underwriter shall submit to the Infrastructure Bank and the Treasurer the report(s) required by Section 1899.532 of Article 4 of Subchapter 4 of Chapter 4, Division 2 of Title 2 of the California Code of Regulations, in substantially the form attached hereto as Exhibit [ ].

All of the opinions, letters, certificates, instruments and other documents mentioned in this Purchase Contract shall be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, they are in form and substance reasonably satisfactory to the Representative and Underwriters' Counsel.

If the State Treasurer, the Commission or the Department shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds as contained in this Purchase Contract or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Contract, then this Purchase Contract shall terminate and neither the Underwriters nor the State Treasurer, the Commission or the Department shall be under further obligation hereunder, except that: (i) the good faith deposit referred to in Section 1(g) of this Purchase Contract shall immediately be returned to the Underwriters by the State Treasurer and (ii) the respective obligations of the State Treasurer and the Underwriters set forth in Section 5 of this Purchase Contract shall continue in full force and effect.

## **5. EXPENSES.**

(a) All reasonable expenses of the Department, the Commission and the State Treasurer incident to the performance of their obligations in connection with the authorization, issuance and sale of the Bonds to the Underwriters, [including premiums and cost of Bond Insurance, if any,] fees and expenses of the Financial Advisor and any other consultants retained by the State Treasurer, fees of DTC, fees and expenses of rating agencies, printing and publishing costs related to the preparation and distribution of the Preliminary Official Statement and the Official Statement, fees and expenses of the State Treasurer and of the California Department of Finance, any out-of-pocket disbursements of the Commission and the Department, and fees and expenses of Bond Counsel, Disclosure Counsel, and the Attorney General, shall be paid by the Department. All fees and expenses to be paid by the Department pursuant to this Purchase Contract may be paid from Bond proceeds to the extent permitted by the Indenture and the Tax Certificate.

(b) All expenses of selling the Bonds, all out-of-pocket expenses of the Underwriters, including travel and other expenses, CUSIP Service Bureau charges, California Debt and Investment Advisory Commission fees, any fees charged by the Municipal Securities Rulemaking Board, blue sky fees, the fees and expenses of counsel to the Underwriters and all travel and other out-of-pocket expenses incurred by the State in connection with the issuance of the Bonds and not described in (a), shall be paid by the Underwriters.

## **6. TERMINATION.**

This Purchase Contract may be terminated by the Underwriters if any of the conditions specified in Section 4 hereof shall not have been fulfilled by the Closing upon written notice of such termination to the State Treasurer, the Commission and the Department. [The Underwriters may also terminate this Purchase Contract prior to the delivery of and payment for the Bonds if, subsequent to the date hereof, there shall have occurred any change, or any development involving a prospective change, in or affecting Federal Transportation Funds or the revenues, operations or properties of the Department which, in the reasonable judgment of the Underwriters, materially impairs the investment quality of the Bonds.]

The State Treasurer may terminate this Purchase Contract if the Underwriters shall fail, by the Closing, to perform their obligations contained herein, upon written notice of such termination to the Underwriters.

Any notice of termination pursuant to this Section 6 shall be given in the manner provided in Section 7 hereof.

## **7. NOTICES.**

Any notice or other communication to be given under this Purchase Contract may be given by delivering the same in writing:

- (a) to the State Treasurer, at the address of the State Treasurer set forth above;
- (b) to the Underwriters at J.P. Morgan Securities Inc., 270 Park Avenue, Floor 6, New York, New York 10017, Attention: Fixed Rate Underwriting Desk; and
- (c) to the California Department of Transportation, at 1120 N Street, Sacramento, California 95814, Attention: Cindy McKim, Chief Financial Officer, with a copy to the Department Legal Division at the same address.

## **8. MISCELLANEOUS.**

Notwithstanding anything to the contrary contained herein or any document referred to herein, neither the State Treasurer nor the Commission shall have any liability hereunder or by reason hereof or in connection with any of the transactions contemplated herein, except to the extent payable from amounts recovered from the Department therefor. This Purchase Contract is made solely for the benefit of the State Treasurer, the Commission, the Department and the Underwriters, and no other person shall acquire or have any right hereunder or by virtue hereof except as expressly provided herein. All representations, warranties and agreements of the State Treasurer, the Commission and the Department in this Purchase Contract shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriters and shall survive the delivery of and payment for the Bonds. This Purchase Contract may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same agreement. This Purchase Contract shall be governed by and interpreted under the laws of the State of California.

If the foregoing Purchase Contract for \$\_\_\_\_\_ State of California (California Department of Transportation) Federal Highway Grant Anticipation Bonds, Series 2008A, is in accordance with your understanding of our agreement, please sign and return to the Underwriters the enclosed duplicate hereof whereupon it will become a binding agreement among the State Treasurer, the Department and the Underwriters.

**J.P. MORGAN SECURITIES INC.**

By J.P. Morgan Securities Inc.,  
as Representative, on behalf of the Underwriters  
including itself

By: \_\_\_\_\_  
Authorized Representative

Accepted and Agreed to:

**TREASURER OF THE STATE OF CALIFORNIA**

By: \_\_\_\_\_  
Deputy Treasurer  
For California State Treasurer, Bill Lockyer

Accepted and Agreed to:

**CALIFORNIA DEPARTMENT OF TRANSPORTATION**

By: \_\_\_\_\_  
Cindy McKim  
Chief Financial Officer

Acknowledged:

**CALIFORNIA TRANSPORTATION COMMISSION**

By: \_\_\_\_\_  
John F Barna Jr.  
Executive Director

**EXHIBIT A**

**PRINCIPAL AMOUNTS, MATURITY DATES, INTEREST RATES, YIELDS AND PRICES**

<b>Maturity Date <u>(February 1)</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>Price</u></b>
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**EXHIBIT B-1**

