PRIVATE PLACEMENT MEMORANDUM DATED SEPTEMBER 30, 2010

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS:
See "RATINGS" herein.

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Contra Costa Transportation Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2010 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2010 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2010 Bonds, including whether interest on the Series 2010 Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. See "TAX MATTERS" herein.

[CCTA Logo]

$200,990,000
CONTRA COSTA TRANSPORTATION AUTHORITY
SALES TAX REVENUE BONDS
(LIMITED TAX BONDS), SERIES 2010

Dated: Date of Delivery **Due: March 1, 2034**

The Contra Costa Transportation Authority (the "Authority") is issuing the series of bonds identified above (the "Series 2010 Bonds"), pursuant to an Indenture (as defined herein), between the Authority and Deutsche Bank National Trust Company, as trustee (the "Trustee"). The Series 2010 Bonds, when issued as described herein, initially will bear interest at the Indexed Floating Rate, as described herein under "THE SERIES 2010 BONDS." Interest is payable on the first Business Day of each calendar month, commencing November 1, 2010. The Initial Indexed Floating Rate Period will end on October 1, 2013 (the "Special Mandatory Tender Date"), or upon earlier conversion to another Rate Period, as provided in the Indenture and described herein.

The Series 2010 Bonds are subject to mandatory tender for purchase and optional and special mandatory redemption prior to maturity, as described herein under "THE SERIES 2010 BONDS." While in the Initial Indexed Floating Rate Period, the Series 2010 Bonds are not subject to tender for purchase at the option of the Holder.

This Private Placement Memorandum is intended to provide certain information with respect to the Series 2010 Bonds during the Initial Indexed Floating Rate Period only. No purchaser of the Series 2010 Bonds may rely on this Private Placement Memorandum for information concerning the Series 2010 Bonds other than during the Initial Indexed Floating Rate Period.

The Series 2010 Bonds are issuable in fully registered form only, and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Beneficial owners of the Series 2010 Bonds will not receive physical certificates representing the Series 2010 Bonds purchased but will receive a credit balance on the books of the nominees of such purchasers. So long as Cede & Co. is the registered owner of the Series 2010 Bonds, principal of and interest on the Series 2010 Bonds will be paid by the Trustee to DTC, which, in turn, will remit such payments to its participants for subsequent disbursement to the beneficial owners of the Series 2010 Bonds.

Proceeds from the sale of the Series 2010 Bonds will be applied by the Authority: (i) to pay the principal of certain notes of previously issued by the Authority and (ii) to pay costs of issuance of the Series 2010 Bonds. See "PLAN OF FINANCING".

Maturity	Principal Amount	Price	Initial CUSIP No.†
March 1, 2034	$200,990,000	100%	21221MCT5

THE SERIES 2010 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY A PLEDGE OF SALES TAX REVENUES DERIVED FROM A 0.5% SALES TAX LEVIED BY THE AUTHORITY, AS DESCRIBED HEREIN. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OF CONTRA COSTA, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE SERIES 2010 BONDS, OTHER THAN THE SALES TAX REVENUES RECEIVED BY THE AUTHORITY.

This cover page contains general information only. Investors must read the entire Private Placement Memorandum to obtain information essential to making an informed investment decision.

The Series 2010 Bonds will be purchased in a private placement by RBC Capital Markets Corporation (the "RBCCMC") when, as and if issued by the Authority and received by RBCCM, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Authority by its counsel, Nossaman LLP, and by Squire, Sanders & Dempsey L.L.P., as Disclosure Counsel to the Authority. It is expected that the Series 2010 Bonds will be available for delivery through the facilities of DTC on or about October 1, 2010.

RBC CAPITAL MARKETS CORPORATION

This Private Placement Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale, of the Series 2010 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. The information set forth herein has been provided by the Authority, DTC and other sources that are believed by the Authority to be reliable.

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

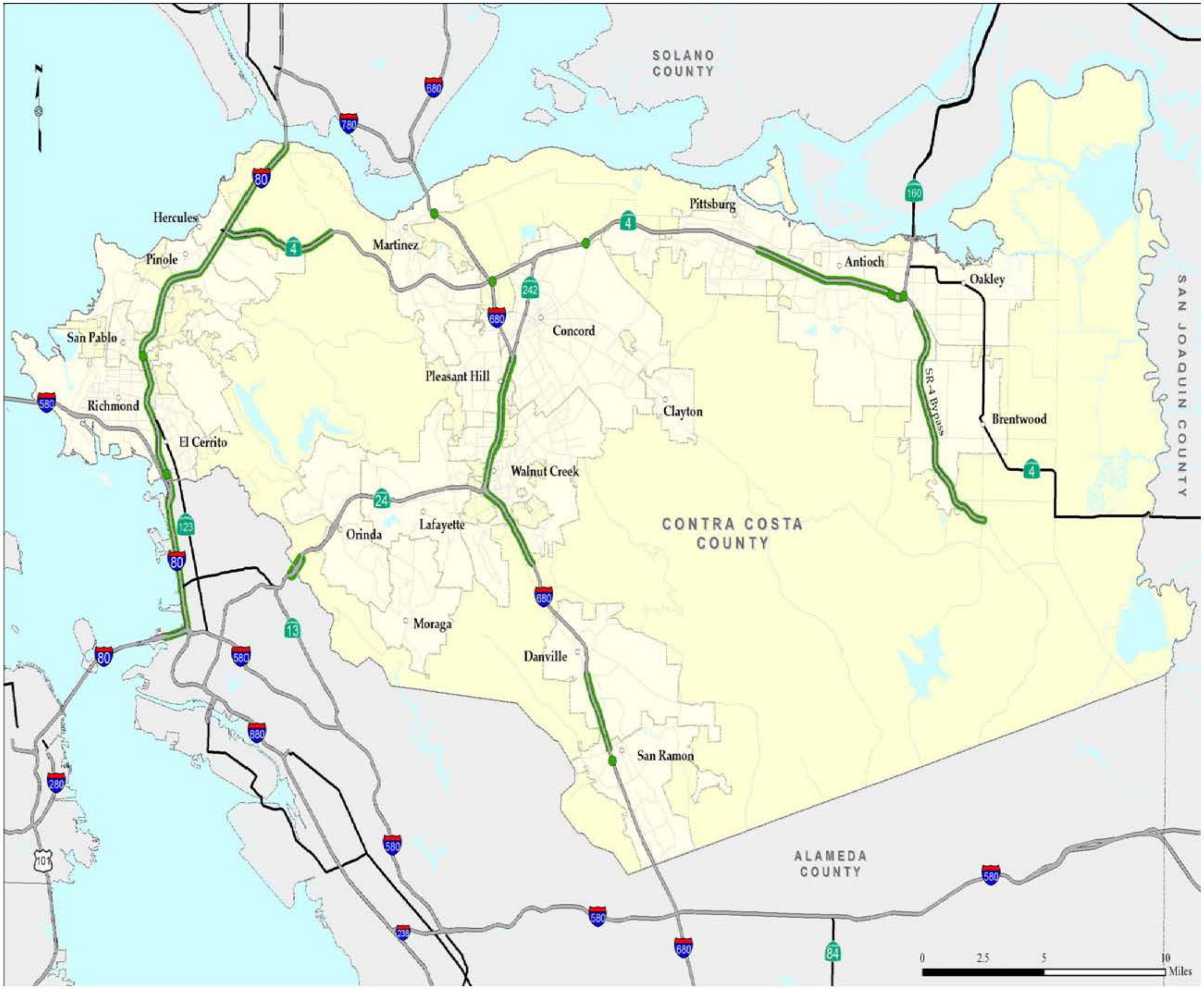
This Private Placement Memorandum is not to be construed as a contract with any purchasers or Beneficial Owners (as herein defined) of the Series 2010 Bonds.

This Private Placement Memorandum speaks only as of its date. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Private Placement Memorandum nor any sale made in conjunction herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or other matters described herein since the date hereof. This Private Placement Memorandum is submitted with respect to the original sale of the Series 2010 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. Preparation of this Private Placement Memorandum and its distribution to RBC Capital Markets Corporation have been duly authorized and approved by the Authority.

All descriptions and summaries of documents and statutes hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document and statute for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and statute.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS PRIVATE PLACEMENT MEMORANDUM

Certain statements included or incorporated by reference in this Private Placement Memorandum constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as "plan," "expectations," "estimate," "project," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the expectations of the Authority in any way, regardless of the level of optimism communicated in the information. The Authority is not obligated to issue nor does it plan to issue any updates or revisions to the forward-looking statements.


SOLANO COUNTY
Hercules
Pinole
Martinez
Pittsburg
Antioch
Oakley
San Pablo
Concord
Pleasant Hill
Richmond
El Cerrito
Clayton
SR-4 Bypass
Brentwood
SAN JOAQUIN COUNTY
Walnut Creek
Orinda
Lafayette
CONTRA COSTA COUNTY
Moraga
Danville
San Ramon
ALAMEDA COUNTY
0 2.5 5 10 Miles

CONTRA COSTA TRANSPORTATION AUTHORITY

COMMISSIONERS

Robert Taylor, Chair	Mayor, City of Brentwood
David Durant, Vice Chair	Council Member, City of Pleasant Hill
Janet Abelson	Mayor, City of El Cerrito
Newell Arnerich	Council Member, Town of Danville
Ed Balico	Vice Mayor, City of Hercules
Susan Bonilla	Supervisor, Board of Supervisors, County of Contra Costa
Jim Frazier	Vice Mayor, City of Oakley
Federal Glover	Supervisor, Board of Supervisors, County of Contra Costa
Mike Metcalf	Council Member, Town of Moraga
Julie Pierce	Council Member, City of Clayton
Maria T. Viramontes	Council Member, City of Richmond

MANAGEMENT STAFF

Executive Director
Randell H. Iwasaki

Chief Financial Officer
Randall O. Carlton

Deputy Executive Director, Projects
Ross A. Chitteden

Deputy Executive Director, Planning
Martin R. Engelmann

Director, Government & Community Relations
Arielle E. L. Bourgart

SPECIAL SERVICES

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Public Financial Management, Inc.
San Francisco, California

Authority Counsel
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San Francisco, California

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San Francisco, California

Disclosure Counsel
Squire, Sanders & Dempsey L.L.P.
San Francisco, California

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PRIVATE PLACEMENT MEMORANDUM

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SALES TAX REVENUE BONDS
(LIMITED TAX BONDS), SERIES 2010

INTRODUCTION

The following Introduction is not a summary of the Series 2010 Bonds and subject in all respects to the more complete information set forth in this Private Placement Memorandum. Investors must read the entire Private Placement Memorandum to obtain information essential to making an informed investment decision. The descriptions and summaries of various documents in this Private Placement Memorandum do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each document.

All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE," or if not defined therein, in the hereinafter defined Indenture or hereinafter defined Bond Purchase Agreement.

This Private Placement Memorandum describes the Series 2010 Bonds bearing interest at the Indexed Floating Rate during the Initial Indexed Floating Rate Period. The Series 2010 Bonds may be converted to bear interest at rates other than an Indexed Floating Rate and there are significant changes in the terms of the Series 2010 Bonds while they bear interest at an Indexed Floating Rate after the Initial Indexed Floating Rate Period or at rates other than an Indexed Floating Rate. THIS PRIVATE PLACEMENT MEMORANDUM DOES NOT, NOR IS IT INTENDED TO, PROVIDE INFORMATION WITH RESPECT TO THE SERIES 2010 BONDS OTHER THAN SERIES 2010 BONDS BEARING INTEREST AT THE INDEXED FLOATING RATE DURING THE INITIAL INDEXED FLOATING RATE PERIOD.

General

This Private Placement Memorandum, including the cover page and all appendices hereto, provides certain information concerning the issuance and sale by the Contra Costa Transportation Authority (the "Authority") of $200,990,000 aggregate principal amount of Contra Costa Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds), Series 2010 (the "Series 2010 Bonds"). The Series 2010 Bonds are being issued pursuant to the Indenture, dated as of September 1, 2009 (the "Master Indenture"), between the Authority and Deutsche Bank National Trust Company, as trustee (the "Trustee"), as previously supplemented by the First Supplemental Indenture, dated as of September 1, 2009 (the "First Supplemental Indenture"), and as further supplemented by a Second Supplemental Indenture, dated as of October 1, 2010 (the "Second Supplemental Indenture"), each between the Authority and the Trustee. The Master Indenture, as so supplemented and as further supplemented from time to time pursuant to its terms, is hereinafter referred to as the "Indenture."

The Authority and RBC Capital Markets Corporation ("RBCCMC") will enter into a Bond Purchase Agreement, to be dated October 1, 2010 (the "Bond Purchase Agreement"), pursuant to which RBCCMC will purchase the Series 2010 Bonds from the Authority. The Bond Purchase Agreement sets forth (i) certain conditions to the purchase of the Series 2010 Bonds by RBCCMC and (ii) various rights of the Purchaser and various covenants of the Authority, which will continue in effect so long as the Series 2010 Bonds are in the Initial Indexed Floating Rate Period and until payment of all sums due under the Bond Purchase Agreement have been made. Such rights of the Purchaser (defined herein) and such additional covenants of the Authority may be waived or modified upon the consent of the Bondholder Representative (defined herein), and therefore, with limited exceptions, such additional covenants are not described in this Private Placement Memorandum. A complete copy of the Bond Purchase Agreement may be obtained as described under "—Availability of Documents."

The Series 2010 Bonds will mature on March 1, 2034 (the "Maturity Date") and will interest at an Indexed Floating Rate established as provided in the Indenture, unless and until the interest rate period for the Series 2010 Bonds is converted to a different interest rate period, as provided in the Indenture. During the Initial Indexed Floating Rate Period, the Indexed Floating Rate will be equal to the SIFMA Municipal Swap Index plus the Applicable Spread, which initially is set at 0.75%. The Applicable Spread may be adjusted as provided in the Bond Purchase Agreement. Interest on the Series 2010 Bonds will be payable on the first Business Day of each calendar month commencing November 1, 2010. See "THE SERIES 2010 BONDS."

The Series 2010 Bonds are subject to mandatory tender for purchase on October 1, 2013, which is defined in the Indenture as the Special Mandatory Tender Date, and are subject to optional and mandatory redemption, all as described under "THE SERIES 2010 BONDS."

The Authority

The Authority is a local transportation authority organized under the provisions of the Local Transportation Authority and Improvement Act, constituting Division 19 of the Public Utilities Code of the State of California, commencing with Section 180000 (hereinafter collectively referred to as the "Act"). The Authority was created on February 8, 1988 by action of the Board of Supervisors of Contra Costa County. See "THE AUTHORITY" herein.

Authorization

The Series 2010 Bonds are being issued pursuant to the authority granted under the Act and Ordinance 88-01, as amended and supplemented from time to time pursuant to its terms, including as amended and supplemented by Ordinance 04-02, which, by its terms, became effective at the close of the polls in the County of Contra Costa (the "County") on November 2, 2004, the date of the general election at which a ballot measure ("Measure J") authorizing the extension of an existing retail transactions and use tax through March 31, 2034 was approved by more than two-thirds of the voters voting on Measure J, as amended and restated by Ordinance 06-01. Ordinance 06-01 as so amended, supplemented and restated, and as it may be further amended and supplemented pursuant to its terms, is hereinafter referred to as the "Ordinance."

Sales Tax; Pledge of Revenues

The Series 2010 Bonds are limited obligations of the Authority payable solely from and secured solely by a pledge of certain revenues defined in the Indenture (the "Revenues") and certain funds held by the Trustee under the Indenture, including a pledge of amounts collected (the "Sales Tax Revenues") from a one-half of one percent (0.5%) Measure J retail transactions and use tax levied by the Authority for transportation purposes in the incorporated and unincorporated territory of the County (as hereinafter described, the "Sales Tax"), net of an administrative fee paid to the California State Board of Equalization (the "Board of Equalization") for its collection and disbursement of the Sales Tax. The Sales Tax will expire on March 31, 2034. The Series 2010 Bonds are not secured by any debt service reserve fund, nor is there any liquidity facility providing liquidity for the Series 2010 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS" and "THE SALES TAX" herein.

Limited Obligation of Authority

THE SERIES 2010 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY A PLEDGE OF SALES TAX REVENUES DERIVED FROM A 0.5% SALES TAX LEVIED BY THE AUTHORITY, AS DESCRIBED HEREIN. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE SERIES 2010 BONDS, OTHER THAN THE SALES TAX REVENUES RECEIVED BY THE AUTHORITY.

Plan of Financing

Proceeds of the Series 2010 Bonds will be applied to pay at maturity the principal of the Contra Costa Transportation Authority Sales Tax Revenue Notes (Limited Tax Bonds), Series 2009 (the "Series 2009 Notes") previously issued by the Authority to finance costs of certain transportation facility and service improvements within County, including highway improvements, public transit improvements, local street maintenance and improvements and related transportation programs and purposes (the "Project") and to refinance certain other costs of the Project previously financed from the proceeds of certain commercial paper notes issued by the Authority. Proceeds of the Series 2010 Bonds will also be applied to pay Costs of Issuance of the Series 2010 Bonds. See "PLAN OF FINANCING" herein.

No Acceleration Provision

The Indenture does not contain a provision allowing for the acceleration of the Series 2010 Bonds in the event of a default in the payment of principal of or interest on the Series 2010 Bonds when due. In the event of a default by the Authority, the Holders of at least a majority of the aggregate principal amount of the Series 2010 Bonds will have the right to request the Trustee to exercise the remedies and each Holder will have certain remedies, all subject to limitations, as provided in the Indenture. See APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Events of Default and Remedies." However, under certain circumstances, the Bondholder can direct the mandatory redemption of the Series 2010 Bonds, as described under "THE SERES 2010 BONDS—REDEMPTION—*SPECIAL MANDITORY REDEMPTION DURING INITIAL INDEX FLOATING RATE. AND EXCELERATED PRINCIPAL.*".

Book-Entry Only

The Series 2010 Bonds will be issued solely in book-entry form through The Depository Trust Company. See APPENDIX C—"BOOK-ENTRY ONLY SYSTEM."

No Continuing Disclosure Undertaking

No continuing disclosure undertaking is required by Securities and Exchange Commission Rule 15c2-12, as amended, in connection with the sale of the Series 2010 Bonds to RBCCMC pursuant to the Bond Purchase Agreement, and the Authority has not entered into any continuing disclosure undertaking with respect to the Series 2010 Bonds.

Availability of Documents

Copies of the Indenture and Bond Purchase Agreement are available for inspection at the offices of the Authority and, following delivery of the Series 2010 Bonds, will be on file at the offices of the Trustee in San Francisco, California.

PLAN OF FINANCING

General

Proceeds of the Series 2010 Bonds will be applied on the date of closing to pay at maturity the principal of all of the Series 2009 Notes previously issued by the Authority to finance and refinance costs of the Project and to pay Costs of Issuance. See "ESTIMATED SOURCES AND USES OF FUNDS." The Project was authorized in the Expenditure Plan of the Authority (as modified from time to time, the "Expenditure Plan"), which was authorized by the Ordinance. See "CONTRA COSTA TRANSPORTATION IMPROVEMENT PROGRAM" herein for a description of the Expenditure Plan.

The 2005 Swap and The Amended Swap

In November 2005, the Authority entered into a forward starting interest rate swap transaction (the "BANA Swap") with Bank of America, N.A. ("BANA") and a forward starting interest rate swap transaction (the "MLCS Swap") with Merrill Lynch Capital Services, Inc. ("MLCS") each in the notional amount of $150,000,000, in anticipation of the issuance of variable rate bonds subsequent to commencement of collection of the Sales Tax authorized by Measure J, which the Authority anticipated issuing in 2009. On September 18, 2009, the Authority restructured the 2005 Swap to result in a single forward starting interest rate swap with BANA and reduced the total notional amount from $300,000,000 to $200,000,000. In connection with this restructuring, the MLCS Swap was transferred by novation from MLCS to BANA pursuant to the terms of the Novation Agreement, dated as of September 18, 2009 (the "Novation Agreement"), among MLCS, BANA and the Authority. The Authority and BANA have amended and restated as of September 18, 2009 (i) the International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreement, dated as of November 22, 2005 (the "Master Agreement"), (ii) the U.S. Municipal Counterparty Schedule to the Master Agreement, dated as of November 22, 2005 (the "Schedule") and (iii) the ISDA Credit Support Annex to the Schedule to the Master Agreement, dated as of November 22, 2005 (the "Credit Support Annex") and (iv) the Confirmation thereto (the "Confirmation"), which collectively amends the terms of the BANA Swap and the MLCS Swap. The Master Agreement, the Schedule, the Credit Support Annex, the Novation Agreement, the Confirmation and the terms agreed upon pursuant the restructuring of the 2005 Swap are hereinafter collectively referred to as the "Amended Swap." The amortization of the Series 2010 Bonds (including mandatory sinking fund redemption) matches the amortization of the notional amount of the Amended Swap during years 2026 through 2034.

Under the terms of the Amended Swap, the Authority is required to make payments to BANA based on a fixed rate of interest of 3.6574% and receives floating rate payments from BANA calculated upon the sum of (i) 63.5% of the London Interbank Offered Rate and (ii) 0.29%, in each case on the notional amount of the Amended Swap of $200,000,000 amortizing to March 1, 2034. Such payments began to accrue on September 23, 2009 and will terminate on March 1, 2034.

The Amended Swap is subject to early termination, including, without limitation, upon the occurrence of certain customary termination events and events of default which may be outside the control of the Authority. If an early termination occurs, a payment by the Authority to BANA may be required, and the amount of any such termination payment could be substantial. Under certain circumstances, pursuant to the provisions of the Amended Swap, the Authority is required, from time to time, to post collateral, which posting of collateral is required based upon (i) the value of the Amended Swap at the time of calculation and (ii) the credit rating of the Authority. Based on the Authority's current credit rating and pursuant to the terms of the Amended Swap, the Authority is required to post collateral if the termination value of the Amended Swap exceeds $40,000,000 and Authority has recently been required to post collateral.

Pursuant to the Indenture, regularly scheduled payments under the Amended Swap constitute Parity Obligations, and fees and expenses and termination payments under the Amended Swap constitute Fee and Expense Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS—Parity Obligations and Additional Bonds," "—Fee and Expense Obligations" and "—Designation of Parity Obligations, Subordinate Obligations and Fee and Expense Obligations" herein.

Future Financing Plans

The Authority currently anticipates issuing one or more additional Series of Bonds to fund transportation projects authorized under the Expenditure Plan anticipated to total approximately $350 million. Such issuance or issuances is currently expected to occur between the years 2011 and 2015. The Authority may revise its Strategic Plan (as hereinafter defined), and its financing plans may change. See "CONTRA COSTA TRANSPORTATION IMPROVEMENT PROGRAM—Expenditure Plan and Strategic Plan" herein.

Exclusive of the principal amount of additional Bonds, Parity Obligations or other financial obligations secured by Sales Tax Revenues, and the timing of any such issuance or issuances, will be determined by the Authority based on a variety of factors including: project readiness; the costs and timing of design and construction of the transportation projects to be financed; the resources then available to the Authority; the availability of other funding sources for authorized transportation projects; and market conditions. The issuance of additional Bonds and Parity Obligations and other financial obligations secured by Sales Tax Revenues is subject to the requirements of the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS—Parity Obligations and Additional Bonds" herein.

ESTIMATED SOURCES AND USES

The following are the estimated sources and uses of proceeds of the Series 2010 Bonds:

Sources	
Series 2010 Bonds	$200,990,000.00
Total Sources	$____________
Uses	
Retire Series 2009 Notes(1	$200,000,000.00
Costs of Issuance(1)	537,772.50
Purchaser's Fee and Expenses	452,227.50
Total Uses of Funds	**$200,990,000.00**

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(1) Interest due on the Series 2009 Notes will be paid from Sales Tax Revenues currently on deposit with the Trustee.

(2) Costs of issuance include rating agency, legal and financial advisory fees; printing costs and expenses; fees of the Trustee; and other miscellaneous expenses.

THE SERIES 2010 BONDS

General

The Series 2010 Bonds will mature on March 1, 2034 and will initially bear interest at the Indexed Floating Rate. From the Date of Delivery, the Series 2010 Bonds will bear interest at the Indexed Floating Rate calculated as provided in the Indenture, unless and until: (i) the interest rate period for the Series 2010 Bonds is converted to a different Rate Period, or (ii) a Bond Purchase Agreement Redemption Event (defined herein) has occurred and the Bondholder Representative delivers a notice of such occurrence to the Authority and Trustee (unless waived by the Bondholder representative, as provided under the terms of Bond Purchase Agreement), or (iii) an Accelerated Principal Period (as described under "— Indexed Floating Rate" below) is in effect.

Bond Purchase Agreement Definitions

The following definitions utilized in this Private Placement Memorandum are defined in the Bond Purchase Agreement. See "INTRODUCTION— Availability of Documents" for information concerning obtaining a complete copy of the Bond Purchase Agreement.

