SANTA CLARA VALLEY TRANSPORTATION AUTHORITY 2000 MEASURE A PROGRAM

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

June 30, 2006 AND 2005

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 MEASURE A PROGRAM
FOR THE YEARS ENDED

JUNE 30, 2006 AND 2005

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Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants & Consultants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Directors
Santa Clara Valley Transportation Authority
Santa Clara County, California

We have audited the accompanying financial statements of the Santa Clara Valley Transportation Authority (VTA) 2000 Measure A Program (the Program) for the year ended June 30, 2006, as listed in the accompanying table of contents. These financial statements are the responsibility of management of the Program. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying basic financial statements of the Program as of June 30, 2005, were audited by other auditors whose report thereon dated March 9, 2006, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VTA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

As discussed in Note 2, the financial statements referred to above present only the financial activities of the Program and do not purport to, and do not, present fairly the financial position of VTA as of June 30, 2006 and 2005 and the changes in its financial position and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Program as of June 30, 2006 and the changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Vavrinek Trine Day + Co. LLP

Palo Alto, California
November 16, 2006

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 MEASURE A PROGRAM

STATEMENTS OF NET ASSETS
JUNE 30, 2006 AND 2005

	2006	2005
ASSETS		
Current restricted assets:		
Cash and investments with fiscal agent	$ 31,998,229	$ 122,579,572
Accounts receivable	-	20,166
Due from other governmental agencies	30,142,698	1,945,204
Total Current Restricted Assets	62,140,927	124,544,942
Noncurrent assets:		
Deferred bond issuance costs	4,801,271	14,629,326
Deferred charges	9,000,000	-
Total Noncurrent Assets	13,801,271	14,629,326
Total Assets	75,942,198	139,174,268
LIABILITIES		
Current liabilities payable from restricted assets:		
Accounts payable	8,059,611	10,439,106
Other accrued liabilites	4,397,513	4,369,396
Due to other funds	16,350,164	695,694
Due to other governmental agencies	49	146
Current portion of long-term debt	6,385,000	-
Total Current Liabilities Payable from Restricted Assets	35,192,337	15,504,342
Noncurrent liabilities:		
Long-term debt, excluding restricted portion	383,650,857	390,308,795
Total Liabilities	418,843,194	405,813,137
NET ASSETS (DEFICIT)		
Unrestricted net assets deficit	(342,900,996)	(266,638,869)
Total Net Assets (Deficit)	$(342,900,996)	$(266,638,869)

See accompanying notes to financial statements.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 MEASURE A PROGRAM

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
NON-OPERATING REVENUES (EXPENSES)		
2000 Measure A half-cent sales tax	$ 38,169,933	$ -
Investment earnings	3,580,255	2,217,102
Other income	354,623	259,462
Operating assistance to VTA Transit	(7,045,025)	-
Interest Expense	(21,803,201)	(11,431,498)
Amortization of deferred charges	(666,666)	-
Other expenses	(2,386,045)	-
Net Non-Operating Revenues (Expenses)	10,203,874	(8,954,934)
CAPITAL CONTRIBUTIONS	3,903,648	13,341,631
CONTRIBUTIONS TO THE ENTERPRISE FUND OF THE SANTA CLARA VALLEY TRANSPORTATION AUTHORITY	(90,369,649)	(153,384,009)
CHANGE IN NET ASSETS	(76,262,127)	(148,997,312)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(266,638,869)	(117,641,557)
NET ASSETS (DEFICIT), END OF YEAR	$(342,900,996)	$(266,638,869)

See accompanying notes to financial statements.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 MEASURE A PROGRAM