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**STATE OF CALIFORNIA  
(CALIFORNIA DEPARTMENT OF TRANSPORTATION)  
FEDERAL HIGHWAY GRANT ANTICIPATION BONDS  
SERIES 2008A**

**FORM OF THE CERTIFICATE OF THE  
TREASURER OF THE STATE OF CALIFORNIA  
REGARDING PRELIMINARY OFFICIAL STATEMENT**

The undersigned hereby states and certifies:

1. That she is the duly appointed, qualified and acting Deputy of the Treasurer of the State of California (the "State Treasurer"), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

2. That there has been delivered to the Underwriters of the captioned Bonds, a Preliminary Official Statement, dated September [18], 2008 (including the cover page and all appendices thereto, the "Preliminary Official Statement"), which the State Treasurer deems final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for information permitted to be omitted therefrom by Rule 15c2-12; and

3. The State Treasurer hereby approves the use and distribution by the Underwriters of the Preliminary Official Statement.

Dated: September [18], 2008

TREASURER OF THE STATE OF CALIFORNIA

By: \_\_\_\_\_  
Deputy Treasurer,  
For State Treasurer, Bill Lockyer

**EXHIBIT B-2**

\$ \_\_\_\_\_

**STATE OF CALIFORNIA  
(CALIFORNIA DEPARTMENT OF TRANSPORTATION)  
FEDERAL HIGHWAY GRANT ANTICIPATION BONDS  
SERIES 2008A**

**FORM OF THE CERTIFICATE OF THE  
CALIFORNIA DEPARTMENT OF TRANSPORTATION  
REGARDING PRELIMINARY OFFICIAL STATEMENT**

The undersigned hereby states and certifies:

1. That she is the duly appointed, qualified and acting Chief Financial Officer of the California Department of Transportation (“the Department”), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same; and

2. That there has been delivered to the Underwriters of the captioned Bonds, a Preliminary Official Statement, dated September [18], 2008 (including the cover page and all appendices thereto, the “Preliminary Official Statement”), which the Department deems final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), except for information permitted to be omitted therefrom by Rule 15c2-12; and

3. The Department hereby approves the use and distribution by the Underwriters of the Preliminary Official Statement.

Dated: September [18], 2008

California Department of Transportation

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

**EXHIBIT C-1**

**SUPPLEMENTAL OPINION OF ATTORNEY GENERAL**

[Letterhead of the Attorney General]

[Closing Date]

Treasurer of the State of California  
Sacramento, California

J.P. Morgan Securities Inc.,  
as Representative of the Underwriters  
Sacramento, California

State of California  
(California Department of Transportation)  
Federal Highway Grant Anticipation Bonds  
Series 2008A

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Supplemental Opinion

Ladies and Gentlemen:

This letter is addressed to you pursuant to Section 4(e)(3) of the Purchase Contract, dated October \_\_, 2008 (the "Purchase Contract"), between the Treasurer of the State of California (the "State Treasurer") and J.P. Morgan Securities Inc., as representative (the "Representative") of the underwriters (the "Underwriters") named in the Purchase Contract, providing for the purchase of \$\_\_\_\_\_ principal amount of State of California (California Department of Transportation) Federal Highway Grant Anticipation Bonds Series 2008A (the "Bonds").

The Bonds are being issued under Chapter 4 (commencing with Section 14550) of Part 5.3 of Division 3 of Title 20 of the California Government Code (the "Act") and a Master Indenture, dated as of February 1, 2004 (the "Master Indenture") and a Second Supplemental Indenture, dated as of September 1, 2008 (the "Second Supplemental Indenture," and together with the Master Indenture, the "Indenture"), each among the State Treasurer, the California Transportation Commission (the "Commission"), and the California Department of Transportation ("CalTrans"). Unless otherwise defined herein, or the context otherwise requires, capitalized terms used herein shall have the respective meanings ascribed to them in the Indenture, or if not defined in the Indenture, in the Purchase Contract.

In rendering the opinions set forth herein, we have reviewed the Indenture, the Purchase Contract, the Continuing Disclosure Agreement, opinions of counsel to CalTrans, certifications of CalTrans, the State Treasurer, the Commission and others, and such other documents, public records and other instruments, and conducted such other investigations of fact and law to the

extent that we deemed necessary to render the opinions set forth herein. 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, validity against, any parties other than the State. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to above.

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, and we disclaim any obligation to update this opinion.

The opinions expressed herein as to rights and obligations under the Indenture, the Purchase Contract and the Continuing Disclosure Agreement, and their enforceability, may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, or waiver provisions contained in the foregoing documents.

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

1. The State Treasurer has all requisite legal right, power and authority to carry out and effectuate the transactions contemplated by the Act, the Purchase Contract, the Indenture and the Continuing Disclosure Agreement.

2. The Commission has all requisite legal right, power and authority to carry out and effectuate the transactions contemplated by the Act and the Indenture.

3. Each of the Indenture, the Purchase Contract and the Continuing Disclosure Agreement has been duly authorized, executed and delivered by the State Treasurer and (assuming due authorization, execution and delivery by and validity against the Underwriters of the Purchase Contract) is a valid and binding agreement of the State Treasurer enforceable in accordance with its terms.

4. The Indenture has been duly executed by the Commission and constitutes the legal, valid and binding obligation of the Commission, enforceable in accordance with its terms.