"Applicable Spread" as defined in the Bond Purchase Agreement means: a rate per annum determined by reference to the following chart based on (A) the lowest Obligor Rating (defined below) assigned by any of S&P, Moody's or Fitch (if, in the case of Fitch, Fitch shall at some future point assign a rating to the obligations of the Authority) and (B) whether an Event of Taxability (defined below) or Tax Event (defined below) has occurred. If an Event of Taxability or Tax Event has occurred, the Applicable Spread shall be based on the rates per annum listed below under the column in the following chart entitled "Taxable"; otherwise, the Applicable Spread shall be based on the rates per annum listed below under the column in the following chart entitled "Tax Exempt". In the event of a split Obligor Rating (i.e., one of S&P or Moody's or Fitch, if applicable, has assigned an Obligor Rating that is in a

different row in the following chart than the Obligor Rating assigned by any other rating agency), the Applicable Spread shall be based upon the row in which the lowest of the Obligor Ratings appears. On the Closing Date for the Series 2010 Bonds, the Applicable Spread shall equal 0.75%.

Obligor Ratings (lowest rating to be used)		**Applicable Spread (rate per annum)**	
S&P/Fitch	**Moody's**	**Tax Exempt**	**Taxable**
AA-	Aa3	0.75%	1.65%
A+	A1	1.25%	2.40%
A	A2	1.50%	2.80%
A-	A3	3.00%	5.10%
BBB+ or below	Baa1 or below	Maximum Rate less the SIFMA Municipal Swap Index	Maximum Rate less the One Month USD LIBOR Rate

In the event either of the following events set forth below shall occur, the Applicable Spread shall equal a rate per annum equal to the Maximum Rate minus (x) the SIFMA Municipal Swap Index (if neither an Event of Taxability nor a Tax Event has occurred) or (y) One Month USD LIBOR Rate (if an Event of Taxability or a Tax Event has occurred): any rating assigned to the Bonds or Parity Obligations by Moody's or by S&P or Fitch (if, in the case of Fitch, Fitch shall at some future point assign a rating to the Authority's obligations) is (i) withdrawn, suspended, or otherwise unavailable or (ii) reduced below "Baa2" (or its equivalent) in the case of Moody's or "BBB" (or its equivalent) in the case of S&P or Fitch.

Each change in the Applicable Spread resulting from a change in the Obligor Ratings shall become effective on the date of announcement or publication by S&P, Moody's or, if applicable, Fitch, respectively, of a change in such Obligor Rating, or in the absence of such announcement or publication, on the effective date of such changed Obligor Rating. References to the Obligor Ratings above are references to rating categories as determined by S&P, Moody's and, if applicable, Fitch as of the Closing Date and in the event of adoption of any new or changed rating system by any of S&P, Moody's or, if applicable, Fitch, respectively, including, without limitation, any recalibration or realignment of the Obligor Ratings in connection with the adoption of a "global" rating scale, the ratings from the rating agency in question referred to above shall be deemed to refer to the rating category under the new rating system which most closely approximates the applicable rating category as in effect on the Closing Date.

"*Bondholder Representative*" as defined in the Bond Purchase Agreement means: (i) initially RBCCMC, and its successors and assigns; and (ii) upon the receipt from time to time by the Authority and the Trustee of a notice (described in the Bond Purchase Agreement), the person designated in such notice as the Bondholder Representative, as more fully provided in the Bond Purchase Agreement.

Bond Purchase Agreement Redemption Events as defined in the Bond Purchase Agreement mean the occurrence of any of the following events:

(i) The occurrence of any Event of Default (as defined in the Indenture) under Section 7.01(A), (B), (D), (E), (F) or (G) of the Indenture;

(ii) Any Parity Obligations (including, without limitation, any Liquidity Facility Bonds) are declared by the holders thereof (or any trustee on their behalf) to be immediately due and payable, or such Parity Obligations are required to be immediately paid or repaid prior to the stated maturity thereof or such Parity Obligations shall otherwise become immediately due and payable prior to the stated maturity thereof;

(iii) The occurrence of any Event of Default (as defined in the Indenture) under Section 7.01(C) or (H) of the Indenture;

(iv) Any principal, interest on or redemption price of any Subordinate Obligation shall not be paid when due by the Authority (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), subject to the expiration of any applicable grace or cure period;

(v) The occurrence of any event, default or event of default with respect to any Debt which, pursuant to the provisions of any Contract related to such Debt, permits the holders of such Debt to accelerate such Debt or require such Debt to be prepaid prior to the stated maturity thereof;

(vi) (A) Any of the Series 2010 Bonds, the Indenture, or the Bond Purchase Agreement (collectively the "Related Documents") or the Ordinance or any provision of any of the Related Documents or the Ordinance related to the payment of principal of or interest on the Series 2010 Bonds or the pledge of and lien on the Revenues shall at any time for any reason cease to be valid and binding on or fully enforceable against the Authority as determined by any Governmental Authority having appropriate jurisdiction over the Authority or (B)(x) the validity or enforceability of any of the Related Documents or the Ordinance or any provision of any of the Related Documents or the Ordinance related to the payment of principal of or interest on the Series 2010 Bonds or the pledge of and lien on the Revenues shall be contested by action authorized by the governing body of the Authority or by any representative of the Authority acting under authority granted by such governing body, or (y) any Governmental Authority having appropriate jurisdiction over the Authority shall make a finding or ruling or shall enact or adopt legislation or issue an executive order that contests the validity or enforceability of any of the Related Documents or the Ordinance or any provision of any of the Related Documents or the Ordinance related to the payment of principal of or interest on the Bonds or the pledge of and lien on the Revenues, or (c) the governing body of the Authority, or a person acting under authority granted by such governing body, shall deny or repudiate that the Authority has any or further liability or obligation under any of the Related Documents or the Ordinance or (C) any material provision of any of the Related Documents or the Ordinance other than a provision described in clause (A) or (B) of this paragraph (vi), shall at any time for any reason cease to be valid and binding on the Authority, or shall be declared in a final non-appealable judgment by any court having jurisdiction over the Authority to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be publicly contested by the Authority;

(vii) The Authority fails to maintain Obligor Ratings of "BBB" (or its equivalent) or higher by S&P or Fitch (if, in the case of Fitch, Fitch shall at some future point assign a rating to the Series 2010 Bonds or to the Parity Obligations) or "Baa2" (or its equivalent) or higher by Moody's or any such rating is withdrawn or suspended for credit related reasons;

(viii) Any default or breach of the performance of any duty or covenant in the Bond Purchase Agreement or under any other Related Document (except for those breaches specified in some other paragraph of this definition) any "event of default" under any other Related Document shall occur, in each case, which is not cured within any applicable cure period;

(ix) (A) The Authority fails to perform or observe any term, covenant or agreement contained in Sections 5(a), (c), (j), (l), (o), (p), (q), (r), (s), (t) or (u) of the Bond Purchase Agreement. or (B) the Authority fails to perform or observe any term, covenant or agreement contained in the Bond Purchase Agreement (other than those referred to in this clause (ix)(A) or some other subsection of this definition) and any such failure cannot be cured or, if curable, remains uncured for 60 days after written notice thereof has been given to the Authority or (C) the Authority fails to perform or observe any term, covenant or agreement contained in the Ordinance and such failure results in a Material Adverse Effect;

(x) Any representation, warranty or statement made by or on behalf of the Authority in any Related Document or in any certificate delivered pursuant thereto shall prove to be incorrect or untrue in any material respect on the date as of which made or deemed made; or the documents, certificates or statements of the Authority (including unaudited and audited financial reports of the Authority) furnished to the Purchaser or to the Bondholder Representative by or on behalf of the Authority in connection with the transactions contemplated by the Bond Purchase Agreement, when taken as a whole, are materially inaccurate in light of the circumstances under which they were made and as of the date on which they were made; or

(xi) One or more final, unappealable judgments or order against the Authority for the payment of money and not covered by insurance, the operation or result of which, individually or in the aggregate, the uninsured amount of which equals or exceeds $10,000,000, shall remain unpaid, unstayed, undischarged, unbonded or undismissed for a period of thirty (30) days.

"Event of Taxability" as defined in the Bond Purchase Agreement means: the entry of any decree or judgment by a court of competent jurisdiction, or the taking of any official action by the Internal Revenue Service or the Department of the Treasury, which decree, judgment or action shall be final under applicable procedural law, which has the effect of a determination that the interest on any of the Series 2010 Bonds is includable in the gross income of the recipients thereof for federal income tax purposes.

"Material Adverse Effect" as defined in the Bond Purchase Agreement means: an event of occurrence (including without limitation, a change in Applicable Law) which adversely affects in a material manner (a) the issuance by the Authority of the Series 2010 Bonds or the ability of the Authority to meet or perform its obligations under the Ordinance or any of the Related Documents on a timely basis, including, without limitation, the ability to repay the Series 2010 Bonds, any Parity Obligations, Fee and Expense Obligations or any other amounts owed hereunder, (b) the binding nature, validity or enforceability of the Ordinance or any of the Related Documents or upon the ability of the Authority to perform its obligations hereunder, (c) the security for the Series 2010 Bonds, including, without limitation, the collection of the Sales Tax Revenues or (d) the rights or remedies of the Purchaser or the Bondholder Representative under any of the Related Documents; *provided*, *however*, that a decrease in the amount of Sales Tax Revenues collected as a result of fluctuations in retail sales with in the County of Contra Costa shall not, in and of itself, constitute a "Material Adverse Effect."

"Obligor Ratings" as defined in the Bond Purchase Agreement means: the long-term unenhanced debt ratings assigned by each of S&P, Moody's or Fitch (if, in the case of Fitch, Fitch shall at some future point assign a rating to the Authority's obligations) to the Series 2010 Bonds or to any other Parity Obligation, in each case without regard to any third-party credit enhancement.

"Purchaser" as defined in the Bond Purchase Agreement means RBCCMC, any trust or partnership established by RBCCMC, or any purchaser of the Series 2010 Bonds from RBCCMC which is eligible to purchase the Series 2010 Bonds pursuant to the terms of the Bond Purchase Agreement, as described below under "—Limitation on Sale of Series 2010 Bonds."

"Related Documents" as defined in the Bond Purchase Agreement means: the Series 2010 Bonds, the Bond Purchase Agreement and the Indenture.

"Tax Event" as defined in the Bond Purchase Agreement means: (i) a determination that interest on any of the Series 2010 Bonds is includable in the gross income of the owners thereof for federal income tax purposes (including by reason of a declaration by a court of competent jurisdiction, whether or not such declaration is appealable or deemed to be final under applicable procedural law, or by operation of law), as a result of the entry of any decree or judgment by a court of competent jurisdiction, or (ii) delivery to the Authority of a written summary of potential issues on Form 5701-TEB, Notice of Proposed Adjustment or (iii) delivery to the Trustee, the Authority and the Bondholder Representative, of an opinion of nationally recognized bond counsel acceptable to the Authority and the Bondholder Representative to the effect that the interest borne by the Series 2010 Bonds is includable in the gross income of the recipients thereof for federal income tax purposes (including by reason of such Series 2010 Bonds being declared invalid, illegal or unenforceable by a court of competent jurisdiction, whether or not such declaration is appealable or deemed to be final under applicable procedural law, or by operation of law).

General Terms and Provisions of the Series 2010 Bonds

During the Initial Indexed Floating Rate Period, interest on the Series 2010 Bonds: will be payable on the first Business Day of each calendar month, commencing November 1, 2010; will accrue and be payable from and including each Interest Payment Date to but not including the next succeeding Interest Payment Date; and will be computed on the basis of a 365-day or 366-day year, as appropriate, and the actual number of days elapsed. Interest is also payable on each Conversion Date and on the Special Mandatory Tender Date.

Purchases of the Series 2010 Bonds will be made in book-entry only form in denominations of $100,000 and integral multiples of $5,000 in excess thereof, except that one Series 2010 Bond during the Initial Indexed Floating Rate Period may be issued in a different denomination which shall not be less than $5,000. The Series 2010 Bonds will be issued in book-entry form only and will be registered in the name of a nominee of The Depository Trust Company ("DTC"), which will act as a securities depository for the Series 2010 Bonds. Investors purchasing beneficial interests in the Series 2010 Bonds will not receive bond certificates representing their ownership interests. Payments of principal and interest on the Series 2010 Bonds will be made by the Trustee to DTC, and DTC is to distribute such payments to its Direct Participants. Disbursement of such payments to Beneficial Owners of the Series 2010 Bonds is the responsibility of DTC's Direct and Indirect Participants and not the Authority. See APPENDIX C – "BOOK-ENTRY ONLY SYSTEM." The Series 2010 Bonds will be transferable and exchangeable as set forth in the Indenture.

During the Initial Indexed Floating Rate Period, the Series 2010 Bonds are subject to mandatory tender on October 1, 2013 (the "Special Mandatory Tender Date") as described under "—Mandatory Tender of Series 2010 Bonds for Purchase" below.

This Private Placement Memorandum describes the Series 2010 Bonds bearing interest at the Indexed Floating Rate during the Initial Indexed Floating Rate Period. The Series 2010 Bonds may be converted to bear interest at rates other than an Indexed Floating Rate and there are significant changes in the terms of the Series 2010 Bonds while they bear interest at an Indexed Floating Rate after the Initial Indexed Floating Rate Period or at rates other than an Indexed Floating Rate Period. THIS PRIVATE PLACEMENT MEMORANDUM DOES NOT, NOR IS IT INTENDED TO, PROVIDE INFORMATION WITH RESPECT TO THE SERIES 2010 BONDS OTHER THAN WHILE SUCH SERIES 2010 BONDS BEAR INTEREST AT THE INDEXED FLOATING RATE DURING THE INITIAL INDEXED FLOATING RATE PERIOD.

Indexed Floating Rate

During the Initial Indexed Floating Rate Period, the Series 2010 Bonds will bear interest at the Indexed Floating Rate determined by the Calculation Agent on each Indexed Floating Rate Determination Date, unless and until: (i) the interest rate period for the Series 2010 Bonds is converted to a different Rate Period; or (ii) a Bond Purchase Agreement Redemption Event (unless waived by the Bondholder Representative, as provided under terms of Bond Purchase Agreement); or (iii) during the Accelerated Principal Period.

The Indexed Floating Rate is a variable rate of interest equal to the SIFMA Municipal Swap Index plus the Applicable Spread, as determined by the Calculation Agent; provided, however, that if the SIFMA Municipal Swap Index is no longer published, then the Indexed Floating Rate shall equal the Alternate Index plus the Applicable Spread, and provided further that from and after the occurrence of a Bond Purchase Agreement Redemption Event and delivery to the Authority of notice from the Bondholder Representative of such occurrence, the Series 2010 Bonds will bear interest at the Maximum Rate until such time as the Bondholder Representative shall rescind its notice to the Authority, at which time the interest rate applicable to the Series 2010 Bonds shall revert to the interest rate applicable to the Series 2010 Bonds prior to the giving of notice of a Bond Purchase Agreement Redemption Event, as provided in Section 6(d) of the Bond Purchase Agreement.

During the Accelerated Principal Period, the Series 2010 Bonds bear interest at the Accelerated Principal Period Interest Rate, as described under "—Failure of Conversion from Initial Indexed Floating Rate Period" below.

Except as otherwise provided in the Indenture, each Indexed Floating Rate will be effective from and including each Thursday through and including the following Wednesday, regardless of whether such Wednesday is a Business Day, provided, however, that in no event may the Indexed Floating Rate exceed the Maximum Rate. The determinations of the Indexed Floating Rates shall be conclusive and binding, absent manifest error, upon the Authority, the Trustee, the Calculation Agent and the Holders.

The Bond Purchase Agreement provides that if the amount of interest payable for any period, in accordance with the terms of the Bond Purchase Agreement or the Series 2010 Bonds, exceeds the amount of interest that would be payable for such period had interest for such period had been calculated at the Maximum Rate, then interest for such period shall be payable in an amount calculated at the Maximum Rate, as provided in the Bond Purchase Agreement.

No Optional Tender

The Series 2010 Bonds in the Initial Indexed Floating Rate Period are not subject to purchase at the demand of the Holder.

Conversion of Interest Rate Determination Method

The Interest Rate Determination Method for the Series 2010 Bonds is subject to Conversion from time to time by the Authority, with such right to be exercised by delivery of a written notice of an Authorized Representative (each such notice being a "Conversion Notice") to the Notice Parties. The Conversion Notice must be accompanied by a letter of Bond Counsel to the effect that Bond Counsel expects to be able to deliver a Favorable Opinion of Bond Counsel on the applicable Conversion Date. During the Initial Indexed Floating Rate Period, a Conversion Notice shall be given by an Authorized Representative of the Authority to the Bondholder Representative and the other Notice Parties not less than one (1) Business Day prior to the thirtieth (30th) day preceding the proposed Conversion Date.

Notice of Conversion From Initial Indexed Floating Rate Period

Upon receipt of a Conversion Notice from an Authorized Representative, as soon as possible, but in any event not less than thirty (30) days prior to the proposed Conversion Date, the Trustee is required to give notice by first-class mail or by electronic means via the MSRB EMMA system to the Holders of Series 2010 Bonds, which notice must state in substance:

(A) that the Interest Rate Determination Method for the Series 2010 Bonds shall be converted to the specified Variable Rate or the Fixed Rate, as the case may be, on the applicable Conversion Date if the conditions specified in the Supplemental Indenture are satisfied on or before such date;

(B) the applicable Conversion Date;

(C) that the Authority has received a letter of Bond Counsel to the effect that Bond Counsel expects to be able to deliver a Favorable Opinion of Bond Counsel relating to the Conversion on the Conversion Date;

(D) that the Interest Rate Determination Method for the Series 2010 Bonds will not be converted unless the Favorable Opinion of Bond Counsel referred to above is delivered to the Trustee on (and as of) the Conversion Date and all the Series 2010 Bonds are successfully purchased and remarketed in the new Interest Rate Determination Method on the Conversion Date;

(E) the CUSIP numbers or other identification information of the Series 2010 Bonds;

(F) that all the Series 2010 Bonds are subject to mandatory tender for purchase on the Conversion Date at the applicable Purchase Price, which must be specified in the notice; and

(G) that, to the extent that there is on deposit with the Trustee on the applicable Conversion Date an amount of money sufficient to pay the Purchase Price thereof, all Series 2010 Bonds to be converted on the Conversion Date not delivered to the Trustee on or prior to the Conversion Date will be deemed to have been properly tendered for purchase and will cease to constitute or represent a right on behalf of the Holder thereof to the payment of principal thereof or interest thereon and will represent and constitute only the right to payment of the Purchase Price on deposit with the Trustee, without interest accruing thereon after the Conversion Date.

Notice Failure No Bar to Conversion

Failure of a Holder of a Series 2010 Bond to receive any Conversion Notice, or any defect therein, shall not affect the validity of any Rate or any continuation of or change in the Interest Rate Determination Method for any of the Series 2010 Bonds or extend the period for tendering any of the Series 2010 Bonds for purchase, and the Trustee will not be liable to any Holder of a Series 2010 Bond by reason of the failure of such Holder to receive such notice or any defect therein.

Failure of Conversion from Initial Indexed Floating Rate Period

If the Authority elects to convert the Series 2010 Bonds to a different interest rate period during the Initial Indexed Floating Rate Period and any of the conditions for Conversion specified in the Supplemental Indenture is not met, the Interest Rate Determination Method will not be converted, the Series 2010 Bonds will not be purchased on the Conversion Date specified in the Conversion Notice and the Series 2010 Bonds will continue to bear interest at the Indexed Floating Rate.

In the event of a failed Conversion from the Initial Indexed Floating Rate Period on the Special Mandatory Tender Date, the Series 2010 Bonds will not be purchased, the Initial Indexed Floating Rate Period will automatically convert to the Accelerated Principal Period and the Series 2010 Bonds will bear interest at the Accelerated Principal Period Interest Rate.

During the Accelerated Principal Period, the outstanding Series 2010 Bonds shall bear interest at the Accelerated Principal Period Interest Rate. Such rate is the interest rate applicable to the Series 2010 Bonds as set forth below:

Days 1-90	Higher of 8.00% or the Indexed Floating Rate plus 5.00%
Days 91-180	Higher of 8.00% or the Indexed Floating Rate plus 6.00%
Days 181 and after	Higher of 8.00% or the Indexed Floating Rate plus 7.00%

provided, however, from and after the occurrence of a Bond Purchase Agreements Redemption Event and delivery to the Authority of notice of such occurrence by the Bondholder Representative, the Accelerated Principal Period Interest Rate shall equal the Maximum Rate until such time as the Bondholder Representative shall rescind such notice, at which time the interest rate applicable to the Series 2010 Bonds shall revert to the interest rate applicable to the Series 2010 Bonds prior to the giving of such notice by the Bondholder Representative, as provided in the Bond Purchase Agreement.

Rescission of Election

The Authority may rescind any Conversion Notice prior to the proposed Conversion Date set forth in the Conversion Notice by giving written notice thereof to the Notice Parties at least two (2) Business Days prior to such proposed Conversion Date. If the Trustee receives notice of such rescission prior to the time the Trustee has given notice to the Holders of the Series 2010 Bonds, then the Conversion Notice previously delivered by the Authority shall be of no force and effect.

Redemption

Optional Redemption of Series 2010 Bonds.

The Series 2010 Bonds bearing interest at an Indexed Floating Rate are subject to redemption, at the option of the Authority, in whole or in part, in Authorized Denominations and in such amounts as may be specified by the Authority on any Business Day at a Redemption Price equal to the principal amount thereof, plus accrued interest, if any, without premium.

The Authority will designate which maturities of the Series 2010 Bonds are to be called for optional redemption. If less than all Series 2010 Bonds of any maturity are to be redeemed at one time, the Trustee will select the Series 2010 Bonds of such maturity date to be redeemed by lottery. In the event Term Bonds are designated for redemption, the Authority may designate the Mandatory Sinking Account Payments, or portions thereof, that are to be reduced as allocated to such redemption.

Any notice of optional redemption of the Series 2010 Bonds may contain such conditions as the Authorized Representative of the Authority shall specify in writing to the Trustee and may be rescinded as provided in the Indenture; provided, however, that each notice of redemption with respect to Indexed Floating Rate Bonds will be mailed or delivered by electronic means via the MSRB EMMA system by the Trustee not less than thirty (30) days prior to the date fixed for redemption.

Mandatory Sinking Account Redemption.

The Series 2010 Bonds are subject to mandatory redemption from Mandatory Sinking Account Payments on each date a Mandatory Sinking Account Payment for the Series 2010 Bonds is due, and in the principal amount equal to the Mandatory Sinking Account Payment due on such date at a Redemption Price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, which Mandatory Sinking Account Payments may be modified as provided in the Indenture.

Mandatory Sinking Account Payments for Series 2010 Bonds shall be due in such amounts and on such dates as follows:

Mandatory Redemption Date (March 1)	**Mandatory Sinking Account Payment**
2025	$990,000.00
2026	19,100,000.00
2027	19,815,000.00
2028	20,555,000.00
2029	21,325,000.00
2030	22,120,000.00
2031	22,950,000.00
2032	23,810,000.00
2033	24,700,000.00
2034†	25,625,000.00

† Final Maturity.

If less than all Series 2010 Bonds are to be redeemed at any one time with Mandatory Sinking Account Payments, the Trustee will select the Series 2010 Bonds to be redeemed by lot in any manner that it deems appropriate.

Mandatory Redemption During Initial Indexed Floating Rate Period and Accelerated Principal Period.

(1) During the Initial Indexed Floating Rate Period, unless otherwise agreed to by written agreement between the Authority and the Bondholder Representative (as provided in the Bond Purchase Agreement), all Series 2010 Bonds are subject to mandatory redemption at a Redemption Price equal to the principal amount thereof plus accrued interest thereon upon (a) the occurrence of a Bond Purchase Agreement Redemption Event and (b) delivery to the Authority of notice from the Bondholder Representative of such occurrence which notice specifies the mandatory redemption date (which date shall be the 7th day or the 180th day after delivery of such notice, as specified by the Bondholder Representative in such written notice).

(2) In the event the Series 2010 Bonds are not remarketed, refunded or otherwise paid on or prior to the Special Mandatory Tender Date, all Series 2010 Bonds are subject to mandatory redemption at a Redemption Price equal to the principal amount thereof, plus accrued interest; principal to be due and payable quarterly in eleven (11) equal principal installments, payable commencing on the date that it is 180 days following the Special Mandatory Tender Date so that such Series 2010 Bonds are repaid in full within three (3) years from the date of the Special Mandatory Tender Date, as described under "—Mandatory Tender of Series 2010 Bonds for Purchase" below.

Purchase by Authority In Lieu of Mandatory Redemption

The Authority reserves the right at all times to purchase any of its Series 2010 Bonds in the open market. In lieu of any mandatory redemption, the Authority may surrender to the Trustee for cancellation Series 2010 Bonds purchased in the open market, and the Series 2010 Bonds will be cancelled by the Trustee. If the Series 2010 Bonds are so cancelled, the Authority may designate the Mandatory Sinking Account Payments or portions thereof that are to be reduced as a result of such cancellation.