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2006 and 2005

	2006	2005
Cash flows from noncapital and related financing activities:		
Cash payments to VTA for operating assistance	$ (7,045,025)	$ -
Cash payments for other expenses	(2,386,045)	-
Net cash (used) by noncapital and related financing activities	$ (9,431,070)	$ -
Cash flows from capital and related financing activities:		
Cash receipts from 2000 Measure A half-cent tax	10,828,478	-
Cash receipts from capital contributions	3,047,609	14,799,843
Cash receipts from other sources	374,789	239,296
Cash payments for contributions to VTA's Enterprise Fund	(92,749,241)	(146,313,199)
Proceeds from the issuance of sales tax revenue bonds	-	135,165,000
Premium on the issuance of sales tax revenue bonds	-	5,734,728
Interest paid on debt	(19,386,633)	(11,996,269)
Issuance costs related to notes and bonds	-	(10,461,821)
Borrowings (to)/from other funds	13,154,470	(6,675,449)
Net cash provided (used) by capital and related financing activities	(84,730,528)	(19,507,871)
Cash flows from investing activities:		
Interest received	3,580,255	2,217,102
Increase (Decrease) in Cash and Cash Equivalents	(90,581,343)	(17,290,769)
Cash and Cash Equivalents, Beginning of Year	122,579,572	139,870,341
Cash and Cash Equivalents, End of Year	31,998,229	122,579,572
Non-cash capital and related financing activities:		
Amortization of 2003 Series A Sales Tax Revenue Bonds premium	$ 140,065	$ 220,025
Amortization of 2004 Series A Sales Tax Revenue Bonds premium	28,077	227,443
Amortization of 2004 Series B Sales Tax Revenue Bonds premium	104,796	184,991
Amortization of deferred bond issuance costs	161,389	152,063
Amortization of deferred charges	666,666	-

See accompanying notes to financial statements.

NOTE 1 – ORGANIZATION

The Santa Clara Valley Transportation Authority 2000 Measure A Program (the Program) was created in response to the Measure A ballot approved by the voters of Santa Clara County on November 7, 2000. The Program is responsible for a number of key capital transit projects, including the connection of BART to San Jose and increased bus and light rail service, and to provide for related operating expenses.

The Program is funded by the half-cent sales tax to be imposed for a period of 30 years that took effect upon expiration of the current County of Santa Clara 1996 Measure B half-cent sales tax on April 1, 2006. The Santa Clara Valley Transportation Authority (VTA) has been aggressively moving forward and leveraging its capital structure, taking advantage of the fiscal year 1999/2000 constant dollar market conditions to provide funding for some of the Program capital projects. The Measure B Ancillary Program and Transportation Congestion Relief Program have been secured to facilitate this effort and are reported as capital contributions on the statements of revenues, expenses, and changes in net assets.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements present only the financial activities of the Program, and are not intended to present the financial position, and changes in financial position and cash flows of the VTA in conformity with accounting principles generally accepted in the United States of America (GAAP).

B. Basis of Accounting

The financial activity of the Program is accounted for as an enterprise fund. Enterprise funds are used to account for government operations in a manner similar to private business enterprises. Enterprise funds are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of the Program are included on the accompanying statements of net assets. Revenues are recognized when earned, and expenses are recognized when incurred. There are no operating revenues or expenses, as the purpose of the Program is to collect sales taxes and other grant revenues for carrying out the expenditure plan of Measure A. The Measure A sales tax approved by the voters began in 2006. Revenues from capital grants are recognized in the period in which all eligibility requirements have been satisfied.

Under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting of Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,* the Program has elected to apply all applicable GASB pronouncements, as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES, (Continued)

C. Budgetary Control

State law requires the adoption of an annual budget, which must be approved by the Board of Directors. VTA budgets biennially for its enterprise fund operations. The capital projects within the fund are budgeted on a multi-year basis and therefore annual information is not available. The budget for the enterprise fund is developed on a GAAP basis.

D. Cash and Investments

Cash from tax revenues became available for investing after April 1, 2006, the effective date that the half-cent sales tax was imposed. VTA will manage the Program cash and investments in accordance with its existing policies and practices.

All currently held cash and investments are cash and investments with fiscal agents that are maintained as deposits for construction projects and for the purpose of complying with reserve requirements related to the issuance of long-term debt. Access to cash with fiscal agents is similar to that of a demand deposit account and, therefore, investments are considered to be cash equivalents.

E. Restricted Assets and Liabilities Payable from Restricted Assets

Restricted assets and liabilities payable from restricted assets of the Program consist of monies and other resources, the use of which is legally restricted for certain capital projects.

F. Deferred Charges

Deferred charges represent payments for access to the right of way owned and maintained by Union Pacific Railroad. The original cost for the right of way access was $10,000,000. The deferred charges are amortized on a straight line basis over 15 years. As of June 30, 2006 accumulated amortization was $1,000,000.

G. Other Accrued Liabilities

Interest payable to bondholders in the amounts of $4,383,831 and $4,366,723 are included as other accrued liabilities as of June 30, 2006 and 2005, respectively.