5. The execution, delivery and distribution of the Official Statement have been duly authorized by the State Treasurer.

6. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

7. All requirements of the Act and other laws and regulations pertaining to the State Treasurer in connection with the authorization of and the compliance with the Indenture, the Purchase Contract and the Continuing Disclosure Agreement and the transactions contemplated thereby have been complied with, and no authorization, consent, approval, permit, license, exemption by or of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality, other than those that have already been obtained, is or will be necessary for the valid execution, delivery or performance by the State Treasurer of the Indenture, the Purchase Contract or the Continuing Disclosure Agreement, except that no opinion is expressed as to any approvals, obligations or proceedings which may be required under any federal securities laws or state blue sky or securities laws.

8. The execution, delivery and performance by the State Treasurer of the Purchase Contract, the Indenture and the Continuing Disclosure Agreement have been duly authorized by all necessary action on the part of the State Treasurer, and to the best of our knowledge after reasonable investigation, do not and will not in any material respect conflict with or constitute on the part of the State Treasurer a breach of or default under any agreement or other instrument to which the State Treasurer is a party or by which he is bound, or the Act or any other existing law, regulation, court order or consent decree to which the State Treasurer is subject, which would, in any case, materially and adversely affect the State Treasurer's ability to perform his obligations under the Purchase Contract, the Indenture and the Continuing Disclosure Agreement (except that we render no opinion regarding securities laws of the United States or any state).

We are furnishing this letter to you pursuant to Section 4(e)(3) of the Purchase Contract. This letter is solely for your benefit as the Issuer and Underwriters, respectively, of the Bonds. We have no attorney-client relationship with the Underwriters or the Representative. Our engagement with respect to this matter has terminated as of the date hereof and we have no obligation to update this letter. This letter is not to be used, circulated, quoted or otherwise referred to or relied upon for any purpose or by any other person.

Sincerely,

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Deputy Attorney General

For EDMUND G. BROWN, JR.  
Attorney General

**EXHIBIT C-2**

**SUPPLEMENTAL OPINION OF BOND COUNSEL**

[Closing Date]

[Subject to review by Bond Counsel]

J.P. Morgan Securities Inc.,  
as Representative of the Underwriters  
Sacramento, California

Treasurer of the State of California,  
Sacramento, California

California Transportation Commission,  
Sacramento, California

**State of California  
(California Department of Transportation)  
Federal Highway Grant Anticipation Bonds  
Series 2008A**

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the State of California (the "State") of \$\_\_\_\_\_ aggregate principal amount of bonds, designated State of California (California Department of Transportation) Federal Highway Grant Anticipation Bonds Series 2008A (the "Bonds"). This supplemental opinion is rendered pursuant to Section 4(e)(3) of the Purchase Contract, dated [October \_\_\_\_], 2008 (the "Purchase Contract") among the Treasurer of the State of California (the "Treasurer"), the California Department of Transportation (the "Department") and J.P. Morgan Securities Inc. (the "Representative"), as representative of the underwriters named therein (collectively, the "Underwriters"), and acknowledged by the California Transportation Commission (the "Commission") and is given in connection with the issuance of the Bonds. To the extent not defined herein, capitalized terms shall have the meanings attributed them in the Purchase Contract.

In arriving at the opinions and conclusions hereinafter expressed, we have examined: an executed counterpart of the Master Trust Indenture, dated as of February 1, 2004 (the "Master Indenture"), among the Commission, the Department and the Treasurer; the Second Supplemental Indenture of Trust, dated of [September] 1, 2008 (the "Second Supplemental Indenture"); resolutions of the Commission and the Treasurer relating to the issuance of the

Bonds; the Continuing Disclosure Agreement of the Treasurer and the Department relating to the Bonds, dated [the date hereof] (the “Continuing Disclosure Agreement”); the Tax Compliance Certificate of the Treasurer and the Department, dated the date hereof (the “Tax Certificate”); opinions of Attorney General, as counsel to the Treasurer and the Commission, of Chief Counsel to the Department and of Disclosure Counsel; certificates of the Treasurer, the Commission, the Department and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions and conclusions set forth herein. We have also examined (a) the Securities Act of 1933 as amended (the “1933 Act”) and the applicable rules, regulations and interpretations under the 1933 Act, (b) the Trust Indenture Act of 1939, as amended (the “1939 Act”); and (c) the Official Statement, dated [September \_\_], 2008, relating to the Bonds (the “Official Statement”). We have not reviewed any electronic version of the Official Statement and assume that any such version is identical in all respects to the printed version.

We express no view herein with respect to the laws of any jurisdiction other than the State of California and federal securities law of the United States of America. The only opinions rendered hereby shall be those expressly stated as such herein, and no opinion shall be implied or inferred as a result of anything contained herein or omitted herefrom. The opinions and conclusions hereinafter expressed 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 and conclusions 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 such events do occur or any other matters come to our attention after the date hereof. We have assumed, without undertaking to verify, the genuineness of the documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the Treasurer, the Department or the Commission. Furthermore, we have relied upon the accuracy, which we have not independently verified, of the representations and certifications, and have assumed compliance with all the covenants, in the Master Indenture, the Second Supplemental Indenture, the Tax Certificate, the Continuing Disclosure Agreement and the other documents presented to us. The accuracy of certain of those representations and certifications, and compliance by the Treasurer, the Department and the Commission with certain of their covenants, may be necessary for interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of such covenants subsequent to the issuance of the Bonds may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto, except as expressly set forth in paragraph 8 below.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof and under existing law, we are of the following opinions or conclusions:

1. The Treasurer, the Commission and the Department each has full legal right, power and authority to carry out and effectuate the transactions contemplated by the Act, the Master Indenture and the Second Supplemental Indenture.

2. The Treasurer and the Department each has full legal right, power and authority to carry out and effectuate the transactions contemplated by the Purchase Contract and the Continuing Disclosure Agreement.

3. The Second Supplemental Indenture has been duly authorized, executed and delivered by the parties thereto, and constitutes a legal, valid and binding agreement enforceable in accordance with its terms, subject to any applicable bankruptcy, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally and equitable remedies if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and limitations on remedies against public agencies.