Mandatory Tender of Series 2010 Bonds for Purchase

During the Initial Indexed Floating Rate Period, the Series 2010 Bonds are subject to mandatory tender for purchase at the applicable Purchase Price, on

(1) the Conversion Date for the Series 2010 Bonds to a new Interest Rate Determination Method specified in a Conversion Notice; provided however, that the mandatory tender will be cancelled if the proposed Conversion does not become effective on such date); and

(2) unless otherwise provided by written agreement of the Authority and the Bondholder Representative, on the Special Mandatory Tender Date; provided, however, that if any portion of the Series 2010 Bonds is not paid or successfully remarketed on such Special Mandatory Tender Date, then such unremarketed Series 2010 Bonds shall be subject to mandatory redemption at a Redemption Price equal to the principal amount thereof, plus accrued interest, principal to be due and payable quarterly in eleven (11) equal principal installments, payable commencing on the date that is 180 days following the Special Mandatory Tender Date so that such Series 2010 Bonds are repaid in full within three (3) years from such date (such three year period being defined in the Indenture as the "Accelerated Principal Period"). The Bond Purchase Agreement provides that this Special Mandatory Tender Date may be extended with the consent of the Bondholder Representative upon the written request by the Authority at least 120 days prior to the Special Mandatory Tender Date. Within 30 days of receipt of such request for extension, the Bondholder Representative shall, at its sole discretion, either notify the Authority that the Special Mandatory Tender Date will be extended to a new date set forth in such notice or notify the

Authority that the Special Mandatory Tender Date will not be so extended; provided that if the Bondholder Representative fails to so notify the Authority, such extension shall be deemed to be rejected.

The Trustee shall give notice by first-class mail or by electronic means via the MSRB EMMA system, not later than the thirtieth (30th) day prior to the date on which the Series 2010 Bonds are subject to mandatory tender as set forth above, which notice shall state that the Series 2010 Bonds are subject to mandatory tender for purchase on the specified Purchase Date at the applicable Purchase Price (which Purchase Price shall be specified in such notice).

Delivery of Tendered Series 2010 Bonds

With respect to any Series 2010 Bond that is registered in book-entry form with DTC (or another Securities Depository), delivery of such Series 2010 Bond to the Trustee in connection with any mandatory tender for purchase will be effected by the making of, or the irrevocable authorization to make, appropriate entries on the books of the Securities Depository for such Series 2010 Bond or any Participant of such Securities Depository to reflect the transfer of the Beneficial Ownership interest in such Series 2010 Bond to the account of the Trustee, or to the account of a Participant of such Securities Depository acting on behalf of the Trustee.

Series 2010 Bonds Deemed Purchased

If moneys sufficient to pay the Purchase Price of Series 2010 Bonds to be purchased pursuant to the Indenture are held by the Trustee on the applicable Purchase Date, the Series 2010 Bonds will be deemed to have been purchased for all purposes of the Indenture, irrespective of whether or not the Series 2010 Bonds were delivered to the Trustee or transferred on the books of a Securities Depository for the Series 2010 Bonds, and neither the former Holder or Beneficial Owner of the Series 2010 Bonds nor any other person will have any claim thereon, under the Indenture or otherwise, for any amount other than the Purchase Price thereof.

Limitation on Sale of Series 2010 Bonds

The Purchaser may, without the consent of the Authority, assign, pledge as security, participate or sell the Series 2010 Bonds or a beneficial interest in the Series 2010 Bonds, subject to applicable securities laws restrictions, if any, to: (i) any Affiliate (as defined in the Bond Purchase Agreement) of RBCCMC; or (ii) any special purpose entity or arrangement which issues certificates representing a beneficial interest in the Series 2010 Bonds, including such arrangements in which RBCCMC or an Affiliate of RBCCMC remains an owner directly or indirectly; or (iii) any qualified institutional buyer, as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the "1993 Act"), or accredited investor, within the meaning of Rule 501 or Regulation D under the 1933 Act.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS

Pledge of Sales Tax Revenues

The Series 2010 Bonds are limited obligations of the Authority and are payable as to principal and interest solely from Revenues, consisting of Sales Tax Revenues and Swap Revenues, and from all amounts, including proceeds of the Series 2010 Bonds, held in the funds and accounts established under the Indenture (other than the Rebate Fund, any Letter of Credit Fund and any Purchase Fund), subject to application thereof as provided pursuant to the Indenture. "Sales Tax Revenues" means the amounts collected on account of the Sales Tax after deducting amounts payable by the Authority to the Board of

Equalization for costs and expenses for its services in connection with the Sales Tax (the "BOE Fee"). For a discussion of the Sales Tax, see "THE SALES TAX" herein. For a discussion of the historical sales tax revenues, see "THE SALES TAX—Historical Sales Tax Revenues" herein.

Pursuant to the Indenture, as security for the payment of all amounts owing on the Series 2010 Bonds, any additional Bonds (the Series 2010 Bonds and any additional Bonds being hereinafter collectively referred to as "Bonds"), Parity Obligations, Subordinate Obligations and Fee and Expense Obligations, the Authority has irrevocably pledged to the Trustee (i) all Revenues; and (ii) all amounts, including proceeds of the Bonds, held on deposit in the funds and accounts established under the Indenture (except for amounts held in the Rebate Fund, any Letter of Credit Fund and any Purchase Fund), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Indenture provides that such pledge shall constitute a first lien on and security interest in such collateral and shall immediately attach thereto and shall be effective, binding and enforceable from and after initial delivery by the Trustee of the Series 2010 Bonds, without the need for any physical delivery, recordation, filing or further act.

All Bonds and Parity Obligations (including the scheduled payments payable by the Authority under the Amended Swap) shall be of equal rank without preference, priority or distinction of any Bonds or Parity Obligations over any other Bonds or Parity Obligations. All Subordinate Obligations shall be of equal rank without preference, priority or distinction of any Subordinate Obligations over any other Subordinate Obligations. All Fee and Expense Obligations (including any termination payments and other fees and expenses required to be paid under the Amended Swap) shall be of equal rank without preference, priority or distinction of any Fee and Expense Obligations over any other Fee and Expense Obligation. The Sales Tax Revenues and all other amounts held on deposit in the Revenue Fund and the other funds and accounts established under the Indenture (except for amounts held in the Rebate Fund, any Letter of Credit Fund and any Purchase Fund) shall be received and held in trust by the Trustee for the benefit of the Holders of the Bonds, Parity Obligations, Subordinate Obligations and Fee and Expense Obligations as their respective interests appear under the Indenture and shall be disbursed, allocated and applied solely for the purposes set for in and in accordance with the Indenture.

THE SERIES 2010 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY A PLEDGE OF SALES TAX REVENUES DERIVED FROM A 0.5% SALES TAX LEVIED BY THE AUTHORITY, AS PROVIDED IN THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE SERIES 2010 BONDS, OTHER THAN THE SALES TAX REVENUES RECEIVED BY THE AUTHORITY.

Revenue Fund; Allocation of Sales Tax Revenues

As long as any Bonds are Outstanding or any Parity Obligations remain unpaid, the Authority has assigned the Sales Tax Revenues to the Trustee and shall cause the Board of Equalization to transmit the same directly to the Trustee each month, net of the BOE Fee which is deducted quarterly. The Trustee will forthwith deposit all Sales Tax Revenues in the Revenue Fund, maintained and held in trust by the Trustee, when and as such Sales Tax Revenues are received by the Trustee. See APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Allocation of Sales Tax Revenues." The Sales Tax Revenues are to be received and held in trust by the Trustee for the benefit of the Holders of the Bonds and Parity Obligations and will be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture.

So long as any Bonds are Outstanding or any Parity Obligations, Subordinate Obligations, Fee and Expense Obligations or other amounts payable under the Indenture remain unpaid, the Trustee shall set aside in each month following receipt of the Sales Tax Revenues the moneys in the Revenue Fund in the following respective funds (each of which the Trustee will establish, maintain and hold in trust for the benefit of the Holders of the Bonds and, as and to the extent applicable, the holders of Parity Obligations, Subordinate Obligations and Fee and Expense Obligations) in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority; provided that (i) on a parity with such deposits the Trustee may set aside or transfer amounts with respect to any outstanding Parity Obligations as provided in the proceedings for such Parity Obligations delivered to the Trustee pursuant to the Indenture (which shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Obligations), (ii) regularly scheduled payments on Interest Rate Swap Agreements, including, without limitation, the Amended Swap, which constitute Parity Obligations, shall be payable from the Interest Fund and the required deposits below shall be adjusted to include payments on such Interest Rate Swap Agreements in accordance with the Indenture and (iii) in the event any of the deposits or transfers requires more than one such deposit or payment and there is not then on deposit in the Revenue Fund sufficient funds to make all such deposits and payments, then such deposits and payments shall be made pro rata (based on the total amount of such deposits and payments then due) to the extent of available funds):

(1) Interest Fund. Following receipt of the Sales Tax Revenues in each month, the Trustee shall set aside in the Interest Fund as soon as practicable in such month an amount equal to (a) one-sixth of the aggregate half-yearly amount of interest becoming due and payable on the Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness which shall be governed by the provision of the Indenture described in subparagraph (b) below) during the next ensuing six months (excluding any interest for which there are moneys deposited in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay such interest during said next ensuing six months), until the requisite half-yearly amount of interest on all such Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness which shall be governed by the provision in the Indenture described in subparagraph (b) below) is on deposit in such fund; provided that from the date of delivery of a Series of Current Interest Bonds until the first Interest Payment Date with respect to such Series of Bonds the amounts set aside in such fund with respect to such Series of Bonds shall be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on said Interest Payment Date with respect to such Series of Bonds, plus (b) the aggregate amount of interest to accrue during that month on Outstanding Variable Rate Indebtedness, calculated, if the actual rate of interest is not known, at the interest rate specified in writing by the Authority, or if the Authority shall not have specified an interest rate in writing, calculated at the maximum interest rate borne by such Variable Rate Indebtedness during the month prior to the month of deposit plus 100 basis points (provided, however, that the amount of such deposit into the Interest Fund for any month may be reduced by the amount by which the deposit in the prior month exceeded the actual amount of interest accrued and paid during that month on said Outstanding Variable Rate Indebtedness and provided further that the amount of such deposit into the Interest Fund for any month shall be increased by the amount by which the deposit in the prior month was less than the actual amount of interest accruing during that month on said Outstanding Variable Rate Indebtedness). No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest to become due and payable on the Interest Payment Dates falling within the next six months upon all of the Bonds issued hereunder and then Outstanding, and on March 1 and September 1 of each year any excess amounts in the

Interest Fund not needed to pay interest on such date (and not held to pay interest on Bonds having Interest Payment Dates other than March 1 and September 1) shall be transferred to the Authority (but excluding, in each case, any moneys on deposit in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Dates).

When there are Liquidity Facility Bonds outstanding, such deposits shall take into account the Liquidity Facility Rate on Liquidity Facility Bonds required by the Liquidity Facility then in effect with respect to such Bonds. For purposes of the provisions set forth above relating to the Principal Fund, Liquidity Facility Bonds shall be treated as Serial Bonds with maturity dates on the payment dates specified for any amortizations or redemptions.

(2) Principal Fund; Sinking Accounts. Following receipt of the Sales Tax Revenues in each month, the Trustee shall deposit in the Principal Fund as soon as practicable in such month an amount equal to at least (a) one-sixth of the aggregate semiannual amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having semiannual maturity dates within the next six months, plus (b) one-twelfth of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds (excluding the Series 2010 Bonds) of all Series having annual maturity dates within the next 12 months, plus (c) one-sixth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next six-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts have been created and for which semiannual mandatory redemption is required from said Sinking Accounts, plus (d) one-twelfth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next 12-month period into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts shall have been created and for which annual mandatory redemption is required from such Sinking Accounts; provided that if the Authority certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be set aside towards such principal to be so refunded or paid. All of the aforesaid deposits made in connection with future Mandatory Sinking Account Payments shall be made without priority of any payment over any other such payment.

In the event that the Sales Tax Revenues shall not be sufficient to make the required deposits so that moneys in the Principal Fund on any principal or mandatory redemption date are equal to the amount of Bond Obligation to become due and payable on the Outstanding Serial Bonds of all Series plus the Bond Obligation amount of and redemption premium on the Outstanding Term Bonds required to be redeemed or paid at maturity on such date, then such moneys shall be applied on a Proportionate Basis and in such proportion as said Serial Bonds and said Term Bonds shall bear to each other, after first deducting for such purposes from said Term Bonds any of said Term Bonds required to be redeemed annually as shall have been redeemed or purchased during the preceding 12-month period and any of said Term Bonds required to be redeemed semiannually as shall have been redeemed or purchased during the six-month period ending on such date or the immediately preceding six month period. In the event that the Sales Tax Revenues shall not be sufficient to pay in full all Mandatory Sinking Account Payments required to be paid at any one time into all such Sinking Accounts, then payments into all such Sinking Accounts shall be made on a Proportionate Basis, in proportion that the respective Mandatory Sinking Account Payments required to be made into each Sinking Account during the then current 12-month period bear to the aggregate of all of the Mandatory Sinking Account Payments required to be made into all such Sinking Accounts during such 12-month period.

No deposit need be made into the Principal Fund so long as there shall be in such fund (i) moneys sufficient to pay the Bond Obligations of all Serial Bonds issued hereunder and then Outstanding and maturing by their terms within the next 12 months plus (ii) the aggregate of all Mandatory Sinking Account Payments required to be made in such 12-month period, but less any amounts deposited into the Principal Fund during such 12-month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such 12-month period; provided that if the Authority certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in a Bond Reserve Fund that would be in excess of the Bond Reserve Requirement applicable to such Bond Reserve Fund upon such payment, no amounts need be on deposit with respect to such principal payments. At the beginning of each Fiscal Year and in any event not later than March 1 of each year, the Trustee shall request from the Authority a Certificate of the Authority setting forth the principal payments for which deposits will not be necessary pursuant to the preceding sentence and the reason therefor. On March 1 of each year or as soon as practicable thereafter any excess amounts in the Principal Fund not needed to pay principal on such date (and not held to pay principal on Bonds having principal payment dates other than March 1) shall be transferred to the Authority.

When there are Liquidity Facility Bonds outstanding, such deposits shall take into account any amortizations of any Liquidity Facility Bonds required by the Liquidity Facility then in effect with respect to such Bonds.

(3) <u>Bond Reserve Fund</u>. Upon the occurrence of any deficiency in any Bond Reserve Fund, the Trustee shall make such deposit to such Bond Reserve Fund as is required pursuant to the Indenture, each such deposit to be made as soon as possible in each month, until the balance therein is at least equal to the applicable Bond Reserve Requirement. See APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Establishment and Application of Funds and Accounts and Application of Bond Reserve Funds."

(4) <u>Subordinate Obligations Fund</u>. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Subordinate Obligations Fund." After the transfers described above in (1), (2) and (3) have been made, the Trustee shall deposit in the Subordinate Obligations Fund in each month such amount as the Authority shall specify in writing is necessary to make payments due and payable during the following month with respect to Subordinate Obligations then outstanding.

(5) <u>Fees and Expenses Fund</u>. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Fees and Expenses Fund." After the transfers described in (1), (2), (3) and (4) above have been made, the Trustee shall deposit in the Fees and Expenses Fund in each month the amounts necessary for the payment of Fee and Expense Obligations owing in such month or owing in the following month by the Authority.

Any Revenues remaining in the Revenue Fund after the foregoing transfers described in (1), (2), (3), (4) and (5), except as the Authority shall otherwise direct in writing or as is otherwise provided in a Supplemental Indenture, shall be transferred to the Authority on the same Business Day or as soon as practicable thereafter. The Authority may use and apply the Revenues when received by it for any lawful purpose of the Authority, including the redemption of Bonds upon the terms and conditions set forth in the Supplemental Indenture relating to such Bonds and the purchase of Bonds as and when and at such prices as it may determine and the posting of collateral in accordance with the provisions of the Amended Swap or other Interest Rate Swap Agreement. Any Revenues used to post collateral under the Amended Swap or any other interest rate swap agreement are no longer subject to the pledge under the Indenture.

If five days prior to any principal payment date, Interest Payment Date or mandatory redemption date, the amounts on deposit in the Revenue Fund, the Interest Fund, the Principal Fund, including the Sinking Accounts therein, and, as and to the extent applicable, any Bond Reserve Fund established in connection with a Series of Bonds with respect to the payments to be made on such upcoming date are insufficient to make such payments, the Trustee shall immediately notify the Authority, in writing, of such deficiency and direct that the Authority transfer the amount of such deficiency to the Trustee on or prior to such payment date. The Authority has covenanted and agreed to transfer to the Trustee from any Revenues then its possession, the amount of such deficiency on or prior to the principal, interest or mandatory redemption date referenced in such notice by the Authority to the Trustee.

See APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Establishment and Application of Funds and Accounts" for a summary of certain additional provisions of the Indenture relating to application of the funds held by the Trustee described above.

Parity Obligations and Additional Bonds

Regularly scheduled payments made pursuant to the Amended Swap constitute Parity Obligations under the Indenture. Such payments are the only Parity Obligations that will be secured by Sales Tax Revenues upon delivery of the Series 2010 Bonds. See "PLAN OF FINANCING—The 2005 Swap and The Amended Swap" above for a description of certain terms of the Amended Swap. The Authority may issue additional Bonds and may issue or incur other obligations secured in whole or in part by a pledge of Sales Tax Revenues on a parity with the Series 2010 Bonds, the existing Parity Obligations and any additional Parity Obligations, subject to compliance with the terms and provisions set forth in the Indenture.

Issuance of Additional Bonds. Subsequent to the issuance of the Series 2010 Bonds, the Authority may by Supplemental Indenture establish one or more series of Bonds payable from Sales Tax Revenues and secured by the pledge made under the Indenture equally and ratably with the Series 2010 Bonds and other Parity Obligations, but only upon compliance by the Authority with certain provisions of the Indenture. These provisions include:

(a) No Event of Default shall have occurred and then be continuing.

(b) If the Supplemental Indenture providing for the issuance of such Series of Bonds requires either (i) the establishment of a Bond Reserve Fund to provide additional security for such Series of Bonds or (ii) that the balance on deposit in an existing Bond Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of such Series, to an amount at least equal to the Bond Reserve Requirement with respect to such Series and all other Bonds secured by such Bond Reserve Fund to be considered Outstanding upon the issuance of such additional Bonds, the Supplemental Indenture providing for the issuance of such additional Bonds shall require deposit of the amount necessary. Such deposit may be made from the proceeds of the sale of such additional Bonds or from other funds of the Authority or from both such sources or in the form of a Reserve Facility as described under APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Definitions" and "—Establishment and Application of Funds and Accounts - Funding and Application of Bond Reserve Funds."

(c) The aggregate principal amount of Bonds issued under the Indenture shall not exceed any limitation imposed by the Act or any other law or by any Supplemental Indenture.

(d) The Authority shall place on file with the Trustee a Certificate of the Authority certifying: (i) that the amount of Sales Tax Revenues collected during any 12 consecutive calendar months specified by the Authority within the most recent 18 calendar months immediately preceding the date on which such additional Bonds will become Outstanding shall have been at least equal to 1.3 times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding and the additional Series of Bonds then proposed to be issued and (ii) that the amount of Sales Tax Revenues collected during any 12 consecutive calendar months specified by the Authority within the most recent 18 calendar months immediately preceding the date on which such additional Series of Bonds will become Outstanding shall have been at least equal to 1.15 times Maximum Annual Debt Service on all Series of Bonds, Parity Obligations and Subordinate Obligations then Outstanding and the additional Series of Bonds then proposed to be issued, which Certificate shall also set forth the computations upon which such Certificate is based.

(e) Principal payments of each Series of additional Bonds shall be due on March 1 or September 1 in each year in which principal is to be paid if and to the extent deemed practical in the reasonable judgment of the Authority with regard to the type of additional Bond to be issued, and, if the interest on such Series of additional Bonds is to be paid semiannually, such interest payments shall be due on March 1 and September 1 in each year to the extent deemed practical in the reasonable judgment of the Authority with regard to the type of additional Bond to be issued.

Nothing contained in the Indenture shall prevent or be construed to prevent the Supplemental Indenture providing for the issuance of a Series of additional Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by the Indenture, additional security for the benefit of such Series of additional Bonds or any portion thereof.

In the event additional assets or revenues are included within the definition of "Revenues" by a Supplemental Indenture, such additional assets or revenues shall be included in the calculations to be provided pursuant to the Indenture provisions described in subsection (d) above as if such additional assets or revenues had always been included in "Revenues."

See APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Issuance of Additional Bonds and Other Obligations—Issuance of Additional Bonds" for a summary of restrictions and additional provisions of the Indenture relating to the issuance of additional Bonds.

Issuance of Refunding Bonds. Refunding Bonds may be authorized and issued by the Authority without compliance with the provisions of the Indenture summarized above under the caption "—Issuance of Additional Bonds;" provided that the Trustee shall have been provided with a Certificate of the Authority to the effect that the Authority has determined that Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding prior to the issuance of such Refunding Bonds. See APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Issuance of Additional Bonds and Other Obligations—Issuance of Refunding Bonds" for a summary of restrictions and additional provisions of the Indenture relating to the issuance of Refunding Bonds.

Parity Obligations. As defined in the Indenture, "Parity Obligations" includes (i) any indebtedness, installment sale obligation, lease obligation or other obligation of the Authority for borrowed money, (ii) any obligation to pay the Rebate Requirement, or (iii) regularly scheduled payments on any Interest Rate Swap Agreement entered into in connection with a Series of Bonds, in each case incurred in accordance with the Indenture, and in each case having an equal lien and charge upon the Sales Tax Revenues and therefore being payable on a parity with the Bonds (whether or not any Bonds are Outstanding). The regularly scheduled payments on the Amended Swap will constitute Parity

Obligations. Parity Obligations do not include termination payments or payments for fees and expenses incurred in connection with any Interest Rate Swap Agreement, including the Amended Swap, which payments shall be secured as Fee and Expense Obligations. The Authority may issue or incur additional Parity Obligations which will have, when issued, an equal lien and charge upon the Sales Tax Revenues, provided that the conditions to the issuance of such Parity Obligations set forth in the Indenture are satisfied, including satisfaction of the coverage test described in subsection (d) above under the caption "—Issuance of Additional Bonds," unless such Parity Obligations are being issued for refunding purposes, in which case the coverage test shall not apply. The Authority may issue, from time to time, Parity Obligations that constitute Interest Rate Swap Agreements being entered into in advance of the issuance of a Series of Bonds to which such Interest Rate Swap Agreements relate, provided that the Authority certifies that the issuance of the Series of Bonds to which such Interest Rate Swap Agreement relates is expected to satisfy the coverage test described in subsection (d) above under the caption "—Issuance of Additional Bonds," after taking into account adjustment of Debt Service on such Bonds to reflect the impact of such Forward Starting Swap.

See APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Issuance of Additional Bonds and Other Obligations—Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity Obligations; Subordinate Obligations; Fee and Expense Obligations" for a summary of restrictions and additional provisions of the Indenture relating to the issuance of Parity Obligations.

Subordinate Obligations

In accordance with the provisions of the Indenture, the Authority may incur other obligations payable out of Sales Tax Revenues on a basis junior and subordinate to the payment of the principal, interest and reserve fund requirements for the Bonds and Parity Obligations, as the same become due and payable and at the times and in the manner as required by the Indenture or as required by the instrument pursuant to which such Bonds or Parity Obligations were issued or incurred, as applicable (collectively, the "Subordinate Obligations"). See APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Issuance of Additional Bonds and Other Obligations—Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity Obligations; Subordinate Obligations; Fee and Expense Obligations for a summary of the restrictions and additional provisions of the Indenture relating to the issuance of Subordinate Obligations.

Fee and Expense Obligations

In accordance with the provisions of the Indenture, the Authority may incur other obligations (collectively, the "Fee and Expense Obligations"), which obligations are payable from Sales Tax Revenues on a basis junior and directly subordinate to the Bonds, Parity Obligations and Subordinate Obligations. "Fee and Expense Obligations" include interest rate swap termination payments, including termination payments on the Amended Swap and any other Interest Rate Swap Agreements and other obligations of the Authority that constitute fees, expenses and similar charges in connection with any Bonds, Parity Obligations or Subordinate Obligations. See "PLAN OF FINANCING—The 2005 Swap and The Amended Swap" herein. See also APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Issuance of Additional Bonds and Other Obligations—Limitations on the Issuance of Obligations Payable from Sales Tax Revenues; Parity Obligations; Subordinate Obligations; Fee and Expense Obligations" for a summary of the provisions of the Indenture relating to the issuance of Fee and Expense Obligations.

Designation of Parity Obligations, Subordinate Obligations and Fee and Expense Obligations

Pursuant to the Indenture, the regularly scheduled payments required to be paid by the Authority under the Amended Swap (excluding fees and expenses and termination payments under the Amended Swap) will constitute Parity Obligations under the Indenture and the fees and expenses and termination payments, if any, required to be paid by the Authority under the Amended Swap will constitute Fee and Expense Obligations. Upon the issuance or incurrence of any other obligations that constitute Parity Obligations, Subordinate Obligations or Fee and Expense Obligations, the Authority shall, in a certificate to the Trustee, identify such obligations as Parity Obligations, Subordinate Obligations or Fee and Expense Obligations. Fees and expenses required to be paid by the Authority pursuant to the Bond Purchase Agreement will constitute Fee and Expense Obligations.