4. The Purchase Contract has been duly authorized, executed and delivered by the Treasurer and the Department, and, assuming due authorization, execution and delivery by the Representative, constitutes a legal, valid and binding agreement of the Treasurer and Department enforceable against them in accordance with its terms, subject to any applicable bankruptcy, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally and equitable remedies if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and limitations on remedies against public agencies, and except as the enforceability of the indemnification or waiver provisions contained in the Purchase Contract may be limited by applicable securities laws or public policy.

5. The Continuing Disclosure Agreement has been duly authorized, executed and delivered by the Department and the Treasurer, and constitutes the legal, valid and binding obligation of the Department and the Treasurer, and is enforceable in accordance with its terms.

6. The Official Statement has been duly authorized and delivered by the Treasurer and Department.

7. The Bonds are exempt from registration under the 1933 Act, and the Indenture is exempt from qualification as an indenture pursuant to the 1939 Act; and

8. The statements and information contained in the Official Statement on the cover page and under the captions "INTRODUCTION," "THE SERIES 2008A BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008A BONDS," "TAX MATTERS," and in Appendices [A] and [D], but excluding any statistical or financial information set forth under such headings, as to which we express no opinion, insofar as such statements purport to summarize certain provisions of the Act, the Bonds, the Master Indenture, the Second Supplemental Indenture and our opinion with respect to certain federal and State income tax matters relating to the Bonds, are true and accurate in all material respects and fairly represent the information purported to be set forth or summarized therein.

9. All requirements of the Act and other laws and regulations pertaining to State Treasurer, the Commission and the Department in connection with the authorization of and compliance with the Master Indenture, Second Supplemental Indenture, Purchase Contract and Continuing Disclosure Agreement and the transactions contemplated by and related thereto have been complied with, and all approvals, authorizations, consents or other orders of or fillings or registrations with such public boards, bodies, or officials, if any, as may be legally required to be

obtained by the Treasurer, the Commission or the Department with respect to all or any of such matters and compliance with such documents, have been taken or obtained and are in full and continuing force and effect, except that no opinion is expressed as to any approvals, obligations or proceedings which may be required under any federal securities laws or state blue sky or securities laws.

This opinion is furnished by us as Bond Counsel to the Treasurer. This opinion is delivered to the Treasurer, the Department and the Commission, is solely for your benefit in your respective capacities in connection with the issuance of the Bonds and is not to be used, circulated, quoted or otherwise referred to or relied upon by you for any other purpose or by any other person. This opinion is not intended to and may not be relied upon by the owners of the Bonds or by any other person to whom it is not specifically addressed. We do not undertake to advise you of any subsequent events or developments which might affect the statements contained herein. Our engagement with respect to this matter has terminated as of the date hereof, and we disclaim any obligation to update this opinion.

Respectfully submitted,

**EXHIBIT D**

**FORM OF OPINION OF ATTORNEY GENERAL, AS COUNSEL TO THE COMMISSION**

[Closing Date]

Treasurer of the State of California  
Sacramento, California

California Department of Transportation  
Sacramento, California

J.P. Morgan Securities Inc.,  
as Representative of the Underwriters  
Sacramento, California

Re: State of California (California Department of Transportation) Federal Highway Grant  
Anticipation Bonds, Series 2008A

Ladies and Gentlemen:

We have acted as counsel in connection with the issuance by the State of California (the “State”) of \$\_\_\_\_\_ aggregate principal amount of State of California (California Department of Transportation) Federal Highway Grant Anticipation Bonds Series 2008A (the “Bonds”), issued pursuant to Chapter 4 (commencing with Section 14550) of Part 5.3 of Division 3 of Title 20 of the Government Code of the State and that certain Master Indenture of Trust, dated as of February 1, 2004 (the “Master Indenture”) and that certain Second Supplemental Indenture, dated as of September 1, 2008 (the “Second Supplemental Indenture,” and, together with the Master Indenture, the “Indenture”), each among the Treasurer of the State of California (the “State Treasurer”), the California Transportation Commission (the “Commission”), and the California Department of Transportation (“CalTrans”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In rendering the opinions set forth herein, we have reviewed the Indenture, the Commission’s Resolution Nos. FG-08-\_\_ [and FG-08-\_\_], adopted on August \_\_, 2008 ([collectively,] the “Commission Resolution”), opinions of counsel to CalTrans, certifications of CalTrans, the State Treasurer, the Commission and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. 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 State Treasurer, the Commission and CalTrans. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to above.

Certain agreements, requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than us.

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, and we disclaim any obligation to update this opinion.

Based upon the foregoing, it is our opinion that:

(1) The Commission is an agency of the State of California duly organized and validly existing pursuant to the laws of the State of California with all requisite legal right, power and authority under the Act and other laws to adopt the Commission Resolution and to enter into and perform its obligations under the Indenture.

(2) The Commission Resolution and other actions of the Commission relating to the execution and delivery of the Indenture and authorization and issuance of the Bonds were duly adopted at a meeting of the governing body of the Commission which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout.

(3) The execution, delivery and performance by the Commission of the Indenture have been duly authorized by all necessary action on the part of the Commission, and to the best of our knowledge after reasonable investigation, do not and will not in any material respect conflict with or constitute on the part of the Commission a breach of or default under any agreement or other instrument to which the Commission is a party or by which it is bound, or the Act or any other existing law, regulation, court order or consent decree to which the Commission is subject, which would, in any case, materially and adversely affect the Commission's ability to perform its obligations under the Indenture (except that we render no opinion regarding securities laws of the United States or any state).