Other Covenants of Authority in Bond Purchase Agreement

The Authority has agreed with RBCCMC in the Bond Purchase Agreement to comply with additional covenants contained therein, which may be waived or modified upon the consent of the Bondholder Representative. Failure by the Authority to comply with such additional covenants may result in a Bond Purchase Agreement Redemption Event, which is defined under "THE SERIES 2010 BONDS—Bond Purchase Agreement Defined Terms."

Because each of the additional covenants set forth in the Bond Purchase Agreement can be so waived or modified, such additional covenants of the Authority included in the Bond Purchase Agreement, with limited exceptions, are not described in this Private Placement Memorandum. A complete copy of the Bond Purchase Agreement may be obtained as described above under "INTRODUCTION—Availability of Documents."

THE AUTHORITY

General Description

The Authority is a local transportation authority organized under the provisions of the Act, which was created on February 2, 1988 by action of the Board of Supervisors of the County, designating the Contra Costa Transportation Partnership Commission (the "Partnership Commission") as the Authority. The Partnership Commission was a planning committee created by the Contra Costa Conference of Mayors in February 1987 in order to develop a County-wide transportation master plan and improvement program. Membership of the Partnership Commission consisted of two representatives from each of four regional transportation planning committees, the memberships of which consisted of elected officials and other representatives of the cities and Board of Supervisors of the County, two representatives of the Board of Supervisors of the County and one representative from the Conference of Mayors. By designating the Partnership Commission as the Authority, the Board of Supervisors of the County determined the membership of the Authority to be the membership as determined by the Partnership Commission. The determination of the membership of the Authority was concurred in by a majority of the cities having a majority of the population in the incorporated area of the County. No city is guaranteed a position on the Authority; however, each member of the Authority must be an elected official of a local governmental entity within the County. Members of the Board of Supervisors of the County must comprise less than a majority of the Authority.

The current members of the Authority and their elected offices are presented below:

Robert Taylor, Chair	Mayor, City of Brentwood
David Durant, Vice Chair	Council Member, City of Pleasant Hill
Janet Abelson	Mayor, City of El Cerrito
Newell Arnerich	Council Member, Town of Danville
Ed Balico	Vice Mayor, City of Hercules
Susan Bonilla	Supervisor, Board of Supervisors, County of Contra Costa
Jim Frazier	Vice Mayor, City of Oakley
Federal Glover	Supervisor, Board of Supervisors, County of Contra Costa
Mike Metcalf	Council Member, Town of Moraga
Julie Pierce	Council Member, City of Clayton
Maria T. Viramontes	Council Member, City of Richmond

The Authority is responsible for carrying out the provisions of the Ordinance and the Contra Costa Transportation and Growth Management Expenditure Plan (the "Expenditure Plan"), including the allocation of the Sales Tax pursuant to the Ordinance and the Expenditure Plan, the determination of project timing, the development of a County congestion management program as the County's designated congestion management agency, the development of a model Transportation Systems Management ordinance, and the development of a model Growth Management element for inclusion in the General Plans of the County and the cities within the County. See "CONTRA COSTA TRANSPORTATION IMPROVEMENT PROGRAM" herein.

Authority Staff

Key members of the Authority staff are identified below:

Randell H. Iwasaki, Executive Director. Mr. Iwasaki was appointed as Executive Director on April 16, 2010. Prior to his appointment, he was the Director of the California Department of Transportation ("Caltrans") and responsible for the operation of the California state transportation system, including more than 50,000 lane miles of state highway, intercity passenger rail, 12,400 bridges and more than 250 general aviation airports. Mr. Iwasaki oversaw an annual budget of almost $14 billion and a staff of more than 22,000 maintenance, planning, right of way, environmental, administrative, and engineering personnel. A licensed civil engineer, Mr. Iwasaki had been with Caltrans for more than 26 years serving in a number of high profile engineering and management positions. Mr. Iwasaki earned his bachelor's degree in Engineering from California Polytechnic State University, San Luis Obispo, and a Master's in Engineering from California State University, Fresno.

Randall O. Carlton, Chief Financial Officer. Mr. Carlton serves as the chief financial officer and director of administrative, personnel and support functions at the Authority. In this capacity, he also serves as the treasurer, managing the Authority's investments. Mr. Carlton joined the Authority in 2007. Prior to joining the Authority, he served as the Chief Financial Officer/Controller for the East Bay Regional Park District for approximately 5 years. Prior to joining the Park District, Mr. Carlton was employed by the City of Fresno where he held various positions in financial management over a 14 year period, including the positions of City Controller and Treasury Manager. Mr. Carlton holds a Bachelor of Arts degree in Public Administration and a Masters of Public Administration, both from California State University, Fresno.

Ross Chittenden, Deputy Executive Director. Mr. Chittenden joined the Authority on August 30, 2010 and has more than 27 years of transportation experience. Prior to joining the Authority, Mr. Chittenden served at the District 10 Director of Caltrans, Prop 1B Program Manager and Chief of

Transportation Programming. Mr. Chittenden is a licensed civil engineer and holds a bachelor's degree in Civil Engineering from the University of Michigan.

Martin R. Engelmann, Deputy Executive Director, Planning. Mr. Engelmann is responsible for implementing the Authority's Growth Management Program. He is also in charge of implementing the State-mandated Congestion Management Program for the County. Mr. Engelmann joined the Authority in 1990. Prior to joining the Authority, Mr. Engelmann worked with Bechtel Corporation for 8 years, serving on the program management staff for the Santa Clara Traffic Authority and on several international airport projects. Mr. Engelmann holds a Bachelor of Science degree in Civil Engineering and a Bachelor of Arts degree in Economics from the University of Maryland, and a Master of Science degree in Transportation Engineering and Planning from the University of California at Berkeley. He is a registered Civil Engineer in California.

Arielle E. L. Bourgart, Assistant Director, Community and Government Affairs. Ms. Bourgart manages legislative and key community issues for the Authority and oversees the Authority's communications to the press, local jurisdictions and interest groups. She represents the Authority on statewide and regional public policy organizations, committees and working groups. Ms. Bourgart joined the Authority in November 1990. Prior to joining the Authority, she served as Director of Transportation and Land Use for the Silicon Valley Leadership Group, a Silicon Valley business association, and as Public Relations Director of RIDES for Bay Area Commuters in San Francisco. Ms. Bourgart holds a Bachelor of Arts degree in History from LeMoyne College, Syracuse, New York.

THE SALES TAX

General Description

The Act, among other things, authorizes the Authority to establish a retail transactions and use tax applicable in the incorporated and unincorporated territory of the County in accordance with the California Transactions and Use Tax Law (Revenue and Taxation Code Sections 7251 et seq.) upon authorization by a majority of the electors voting on the issue. On November 8, 1988, in accordance with the Act, the voters of the County approved Measure C, imposing the Sales Tax in the County for a period of twenty years, which began on April 1, 1989 and expired on March 31, 2009 (the "Measure C Sales Tax"). On November 2, 2004, in accordance with the Act, the voters of the County approved Measure J, authorizing the extension of the Measure C Sales Tax, which commenced on April 1, 2009 and expires on March 31, 2034. Such extension of the Measure C Sales Tax by Measure J is referred to herein as the "Sales Tax." The Sales Tax consists of a one-half of one percent (½%) sales tax on the gross receipts of retailers from the sale of tangible personal property sold in the County and a use tax at the same rate upon the storage, use or other consumption in the County of such property purchased from any retailer for storage, use or other consumption in the County, subject to certain limited exceptions described below.

The Sales Tax imposed by the Authority is in addition to a one-half of one percent (½%) sales tax levied in the County for transit purposes and in addition to the eight and one-quarter percent (8¼%) sales and use tax currently levied statewide. In general, the statewide sales tax applies to the gross receipts of retailers from the sale of tangible personal property and the statewide use tax is imposed on the storage, use or other consumption in the State of property purchased from a retailer for such storage, use or other consumption. The statewide use tax does not apply to cases where the sale of the property is subject to the sales tax, therefore the application of the statewide use tax is generally applied to purchases made outside of the State for use within the State.

The Sales Tax is generally imposed upon the same transactions and items subject to the statewide sales and use tax (hereinafter collectively referred to as the "State Sales Tax"), with generally the same exceptions. Several categories of transactions are exempt from the State Sales Tax and the Sales Tax. Significant exemptions include: sales of food products for human consumption (this exemption does not include hot prepared foods and food consumed on the premises where purchased), prescription medicine, edible livestock and their feed, seed and fertilizer used in raising food for human consumption, and gas, electricity and water when delivering to consumers through mains, lines and pipes. In addition, "occasional sales" (i.e., sales of property not held or used by a seller in the course of activities for which he or she is required to hold a seller's permit) are generally exempt from the State Sales Tax and from the Sales Tax; however, the "occasional sales" exemption does not apply to the sale of an entire business and other sales of machinery and equipment used in a business. Sales of property to be used outside the County which is shipped to a point outside the County, pursuant to the contract of sale, by delivery to such point by the retailer, or by delivery by the retailer to a carrier for shipment to a consignee at such point, are exempt from the State Sales Tax and from the Sales Tax.

Action by the State legislature or by voter initiative could change the transactions and items upon which the State Sales Tax and the Sales Tax are imposed. A voter initiative approved in 1992 eliminated taxation for candy, gum, bottled water and confectionery. In 1993, certain types of transactions subject to the State Sales Tax were eliminated through repeal of legislation. The State legislature could further change the transactions and items upon which the State Sales Tax and the Sales Tax are imposed. In addition, other voter initiative measures could be adopted, further affecting the receipt of Sales Tax Revenues. Such changes or amendments could have either an adverse or a beneficial effect on Sales Tax Revenues. The Authority is not currently aware of any proposed legislative change which would have a material adverse effect on Sales Tax Revenues.

Collection of Sales Tax Revenues

Collection of the Sales Tax is administered by the Board of Equalization. The Authority and the Board of Equalization have entered into an Amended and Restated Agreement for State Administration of a Transactions and Use Tax to authorize payment of Sales Tax Revenues directly to the Trustee. The State Board of Equalization, after deducting amounts payable to itself, is required to remit the balance of amounts received from the Sales Tax directly to the Trustee.

Prior to July 1, 1993, the amount retained by the Board of Equalization was based on a flat 0.82% of the receipts of the Sales Tax. Effective July 1, 1993, the amount retained by the Board of Equalization is based on the total special taxing jurisdiction costs reflected in the annual budget of the State of California, and includes direct, shared and central agency costs incurred by the Board of Equalization. For fiscal year 1995 and each fiscal year thereafter, the amount retained by the Board of Equalization will be adjusted to account for the difference between the Board of Equalization's recovered costs and the actual costs incurred by the Board of Equalization during the prior two fiscal years. Commencing July 1, 1998, the amount retained by the Board of Equalization may not exceed the lesser of the percentage retained for the fiscal year ended June 30, 1999 and 1.5% of the receipts of the Sales Tax. The amount retained by the Board of Equalization for the fiscal year ended June 30, 2009 was $777,600. The Authority has been advised by the Board of Equalization that the estimated amount to be retained by the Board of Equalization for the fiscal year ending June 30, 2011 is $780,700.

Historical Sales Tax Revenues

The Measure C Sales Tax went into effect on April 1, 1989, and the first collections were remitted to the Authority on June 12, 1989. Pursuant to its procedures, the Board of Equalization projects receipts of the Sales Tax on a quarterly basis and remits an advance of the receipts of the Sales Tax to the Authority on a monthly basis. The amount of each monthly advance is based upon the Board of

Equalization quarterly projection. During the last month of each quarter, the Board of Equalization adjusts the amount remitted to reflect the actual receipts of the Sales Tax for the previous quarter.

The following table shows Sales Tax Revenues received by the Authority from the Board of Equalization for the fiscal years ended June 30, 1989 through June 30, 2010 and includes Sales Tax Revenues received pursuant to the Measure C Sales Tax and pursuant to Measure J. Sales Tax Revenues set forth in the following table are the amounts received from the Board of Equalization after deduction by the Board of Equalization of the amount payable to the Board of Equalization and do not include any investment earnings. **The Series 2010 Bonds are not secured by proceeds of the Measure C Sales Tax, which expired pursuant to its terms on March 31, 2009.**

HISTORICAL SALES TAX REVENUES

(Dollars in Thousands)

Fiscal Year Ended June 30,	Sales Tax Revenues[1]	Percentage Change[2]
1989	$ 4,615[3]	N.A.
1990	36,160	N.A.
1991	39,096	8.1 %
1992	37,700	(3.6)
1993	38,466	2.0
1994	39,182	1.9
1995	40,971[4]	4.6
1996	44,222	7.9
1997	45,470	2.8
1998	49,050	7.9
1999	51,509	5.0
2000	58,655	13.9
2001	66,047	12.6
2002	65,168	(1.3)
2003	65,782	0.9
2004	65,684	(0.2)
2005	71,014	8.1
2006	74,676	5.2
2007	75,738	1.4
2008	74,680	(1.4)
2009	64,322[5]	(13.9)
2010	61,527[6]	(4.3)

(1) Sales Tax Revenues, excluding Sales Tax Revenues for the fiscal year ended June 30, 2010, which are unaudited, are as set forth in the audited financial statements of the Authority and have been rounded to the nearest thousand and represent receipts from the Measure C Sales Tax through March 31, 2009 and thereafter Sales Tax Revenues received pursuant to Measure J.

(2) Percentages have been calculated based on rounded Sales Tax Revenues.

(3) Amount includes receipts from April 1, 1989, the date of inception of the Measure C Sales Tax.

(4) During the fiscal year ended June 30, 1995, the Authority adopted Governmental Accounting Standards Board Statement No. 22 ("GASB 22"). Pursuant to this accounting change, the Authority accrues Sales Tax Revenues for each fiscal year for the 12-month period beginning on September 1 of each fiscal year and ending on August 31 following the end of such fiscal year. Adoption of GASB No. 22 resulted in recording September to August Sales Tax Revenues as the fiscal year total, adding $3.948 million to the Authority's fund balance and to a local street and road maintenance distribution payable for the fiscal year ended June 30, 1995.

(5) Includes receipts from the Measure C Sales Tax through March 31, 2009 and Sales Tax Revenues received pursuant to Measure J from April 1, 2009 through June 30, 2009.

(6) Unaudited

Source: The Authority.

CONTRA COSTA TRANSPORTATION IMPROVEMENT PROGRAM

General Description

The Expenditure Plan, authorized by the Ordinance, allocates Sales Tax Revenues to the various projects and programs authorized by Measure J. The Expenditure Plan allocates $2 billion in unadjusted 2004 dollars.

Expenditure Plan and Strategic Plan

To determine the initial program of specific projects to be implemented within the Expenditure Plan, the Authority adopted a strategic plan (the "Strategic Plan"), which the Authority reviews and updates on a periodic basis, usually every two years. In connection with each review and update of the Strategic Plan, the Authority assesses financial assumptions, revenue forecasts and project delivery in order to determine how to allocate future resources. The current Strategic Plan relating to Measure J, herein referred to as the 2009 Strategic Plan, was adopted by the Authority on December 16, 2009 and makes programming recommendations through fiscal year 2014-15.

Included in the Expenditure Plan and each update of the Strategic Plan are funding categories for capital projects (such as Caldecott Tunnel and State Route 4 East Widening), and programs, including transportation for seniors and people with disabilities, local streets maintenance and improvements, bus services, transportation for livable communities, commute alternatives, and others.

The Authority programs funds for individual projects, provided that the total project category commitment in 2004 dollars does not exceed a determined percentage of the amount identified for that project category in the Expenditure Plan, such percentage amount being hereinafter referred to as an "expenditure cap." Each update of the Strategic Plan includes a review of projects and budgeted revenues and, if warranted, the expenditure caps are adjusted.

The initial allocation of funds (expressed in 2004 dollars) set forth in the Expenditure Plan for capital projects, and the current allocation as per the expenditure cap (expressed in 2004 dollars for consistency with the Expenditure Plan) set forth in the 2009 Strategic Plan for such projects, are shown in the table below.

EXPENDITURE PLAN AND CURRENT ALLOCATIONS
(2004 Dollars)

Capital Project Categories	Initial Expenditure Plan Allocation	Current Allocation
Caldecott Tunnel	$125,000,000	$104,176,000
BART – East Contra Costa Rail Extension	150,000,000	90,653,000
State Route 4 East Widening	125,000,000	
Capitol Corridor Improvements	15,000,000	11,745,000
East County Corridors	94,500,000	78,652,000
Interchange Improvements on I-680 and SR242	36,000,000	15,300,000
I-680 Carpool Lane Gap Closure and Transit Corridor Improvements	100,000,000	42,375,000
Richmond Parkway	16,000,000	10,656,000
BART Parking, Access and Other Improvements	41,000,000	22,050,000
Additional Bus Transit Enhancement	1,300,000	880,000
Major Streets, Traffic Flow & Safety Improvements	80,400,000	49,252,000
Capitol Corridor Rail Station Improvements at Martinez	2,500,000	2,250,000

Source: The Authority.

Funding of the major program categories identified in the Expenditure Plan, including but not limited to, transportation for seniors and people with disabilities, local streets maintenance and improvements, bus services, transportation for livable communities, commute alternatives, and others is allocated on an annual basis, based upon a percentage of annual revenues. Programs receive a total of approximately 58.969% of annual Sales Tax Revenues.

The 2009 Strategic Plan (i) refines the overall estimate of revenues of the Sales Tax expected to be received through fiscal year 2014-15, (ii) sets forth the policies of the Authority for programming of projects and the policies specific to individual projects and (iii) makes financial commitments, in specific fiscal years to individual projects. Estimated project costs are identified in the 2009 Strategic Plan in both 2004 dollars for consistency with the Expenditure Plan and in current (or escalated) dollars. The 2009 Strategic Plan also imposed expenditure caps for most of the project categories, a policy first adopted when the Strategic Plan was revised in 1993.

Project Implementation and Funding

The Authority provides funds to various local and government agencies for the design and construction or operation of certain transportation projects. The Authority itself manages the design of several projects and the construction of a limited number of other projects identified in the Strategic Plan. The funding commitment of the Authority to any project represents a “not to exceed” limit of Measure J funds, and is in not a commitment to reserve such funds for a given project if such funds are not needed. The Authority has entered into cooperative agreements with sponsoring agencies, such as the County, the various cities in the County, BART and the State of California Department of Transportation, defining the responsibilities of each party for implementing various projects.

INVESTMENTS AND INVESTMENT POLICY

All funds of the Authority (except retirement funds) are invested in accordance with the investment policy adopted by the Authority on June 16, 2010 (the "Investment Policy") and the provisions of the Government Code of the State of California which regulate the investment of public funds. A copy of the investment policy of the Authority is available upon request to the Authority's Executive Director.

All amounts held under the Indenture are invested at the direction of the Authority, but only in Investment Securities, as defined in the Indenture, and are subject to certain limitations contained in the Indenture. See APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Definitions" and "—Investment in Funds and Accounts."

ABSENCE OF MATERIAL LITIGATION

No litigation is pending or, to the best knowledge of the Authority, threatened against the Authority concerning the validity of the Series 2010 Bonds. The Authority is not aware of any litigation pending or threatened against the Authority questioning the political existence of the Authority or contesting the Authority's ability to impose and collect the Sales Tax.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2010 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2010 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Bond Counsel expresses no opinion regarding whether interest on the Series 2010 Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX F hereto.

The Series 2010 Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity ("Premium Series 2010 Bonds") will be treated as having amortizable Series 2010 Bond premium. No deduction is allowable for the amortizable Series 2010 Bond premium for Series 2010 Bonds, like Premium Series 2010 Bonds, the interest on which is excludable from gross income for federal income tax purposes. However, the amount of tax exempt interest received, and a purchaser's basis in a Premium Series 2010 Bond, will be reduced by the amount of amortizable Series 2010 Bond premium properly allocable to such purchaser. Owners of Premium Series 2010 Bonds should consult their own tax advisors with respect to the proper treatment of amortizable Series 2010 Bond premium in their particular circumstances

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2010 Bonds. The Authority has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2010 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2010 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2010 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2010 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2010 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2010 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2010 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2010 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2010 Bonds. Prospective purchasers of the Series 2010 Bonds should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authorities, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2010 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2010 Bonds ends with the issuance of the Series 2010 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the Beneficial Owners regarding the tax-exempt status of the Series 2010 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2010 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2010 Bonds, and may cause the Authority or the Beneficial Owners to incur significant expense.

LEGAL MATTERS

The validity of the Series 2010 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A complete copy of the proposed form of opinion of Bond Counsel is contained in APPENDIX D hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Private Placement Memorandum. Certain legal matters will be passed upon for the Authority by Nossaman LLP, Authority Counsel, and by Squire, Sanders & Dempsey, L.L.P., Disclosure Counsel to the Authority.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("S&P") have assigned long-term ratings on the Series 2010 Bonds of "Aa2" and "AA+," respectively. These ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's, 7 World Trade Center at 250 Greenwich Street, 23rd Floor, New York, New York 10007; and S&P, 55 Water Street, New York, New York 10041. The Authority furnished to Moody's and S&P certain information, including information not included herein. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. The Authority undertakes no responsibility to oppose any such revision, suspension or withdrawal. Any such downward revision, suspension or withdrawal of the ratings obtained or other actions by a rating agency relating to its rating may have an adverse effect on the market price and marketability of the Series 2010 Bonds.

The Authority expects to furnish to each rating agency such information and materials as it may request. The Authority, however, assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. The failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of a rating on the Series 2010 Bonds. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price and marketability of such Series 2010 Bonds.

FINANCIAL ADVISOR

The Authority has retained Public Financial Management Inc., San Francisco, California, as financial advisor (the "Financial Advisor") in connection with the issuance of the Series 2010 Bonds. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Private Placement Memorandum. Compensation paid to the Financial Advisor in connection with the issuance of the Series 2010 Bonds is contingent upon the issuance of the Series 2010 Bonds.

FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS

The basic financial statements of the Authority for its Fiscal Years ended June 30, 2009, included in APPENDIX A of this Private Placement Memorandum, have been audited by Maze & Associates Accounting Corporation ("Maze & Associates"), independent auditors, as stated in its report thereon. Maze & Associates was not requested to consent to the inclusion of its report in APPENDIX A, nor has it undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Private Placement Memorandum, and no opinion is expressed by Maze & Associates with respect to any event subsequent to the date of its report. For more recent financial information with respect to the collection of Sales Tax Revenues, see "THE SALES TAX—Historical Sales Tax Revenues" herein.

MISCELLANEOUS

This Private Placement Memorandum is not to be construed as a contract or agreement between the Authority and any Holder or Beneficial Owner of any of the Series 2010 Bonds. All quotations from and summaries and explanations of the Indenture or Bond Purchase Agreement, and of other documents or statutes contained herein, do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions, which are available as described herein under "INTRODUCTION—Availability of Documents" herein.

Any statements in this Private Placement Memorandum involving matters of opinion are intended as such and not as representations of fact.

This Private Placement Memorandum has been duly approved, and its delivery to RBCCMC has been duly authorized, by the Authority.

CONTRA COSTA TRANSPORTATION AUTHORITY

By: /s/ Randell H. Iwasaki
Executive Director

APPENDIX A

CONTRA COSTA TRANSPORTATION AUTHORITY
AUDITED FINANCIAL STATEMENTS FOR
FISCAL YEARS ENDED JUNE 30, 2009

CONTRA COSTA TRANSPORTATION AUTHORITY
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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INDEPENDENT AUDITOR'S REPORT

Authority Board
Contra Costa Transportation Authority
Pleasant Hill, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Contra Costa Transportation Authority, as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Authority as of June 30, 2009, and the respective changes in the financial position, and the respective budgetary comparisons included as part of the basic financial statements, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2009 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining financial statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maze & Associates

October 9, 2009

CONTRA COSTA TRANSPORTATION AUTHORITY
Management Discussion and Analysis
For the Year Ended June 30, 2009

Contra Costa Transportation Authority's ("Authority") Management Discussion and Analysis (MD&A) provides to the Authority Board, Administrative Projects Committee (which serves as the Authority's Audit Committee), interested parties and the public in general a readable summary and analysis of the financial performance for fiscal year 2008-09. The MD&A should be read in conjunction with the Basic Financial Statements.

Summary of Financial Highlights for the Year Ended June 30, 2009

- On March 31, 2009, Measure C concluded receiving sales tax receipts which began twenty years ago. Measure C collected $1.098 billion since its inception which has helped transportation projects and programs throughout Contra Costa County.

- On April 1, 2009, the Authority began collecting sales tax revenues through Measure J which was approved back in November 2004. Prior to April 1, selected Measure J project expenditures have commenced and are being funded by advances from Measure C and $69.295 million in Commercial Paper borrowing.

- The Authority-wide Statements, the Statement of Net Assets and the Statement of Activities, show that the assets of the Authority exceeded its liabilities by $35.284 million for the year ended June 30, 2009. A major factor to consider when reviewing the Statement of Net Assets is that the Authority does not hold or retain title for the projects it constructs.

- The Authority has no long term outstanding debt as of June 30, 2009 as all the Measure C Bonds were repaid. No corresponding asset exists on the Authority's ledger for long term debt. Other agencies, such as Caltrans, BART, Contra Costa County, or the cities within Contra Costa, hold title to the transportation assets built or improved by Measure C & Measure J financing. As of June 30, 2009, Measure C had spent $710.951 million on transportation infrastructure improvements within Contra Costa, on assets that are owned by, and shown on the financial statements of other public agencies. An additional $295.326 million to date has been expended by the Authority for the established Measure C programs: Local Street Maintenance and Improvement, Carpool/Vanpool, Bus Transit, and Paratransit.

- Total assets amount to $126.785 million, consisting primarily of cash and investments amounting to $115.123 million, receivables due from others amounting to $10.342 million, net Other Post Employment Benefits (OPEB) amounting to $0.912 million (see Note 9), and capital assets (net of depreciation) amounting to $0.408 million. Total assets increased by $3.177 million from the prior year, due mainly to higher cash balances.

- Liabilities totaled $91.501 million, consisting of accounts payable, accrued employee benefits and Commercial Paper. Liabilities decreased $14.494 million due to repayment of all Measure C Bonds for $32.480 and reduced accounts payable. This was offset by a draw of additional Commercial Paper for $25.395 million to a total amount of $69.295 million to advance Measure J projects.

- Sales tax revenues of $64.322 million were received for the fiscal year ended June 30, 2009, a decrease of $10.358 million (-13.9%) from the prior year due to the recession impacting the county. Sales tax revenues accounted for 76.6% of all revenues of $83.947 million received by the Authority.

- Total expenses including interest on long-term debt (but not the principal repayment) were $66.277 million.

- The Authority's net assets increased $17.671 million during the fiscal year ended June 30, 2009, due primarily to the sales tax revenues received during the year that were used to repay long-term bond principal in the amount of $32.480 million (not shown on the basic financial statements), decreasing liabilities and thus increasing net assets.

Background and Supporting Information

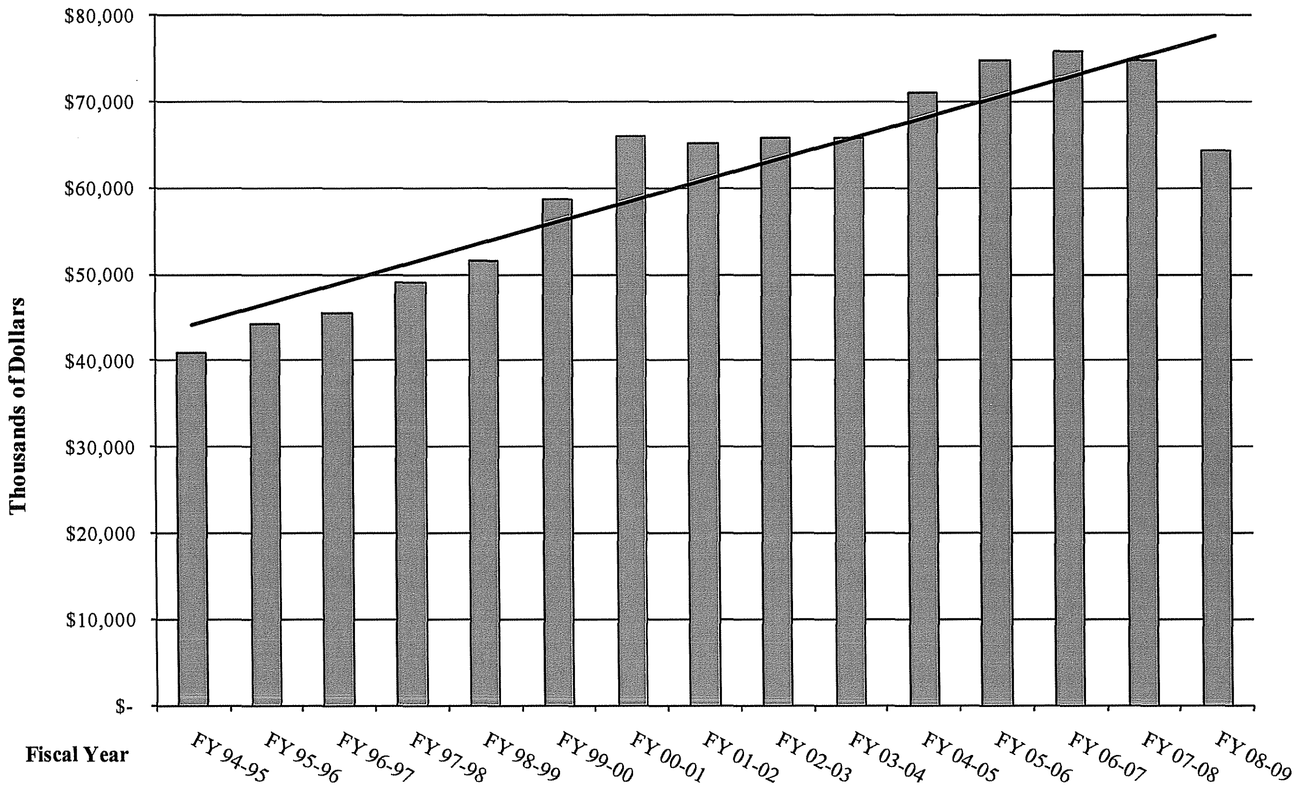
Organization. The Contra Costa Transportation Authority ("Authority") is a government special district established under Division 19 of the California Public Utilities Code Section 180000 et seq., pursuant to Contra Costa Ordinance 88-01 (as amended by Ordinance 06-02). The Authority became effective in its current role following a ballot referendum approved by the voters of Contra Costa County on November 8, 1988. The referendum, Measure C, established a county-wide half-percent sales tax imposed effective April 1, 1989 remaining in effect through March 31, 2009. The Authority is responsible for carrying out the provisions of Measure C, the Expenditure Plan and the Growth Management Plan. On November 2, 2004, the voters in Contra Costa approved Measure J, extending the county-wide half-percent sales tax from April 1, 2009 (the end of the term of Measure C) through March 31, 2034. The Authority is also responsible for carrying out the provisions of Measure J, the Expenditure Plan and the Growth Management Plan.

The Authority is governed by a Board of 11 members. Board Members are elected representatives of the County Board of Supervisors (2), local elected representatives from the cities of each of four subregional transportation areas (2 from each subregion), and one elected representative of the Contra Costa County Conference of Mayors (1).

Sales Tax Revenues. The Authority relies primarily on the county-wide half-cent sales tax revenues for carrying out the provisions of Measure C and Measure J. As mentioned earlier, Measure C receipts concluded during the fiscal year and Measure J began. Sales tax revenues in the fiscal year ended June 30, 2009 were $64.322 million and represents 76.6% of all of the revenues received by the Authority. This is a decrease of $10.358 million or 13.9 % from the sales tax revenues received in FY 2007-08. The Authority continues to face the impacts of the recession, which has affected all sectors of the economy. The housing bubble and failure in the banking sector, has affected new home construction, auto sales and service stations sectors. The next few charts provide an analysis of sales tax revenues and economic indicators in Contra Costa County.

Chart 1 shows the annual sales tax revenues received from FY 1994-95 through FY 2008-09.

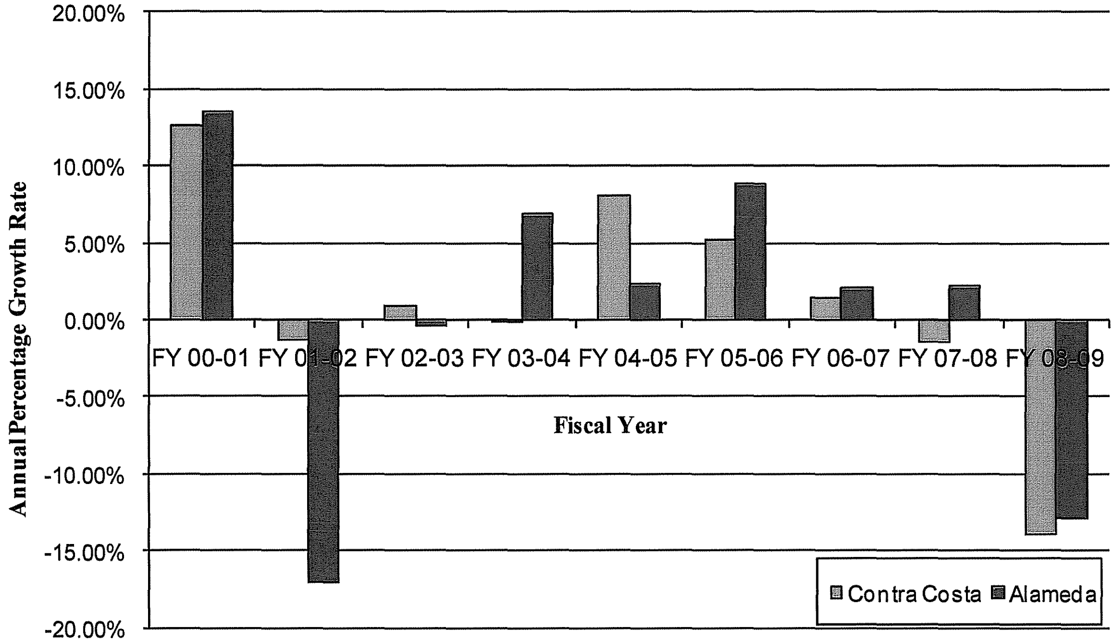
Chart 1
Contra Costa Transportation Authority
Sales Tax Revenues
FY 1994-95 to FY 2008-09



Source: Authority audited financial statements.

Economic Base for Sales Tax Revenues. The economic base in Contra Costa is somewhat different than the sales tax base in adjacent Bay Area counties. Chart 2 illustrates the different growth rates in sales tax revenues in Contra Costa and Alameda counties over the past several years. The chart clearly shows the effect of the recession on sales tax revenues in both counties.

Chart 2
Growth in Sales Tax Revenues
FY 2000-01 to FY 2008-09
Contra Costa and Alameda County Transportation Authorities

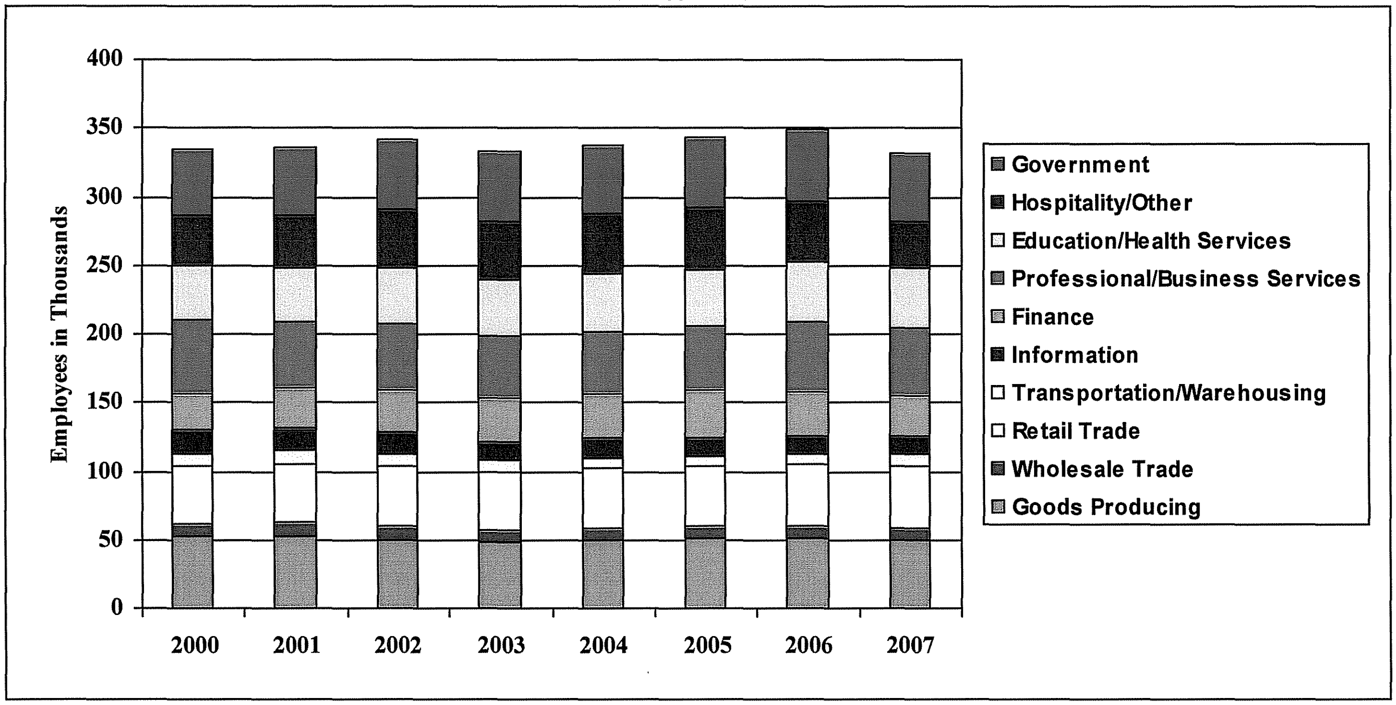


Source: Alameda County Transportation Authority

Components of Taxable Transactions. Consumption-based retail sales are a dominant portion of the sales tax revenues that the Authority receives. For Contra Costa, retail sales as a percentage of total taxable transactions increased from 72.0% in 2002 to 74.0% in 2006 and continue to be the source of the majority of the Authority's sales tax revenue. In comparison, Alameda County's retail sales as a percentage of total taxable transaction represent 63% of sales tax revenue in 2006. County is seeing historically high unemployment, reduced home construction, increasing foreclosures and decreased fuel costs which has resulted in lower sales tax revenue. During the fiscal year ended June 30, 2009, sales tax receipts from lumber, building materials and light industrial equipment amounted to $7.6 million, which is a decrease of $4.1 million in comparison to the prior year. New motor vehicle sales and service stations received $5.1 million and $6.2 million, which is a decrease of $2.1 million and $1.4 million, respectively, compared to the prior year.

Employment. Chart 3 shows the employment diversity in Contra Costa County as of December 2007. The recession has had a serious impact to unemployment in the county rising to historical highs to 10.8% in June 2009 compared to 6.1% in 2008. The region has seen drops in construction related jobs as the housing market has been saturated with foreclosed homes and developers are delaying or pulling out of residential projects. Government was perceived as a safe sector which has lost jobs as local and county agencies deal with reduced revenues from taxes and funding from the state.

CHART 3
Contra Costa Employees
Classified by Job Sector
2000 to 2007



Source: State of California – Employment Development Department Industry Employment - Official Monthly Estimates (CES)

Overview of the Financial Statements

The Authority's Financial Statements is in three parts:

1. The Management Discussion and Analysis (this part),
2. The Basic Financial Statements, which include the Authority-wide and the Fund financial statements along with the Notes to these financial statements, and
3. Combining Statements for Non-major Governmental Funds

Authority-wide Financial Statements

The Authority-wide financial statements are designed to provide a longer-term view of the Authority's financial position, using a full accrual accounting method similar to the model used in the private sector. A main difference for the Authority, as compared to other government entities, concerns the impacts of the volume of outstanding debt and the absence of Authority title to the transportation infrastructure assets constructed with that debt.

- The Statement of Net Assets provides a broader overview of the long-term assets and liabilities of the agency. The principal owed on the bonds issued by the Authority, over all of the years the principal is to be repaid, is combined in the current year statements as an unpaid liability.

- The Statement of Net Assets includes an element showing the value of depreciated capital equipment and infrastructure. For the Authority, this is a small number, since other agencies hold title to the transportation projects that the Authority funds.

- The consequent negative unrestricted net asset position is the result of Authority borrowing to construct projects, on behalf of Contra Costa residents and taxpayers, transportation infrastructure assets that are owned by other public agencies.

Table 1 compares features of the government-wide financial statements and the traditional governmental fund accounting financial statements.

Table 1

Comparison of Qualities of the Government-Wide Financial Statements
Compared to Financial Statements Prepared Under Traditional Governmental Fund Accounting

Quality	Government-Wide Financial Statements	Government Fund Accounting Financial Statements
Scope	Entire agency	Activities of the agency that are not proprietary or fiduciary
Required Statements	• Statement of Net Assets • Statement of Activities (government-wide)	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balance (for each individual fund)
Basis of Accounting, Measurement Focus	• Full accrual accounting, • Economic resources focus	• Modified accrual accounting, • Focus on current financial resources

The **Statement of Net Assets** summarizes the Authority's assets and liabilities, with the difference reported as net assets. The Statement of Net Assets is designed to provide information about the financial position of the Authority as a whole, including all of its capital assets and long-term liabilities, on a full accrual basis of accounting similar to the accounting model used by private sector firms. Table 2 summarizes the net assets of governmental activities for the years ended June 30, 2009, June 30, 2008, and June 30, 2007.

Table 2
Statement of Net Assets
(In Thousands)

	Governmental Activities For the Year Ended: June 30, 2009	June 30, 2008	June 30, 2007
ASSETS			
Restricted cash and investments	$ 115,123	$ 104,712	$ 94,246
Receivables	10,342	17,718	16,166
Net OPEB asset	912	1,102	
Capital assets	408	76	82
Total assets	126,785	123,608	110,494
LIABILITIES			
Long-term debt		32,480	63,430
Other liabilities	91,501	73,515	43,540
Total liabilities	91,501	105,995	106,970
NET ASSETS			
Invested in capital assets, net of related debt	408	76	82
Total restricted net assets	81,566	84,679	85,374
Unrestricted net assets (deficit)	(46,710)	(67,142)	(81,932)
Total net assets (deficit)	$ 35,284	$ 17,613	$ 3,524

Cash and Investments at June 30, 2009 consists of investments in the County Treasurer's Investment Pool ($25.831 million), the State Local Agency Investment Fund ($19.914 million), Federal Agency securities ($13.241 million), California Asset Management Program ($44.810 million), U.S. Treasury Notes ($5.641 million), and cash in the bank and with the trustee ($5.686 million). (Details of the composition and categorization of cash and investments may be found in Note 3 to the basic financial statements.)

Capital assets. For the year ended June 30, 2009, the total capital asset value was $0.408 million. This includes $0.082 million in office leasehold improvements, $0.176 million in office equipment (including computers and furniture) and $0.300 million for the new financial system, minus accumulated depreciation of $0.065 million for leasehold improvements and $0.085 million for office equipment. Though working on a number of large transportation projects during the year, the Authority holds title to none of these capital assets. (For additional information please see Note 5.)

Long-term debt. The Authority has repaid all three Measure C bond issues as of June 30, 2009.

Other liabilities totaled $91.501 million, consisting of accounts payable, accrued employee benefits and Commercial Paper. Commercial Paper was $69.295 million which is an increase of $25.395 million from the prior year to advance Measure J projects.

The **Statement of Activities** presents information showing how the Authority's net assets have changed during the fiscal year. The Authority-wide financial statements give a report on the main functions of the Authority. The statement shows that these functions are principally supported by sales tax revenues, discussed in detail in a prior section of the MD&A.

Expenditures are categorized by the main Authority functions. These functions include transportation projects, programs, and debt service. Revenues restricted to funding of specific Authority functions are considered program revenues. All other revenues are classified as general revenues, which may be used to finance all Authority functions. Sales tax revenues are included in the general revenues category, along with interest earnings on investments. Table 3 is the Statement of Activities, or the change in net assets of governmental activities, for the years ended June 30, 2009, June 30, 2008, and June 30, 2007.

Table 3
Statement of Activities
(In Thousands)

Governmental Activities
For the Year Ended:

	June 30, 2009	June 30, 2008	June 30, 2007
Revenues			
General revenues			
Sales taxes	$ 64,322	$ 74,680	$ 75,738
Other general revenues	2,380	5,567	4,787
Program revenues			
Operating grants and contributions	14,946	10,382	13,479
Capital grants	2,300	4,869	2,509
Total revenues	$ 83,948	$ 95,498	$ 96,513
Expenses			
Administration	1,597	1,720	1,954
Project management	859	795	818
Programs	18,579	21,238	20,954
Transportation projects	41,009	51,344	42,156
Regional planning	883	1,199	597
Congestion management	986	960	655
Transportation demand management	1,285	1,081	1,963
Transportation planning land use solutions	191	251	65
Debt service interest and related fees	888	2,821	3,862
Total expenses	$ 66,277	$ 81,409	$ 73,024
Change in Net Assets	17,671	14,089	23,489
Net Asset - (deficit) Beginning	17,613	3,524	(19,965)
Net Asset - (deficit) Ending	$ 35,284	$ 17,613	$ 3,524

The **Statement of Activities** provides information about the Authority's revenues and expenses on the full accrual basis, with an emphasis on measuring the net revenues or expenses for each of the Authority's main activities. The Statement explains the change in net assets for a given year. All of the Authority's activities are governmental type activities.

Sales tax revenues are the largest revenue source amounting to $64.322 million, down 13.9% from $74.680 million for the preceding year. Sales tax revenues are general revenues, available to all Authority purposes, and represent 76.6% of all Authority revenues for the year ended June 30, 2009. Investment earnings and other miscellaneous revenues are also general revenues.

Program revenues represent $17.246 million or about 20.5% of total revenues decreased $1.995 million from last year. The largest source of capital grant revenues in the year ended June 30, 2009, was the contribution from Danville for the I-680 project. The program grants included State Transportation Improvement Project (STIP) grants for $8.100 million. The majority of the STIP funds for $7.951 million was related to right-of-way purchases for the SR 4E – SR160 project. Regional Measure 2 (RM2) grants increased $0.578 million from the prior year to $4.980 million with the Caldecott project receiving $4.346 million. Over the last couple of fiscal years the Caldecott Tunnel, State Route 4, and e-BART projects receive the majority of the grant reimbursements. The funding sources will vary as the Authority is reimbursed for different phases of the projects from design to construction, or draws on grants that have an earlier sunset date.

Expenses, including depreciation, are classified by function. A brief description of activity within each function is as follows:

- The **Administration** function includes tasks and costs related to the overall operation and management of the Authority. Office expenses including rents and leases, office supplies, and equipment, and general service contracts are also charged to the Administration category. Administration expenses decreased $0.123 million for fiscal year ending June 30, 2009. The decrease was partially due to a shift in administration costs for the Executive Director which was reimbursable through a Program Planning and Management grant for time spent on regional planning issues. Also, the Authority spent less in attorney fees and contracts services. Administrative salaries and benefits are 0.76% of sales tax revenues in the year ended June 30, 2009, less than the 1% limitation.

- **Project management** includes tasks and costs related to the oversight of Measure C and Measure J projects. Measure C projects include the widening of State Route 4 East, Rail Extension to Eastern Contra Costa, Regional Commuterway, the preliminary planning and engineering work on the Caldecott Tunnel 4th Bore project, and auxiliary lane additions and improvements along the I-680 corridor. Measure J projects include the SR-4 East Widening, Capital Corridor Rail Station Improvements and East County Corridor.

- **Programs** established in Measure C include expenditures related to Local Street Maintenance and Improvement, Bus Transit, Paratransit, and Carpool/Vanpool. The base level Program distributions to local jurisdictions and other public agencies total 26.87% of annual sales tax revenues. The expenditures for programs are slightly higher than this percentage over the life of Measure C. The following are deficit program balances which will be either repaid from Measure J, refunded by operators or forgiven:

    - Carpool/Vanpool overspent at June 30, 2009, due mainly to the remaining approved allocations for the Carpool/Vanpool program which amounts to a deficit of $0.005 million.
    - The General Fund includes a deficit program balance for Bus Transit and Paratransit of $0.019 million and $0.001 million at June 30, 2009.

  The beginning of Measure J included programs that existed under Measure C and new opportunities to improve or expand needs in Contra Costa County. Local Streets and Maintenance, Bus Transit, Paratransit, and Commute Alternatives (formerly Carpool/Vanpool) will continue on. Express bus is a new countywide program to transport commuters to and from residential areas to transit and employment centers. Measure J includes subregional programs to provide funds to certain regions of the county for Additional Local Street and Maintenance, Bus Transit Enhancements, Additional Paratransit, Safe Transportation for Children and Ferry Service.

  Overall program expenditures decreased from the prior year from $21.238 million to $18.579 million or 12.5%. Program expenditures are based on sale tax receipts which have dropped due to the recession, but slightly offset by the new Measure J programs.

- **Projects** expenditures include annual project expenses, right-of-way costs, construction contract costs, engineering design and management contract costs, and attorneys fees for Measure C and Measure J projects as authorized in the Strategic Plan. Project expenditures are further categorized by Highways and Arterials, Transit, and Trail projects. Project costs of $41.009 million at June 30, 2009, which is $10.335 million less than the project costs for the year ended June 30, 2008. This is due to a purchase of right-of-way for $10.000 million for Vasco Road project in the prior year. The major expenditures in the year were for the SR 4 East corridor projects, Rail Extension to Eastern Contra Costa, Regional Commuterway, the Caldecott Tunnel 4th Bore project, Capital Corridor Rail Station Improvements and East County Corridor. SR 4 East projects included expenditures from Measure C and Measure J.

- The **Regional Planning** function includes tasks and costs related to implementation of the Growth Management Plan. This function also includes regional transportation planning activities, and the development and maintenance of the county-wide travel demand models. Costs decreased from the prior year but activity continues on the 2008 County Transportation Plan and update of the Action Plan.