(4) All requirements of the Act and other laws and regulations pertaining to the Commission in connection with the authorization of and compliance with the Indenture and the transactions contemplated thereby have been complied with, and no authorization, consent, approval, permit, license, exemption by or of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality, other than those that have already been obtained, is or will be necessary for the valid execution, delivery or performance of the Indenture, or adoption of the Commission Resolution, by the Commission.

(5) To the best of our knowledge, after reasonable investigation, there is no action, suit or proceeding, inquiry or investigation before or by any court or public body pending (with

service of process against the Commission having been accomplished) or threatened against the Commission (i) contesting the existence or powers of the Commission with respect to the issuance of the Bonds or the receipt of or pledge by the Commission of Federal Transportation Funds, (ii) seeking to enjoin or restrain the issuance, sale and delivery of the Bonds or the receipt of any of the Federal Transportation Funds or the pledge thereof, or (iii) contesting any authority for the issuance of the Bonds, the validity or enforceability of the Bonds or the Indenture, wherein an unfavorable decision, ruling or finding would materially and adversely affect the transactions contemplated by the Indenture or the validity of the Bonds (it being understood that we have made no docket search of state or federal courts nor any other similar inquiry regarding such matters).

(6) To the best of our knowledge, after reasonable investigation, the statements contained in the Preliminary Official Statement and Official Statement under the captions “THE COMMISSION” and “NO LITIGATION” (as it relates to the Commission) do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

We render no opinion as to any federal or state securities, tax or blue sky law. We are furnishing this letter to you pursuant to Section 4(e)(5) of the Purchase Contract. We have no attorney-client relationship with the Underwriters or the Representative. Our engagement with respect to this matter has terminated as of the date hereof and we have no obligation to update this letter. This letter is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose by any person other than the persons to whom it is addressed.

Sincerely,

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Deputy Attorney General

For EDMUND G. BROWN, JR.  
Attorney General

**EXHIBIT E**

**FORM OF OPINION OF THE CHIEF COUNSEL TO THE DEPARTMENT**

[Letterhead of the Counsel to the Department]

[Closing Date]

Treasurer of the State of California  
Sacramento, California

California Department of Transportation  
Sacramento, California

J.P. Morgan Securities Inc.,  
as Representative of the Underwriters  
Sacramento, California

Re: State of California (California Department of Transportation)  
Federal Highway Grant Anticipation Bonds, Series 2008A

Ladies and Gentlemen:

I am Chief Counsel to the California Department of Transportation (“the Department”). This opinion is delivered pursuant to Section 4(e)(6) of the Purchase Contract relating to the Bonds, dated October \_\_, 2008, between the Treasurer of the State of California (the “State Treasurer”), and J.P. Morgan Securities Inc., as Representative of the Underwriters, and approved by the Department (the “Purchase Contract”). In connection therewith, I have examined the Act and other laws pertaining to the Department; originals of the Master Indenture of Trust, dated as of February 1, 2004 (the “Master Indenture”), and that certain Second Supplemental Indenture, dated as of September 1, 2008 (the “Second Supplemental Indenture,” and, together with the Master Indenture, the “Indenture”), each among the State Treasurer, the Commission, the Department and the Treasurer of the State of California, as trustee (the “Trustee”); the Purchase Contract; the Continuing Disclosure Agreement, dated as of September 1, 2008, by and between the Department and the State Treasurer; the Federal Aid Agreement (as defined in the Purchase Contract); and such other documents, legal opinions, instruments and records as I have considered necessary or appropriate for the purpose of this opinion.

Capitalized terms used herein and not otherwise defined shall have the meaning set forth such terms in the Purchase Contract.

1. The Department is a department of the State of California duly organized and validly existing under the laws of the State of California, has the requisite legal right, power and authority to execute and deliver the Indenture, the Continuing Disclosure Agreement, the Purchase Contract and the Federal Aid Agreement (collectively, the “Department Documents”) and the Official Statement, to approve the Preliminary Official Statement and the Official

Statement and to carry out and consummate all transactions contemplated by those Department Documents and the Official Statement.

2. The Department Documents have been duly authorized, executed and delivered and, assuming due authorization, execution and delivery of Department Documents by the other parties thereto, constitute legal, valid and binding obligations of the Department enforceable against the Department in accordance with their respective terms, subject to the laws relating to bankruptcy, insolvency, reorganization or creditors' rights generally and to the application of equitable principles, if equitable remedies are sought.

3. The Department has duly authorized the execution, delivery and approval of the Official Statement, the approval of the Preliminary Official Statement, and the distribution of the Preliminary Official Statement and Official Statement.

4. Federal Transportation Funds (as defined in the Master Indenture) have been appropriated in an amount sufficient to pay all principal of and interest on the Bonds, when due, and there are no further actions required by the State Legislature or any other governmental board, body or official which are legally required so long as the Bonds are Outstanding (a) for the Department to comply with the provisions of the Indenture requiring the Department to deposit Federal Transportation Funds into the Senior Lien Debt Service Fund (as defined in the Indenture) in the amount, and as and when, required by the Indenture, and (b) for the State Treasurer to comply with the provisions of the Indenture requiring the State Treasurer to withdraw Federal Transportation Funds from the Senior Lien Debt Service Fund and Subordinated Lien Debt Service Fund and Bond proceeds from the Construction Fund and to pay such money to the Trustee in the amount, and as and when, required to pay all principal of and interest on the Bonds, when due to pay all principal of and interest on the Bonds, when due.

5. All requirements of the Act and other laws and regulations pertaining to the Department in connection with the authorization of and compliance with the Department Documents and the transactions contemplated by and related thereto have been complied with, and all approvals, authorizations, consents or other orders of or filings or registrations with such public boards, or officials, if any, as may be legally required to be obtained by the Department with respect to all or any of such matters, have been taken or obtained and are in full and continuing force and effect, except that no opinion is expressed as to any approvals, obligations or proceedings which may be required under any federal securities laws or state blue sky or securities laws.