- **Congestion Management** includes activities related to the mandated Congestion Management Plan (CMP), such as monitoring of compliance with established standards. The cost of assisting local jurisdictions with funding applications for state and federal funds is also charged to this organizational unit. Salary costs increased which are reimbursable from State Planning, Programming and Monitoring (PPM) funds.

- The **Transportation Demand Management** function includes the distribution of funds for ridesharing and the implementation of other trip reduction strategies such as the carpool and vanpool incentive programs and the guaranteed ride home program. Expenditures for the fiscal year ended June 30, 2009 increased $0.204 million over the previous fiscal year. Increases in expenditures are attributable to more program reimbursable expenditures this fiscal year.

- **Transportation Planning Land Use Solutions** is a program that provides funding to assist local jurisdictions in developing long-range plans for Transportation Oriented Development projects. The program is funded by MTC through CMAQ/STP funds. Expenditures for this program were $0.191 million for contributions of $0.185 million to Central Contra Costa Transit Authority for the Diablo Valley College Transit Center.

- **Debt Service** is another category of expenses. Since the Statement of Activities is on a full accrual basis, only interest costs and related fees are shown in the basic financial statements. The principal repayment is not shown as an expenditure line item. The principal owed is incorporated into the beginning Net Assets figure. As mentioned earlier, all three Measure C Bonds have been repaid as of June 30, 2009.

The **Change in Net Assets** figure is the revenues minus the expenditures. During the year ended June 30, 2009, the Authority realized an increase in Net Assets of $17.671 million. This increase resulted primarily from the tax revenues that were used during the year to retire debt. As sales taxes received in future years are used to retire debt, liabilities in excess of assets will continue to decrease and ultimately reach $0. In the year ended June 30, 2009, the Authority had expenditures of $32.480 million to repay bond principal, which are not shown otherwise on the mandated statements but are described in the notes to the financial statements.

Fund Financial Statements

Governmental funds - These statements are more familiar to the reviewers of past Authority financial statements. The Authority's General Ledger is maintained on a standard government fund accounting, modified accrual basis. This basis is required to ensure compliance with finance-related legal standards. The perspective of a fund-based financial statement is narrower than Authority-wide statements, with a focus on spendable assets and short-term liabilities rather than on cash flows in future years. The focus of these fund statements is now on major funds. The General Fund is always a major fund. The Measure J Fund, Measure C and J Streets and Roads Fund and all Debt Service Funds are also Major Funds. Budget variances are also discussed. Discussion of the Major Fund Statements is as follows:

<u>General Fund</u>

General Fund's ending **fund balance** was $81.566 million as of June 30, 2009, which represents an increase of $14.042 million for the year.

Sales tax revenues received in the year ended June 30, 2009 were $0.389 million below the final revised budget. The Authority received $50.236 million which is less than the prior year as Measure C sales tax receipts ended on March 31, 2009. The reason for the overall decrease in sales tax receipts is discussed in detail in the beginning of this MD&A.

Investment income was $1.762 million for the year ended June 30, 2009, which was a $1.854 million or 51.3% decrease over the year ended June 30, 2008. The recession has affected interest rates as U.S. Treasuries and U.S. Government-Sponsored Agency Securities with yields averaging 2.48% compared to 4.56% in the prior year. Local Agency Investment Fund rates have also dropped to 2.22% compared to 4.33% a year ago. The Authority's Investment Policy remains more conservative than permissible by law as safety of principal and liquidity are the drivers of the policy before considering return on investment.

Grant revenues were $15.699 million in federal, state and local grant funds, which is below budget by 53%. Expenditures need to be incurred prior to submittal for reimbursement. The variance is caused by timing and discussed below:

a. Regional Measure 2 funds of $11.471 million for State Route 4 East - eBART right-of-way purchases not yet incurred.

b. Regional Measure 2 funds of $2.224 million for Caldecott Project for ongoing final design activities not yet incurred.

c. State Transportation Improvement Program of $2.049 million for the SR-4 (e) Widening Project – Somersville to SR160, which is for right-of-way acquisitions occurred late in the fiscal year, and the reimbursement was submitted in fiscal year 2010.

Project expenditures are categorized into a) highways and arterials; b) transit; and c) trails projects. Project expenditures in the year ended June 30, 2009 of $19.391 million which was $13.232 million less than the prior year due to I680 and Caldecott Tunnel 4^{th} Bore. In the prior year, the Authority spent $5.100 million for Alhambra Widening and represented the majority of the project costs. Also, we spent $7.500 million for design work for the Caldecott Tunnel 4^{th} Bore in the prior year and wrapped up the design work this fiscal year.

The following are the major project costs for FY 2008-09:

i. Route 4 Somersville Road to SR160 spent $9.966 million for right-of-way.

ii. Caldecott Tunnel 4^{th} Bore spent $1.544 million to complete design work.

iii. Hercules Transit Center spent $1.106 million to construct the facility.

iv. Gateway/Lamorinda project includes cots for the Lamorinda School Bus Program for $1.033 million.

v. SR4 East Widening Project for the Loveridge to Somersville Road segment spent $1.664 million for design, construction management and construction on the Union Pacific Rail Road Team Track facility.

Projects were $15.662 million under budget for the year ended June 30, 2009. The following are the reasons for the budget variance:

i. SR4-Somersville Road to 160 was under budget by $10.534 million. The budget was originally $20.500 million for right-of-way acquisition. The unspent amount was rebudgeted for the following fiscal year.

ii. Caldecott Tunnel 4^{th} Bore did not spend $1.000 million on construction management services and Caltrans design as planned but budgeted for the following fiscal year.

iii. Regional Commuterway was over budget by $2.656 million. The expenditures for Route 4 East are allocated to Regional Commuterway, Rail Extension to Eastern Contra Costa and Route 4 East Corridor. The allocation for Route 4 East Corridor was fully spent and costs were charged to Regional Commuterway and Rail Extension to Eastern Contra Costa which had available allocation but was not budgeted.

Measure C Streets and Roads Fund

Transfers from the General Fund for current year sales tax revenues allocable to local jurisdictions amounted to $9.042 million in the fiscal year ended June 30, 2009. This amount, along with prior year undisbursed funds, were held in cash and are expected to be distributed upon completion and approval of the growth management checklist (now on a two-year cycle) and subsequent directions to disburse the funds. Disbursements are 18% of sales tax.

Measure J Fund

Sales tax revenues received in the year ended June 30, 2009 were $2.789 million below the final revised budget. Measure J receipts began on April 1, 2009 and the Authority received $14.086 million. The reason for the overall decrease in sales tax receipts is discussed in detail in the beginning of this MD&A.

Project expenditures at June 30, 2009 were $21.618 million, categorized under highways and arterials. The following are the main project costs for the fiscal year:

i. The State Route 4 East Widening project spent $8.302 million for design.
ii. Martinez Intermodal Station project spent $5.420 million for right-of-way.
iii. State Route 4 Bypass Widening for design at Laurel road to Sand Creek Road and the Sand Creek Interchange for $1.610 million and $3.131 million, respectively.

Commercial Paper - On August 3, 2007, the Authority provided short term financing of Measure J projects through a Commercial Paper program. Under this program, the principal amount of the outstanding Commercial Paper may not exceed $85.000 million, restricted to Measure J projects and debt service. As of June 30, 2009, the Authority has an outstanding principal on the Commercial Paper of $69.295 million.

Measure J Streets and Roads Fund

Transfers from the Measure J Fund for sales tax revenues allocable to local jurisdictions amounted to $2.830 million in the fiscal year ended June 30, 2009. This amount is held in cash and expected to be distributed in the following fiscal year. Countywide disbursements of $2.536 million are based on 18% of sales tax. The other $0.294 million is allocated based on 2.09% of sales tax for Southwest County, West County and Central County.

Debt Service Funds

During the year ended June 30, 2009, the Authority repaid $32.480 million in scheduled principal retirements. As mentioned earlier, all three of the Authority's bonds are complete and the funds will be closed in the following fiscal year.

Notes to the Basic Financial Statements

The notes provide additional information that is important to a full understanding of the data provided in the Authority-wide, and the traditional fund-based, financial statements. These are contained on the attached reports.

Authority's Outlook

March 31, 2009, represented the end of Measure C sales tax revenue which collected $1.098 billion over twenty years. Some of the programs and projects will continue to move forward as stated in the Measure C Strategic Plan. Measure C has helped improve transportation in Contra Costa County through planning, programs and projects. Based on the efforts of the Authority, County and local agencies, the voters approved Measure J to continue the work that has begun and take on new challenges.

Measure J will continue to fund programs and projects that assist residents and visitors of Contra Costa County. Bus transit, Paratransit and Commute Alternatives (formerly Carpool/Vanpool) programs will carry on and receive funding. New programs have come online to assist the County: a) Express Bus - assist commuters to and from residential areas to BART stations, park and ride lots or employment centers, b) Safe Transportation for Children - assist in transportation to schools from bus operations to capital improvements and c) Ferry Service -ferry service from Richmond, Hercules or Rodeo to San Francisco. Measure J will complete the State Route 4 widening and begin the construction phase of the Caldecott Tunnel 4th Bore. Measure J will also contribute funding to e-BART which will provide access to the eastern parts of the County.

The challenge of the recession has impacted the Authority on the ability to fulfill all of the promises in Measure J. Measure J begins with revenues estimated to be 25% less over its life. Staff has already started to discuss with regional transportation planning committees, transit operators, and stake holders to plan for the revenue decrease and adjust priorities accordingly. The Authority is in the process of updating the Measure J Strategic Plan which will incorporate the revised priorities consistent with the current economic situation.

On September 23, 2009 the Authority issued $200 million in Sales Tax Revenue Notes (Limited Tax Bonds), Series 2009. The purpose of the Limited Tax Bonds is to finance costs associated with certain transportation projects, retire outstanding Commercial Paper, and pay a termination cost to reduce the interest rate swap from $300 million to $200 million. The Limited Tax Bonds will mature on October 1, 2010. The Authority plans to refinance them on or prior to the maturity date.

Requests for Information

This financial report is designed to provide a general overview of the finances of the Authority. Questions concerning information provided in this report, or any requests for additional financial information, should be addressed to Randall Carlton of the Contra Costa Transportation Authority, 3478 Buskirk Ave., Suite 100, Pleasant Hill, CA 94523.

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STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets reports the difference between the Authority's total assets and the Authority's total liabilities, including all the Authority's capital assets and all its long-term debt. The Statement of Net Assets presents information similar to the traditional balance sheet format, but presents it in a way that focuses the reader on the composition of the Authority's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of all the Authority's Governmental Activities in a single column. The Authority's Governmental Activities include the activities of its all of its governmental funds, capital assets and debt.

The Statement of Activities reports increases and decreases in the Authority's net assets. It is also prepared on the full accrual basis, which means it includes all the Authority's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the Authority's expenses listed by program. Program revenues—that is, revenues that are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each program. The Authority's general revenues are then listed in the Governmental Activities column, and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

These financial statements along with the fund financial statements and footnotes are called *Basic Financial Statements.*

CONTRA COSTA TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2009
(In thousands)

	Governmental Activities
ASSETS	
Restricted cash and investments (Note 3)	$115,123
Receivables:	
Sales tax	9,886
Interest	217
Intergovernmental	239
Net OPEB asset (Note 9)	912
Capital assets, net of accumulated depreciation (Note 5)	408
Total assets	126,785
LIABILITIES	
Accounts payable	21,748
Accrued employee benefits	458
Commercial paper (Note 6)	69,295
Total liabilities	91,501
NET ASSETS (Note 12)	
Invested in capital assets (Note 5)	408
Restricted for:	
Transportation projects and programs	81,586
Total restricted net assets	81,586
Unrestricted net assets (deficit)	(46,710)
Total net assets	$35,284

See accompanying notes to financial statements

CONTRA COSTA TRANSPORTATION AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009
(in thousands)

Functions/Programs	Expenses	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants	Net (Expense) Revenue and Change in Net Assets: Governmental Activities
Governmental Activities:				
Administration	$1,597			($1,597)
Project management	859			(859)
Programs	18,579			(18,579)
Transportation projects	41,009	$8,100	$2,300	(30,609)
Regional planning	883	5,294		4,411
Congestion management	986	74		(912)
Transportation demand management	1,285	1,478		193
Transportation planning land use solutions	191			(191)
Interest and related fees	888			(888)
Total Governmental Activities	$66,277	$14,946	$2,300	(49,031)
General revenues:				
Sales taxes				64,322
Investment income				2,365
Miscellaneous				15
Total general revenues				66,702
Change in Net Assets				17,671
Net Asset-Beginning				17,613
Net Assets-Ending				$35,284

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

The Fund Financial Statements are presented by individual major funds, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year.

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the Authority for fiscal year 2009. Individual non-major funds may be found in the Combining Financial Statement section.

GENERAL FUND

The General Fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund. All sales tax revenues are recorded in the General Fund. All intergovernmental revenue is recorded in the General Fund, except for those restricted funds required to be recorded in Special Revenue Funds and the Measure J Fund. Transfers of sales tax revenues to Special Revenue Funds are made in accordance with the provisions of Measure C as discussed below. The Authority also transfers sales tax revenues to Debt Service Funds, on a monthly basis, to cover interest and principal coming due. General Fund expenditures include salaries and benefits of the Authority's staff. Salaries and benefits for administration are limited by Measure C (as defined) to one percent of the sales tax revenue on an annual basis.

MEASURE C STREETS AND ROADS SPECIAL REVENUE FUND

This Fund is used by the Authority to account for the accumulation of resources required to be allocated to local cities and the County for local transportation improvements, including streets and roads. Monies are disbursed to the local agencies upon compliance with certain provisions included in Measure C. Under the provisions of Measure C and policies adopted by the Authority, 18% of net sales tax revenues are to be used for local street maintenance and improvements.

MEASURE J SPECIAL REVENUE FUND

In November 2004, the voters in Contra Costa passed Measure J, an extension of the County-wide half-percent sales tax with a 71% approval rate. This extension will begin on April 1, 2009 and will end on March 31, 2034. The Authority is responsible for carrying out the provisions of Measure J. The Measure J Fund was established to record financial activities associated with the projects and programs in the Measure J expenditure plan.

MEASURE J STREETS AND ROADS SPECIAL REVENUE FUND

This Fund is used by the Authority to account for the accumulation of resources required to be allocated to local cities and the County for local transportation improvements, including streets and roads. Monies are disbursed to the local agencies upon compliance with certain provisions included in Measure J. Under the provisions of Measure J and policies adopted by the Authority, 18% of net sales tax revenues are to be used for local street maintenance and improvements. An additional 2.09% of net sales tax revenue is allocated to Central County, West County, and Southwest County.

DEBT SERVICE FUNDS (1993, 2000 and 2002)

These funds account for resources used to service the Authority's governmental long-term debt.

CONTRA COSTA TRANSPORTATION AUTHORITY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009
(in thousands)

	General Fund	Measure C Streets and Roads Fund	Measure J Fund	Measure J Streets and Roads Fund	1993 Debt Service Fund	2000 Debt Service Fund
ASSETS						
Restricted cash and investments (Note 3)	$80,153	$14,784	$14,447	$2,830		
Receivables:						
Sales tax			9,886			
Interest	215					
Intergovernmental	144	17		78		
Due from other funds (Note 4A)	522		4,263			
Advances to other funds (Note 4B)	6,208					
Total Assets	$87,242	$14,801	$28,596	$2,908		
LIABILITIES						
Accounts payable	$955	$14,801	$2,608	$2,908		
Due to other funds (Note 4A)	4,263					
Accrued employee benefits	458					
Advances from other funds (Note 4B)			6,208			
Commercial paper (Note 6)			69,295			
Total Liabilities	5,676	14,801	78,111	2,908		
FUND BALANCES						
Fund balance (Note 12)						
Reserved fund balances:						
Air quality						
Transportation projects	75,378					
Paratransit projects						
Bus transit enhancements			263			
Additional paratransit program			162			
Safe transportation for children			439			
Ferry service			317			
Carpool/commute alternatives						
Advances to Measure J Fund	6,208					
Unreserved (deficit) reported in:						
Measure C Fund	(20)					
Measure J Fund			(50,696)			
Total Fund Balances (Deficit)	81,566		(49,515)			
Total Liabilities and Fund Balances	$87,242	$14,801	$28,596	$2,908		

Amounts reported for Governmental Activities in the Statement of
Net Assets are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds

LONG TERM ASSETS AND LIABILITIES
The liabilities below are not due and payable in the current period and therefore are not reported in the Funds:
Net OPEB Asset

NET ASSETS OF GOVERNMENTAL ACTIVITIES

See accompanying notes to financial statements

2002 Debt Service Fund	Other Governmental Funds	Total Governmental Funds
	$2,909	$115,123
		9,886
	2	217
		239
		4,785
		6,208
	$2,911	$136,458
	$476	$21,748
	522	4,785
		458
		6,208
		69,295
	998	102,494
	1,567	1,567
		75,378
	224	224
		263
		162
		439
		317
	122	122
		6,208
		(20)
		(50,696)
	1,913	33,964
	$2,911	
		408
		912
		$35,284

CONTRA COSTA TRANSPORTATION AUTHORITY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009
(in thousands)

	General Fund	Measure C Streets and Roads Fund	Measure J Fund	Measure J Streets and Roads Fund	1993 Debt Service Fund	2000 Debt Service Fund
REVENUES						
Sales tax	$50,236		$14,086			
Investment income	1,762		211		$225	$67
Federal Demonstration (I-80)	175		69			
Federal Congestion Mitigation (CMAQ)	70					
State Transportation Improvement Program (I-680)	149					
State Transportation Improvement Program (SR 4E - SR 160)	7,951					
Contributions from CMA member agencies	74					
Regional Measure 2 (Caldecott)	4,346					
Regional Measure 2 (SR 4E - e-BART)	330					
Regional Measure 2 (I-680 study)	304					
State Motor Vehicle Registration Surcharge (TFCA)						
TVTD 80% (Danville) I - 80	2,300					
Escrow A/C Earnings & Rental Income	189					
Miscellaneous revenue	15					
Total Revenues	67,901		14,366		225	67
EXPENDITURES						
Administration:						
Salaries and employee benefits	366		120			
Services, supplies and capital outlay	1,026		226			
Contributions to other agencies	1					
Project management:						
Salaries and employee benefits	632		221			
Services, supplies and capital outlay	5		1			
Programs:						
Streets and roads		$9,042		$2,536		
Subregional streets and roads				294		
Paratransit	1,874					
Carpools, vanpools						
Bus transit enhancements			182			
Express bus program			655			
Bus transit and improvements	2,333		767			
Additional paratransit program			201			
Transportation projects:						
Highways and arterials	11,540		21,618			
Transit	7,530					
Trails	321					
Regional planning:						
Salaries and employee benefits	392		137			
Services, supplies and capital outlay	354					
Congestion management:						
Salaries and employee benefits	863		3			
Services, supplies and capital outlay	120					
Transportation demand management:						
Salaries and employee benefits	65					
Services, supplies and capital outlay	1					
Contributions to other agencies	1,219					
Transportation planning land use solutions:						
Salaries and employee benefits	6					
Contributions to other agencies	185					
Debt service:						
Principal					19,550	5,325
Interest and related fees			297		1,173	99
Total Expenditures	28,833	9,042	24,428	2,830	20,723	5,424
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	39,068	(9,042)	(10,062)	(2,830)	(20,498)	(5,357)
OTHER FINANCING SOURCES (USES)						
Transfers in (Note 4C)	3,329	9,042		2,830	13,560	
Transfers (out) (Note 4C)	(28,355)		(3,675)			(2,065)
Total other financing source (uses)	(25,026)	9,042	(3,675)	2,830	13,560	(2,065)
NET CHANGE IN FUND BALANCES	14,042		(13,737)		(6,938)	(7,422)
BEGINNING FUND BALANCES (DEFICIT)	67,524		(35,778)		6,938	7,422
ENDING FUND BALANCES (DEFICIT)	$81,566		($49,515)			

See accompanying notes to financial statements

2002 Debt Service Fund	Other Governmental Funds	Total Governmental Funds
		$64,322
$80	$20	2,365
		244
		70
		149
		7,951
		74
		4,346
		330
		304
	1,289	1,289
		2,300
		189
		15
80	1,309	83,948
		486
		1,252
		1
		853
		6
		11,578
		294
	480	2,354
	215	215
		182
		655
		3,100
		201
		33,158
		7,530
		321
		529
		354
		866
		120
		65
		1
		1,219
		6
		185
7,605		32,480
304		1,873
7,909	695	99,884
(7,829)	614	(15,936)
5,181	1,417	35,359
	(1,264)	(35,359)
5,181	153	
(2,648)	767	(15,936)
2,648	1,146	49,900
	$1,913	$33,964

CONTRA COSTA TRANSPORTATION AUTHORITY
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009
(in thousands)

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	($15,936)
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
CAPITAL ASSETS TRANSACTIONS	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expenditures are added back to fund balance	363
Depreciation expense is deducted from fund balance	(31)
LONG TERM DEBT PAYMENTS	
Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.	
Fund balance is increased by the amount of debt repayment	32,480
NON-CURRENT ITEMS	
The amount below included in the Statement of Activities does not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):	
Net OPEB asset	(190)
Interest payable	985
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$17,671

See accompanying notes to financial statements

CONTRA COSTA TRANSPORTATION AUTHORITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009
(in thousands)

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Sales tax	$55,388	$50,625	$50,236	($389)
Investment income	1,840	1,840	1,762	(78)
Federal Demonstration (I-80)			175	175
Federal Congestion Mitigation (CMAQ)	70	70	70	
Federal Demonstration (SR 4E - Sommersville)		887		(887)
Federal Surface Transportation Program (CMA)	505	505		(505)
Federal Surface Transportation Program - T-Plus	400	90		(90)
Traffic Congestion Relief Program (SR 4E)	2,700	250		(250)
State Planning, Programming, and Monitoring (PPM)	1,229	400		(400)
State Transportation Improvement Program (I-680)			149	149
State Transportation Improvement Program (SR4 E - SR 160)	7,000	10,000	7,951	(2,049)
Contributions from CMA member agencies	199	199	74	(125)
Regional Measure 2 (Caldecott)	2,564	6,570	4,346	(2,224)
Regional Measure 2 (SR 4E - e-BART)	12,800	11,801	330	(11,471)
Regional Measure 2 (I-680 Study)	650	350	304	(46)
TVTD 80% (Danville) I - 80	2,300	2,300	2,300	
Escrow A/C Earnings & Rental Income	80	132	189	57
Miscellaneous revenue			15	15
Total Revenues	87,725	86,019	67,901	(18,118)
EXPENDITURES				
Administration:				
Salaries and employee benefits	405	405	366	39
Services, supplies and capital outlay	1,723	1,613	1,026	587
Contributions to other agencies	6	6	1	5
Project management:				
Salaries and employee benefits	827	827	632	195
Services, supplies and capital outlay	22	22	5	17
Programs:				
Paratransit	1,984	1,984	1,874	110
Bus transit and improvements	2,535	2,409	2,333	76
Transportation projects:				
Highways and arterials	33,605	28,943	11,540	17,403
Transit	22,886	5,789	7,530	(1,741)
Trails	227	321	321	
Regional planning:				
Salaries and employee benefits	508	508	392	116
Services, supplies and capital outlay	723	964	354	610
Contributions to other agencies				
Congestion management:				
Salaries and employee benefits	647	863	863	
Services, supplies and capital outlay	275	367	120	247
Transportation demand management:				
Salaries and employee benefits	56	75	65	10
Services, supplies and capital outlay	2	2	1	1
Contributions to other agencies	1,090	1,453	1,219	234
Transportation planning land use solutions:				
Salaries and employee benefits	23	31	6	25
Contributions to other agencies	300	400	185	215
Total Expenditures	67,844	46,982	28,833	18,149
EXCESS OF REVENUES OVER EXPENDITURES	19,881	39,037	39,068	31
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4C)	1,402	4,702	3,329	(1,373)
Transfers (out) (Note 4C)	(44,205)	(43,347)	(28,355)	14,992
Total Other Financing Sources (Uses)	(42,803)	(38,645)	(25,026)	13,619
NET CHANGE IN FUND BALANCE	($22,922)	$392	14,042	$13,650
BEGINNING FUND BALANCE			67,524	
ENDING FUND BALANCE			$81,566	

See accompanying notes to financial statements

CONTRA COSTA TRANSPORTATION AUTHORITY
MEASURE C STREETS AND ROADS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009
(in thousands)

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
EXPENDITURES				
Programs:				
Streets and roads	$9,970	$9,113	$9,042	$71
Total Expenditures	9,970	9,113	9,042	71
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,970)	(9,113)	(9,042)	71
OTHER FINANCING SOURCES				
Transfers in (Note 4C)	9,970	9,113	9,042	(71)
Total Other Financing Sources	9,970	9,113	9,042	(71)
NET CHANGE IN FUND BALANCE				
BEGINNING FUND BALANCE				
ENDING FUND BALANCE				

See accompanying notes to financial statements

CONTRA COSTA TRANSPORTATION AUTHORITY
MEASURE J SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009
(in thousands)

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUE				
Sales tax	$18,463	$16,875	$14,086	($2,789)
Investment income	160	160	211	51
Federal Demonstration (I-80)	320	230	69	(161)
State planning, programming, and monitoring	129	6		(6)
Total Revenue	19,072	17,271	14,366	(2,905)
EXPENDITURES				
Administration:				
Salaries and employee benefits	135	135	120	15
Services, supplies and capital outlay	358	358	226	132
Contributions to other agencies	2	2		2
Project management:				
Salaries and employee benefits	325	325	221	104
Services, supplies and capital outlay	7	7	1	6
Programs:				
Transportation for livable community project	923	844		844
Additional transportation for livable community project	74	68		68
Bus transit enhancements	584	534	182	352
Express bus program	794	726	655	71
Bus transit and improvement program	896	844	767	77
Additional paratransit program	222	194		194
Safe transportation for children	831	759	201	558
Subregional transportation needs	277	253		253
Ferry service	425	388		388
Transportation projects:				
Highways and arterials	26,410	27,357	21,618	5,739
Regional planning:				
Salaries and employee benefits	170	169	137	32
Services, supplies and capital outlay	241			
Congestion management:				
Salaries and employee benefits	215		3	(3)
Services, supplies and capital outlay	92			
Transportation demand management:				
Salaries and employee benefits	19			
Services, supplies and capital outlay	1			
Contributions to other agencies	363			
Transportation planning land use solutions:				
Salaries and employee benefits	7			
Contributions to other agencies	100			
Debt service:				
Interest and other fiscal charges	1,300	1,300	297	1,003
Total Expenditures	34,771	34,263	24,428	9,835
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(15,699)	(16,992)	(10,062)	6,930
OTHER FINANCING SOURCES (USES)				
Transfers (out) (Note 4C)	(4,309)	(3,934)	(3,675)	259
Total Other Financing Sources (Uses)	(4,309)	(3,934)	(3,675)	259
NET CHANGE IN FUND BALANCE	($20,008)	($20,926)	(13,737)	$7,189
BEGINNING FUND BALANCE (DEFICIT)			(35,778)	
ENDING FUND BALANCE (DEFICIT)			($49,515)	

See accompanying notes to financial statements

CONTRA COSTA TRANSPORTATION AUTHORITY
MEASURE J STREETS AND ROADS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009
(in thousands)

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
EXPENDITURES				
Programs:				
Streets and roads	$3,323	$3,038	$2,536	$502
Subregional streets and roads	388	353	294	59
Total Expenditures	3,711	3,391	2,830	561
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,711)	(3,391)	(2,830)	561
OTHER FINANCING SOURCES				
Transfers in (Note 4C)	3,711	3,391	2,830	(561)
Total Other Financing Sources	3,711	3,391	2,830	(561)
NET CHANGE IN FUND BALANCE				
BEGINNING FUND BALANCE				
ENDING FUND BALANCE				

See accompanying notes to financial statements

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting Entity*

The Contra Costa Transportation Authority (the Authority) was established in 1988 when Contra Costa voters passed a 20-year, one-half of one percent (½%) sales tax for specified transportation purposes. In 2004, the voters of Contra Costa extended the one-half of one percent countywide transportation sales tax through 2034.

Measure C, passed in November 1988, officially authorized the imposition of the ½% countywide sales tax, the proceeds of which are principally reserved for highway improvements, local transportation improvements, transit funding, growth management, and regional planning purposes in the County. The Measure C ½% sales tax commenced April 1, 1989 and expired on March 31, 2009. The Measure J ½% sales tax began April 1, 2009 and will remain in effect until March 31, 2034.

The sales tax revenues received by the Authority under Measure C and Measure J after deducting certain administrative costs, are to be spent for programs as set forth in the respective expenditure plans. All revenues, including interest and other revenues, not designated by Measure C or Measure J for a specific purpose (see Sales Taxes discussion below) are to be spent on capital projects set forth in the expenditure plans. The Authority may, under certain circumstances, amend the original expenditure plans. However, any amendments must be for other transportation related projects.

The Authority has been designated by the cities in Contra Costa County and the County (collectively, the Members) as the Congestion Management Agency (CMA) for the County pursuant to provisions of Senate Constitutional Amendment 1, approved by the voters of the State in June 1990, thereby being charged with the statutory obligation to carry out congestion management responsibilities for Contra Costa County. In 1992, the Authority amended Measure C by ordinance to permit expenditures associated with the CMA to be eligible General Fund expenditures under Measure C, as defined in the expenditure plan. Measure J authorizes these expenditures in the original expenditure plan. The CMA Members are required to reimburse the Authority for expenditures as approved by the Board.

The Authority has also been designated by the CMA Members to be the recipient of funds generated from the motor vehicle registrations surcharge collected by the Bay Area Air Quality Management District (the Air Quality District) for programs to reduce air pollution from motor vehicles. The Authority anticipates that all expenditures incurred for the Air Quality District program will be reimbursed by the Air Quality District.

The basic financial statements of the Authority include all of its financial activities. The Authority is the sole independent entity responsible for receiving and allocating funds necessary to complete the programs and is governed by an eleven-member board comprised of representatives who are elected officials from the County and local cities.

The financial statements and accounting policies of the Authority conform with generally accepted accounting principles applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are summarized below.

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Sales Taxes

The Authority recognizes taxpayer-assessed revenues such as Sales Taxes, net of estimated refunds, in the accounting period in which they become susceptible to accrual, which means when the revenues become both measurable and available to finance expenditures of the current fiscal period.

Sales tax receivables represent sales tax receipts in the two months subsequent to the Authority's fiscal year-end relating to the prior year's sales activity. The Authority has contracted with the California State Board of Equalization for collection and distribution of the ½% sales tax. The Board of Equalization receives an administrative fee for providing this service. The Authority records all sales tax revenues net of such fees in the General Fund.

Under the provisions of Measure C and policies adopted by the Authority, portions of net sales taxes are required to be expended on certain programs and activities. Specifically, 18% of net sales tax revenues are to be used for local street maintenance and improvements and 1% is to be used for commuter alternative programs, including carpools, vanpools and park and ride lots. These programs are accounted for in the Streets and Roads Special Revenue Fund and Carpool, Vanpool Special Revenue Fund, respectively. Transfers from the General Fund to the Special Revenue Funds are made in the year the related sales tax revenue is recorded.

The Authority also transfers sales tax revenues to Debt Service Funds, on a monthly basis, to cover interest and principal expenditures.

In addition, under a slightly different designation in Measure C, 4.9% of sales taxes are to be used to increase the use of public transit, and increase the efficiency and coordination among transit agencies, and 2.97% of sales tax revenues are to be used to provide improved transit service for the elderly and handicapped. These programs are accounted for in the General Fund and any fund balances remaining at year-end are reported in the General Fund as Reserved for Bus Transit and Reserved for Paratransit projects, respectively.

Measure J included programs that existed under Measure C and added additional programs to improve or expand transit needs in Contra Costa County. Local Streets and Maintenance (18%), Bus Transit (5%), Paratransit (5%), and Commute Alternatives (1% and formerly Carpool/Vanpool), will continue on. Express bus (4.3%) is a new countywide program to transport commuters to and from residential areas to transit and employment centers. Measure J created subregional programs to address the diverse transportation needs in each subregion of the county. The following are new programs and are allocated to specific subregions based on the Measure J expenditure plan: Additional Local Street and Maintenance (2.09%), Bus Transit Enhancements (3.16%), Additional Paratransit (1.2%), Safe Transportation for Children (4.545%) and Ferry Service (2.25%).

C. Basis of Presentation

The Authority's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

These Statements require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the Authority). Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) grants and contributions that are restricted to meeting the operational needs of a particular program and (b) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Authority's funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining funds are aggregated and reported as non-major funds.

D. Major Funds

The Authority's major governmental funds are required to be identified and presented separately in the fund financial statements.

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures equal to ten percent of the total. The General Fund is always a major fund. The Authority has elected to treat the Measure J Streets and Roads Special Revenue Fund and all debt service funds as major funds.

GENERAL FUND - The *General Fund* is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund. All sales tax revenues are recorded in the General Fund. All intergovernmental revenue is recorded in the General Fund, except for those restricted funds required to be recorded in Special Revenue Funds. Transfers of sales tax revenues to Special Revenue Funds are made in accordance with the provisions of Measure C as discussed above. The Authority also transfers sales tax revenues to Debt Service Funds, on a monthly basis, to cover interest and principal coming due. General Fund expenditures include salaries and benefits of the Authority's staff. Salaries and benefits for administration are limited by Measure C (as defined) to one percent of the sales tax revenue on an annual basis.

MEASURE C STREETS AND ROADS SPECIAL REVENUE FUND - This Fund is used by the Authority to account for the accumulation of resources required to be allocated to local cities and the County for local transportation improvements, including streets and roads. Monies are disbursed to the local agencies upon compliance with certain provisions included in Measure C.

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASURE J SPECIAL REVENUE FUND – In November 2004 the voters in Contra Costa passed Measure J, an extension of the county-wide half-percent sales tax. This extension began on April 1, 2009 and will end on March 31, 2034. The Authority is responsible for carrying out the provisions of Measure J. The Measure J (General) Fund was established to record financial activities associated with the projects and programs in the Measure J expenditure plan.

MEASURE J STREETS AND ROADS SPECIAL REVENUE FUND – This Fund is used by the Authority to account for the accumulation of resources required to be allocated to local cities and the County for local transportation improvements, including streets and roads. Monies are disbursed to the local agencies upon compliance with certain provisions included in Measure J. Under the provisions of Measure J and policies adopted by the Authority, 18% of net sales tax revenues are to be used for local street maintenance and improvements. An additional 2.09% of net sales tax revenues is allocated to Central County, West County, and Southwest County.

DEBT SERVICE FUNDS - These funds account for resources used to service the Authority's governmental long-term debt. The funds were closed as of June 30, 2009.

NON-MAJOR FUNDS

The Authority has other governmental funds discussed below which were determined to be non-major funds and are presented in the Supplemental Section of this report.

In addition to the Streets and Road Special Revenue Fund discussed above, other *Special Revenue Funds* are used by the Authority to account for the accumulation and expenditure of restricted resources. These Special Revenue Funds include:

Measure C Carpool, Vanpool Special Revenue Fund - accounts for the portion of sales taxes to be used for commuter alternative programs, including carpools, vanpools and park and ride lots.

Air Quality Special Revenue Fund - accounts for funds received from the Air Quality District to be used for programs to reduce air pollution from motor vehicles. Resources are transferred to the General Fund as expended.

Measure J Commute Alternatives – accounts for the portion of sales taxes to be used for commuter alternative programs, including carpools, vanpools and park and ride lots.

Measure J Paratransit – accounts for the portion of sales tax to be used to transport seniors and people with disabilities.

E. Basis of Accounting

The government-wide financial statements and internal service fund statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred,* regardless of when the related cash flows take place.

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The Authority considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Authority may fund projects with a combination of cost-reimbursement grants, advances, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance expenditures. The Authority's strategy is to first apply restricted grant resources to such activities, followed by general revenues if necessary.

F. Return of Funds from Local Agencies

Return of funds from local agencies represents amounts determined to be owed to the Authority based on final reconciliation of project costs, or as a result of Measure C compliance audits commissioned by the Authority. There were no returns of funds from local agencies during the year ended June 30, 2009.

G. Compensated Absences

Compensated absences comprise unpaid vacation and sick leave which are accrued as earned. The Authority's liability for compensated absences is recorded in the Authority's Governmental Activities.

H. Use of Management Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

I. Rounding

All amounts included on the basic financial statements, combining statements, footnotes and schedules are presented to the nearest thousands in accordance with the Authority's policy.

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. *New and Closed Funds*

During fiscal year ending June 30, 2009, the Authority opened the Measure J Streets and Roads, Measure J Commute Alternatives, and Measure J Paratransit Special Revenue Funds. The Authority closed the Retiree Health Benefits Internal Service Fund as funds were transferred to the CalPERS Trust account.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Executive Director or his or her designee submits a proposed operating budget to the Authority Board for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

2. Prior to adoption of the final budget, public hearings are conducted to obtain taxpayer comments.

3. The budget is legally enacted by the Authority Board.

4. All budget adjustments must be approved by the Authority Board. Expenditures may not legally exceed the levels as specified in the budget control resolution.

5. Formal budgetary integration is employed as a management control device during the year for all funds.

6. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Overages in any particular budget expenditures category (organizational unit) must receive an approved budget change adjustment by the Authority for the following conditions: for capital project expenditures, if expenditures are expected to exceed the budget by $10 thousand or five percent, whichever is greater; for all other expenditures, if expenditures are projected to exceed the budget for the budgetary category by $5 thousand or five percent, whichever is greater.

The Authority has also adopted a Strategic Plan which determines availability of funds for projects and is used as a guide for project appropriations. The plan is normally updated every two to three years, and is used in the development of the annual budget. A project management appropriation and expenditure tracking system is used for budgetary and financial control. The Authority issued the 2008 Measure C Strategic Plan and the 2007 Measure J Strategic Plan in March 2008 and October 2008, respectively.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

A. *Excess of Expenditures over Appropriations*

During fiscal 2009, the following funds had expenditures in excess of budget, as follows (in thousands):

Fund	Excess of Expenditures Over Appropriations
General Fund	
Transportation Projects:	
Transit Expenditures	$1,741
Measure J Fund	
Congestion Management:	
Salaries and Employee Benefits	3

The funds had sufficient resources to finance these expenditures.

NOTE 3 - CASH AND INVESTMENTS

The Authority pools cash from all sources and funds except cash and investments with Trustees so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. Each fund's portion of the pool is displayed on the combined balance sheet as "Restricted cash and investments." All cash and investments of the Authority are restricted as to their use.

The Authority records investment transactions on the trade date. Investments are reported at fair value. Fair value is defined as the amount that the Authority could reasonably expect to receive for an investment in a current sale between a willing buyer and seller, and is generally measured by quoted market prices. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year. Investment income is allocated among funds on the basis of average month-end cash and investment balances in these funds. Investment income from cash and investments with trustees is credited directly to the related fund.

A. *Carrying Amount and Fair Value*

Cash and investments are carried at fair value and are categorized as follows at June 30, 2009 (in thousands):

	Available for Operations
U.S. Treasury Notes	$5,641
U.S. Government-Sponsored Agency Securities	13,241
Contra Costa County Treasurer's Pool	25,831
Local Agency Investment Fund	19,914
California Asset Management Program	44,810
Total Investments	109,437
Cash in Bank and Cash with Trustee	5,686
Total Cash and Investments	$115,123

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Authorized Investments by the Authority

The Authority has contracted with Public Financial Management to serve as the Authority's investment advisor. The Authority has adopted a written Investment Policy which is more restrictive than State law as to terms of maturity, credit quality and type of investment. The Authority's Investment Policy and the California Government Code allow the Authority to invest in the following, provided the credit ratings of the issuers are acceptable to the Authority. The following also identifies certain provisions of the Authority and California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Agency Obligations (A)	5 years	N/A	None	None
Repurchase Agreements	90 days	N/A	None	None
Reverse Repurchase Agreements (requires Authority approval)	92 days	N/A	20% of the base value	None
State of California Obligations	5 years	Highest 2 rating categories	None	None
CA Local Agency Obligations	5 years	Highest 2 rating categories	None	None
Bankers Acceptances	180 days	Highest rating category	40%	Greater of 10% of portfolio or $1 million
Commercial Paper	270 days	A1	20%	Lesser of 10% of portfolio or $1 million
Medium Term Corporate Notes	5 years	AA	30%	Greater of 10% of portfolio or $1 million
Mortgage Pass-Through Securities	5 Years	AA	10%	None
Insured or Collateralized Bank Deposits	N/A	N/A	None	None
Negotiable Certificates of Deposit	5 years	AA	30%	Greater of 10% of portfolio or $1 million
California Local Agency Investment Fund	Upon Demand	N/A	$40,000,000 per account	$40,000,000 per account
Contra Costa County Treasurer's Pool	Upon Demand	N/A	None	None
California Asset Management Program	N/A	N/A	None	None
Money Market Mutual Funds	N/A	Highest rating category	15%	5%

(A) Securities issued by agencies of the federal government such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC)

NOTE 3 - CASH AND INVESTMENTS (Continued)

C. *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution to the Authority's investments by maturity (in thousands):

Investment Type	Less than 1 year	One to Five Years	Total
U. S. Treasury Notes	$3,090	$2,551	$5,641
U.S. Government-Sponsored Agency Securities:			
Non-callable	4,092	7,140	11,232
Callable	2,009		2,009
Contra Costa County Treasurer's Pool	25,831		25,831
Local Agency Investment Fund	19,914		19,914
California Asset Management Program	44,810		44,810
Total Investments	$99,746	$9,691	109,437
Cash in Bank and Cash with Trustee			5,686
Total Cash and Investments			$115,123

D. *Credit Risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2009 for each investment type (in thousands) as provided by Standard and Poor's Investment rating system:

Investment Type	AAA	AAAf	AAAm	Total
U.S. Government-Sponsored Agency Securities:				
Non-callable	$11,232			$11,232
Callable	2,009			2,009
California Asset Management Program			$44,810	44,810
Contra Costa County Treasurer's Pool		$25,831		25,831
Totals	$13,241	$25,831	$44,810	83,882
Not rated:				
Local Agency Investment Fund				19,914
Exempt from rating requirement:				
U.S. Treasury Notes				5,641
Total Investments				109,437
Cash in Bank and Cash with Trustee				5,686
Total Cash and Investments				$115,123

NOTE 3 - CASH AND INVESTMENTS (Continued)

E. Concentration of Credit Risk

Investments in any one issuer, other than U.S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total Authority-wide investments are as follows at June 30, 2009 (in thousands).

Reporting Unit	Issuer	Investment Type	Reported Amount
Major Funds:			
General Fund	FHLB	U.S. Government-Sponsored Agency Securities	$4,080
	FNMA	U.S. Government-Sponsored Agency Securities	4,028

F. Local Authority Investment Fund (LAIF) & Contra Costa County Treasurer's Investment Pool

The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The County of Contra Costa Treasurer's Investment Pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by California Government Code Section 27134. The value of the pool shares in LAIF and the Contra Costa County Treasurer's Investment Pool which may be withdrawn on demand is determined on an amortized cost basis, which is not materially different than the fair value of the Authority's position in the pools.

NOTE 4 - INTERFUND TRANSACTIONS

A. Current Interfund Balances

Current interfund balances arise in the normal course of business and represent short-term borrowings occurring as a result of expenditures which are paid prior to the receipt of revenues or as a result of transactions recorded by Authority staff after the County closes the Authority's books. These balances are expected to be repaid shortly after the end of the fiscal year when revenues are received. At June 30, 2009, the General Fund was owed $522 thousand from the Air Quality Special Revenue Fund and the General Fund owed $4,263 thousand to the Measure J Special Revenue Fund.

B. Interfund Advance

In fiscal 2006, the Authority's General Fund advanced $1.5 million to the Measure J Special Revenue Fund to finance commitment and advisory fees pursuant to swap agreement commitments. During fiscal 2007, the advance was increased by $907 thousand, for a total of $2.4 million. During fiscal 2008, the advance was increased by another $1.7 million, for a total of $4.1 million. During fiscal 2009, the advance was increased by another $2.1 million, for a total of $6.2 million. The advance bears interest computed based on the rate earned by the Authority on its investment in the Local Agency Investment Fund (LAIF). Repayment is expected when the Authority issues the Measure J Bonds in 2009.

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

C. Transfers Between Funds

With Board approval, as required under Measure C/J or under the terms of the Authority's debt issues, resources are transferred from one Authority fund to another. The purpose of the majority of transfers is to reimburse a fund which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund. Interfund transfers for the year ended June 30, 2009 were as follows (in thousands):

Fund Receiving Transfer	Fund Making Transfer	Purpose	Amount Transferred
General Fund	2000 Debt Service Fund	(E)	$2,065
	Nonmajor Governmental Funds	(B)	1,264
Special Revenue Funds:			
Measure C Street and Roads	General Fund	(C)	9,042
Measure J Streets and Roads	Measure J Fund	(C)	2,830
Debt Service Funds:			
1993	General Fund	(A)	13,560
2002	General Fund	(A)	5,181
Nonmajor Governmental Funds	General Fund	(D)	572
	Measure J Fund	(D), (F)	845
	Total		$35,359

Purposes of Transfers:
(A) Transfers sales tax revenues used for debt service.
(B) Transfer Air Quality resources to fund programs to reduce air pollution from motor vehicles.
(C) Transfer sales tax revenues to be used for local streets and road projects.
(D) Transfer 1% of sales tax revenues to be used for commuter alternative programs, including carpools, vanpools and park and ride lots.
(E) Transfer remaining funds to General Fund since 2000 Bonds were repaid.
(F) Transfer 5% of sales tax revenue to be used for Paratransit.

NOTE 5 - CAPITAL ASSETS

A. Capital Assets Contributed to Other Entities

The Authority is required to exclude from its financial statements assets contributed to and maintained by other governments or organizations. The Authority has constructed a variety of capital projects consisting of streets and road and other transportation infrastructure projects, which upon completion were "contributed" to its Members, the State, or other governments responsible for their maintenance and care. Since those other agencies maintain the contributed capital assets, the cost of those assets has been excluded from the accompanying financial statements. This concept is followed regardless of whether infrastructure is financed with revenues or long term debt. As of June 30, 2009, through Measure C, the Authority has spent $711.0 million on infrastructure capital asset projects since the Authority's inception.

NOTE 5 - CAPITAL ASSETS (Continued)

B. Authority Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The Authority defines capital assets capital assets as equipment, financial systems and leasehold improvements with an individual cost of more than $1,000 and an estimated useful life in excess of one year.

Capital assets with limited useful lives are required to be depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Authority has assigned a useful life of three to five years for Office Equipment and ten years for Leasehold Improvements.

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. Contributions are required to be accounted for as revenues at the time the capital assets are contributed.

The Authority's capital assets comprise the following at June 30, 2009 (in thousands):

	Balance at June 30, 2008	Additions	Balance at June 30, 2009
Cost:			
Office Equipment	$113	$63	$176
Financial System		300	300
Leasehold Improvements	82		82
Subtotal	195	363	558
Accumulated Depreciation:			
Office Equipment	(62)	(23)	(85)
Leasehold Improvements	(57)	(8)	(65)
Subtotal	(119)	(31)	(150)
Capital Assets, net of accumulated depreciation	$76	$332	$408

NOTE 6 – COMMERCIAL PAPER

On August 3, 2007, the Authority authorized the establishment of a commercial paper program to provide short term financing of Measure J projects. Under this program, the principal amount of outstanding commercial paper may not exceed $85 million at any one time and proceeds are restricted to Measure J projects and debt service from this program. Commercial paper is to be issued at prevailing interest rates, which may not exceed 12% for periods not more than 270 days from the date of issue. Commercial paper is expected to be repaid with future Measure J sales tax revenues and/or proceeds from the issuance of long term Measure J Bonds.

To provide liquidity for the program, the Authority is required to maintain a liquidity support agreement (line of credit) with a commercial bank. Outstanding commercial paper and related accrued interest cannot exceed the amount of this agreement. Drawings under the agreement are restricted to pay maturing commercial paper and accrued interest.

Concurrently with the establishment of this program, the Authority authorized the issuance of $43.9 million principal amount of Subordinate Sales Tax Revenue Tax Exempt Commercial Paper Notes (Limited Tax Bonds), Series A. During fiscal year 2009 the Authority issued an additional $25.4 million in Commercial Paper. Pursuant to the support liquidity requirement, the Authority has obtained a direct draw letter of credit in the amount of $85 million which expires the earlier of October 1, 2009, or upon repayment of commercial paper issues under this program. The Authority has only utilized $69.3 million of the letter of credit.

The Authority refinances commercial paper as it matures, paying outstanding balances with proceeds from new issues. During fiscal year 2009, new issues amounted to $274.3 million and maturities amounted to $248.9 million. At June 30, 2009 the principal amount of Commercial Paper outstanding is $69.3 million.

NOTE 7 - LONG TERM DEBT

A. Long Term Debt Outstanding

The Authority issued the debt summarized below to finance or refinance certain infrastructure capital assets contributed to other governments (See Note 5) (in thousands).

	Balance June 30, 2008	Retirements	Balance June 30, 2009	Current Portion
1993 Series A Limited Tax Bonds, 5.5% - 6.0%, due 2009	$19,550	$19,550	$0	$0
2000 Series A Junior Lien, Sales Tax Revenue Bonds, Variable Rate, repaid 10/1/08	5,325	5,325	0	0
2002 Series A Limited Tax Bonds 4%, due 2009	7,605	7,605	0	0
Long-term debt	$32,480	$32,480	$0	$0

NOTE 7 - LONG TERM DEBT (Continued)

In June 1993, the Authority issued $230 million principal amount of **1993 Series A Limited Tax Bonds**, which bore a variable interest rate to finance certain transportation projects defined in the Expenditure plan. In March 12, 1996, the Authority converted the interest rate to fixed rates. Interest payments are made semiannually on March 1 and September 1 and principal payments are made annually on March 1. The 1993 Bonds are limited obligations of the Authority, and are payable from and secured by sales tax revenues received by the Authority. As of June 30, 2009 the bonds were fully repaid.