6. The execution, delivery and performance by the Department of the Department Documents does not and will not in any material respect conflict with or constitute on the part of the Department a breach of or default under any agreement or other instrument to which the Department is a party or by which it is bound or the Act or any other existing law, regulation, court order or consent decree to which the Department is subject, which would, in any case, materially and adversely affect the Department's ability to perform its obligations under the Department Documents.

7. The approval and distribution of the Preliminary Official Statement, the execution and delivery of the Department Documents and the review, approval and execution of the

Official Statement by the Department and the consummation of the transactions therein and in the Department Documents contemplated will not conflict with or constitute a breach of or default (with due notice or the passage of time or both) under (i) the statutes creating the Department or any amendments thereto, (ii) the regulations or orders affecting the Department, (iii) any Project Aid Agreement and any other bond, debenture, note or other evidence of indebtedness, or any material contract, agreement or lease to which the Department is a party or by which it or its properties are otherwise subject or bound or (iv) the Act, Federal Aid Authorization and any other applicable law or administrative regulation or any applicable court or administrative decree or order.

8. Except as may be disclosed in the Official Statement, (a) there is no action, suit, proceeding, inquiry or investigation before or by any court of federal, state, municipal or other governmental authority pending or, to the best of my knowledge after due investigation, threatened against or affecting (i) the Federal Transportation Funds, the Department Documents or the performance by the Department of its obligations thereunder, or (ii) any document, license, permit or approval necessary to the execution, delivery and performance of the Department Documents or any action of the Department taken with respect to the foregoing; or (iii) the Department or other assets, properties or operations of the Department which, if determined adversely to the Department or its interests, would result in any material change in the assets or financial condition of the Department, and (b) the Department is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental agency which default might have consequences that would materially and adversely affect the financial condition of the Department.

9. Based upon my review of the Preliminary Official Statement and the Official Statement, I have no reason to believe that the Preliminary Official Statement and the Official Statement, as of its date or as of the date hereof, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein (other than the statements under the captions ["BOND INSURANCE," and] "THE COMMISSION," and APPENDIX C "BOOK-ENTRY ONLY SYSTEM," as to which no view is expressed), in light of the circumstances under which they were made, not misleading.

Very truly yours,

**EXHIBIT F**

\$ \_\_\_\_\_  
**STATE OF CALIFORNIA  
(CALIFORNIA DEPARTMENT OF TRANSPORTATION)  
FEDERAL HIGHWAY GRANT ANTICIPATION BONDS  
SERIES 2008A**

**NO-LITIGATION CERTIFICATE OF THE ATTORNEY GENERAL**

EDMUND G. BROWN JR., Attorney General of the State of California, hereby certifies in connection with the issuance by the Treasurer of the State of California (the "State Treasurer") of the above described bonds (the "Bonds), except as disclosed under the caption "NO LITIGATION" in the Official Statement, dated September \_\_, 2008 (the "Official Statement") relating to the Bonds, to my knowledge, no litigation is pending (with service of process having been accomplished) in any Federal or state court or threatened against the State Treasurer, the California Transportation Commission (the "Commission") [or the Department of Transportation (the "Department")], which:

(a) seeks to restrain or enjoin the sale or delivery of the Bonds or the undertaking of any activities with respect to the Bonds or the Indenture, the Continuing Disclosure Agreement or the Purchase Contract (collectively, the "Financing Documents"), or

(b) in any way challenges the validity of the Bonds, the Financing Documents or any law, document, license, permit or approval necessary to the execution, delivery and performance of the Bonds or the Financing Documents or any proceeding of the State Treasurer or Commission or the Department taken with respect to the foregoing.

Capitalized terms used in this Certificate and not otherwise defined shall have the meanings given to such terms as set forth in that certain Purchase Contract, dated October \_\_, 2008 (the "Purchase Contract"), between the Treasurer of the State of California (the "State Treasurer") and J.P. Morgan Securities Inc., as representative of the underwriters named in the Purchase Contract.

For the purposes of the above certifications, the term "to my knowledge" does not include the performance of a docket search of Federal or state court filings. The term "to my knowledge" does include discussions between the undersigned and senior legal staff within the Attorney General's Office responsible for coordinating and managing judicial and administrative actions for the State Treasurer, the Commission and the Department and discussions with in-house counsel to each of the foregoing. For the purposes of the above certifications, no matter has been deemed to be "threatened" litigation because it is the subject of a pending administrative action.

Dated: \_\_\_\_\_, 2008

EDMUND G. BROWN, JR.  
Attorney General

By: \_\_\_\_\_  
Deputy Attorney General

**EXHIBIT G**

\$ \_\_\_\_\_

**STATE OF CALIFORNIA  
(CALIFORNIA DEPARTMENT OF TRANSPORTATION)  
FEDERAL HIGHWAY GRANT ANTICIPATION BONDS  
SERIES 2008A**

**CERTIFICATE OF THE COMMISSION**

The undersigned, Executive Director of the California Transportation Commission (the “Commission”), hereby certifies in connection with the issuance of the captioned Bonds as follows.

Capitalized terms used in this Certificate and not otherwise defined shall have the meanings given to such terms as set forth in that certain Purchase Contract, dated October \_\_\_, 2008 (the “Purchase Contract”), between the Treasurer of the State of California (the “State Treasurer”) and J.P. Morgan Securities Inc., as representative of the underwriters named in the Purchase Contract, as approved by the California Department of Transportation (the “Department”) and acknowledged by the Commission.