In December 2000, the Authority issued $25 million principal amount of **2000 Series A Junior Lien Sales Tax Revenue Bonds** sponsored by the California Transit Finance Authority (CTFA) pursuant to a project financing agreement. The 2000 Bonds were issued to finance certain costs relating to the acquisition, construction, improvement and equipping of public transportation facilities. The 2000 Bonds are special obligations of the Authority, which are payable from and secured by sales tax revenue subordinated to the outstanding 1993 and 2000 Bonds. The 2000 Bonds mature serially, October 1, 2004 through October 1, 2008, and bear a variable rate of interest not to exceed 12%. The Authority paid $2 thousand in purchase agreement fees during the year ended June 30, 2009. As of June 30, 2009 the bonds were fully repaid.

In July 2002, the Authority issued $28.765 million principal amount of **2002 Series A Refunding Bonds (Limited Tax Bonds)**. Net proceeds amounting to $29.765 million from the 2002 Bonds plus an additional $637 thousand of 1995 Bond monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1995 Bonds. The 1995 Bonds were called for redemption as of June 30, 2005. As of June 30, 2009 the bonds were fully repaid.

In fiscal 1992-1993, unspent proceeds from 1991 Series A Sales Tax Revenue Bonds (1991 Bonds) and a portion of cash on hand from the Authority were used to defease the $200 million then outstanding principal balance of the 1991 Bonds. These moneys were placed in an irrevocable escrow and used to purchase US Government securities which mature in amounts sufficient to repay the remaining debt service due on the 1991 Bonds. As a result, the 1991 Bonds are considered defeased and the escrow and the 1991 Bonds principal outstanding at June 30, 2009, have been excluded from the Authority's financial statements. As of June 30, 2009 the bonds were fully repaid.

B. Authorized Long Term Debt Commitment – Measure J Bonds

Pursuant to planning for the implementation of the 2009 Measure J sales tax continuation, the Authority identified several projects which required significant amounts of funding prior to the receipt of Measure J sales taxes. In fiscal year 2006, the Authority Board authorized agreements related the issuance of $300 million principal amount of Measure J Variable Rate Bonds to fund these projects.

NOTE 7 - LONG TERM DEBT (Continued)

C. Forward Swap Commitments

In order to protect itself against rising interest costs on the Bonds, the Authority entered into forward commitment interest rate swap agreements with Bank of America, N.A. and Merrill Lynch Capital Services, Inc. (Counterparties). An interest rate swap is a contractual agreement whereby the parties agree to exchange cash flows over a certain period of time. Beginning on September 23, 2009, the Authority will pay a fixed rate of 3.653% to the Counterparties, and the Counterparties will pay a floating rate to the Authority. The floating rate is expected to approximately equal the floating rate which the Authority will pay to the holders of its floating rate bonds, to be issued in 2009. Including anticipated ongoing fees associated with the floating rate bonds to be issued in 2009, the synthetic fixed rate which the Authority will pay is considered a very favorable rate in comparison with long term interest rates.

Although the 2009 Bonds are not yet issued, the original principal amount, scheduled maturities, effective issue date and maturity date are expected to match comparable terms of the Swap agreements. A summary of the terms of the Swap agreements and authorized but unissued Bonds are presented below:

	Counterparty		Authority Proposed and Authorized
Term	Bank of America	Merrill Lynch Capital Services, Inc.	Bond Issue
Notional Amount / Proposed Par Amount	$150 million	$150 million	$300 million
Effective Date / Proposed Issuance Date	September 23, 2009	September 23, 2009	September 23, 2009
Interest Swap:			
Basis of interest payments due from Authority			
Fixed Rate on Notional Amount	3.653%	3.653%	
Basis of interest receipts due from Counterparty			
Floating Rate on Notional Amount			
% of 1 month LIBOR			
(London Interbank Offered Rate)	63.50%	63.50%	
Additional Basis Point	29 (0.29%)	29 (0.29%)	
Basis of Variable Interest on the Bonds			Basis to be determined
Termination Date/Proposed Maturity Date	March 1, 2034	March 1, 2034	March 1, 2034
Credit Rating	Aa3/A+/A+	A2/A/A+*	Ba3/BBB/NR **
Swap Insurer	Ambac Assurance Corporation	Ambac Assurance Corporation	

*Under the terms of the Swap agreement, this swap was guaranteed by Merrill Lynch Derivate Products, which was rated Aaa/AAA/AAA as of June 30, 2009.

**The Authority has obtained insurance from Ambac for the 2009 Bonds. Ambac's credit rating as of June 30, 2009 was Ba3/BBB/NR which was reported above. Ambac's multi-step downgrade from Aaa/AAA/AA over the past year was a result of record losses after expanding from guarantees on municipal bonds that rarely default to insuring securities tied to mortgages that started going delinquent.

NOTE 7 - LONG TERM DEBT (Continued)

On September 18, 2009 the Authority partially terminated $100 million of an existing $150 million floating-to-fixed swap (the "MLCS Swap") with Merrill Lynch Capital Services, Inc. ("MLCS") and simultaneously novated (assigned) the remaining $50 million of the MLCS Swap to Bank of America, N.A. ("BofA"), who is acquiring MLCS. This results in an amendment of a $200 million floating-to-fixed swap (the "BofA Swap") with BofA, related to the Series 2010 Bonds to be issued in the future. See Note 14 below. In exchange for a payment of $11.4 million to BofA, the Authority terminated $100 million notional principal of the MLCS Swap. The Authority also amended the BofA Swap to increase the fixed rate paid by the Authority to BofA , monthly on a 30/360 day basis, from 3.653% (reflecting BofA's credit charge on the larger notional amount) to 3.6574% receiving 63.5% of monthly reset 1-month LIBOR plus 29 basis points (0.29%).

During 2004, Standard & Poor's introduced Debt Derivative Profile (DDP) scoring to provide a simple measure of the complexities of municipal debt-related derivatives by translating that exposure into an easily understandable measurement of risk and to enhance the transparency of municipal derivative structures. Scores range from a low risk score of 1 to a high risk score of 5. Although many factors are considered, scores primarily indicate an issuer's potential financial loss from debt derivatives, including swaps, due to early termination resulting from changes in credit worthiness or market conditions.

During fiscal 2005-2006, Standard & Poor's rated the Authority's Swap agreements an overall score of 1, the lowest risk score possible. Risks associated with the Swap agreements and Bonds as of June 30, 2009 are summarized and discussed below:

Economic Risk – Interest rates in September 2009 may be lower than the 3.653% synthetic interest rate.

Basis Risk – Floating rate receipts from the Counterparties may not correspond to or may be insufficient to cover the floating rate payments due on the Bonds. Basis risk may arise from a different methodology used to set the variable rate on the Bonds. Basis risk may also arise from variances in maturity dates and repayments of Bond principal and reductions of notional amounts on the Swap agreements.

Tax Risk - Tax risk results from uncertainty in future income tax law leading to a mismatch between the interest rate paid on the Authority's underlying Bonds and the rate received on the Swap agreements, that could be caused by a reduction in, or *elimination* of, the benefits of tax-exempt debt.

Credit (Counterparty) Risk – This is the risk that Counterparties could fail to make payments as specified under the Swap agreements. As of June 30, 2009, in the forward pre-issue period, the Swap Agreements had a negative fair market value of $29.1 million to the Authority.

This fair market value takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that may have been received. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the Swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the Swaps.

NOTE 7 – LONG TERM DEBT (Continued)

Depending on the fair market value, the Authority could be further exposed to interest rate risk if a Counterparty defaults or if a Swap agreement is terminated. Under the terms of the Credit Support Annex (CSA), the posting of collateral by the Counterparties is a function of the credit rating of the Counterparty and threshold value. No collateral was required to be pledged by the Counterparties at June 30, 2009.

Conversely, as of June 30, 2009 and only upon the issuance of the Bonds in September of 2009, these collateralization provisions are bilateral and require the Authority to pledge collateral for the fair value of the Swap agreements should that fair value and credit ratings of the Authority and Ambac fall below applicable thresholds. No collateral was required to be pledged by the Authority at June 30, 2009 since the Bonds have not been issued.

Termination Risk – The Authority or Counterparty may terminate the Swap agreements if the other party fails to perform under the terms of the respective Swap agreement. If either of the Swap agreements is terminated, the associated portion of the Bonds would no longer be hedged to a fixed rate. If at the time of termination the Swap agreement has a negative fair value, the Authority would be liable to the Counterparty for a termination payment equal to the Swap agreement's fair value.

NOTE 8 - PENSION PLAN

All Authority employees are eligible to participate in a pension plan offered by the California Public Employees Retirement System (CalPERS), an agent multiple-employer defined-benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement *and* disability retirement benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. The Authority's employees participate in the CalPERS Miscellaneous Employee "2% at 55" Plan. Benefit provisions under the Plan are established by State statute and Authority resolution. Benefits are based on years of credited service, equal to one year of full-time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS; and the Authority must contribute the amounts specified by CalPERS. The Plan's provisions and benefits in effect at June 30, 2009 are summarized as follows:

	Miscellaneous
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50
Monthly benefit factors, as a % of annual salary	1.426% - 2.418%
Required employee contribution rates	7%
Required employer contribution rates	12.588%

CalPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the Authority's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the Authority must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability. The Authority uses the actuarially determined percentages of payroll to calculate and pay contributions to CalPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CalPERS, for the last three fiscal years were as follows (in thousands):

NOTE 8 - PENSION PLAN (Continued)

Miscellaneous Plan:

Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	$330	100%	$0
2008	391	100%	0
2009	374	100%	0

The Authority passed a resolution requiring it to pay employee contributions as well as its own.

CalPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.0%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and amortized over a rolling thirty-year period.

As required by State law, effective July 1, 2005, the Authority was required by CalPERS to join a new Statewide pool for smaller agencies. One of the conditions of entry to the pool was that the Authority true-up any unfunded liabilities in the former Plan, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CalPERS. The Authority satisfied its unfunded liability of $600 thousand by agreeing to contribute that amount to the Side Fund through an addition to its normal contribution rates over the next 11 years.

The latest available actuarial values of the above State-wide pool (which differs from market value) and funding progress were set forth as follows. The information presented below relates to State-wide pools as a whole, of which the Authority is one participating employer.

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CalPERS' latest available actuarial value (which differs from market value) and funding progress for the State-wide pool are set forth below at their actuarial valuation date of June 30, 2007 (in thousands):

Date	Accrued Liability	Value of Asset	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
6/30/2005	$2,891,461	$2,588,713	$302,748	89.5%	$755,047	40.1%
6/30/2006	2,754,397	2,492,226	262,171	90.5%	699,897	37.5%
6/30/2007	2,611,747	2,391,434	220,313	91.6%	665,523	33.1%

Audited annual financial statements and ten year trend information are available from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

NOTE 9 – OTHER POST EMPLOYMENT HEALTH CARE BENEFITS

During fiscal year 2008, the Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions. This Statement establishes uniform financial reporting standards for employers providing post employment benefits other than pensions (OPEB). The provisions of this Statement are applied prospectively and do affect prior years financial statements. Required disclosures are presented below.

By Board resolution, the Authority provides certain health care benefits for retired employees under third-party insurance plans. The Authority pays health insurance premiums up to $439, $823, $1,042 for a retiree, couple, and family, respectively. As of June 30, 2009, three participants were eligible to receive benefits.

Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a January 1, 2007 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 7.75% investment rate of return, (b) 3.25% projected annual salary increase, and (c) 9.7% - 10.9% health inflation increases. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Authority and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Authority and plan members to that point. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The Authority's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 20 year amortization period.

In accordance with the Authority's budget, the annual required contribution (ARC) is to be funded throughout the year as a percentage of payroll. Concurrent with implementing Statement No. 45, the Authority passed a resolution to participate in the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OPEB. CERBT is administrated by CalPERS, and is managed by an appointed board not under the control of Authority. This Trust is not considered a component unit by the Authority and has been excluded from these financial statements. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94229-2703.

NOTE 9 – OTHER POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Funding Progress and Funded Status

Generally accepted accounting principles permits contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2009, the Authority contributed the ARC amounting to $112 thousand to the Plan which represented 7.1% of the $1.58 million of covered payroll. The Authority also contributed additional funds to CERBT representing funds accumulated in prior years in the Authority's Internal Service Fund. As a result, the Authority has recorded the Net OPEB Asset, representing the difference between the ARC, the amortization of the Net OPEB Asset and actual contributions, as presented below (in thousands):

Annual required contribution (ARC)	($112)
Interest on net OPEB Obligation	71
Adjustment to annual required contribution	(299)
Annual OPEB cost	(340)
Contributions made:	
Authority portions of current year premiums paid	20
Additional contributions to CERBT	130
Total contributions	150
Change in Net OPEB (obligation)/asset	(190)
Net OPEB Asset at June 30, 2008	1,102
Net OPEB Asset at June 30, 2009	$912

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated June 30, 2009, amounted to $182 thousand and was partially funded since assets have been transferred into CERBT. The Authority's prior year contributions, the current year annual required contribution, along with investment income net of current year premiums resulted in assets with CERBT of $941 thousand as of June 30, 2009, which partially reduced the unfunded actuarial accrued liability.

The Plan's annual required contributions and actual contributions for fiscal years ended June 30, 2008 and 2009 are set forth below (in thousands):

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of OPEB Costs Contributed	Net OPEB Obligation (Asset)
6/30/2008	$235	$1,337	569%	($1,102)
6/30/2009	340	150	44%	(912)

NOTE 9 – OTHER POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

The Schedule of Funding Progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the actuarial studies is presented below (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(B-A)/C]
6/30/08	$1,122	$1,307	$185	85.85%	$1,534	12.1%
6/30/09	1,043	1,586	543	65.76%	1,584	34.3%

NOTE 10 – DEFERRED COMPENSATION PLAN

Authority employees may voluntarily defer a portion of their compensation under Authority-sponsored Deferred Compensation Plans created in accordance with Internal Revenue Code Section 457. The Executive Director also currently receives a 457 Plan contribution as part of his compensation agreement. For staff, the Authority will contribute matching amounts for years of service. Under these 457 Plans, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plans.

The Authority has no liability for any losses which may be incurred by the Plans and does not participate in any gains, but it does have the duty of due care that would be required of an ordinary prudent investor. The Authority has contracts with CalPERS and with Lincoln Financial Group to manage and invest the assets of the Plans. These administrators pool the assets of the Plans with those of other participants and do not make separate investments for the Authority. Plan assets are subject to agreements which incorporated changes in the laws governing deferred compensation plan assets and are held by a trust or for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under this plan are not the Authority's property and are not subject to claims by general creditors of the Authority, they have been excluded from these financial statements.

NOTE 11 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Authority manages and finances these risks by purchasing commercial insurance and has a $1 thousand deductible for general and special property liability with limits of $10 million and $350 million, respectively. For automobile, the Authority has a $5 thousand deductible with a limit of $10 million. The Authority's deductible for crime is $10 thousand, with a limit of $1 million. The Authority has no deductible for workers compensation with a $1 million limit. There have been no significant reductions in insurance coverage from the previous year, nor have settled claims exceeded the Authority's commercial insurance coverages in any of the past three years.

As of June 30, 2009, the Authority had no material claims outstanding for general liability or for workers' compensation cases.

NOTE 12 – NET ASSETS AND FUND BALANCES

Net Assets is measured on the full accrual basis, while Fund Balance is measured on the modified accrual basis.

A. Net Assets

Net Assets is the excess of all the Authority assets over all its liabilities, regardless of fund. Net Assets are divided into three captions. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

Invested in Capital Assets, describes the portion of Net Assets which is represented by the current net book value of the Authority's capital assets.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Authority cannot unilaterally alter. These principally include assets committed to fund construction commitments and debt service requirements.

Unrestricted describes the portion of Net Assets which is not restricted to use.

As of June 30, 2009, the Authority had net assets amounting to $35.3 million. This relatively small amount is a result of capital assets which are contributed or transferred to other governments upon completion since those entities are responsible for maintaining them. Authority management has estimated that since Measure C's inception, the Authority has constructed $711.0 million in capital assets. These assets are reflected on other governments' financial statements in accordance with generally accepted accounting principles.

B. Fund Equity Deficits

The Measure J Special Revenue Fund had a deficit fund balance of $49.5 million, which is expected to be eliminated with future sales tax revenue funds and proceeds from the issuance of the 2009 Sales Tax Revenue Notes to be issued in September 2009.

The Measure C Carpool, Vanpool Special Revenue Fund had a fund balance deficit of $5 thousand. The deficit will be eliminated by Measure J revenues, repayment from transit operators or forgiven.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The Authority is subject to litigation arising in the normal course of business. In the opinion of the Authority's Attorney, there is no pending litigation which is likely to have a material adverse effect on the financial position of the Authority.

The Authority receives federal and State grant funds. The amounts, if any, of the Authority's grant expenditures which may be disallowed upon audit by the granting agencies cannot be determined at this time, although the Authority expects any such amounts to be immaterial.

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

The Authority has various contracts with private consulting companies and cooperative agreements with governmental entities. As of June 30, 2009, the Authority expended approximately $1,049.0 million of these commitments and had outstanding commitments approximating $222.1 million. In addition to the above, the Authority has a remaining programming commitment of approximately $13.3 million to the Bay Area Rapid Transit (BART) system related to the State Highway Route 4 widening project.

The Authority leases its office facility and certain office equipment under operating lease agreements. During the year ended June 30, 2009, lease expenditures approximated $242 thousand. A schedule of future minimum lease payments on noncancelable operating leases follows (in thousands):

Year Ending June 30:	
2010	$248
2011	295
Total	$543

NOTE 14 – SUBSEQUENT EVENT

On September 18, 2009, the Authority issued $200 million in Sales Tax Revenue Notes (Limited Tax Bonds), Series 2009. The purpose of the Series 2009 Notes is to finance and refinance a portion of the costs associated with certain transportation projects, to retire the Authority's outstanding commercial paper and pay for the costs to reduce the interest rate swap from $300 million to $200 million. Principal and interest payments will be made exclusively from revenues derived from sales tax revenue and swap revenues. The Series 2009 Notes mature on October 1, 2010. The Authority expects to issue Take-Out Bonds on or prior to the maturity of the 2009 Notes in order to retire the Series 2009 Notes. In the event the Take-Out Bonds are not issued, the Authority will pay the Series 2009 Notes over time using sales tax revenue.

CONTRA COSTA TRANSPORTATION AUTHORITY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2009
(in thousands)

	SPECIAL REVENUE FUNDS				
	Measure C Carpool, Vanpool	Air Quality	Measure J Commute Alternatives	Measure J Paratransit	Total Non-major Governmental Funds
ASSETS					
Restricted cash and investments	$457	$2,087	$141	$224	$2,909
Receivables:					
Interest		2			2
Total Assets	$457	$2,089	$141	$224	$2,911
LIABILITIES					
Accounts payable	$462		$14		$476
Due to other funds		$522			522
Total Liabilities	462	522	14		998
FUND BALANCES (DEFICIT)					
Reserved for:					
Air quality		1,567			1,567
Carpool/commute alternatives	(5)		127		122
Paratransit				$224	224
Total Fund Balance (Deficit)	(5)	1,567	127	224	1,913
Total Liabilities and Fund Balances	$457	$2,089	$141	$224	$2,911

CONTRA COSTA TRANSPORTATION AUTHORITY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009
(in thousands)

	SPECIAL REVENUE FUNDS				
	Measure C Carpool, Vanpool	Air Quality	Measure J Commute Alternatives	Measure J Paratransit	Total Non-major Governmental Funds
REVENUES					
Investment income		$20			$20
State motor vehicle registration surcharge (TFCA)		1,289			1,289
Total Revenues		1,309			1,309
EXPENDITURES					
Programs:					
Paratransit				$480	480
Carpools, vanpool/commute alternatives	$201		$14		215
Total Expenditures	201		14	480	695
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(201)	1,309	(14)	(480)	614
OTHER FINANCING SOURCES (USES)					
Transfers in	572		141	704	1,417
Transfers (out)		(1,264)			(1,264)
Total Other Financing Sources (Uses)	572	(1,264)	141	704	153
NET CHANGE IN FUND BALANCES	371	45	127	224	767
BEGINNING FUND BALANCES (DEFICIT)	(376)	1,522			1,146
ENDING FUND BALANCES (DEFICIT)	($5)	$1,567	$127	$224	$1,913

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

[ORRICK TO PROVIDE]

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

Owners of book entry interests in the Series 2010 Bonds will not receive or have the right to receive physical delivery of the Series 2010 Bonds and will not be or be considered to be, and will not have any rights as, registered owners (“Holders”) of Series 2010 Bonds under the Indenture.

The following information on the Book Entry Only System applicable to the Series 2010 Bonds has been supplied by the Depository Trust Company, New York, New York, and none of the Authority, Authority Counsel, Bond Counsel or Disclosure Counsel make any representation, warranties or guarantees with respect to its accuracy or completeness.

Book Entry Only System

The Depository Trust Company (“DTC”) New York, New York, will act as securities depository for the Series 2010 Bonds (referred to in this Appendix C as “Securities”).

1. The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued in the aggregate principal amount of the Securities, and will be deposited with DTC.

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

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their

purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to Trustee, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to Trustee. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Trustee's DTC account.

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

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

Disclaimer by Authority and Trustee

Neither the Authority or the Trustee has any responsibility or liability for any aspect of the records relating to, or payments made on account of book entry interest ownership, or for maintaining, supervision or reviewing any records relating to that ownership.

The Authority, the Trustee, the Authority Counsel, Bond Counsel and Disclosure Counsel cannot and do not give any assurances that DTC, DTC Participants or others will distribute to the Beneficial Owners (i) payments of Bond Service Charges on the Series 2010 Bonds paid or (ii) redemption or other notices sent to DTC as the Holder or that they will do so on a timely basis, or that DTC or DTC Participants will serve and act in the manner described in this Private Placement Memorandum. The Authority has been advised by DTC that the current "Rules" applicable to DTC and its Participants are on file with the Securities and Exchange Commission and that the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

Revisions of Book Entry Only Transfer System; Replacement Series 2010 Bonds

The Indenture authorizing the issuance of the Series 2010 Bonds provides for issuance of fully registered replacement Series 2010 Bonds ("Replacement Series 2010 Bonds") directly to persons other than DTC or its nominee only in the event that DTC determines not to continue to act as securities depository for the Series 2010 Bonds or the Authority determines to discontinue the book entry only system with DTC.

Upon a discontinuance of the book entry only system with DTC, the Authority may in its discretion attempt to have established a securities depository/book entry only relationship with another qualified securities depository. If the Authority is unable to do so, or desires not to do so, and after the Trustee has made provisions for notification of the Beneficial Owners of the Series 2010 Bonds by appropriate notice to DTC, the Authority and the Trustee shall authenticate and deliver Replacement Series 2010 Bonds in the denomination of $5,000 or any integral multiple thereof to or at the direction DTC's assigns

In the event that the book-entry system described above is no longer used with respect to the Series 2010 Bonds, the provisions of the Indenture relating to place of payment, transfer and exchange of the Series 2010 Bonds, regulations with respect to exchanges and transfers, bond register, bonds mutilated, destroyed or stolen, and evidence of signatures of Holders and ownership of Series 2010 Bonds, will govern the payment, registration, transfer, exchange and replacement of the Series 2010 Bonds. Interested persons should contact the Authority for further information regarding such provisions of the Indenture.

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

October 1, 2010

Contra Costa Transportation Authority
Walnut Creek, California

Contra Costa Transportation Authority
Sales Tax Revenue Bonds (Limited Tax Bonds), Series 2010
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Contra Costa Transportation Authority (the "Authority") in connection with the issuance of aggregate principal amount of Contra Costa Transportation Authority Sales Tax Revenue Bonds (Limited Tax Bonds), Series 2010 (the "Bonds"), issued pursuant to an Indenture, dated as of September 1, 2009, as supplemented, including as supplemented by a Second Supplemental Indenture, dated as of October 1, 2010 (hereinafter collectively referred as the "Indenture"), between the Authority and Deutsche Bank National Trust Company, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate, dated the date hereof (the "Tax Certificate"), executed by the Authority, opinions of counsel to the Authority and the Trustee, certificates of the Authority, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate 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 local transportation authorities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Private Placement Memorandum, dated September 30, 2010, or other offering material relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute the valid and binding limited obligations of the Authority.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. We express no opinion regarding whether interest on the Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income, nor do we express any opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

October I, 20 I0

RBC Capital Markets Corporation
New York, New York

Re: Contra Costa Transportation Authority
Sales Tax Revenue Bonds (Limited Tax Bonds), Series 2010

Ladies and Gentlemen:

In connection with the delivery of the above-referenced bonds (the "Bonds") we have delivered our final legal opinion concerning the validity of the Bonds and certain other matters, dated the date hereof and addressed to the issuer of the Bonds.

You may rely on said opinion as though the same were addressed to you. No attorney-client relationship has existed or exists between the addressee of this letter and our firm in connection with the Bonds or by virtue of this letter.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

OHS