(a) The Commission is an agency of the State of California, duly organized and existing under the Constitution and laws of the State of California, with full power and authority under the Act and other laws to adopt the Commission Resolution, to enter into the Indenture and to perform its obligations under the Indenture, and when executed and delivered by the other parties thereto, the Indenture constitutes a valid and binding obligation of the Commission enforceable in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, or other laws affecting the enforcement of creditors’ rights generally and by the application of equitable principles if equitable remedies are sought.

(b) By the Commission Resolution, the Commission has authorized and approved the execution and delivery of, and the performance by the Commission of the obligations on its part contained in, the Indenture and the consummation by the Commission of all other transactions contemplated by the Official Statement and the Indenture.

(c) All requirements of the Act and other laws or regulations pertaining to the Commission in connection with the authorization of and compliance with the Indenture and the transactions contemplated thereby have been complied with, and no authorization, consent, approval, permit, license, exemption by or of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality, other than those that have already been obtained, is or will be necessary for the valid execution, delivery or performance of the Indenture, or adoption of the Commission Resolution, by the Commission.

(d) The representations and warranties made by the Commission in the Indenture are true and correct in all material respects on the date hereof.

(e) 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 known to the Commission to be threatened against or affecting the Commission (i) challenging or questioning the transactions contemplated by the Indenture, the Bonds, or any other agreement, document or certificate related to such transactions; (ii) challenging or questioning the creation, organization or existence of the Commission; (iii) seeking to enjoin or restrain the issuance, sale and delivery of the Bonds or the receipt of any of the Federal Transportation Funds or the pledge thereof; (iv) in any way questioning or affecting any of the rights, powers, duties or obligations of the Commission with respect to such transactions; (v) in any way questioning or affecting any authority for the issuance of the Bonds or validity or enforceability of the Bonds or the Indenture or contesting in any way the completeness or accuracy of the Official Statement, as amended or supplemented; or (vi) which, if determined adversely, might materially adversely affect the consummation of the transactions contemplated by the Official Statement or the Indenture.

(f) At the Closing Date, the statements contained in the Official Statement under the caption "THE COMMISSION" and under the caption "NO LITIGATION" (as it relates to the Commission) are and will be true and correct in all material respects, and such statements do not contain an untrue statement of a material fact or omit to state a material fact necessary to make such statements therein, in the light of the circumstances under which they were made, not misleading.

(g) The Commission shall advise the Department, up to and including the 25<sup>th</sup> day following the end of the Underwriting Period (as such term is defined in Rule 15c2-12), if any event has occurred of which the Commission has actual knowledge which might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the information therein, in light of the circumstances under which they were made, not misleading. The Commission shall cooperate with the Department in preparing an amendment or supplement to the Official Statement in a form and substance satisfactory to Disclosure Counsel and the Underwriters.

(h) Until twenty-five (25) days from the date of the end of the Underwriting Period (as such term is defined in Rule 15c2-12), if any event relating to or affecting the Commission shall occur as a result of which it is necessary, in the opinion of Disclosure Counsel or the Underwriters, to amend or supplement the Official Statement in order to make the Official Statement true and correct in all material respects and not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, then the Commission will prepare and furnish to the Underwriters, the State Treasurer and the Department (at the expense of the Department for ninety (90) days from the date of Closing, and thereafter at the expense of the Underwriters) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to Disclosure Counsel and the Underwriters) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

(i) The execution and delivery by the Commission of the Indenture, and compliance with the provisions on the Commission's part contained therein, will not violate or constitute a breach of or default under the Act or any other law, administrative regulation, judgment, decree, loan agreement, pledge agreement, indenture, bond, note, resolution, agreement or other instrument to which the Commission 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 Commission under the terms of any such law, administrative regulation, judgment, decree, loan agreement, pledge agreement, indenture, bond, note, resolution, agreement or other instrument, except as expressly provided by the Indenture.

(j) The Commission has fulfilled or performed each of its obligations contained in the Act, the Commission Resolution and the Indenture required to be fulfilled or performed by it as of the Closing Date.

IN WITNESS THEREOF, the undersigned has executed this Certificate.

Dated: \_\_\_\_\_, 2008

CALIFORNIA TRANSPORTATION COMMISSION

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

**EXHIBIT H**

\$ \_\_\_\_\_

**STATE OF CALIFORNIA  
FEDERAL HIGHWAY GRANT ANTICIPATION BONDS  
SERIES 2008A**

**CERTIFICATE OF THE  
CALIFORNIA DEPARTMENT OF FINANCE**

The undersigned is the duly appointed, qualified and acting Assistant Program Budget Manager of the California Department of Finance (“DOF”) and as such is familiar with the facts and other matters herein certified and is authorized and qualified to certify the same. In such capacity, the undersigned hereby states and certifies to the best of her knowledge after due and reasonable investigation:

1. The 2008-09 State Budget enacted August 1, 2008 (the “Budget”) contains, at item \_\_\_\_\_, a specific appropriation for support of the California Department of Transportation (“CalTrans”) for debt service with respect to the State of California (California Department of Transportation) Federal Highway Grant Anticipation Bonds, Series 2008A (the “Bonds”) in the amount of \$\_\_\_\_\_ (the “Budget Appropriation”). The Budget Appropriation described above is to be paid from the Federal Trust Fund and is an appropriation in lieu of the amounts that otherwise would have been appropriated and available for allocation pursuant to the Act. The amount so appropriated is intended to be sufficient to pay debt service and related costs with respect to the Bonds.

2. The Budget Appropriation provides that upon approval of DOF, the Budget Appropriation may be augmented administratively by the DOF, without additional legislative approval, if additional funds are necessary to meet debt service and other requirements related to the Bonds.

3. Upon the sale of the Bonds and determination of the actual amount necessary to pay debt service and other requirements with respect to the Bonds, and upon receipt of notification to DOF by CalTrans, in writing, of the result of such pricing, DOF agrees to, by the correct means (anticipated to be a letter from DOF, commonly known as a “Finance Letter”) amend the Budget Appropriation by the amount necessary to provide funds sufficient to pay actual debt service and related costs with respect to the Bonds. The Finance Letter shall be deemed to constitute approval by DOF of such augmentation pursuant to the Budget Appropriation.

Dated: \_\_\_\_\_, 2008

CALIFORNIA DEPARTMENT OF FINANCE

\_\_\_\_\_  
[Name]

**EXHIBIT I**

**STATE TREASURER'S OFFICE  
PROFESSIONAL BOND SERVICES PARTICIPATION  
NEGOTIATED BOND SALE**

This report of professional bond service participation by Disabled Veterans Business Enterprise (DVBE) firms is submitted for the State of California bond sale described below.

<b>Issue Title:</b>	<b>Amount: \$</b>
	<b>Sale Date:</b>
<b>Senior Manager:</b>	<b>Closing Date:</b>
<b>Prepared By:</b>	<b>Contact:</b>
	<b>Date:</b>

Section 999 (k) of the Military and Veterans Code states that:

*“Professional bond services” include services as financial advisers, bond counsel, underwriters in negotiated transactions, underwriter’s counsel, financial printers, feasibility consultants, and other professional services related to the issuance and sale of bonds.*

Please identify all bond issuance costs including those paid to DVBE firms.

**Add additional pages as necessary.**

**1. Underwriter Discount**

**A. Management Fee**

		<b>DVBE Firm?</b>	
_____	\$	<input type="checkbox"/>	<input type="checkbox"/>
Senior Manager	Amount	Yes	No
_____	\$	<input type="checkbox"/>	<input type="checkbox"/>
Co-Senior Manager	Amount	Yes	No
_____	\$	<input type="checkbox"/>	<input type="checkbox"/>
Co-Manager	Amount	Yes	No
_____	\$	<input type="checkbox"/>	<input type="checkbox"/>
Co-Manager	Amount	Yes	No
	\$		
	Total Management Fee		

**B. Takedown**

		<b>DVBE Firm?</b>	
_____ Company	\$ _____ Amount	<input type="checkbox"/> Yes	<input type="checkbox"/> No
_____ Company	\$ _____ Amount	<input type="checkbox"/> Yes	<input type="checkbox"/> No
_____ Company	\$ _____ Amount	<input type="checkbox"/> Yes	<input type="checkbox"/> No
_____ Company	\$ _____ Amount	<input type="checkbox"/> Yes	<input type="checkbox"/> No
	\$ _____ Total Takedown		

**2. Financial Advisor Fees Paid**

		<b>DVBE Firm?</b>	
_____ Company	\$ _____ Fees Paid	<input type="checkbox"/> Yes	<input type="checkbox"/> No
_____ Company	\$ _____ Fees Paid	<input type="checkbox"/> Yes	<input type="checkbox"/> No
_____ Company	\$ _____ Fees Paid	<input type="checkbox"/> Yes	<input type="checkbox"/> No
_____ Company	\$ _____ Fees Paid	<input type="checkbox"/> Yes	<input type="checkbox"/> No
	\$ _____ Total Financial Advisor Fee		

**3. Bond Counsel Fees Paid**

		<b>DVBE Firm?</b>	
_____ Company	\$ _____ Amount	<input type="checkbox"/> Yes	<input type="checkbox"/> No
_____ Company	\$ _____ Amount	<input type="checkbox"/> Yes	<input type="checkbox"/> No
_____ Company	\$ _____ Amount	<input type="checkbox"/> Yes	<input type="checkbox"/> No
_____ Company	\$ _____ Amount	<input type="checkbox"/> Yes	<input type="checkbox"/> No
	\$ _____ Total Bond Counsel Fees		

## 4. Underwriter Counsel Fees Paid

Company	\$ Fees Paid	<b>DVBE Firm?</b> <input type="checkbox"/> Yes <input type="checkbox"/> No	
Company	\$ Fees Paid	<input type="checkbox"/> Yes <input type="checkbox"/> No	
	\$ Total Underwriter Counsel Fees Paid		

## 5. Financial Printer Fees Paid

Company	\$ Fees Paid	<b>DVBE Firm?</b> <input type="checkbox"/> Yes <input type="checkbox"/> No	
Company	\$ Fees Paid	<input type="checkbox"/> Yes <input type="checkbox"/> No	
	\$ Total Financial Printer Fees Paid		

## 6. Feasibility Consultant Fees Paid

Company	\$ Fees Paid	<b>DVBE Firm?</b> <input type="checkbox"/> Yes <input type="checkbox"/> No	
Company	\$ Fees Paid	<input type="checkbox"/> Yes <input type="checkbox"/> No	
	\$ Total Feasibility Consultant Fees Paid		

## 7. Other Professional Bond Service Fees Paid

Company	\$ Fees Paid	<b>DVBE Firm?</b> <input type="checkbox"/> Yes <input type="checkbox"/> No	
Company	\$ Fees Paid	<input type="checkbox"/> Yes <input type="checkbox"/> No	
	\$ Total Other Professional Fees Paid		

## *INSTRUCTIONS*

1. Please **complete, sign, and return** this report within ten (10) calendar days of the bond closing.
2. Add extra pages as necessary.
3. **Mail** the completed form to:

**State Treasurer's Office  
Public Finance Division  
Attention: Deanne Brown  
915 Capitol Mall – Room 261  
P.O. Box 942809  
Sacramento, CA 94209-0001**

**Phone: 916/654-6169  
Fax: 916/653-4042  
e-mail: [dbrown@treasurer.ca.gov](mailto:dbrown@treasurer.ca.gov)**