H. Capital Contributions

Capital contributions represent capital grants from the Measure B Ancillary Program, which is administered by VTA (received by the County of Santa Clara Measure B Program, approved by the voters of 1996), and the Transportation Congestion Relief Program, which is administered by the State of California.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES, (Continued)

I. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 3 – CASH AND INVESTMENTS

Total cash and investments of the Program at June 30, 2006 and 2005 are $31,998,229 and $122,579,572, respectively. Cash and investments are comprised of the following:

	2006	2005
Money Market Mutual Funds	$ 652,119	$ 1,740,976
Guaranteed Investment Contracts (GICs)	31,346,110	115,022,668
U.S. Treasury Notes	-	5,815,928
	$ 31,998,229	$ 122,579,572

VTA's investment policies conform to State statues, and provide written guidance regarding the types of investments that may be made and the amounts that may be invested in anyone financial institution or amounts that may be invested in long-term instruments. Permissible investments include deposits with the County Treasurer in a commingled account, obligations of the U. S. Treasury, U. S. government agencies, the State of California Local Agency Investment Fund (LAIF), certain time deposits, certificates of deposits, bankers' acceptances, commercial paper, and repurchase and reverse repurchase agreements. Investments in commercial paper must be rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. Negotiable certificates of deposit are restricted to those rated B or better by Thompson Bankwatch, Inc. rating service. All cash and investments reported by the Program are invested in money market mutual funds and guaranteed investment contracts held by the Bank of New York.

Interest rate risk is the risk that changes in market rates will adversely affect the fair market value of an investment. Interest rate risk has been minimized by investing the proceeds of the sales tax revenue bonds into money market mutual funds and guaranteed investment contracts. The money market mutual funds have a weighted average maturity of less than 1 year. At June 30, 2006 and 2005, the guaranteed investment contracts had a weighted average maturity of 1.13 and 2.0 years, respectively.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by the nationally recognized statistical rating organizations. The money market mutual funds held by the Program have a Standard and Poor's rating of AAA. The guaranteed investment contracts are unrated.

NOTE 3 – CASH AND INVESTMENTS, (Continued)

The Program places no limit on the amount which may be invested in any one issuer. More than 5 percent of the Program's investments are guaranteed investment contracts as follows:

	Percentage of Cash and Investments	
Issuer	2006	2005
XL Asset Funding Company	6.68%	5.94%
CDC Funding Investment Management	8.79%	6.89%
FSA Investment Management Fund	82.50%	14.99%
MBIA Asset Management		66.02%
	97.97%	93.84%

NOTE 4 – SALES TAX REVENUE BONDS

The sales tax revenue bonds, considered long-term debt, outstanding at June 30, 2006 and 2005 consisted of the following:

	2006	2005
2003 Series A Senior Lien ($131,240,000 plus unamortized premium of $ 6,680,709 and $6,820,774 at June 30, 2006 and 2005, respectively)	$ 137,920,709	$ 138,060,774
2004 Series A Senior Lien ($104,710,000 plus unamortized premium of $ 6,795,207 and $6,823,284 at June 30, 2006 and 2005, respectively)	111,505,207	111,533,284
2004 Series B Senior Lien ($135,165,000 plus unamortized premium of $ 5,444,941 and $5,549,737 at June 30, 2006 and 2005, respectively)	140,609,941	140,714,737
Total sales tax revenue bonds	$ 390,035,857	$ 390,308,795

2003 Series A Measure A Senior Lien Sales Tax Bonds

In November 2003, VTA issued $131.2 million of 2003 Measure A Sales Tax Revenue Bonds (2003 Bonds) to: 1) finance the repayment of the 2002 Bonds and Grant Anticipation Notes that matured on December 4, 2003, 2) reimburse VTA for certain debt service payments made in connection with the 2001 Bonds, and 3) finance capitalized interest payments through October 2006. Issuance costs related to such bonds are being amortized over the term of the debt. The 2003 Bonds are special obligations of VTA that are payable and secured by 2000 Measure A Sales tax revenue. As disclosed in Note 7, the 2003 Bonds were refunded in August 2006.

NOTE 4 – SALES TAX REVENUE BONDS, (Continued)

2004 Series A Measure A Senior Lien Sales Tax Revenue Bonds

In May 2004, VTA issued $104.7 million of Measure A Sales Tax Revenue Bonds (2004A Bonds) to pay certain working capital and capital expenditures and to finance capitalized interest payments through October 2006. Issuance costs related to such bonds are being amortized over the term of the debt. The 2004A Bonds are special obligation of VTA that are payable and secured by 2000 Measure A sales tax revenue. As disclosed in Note 7, the 2004A Bonds were refunded in August 2006.

2004 Series B Measure A Senior Lien Sales Tax Revenue Bonds

In December 2004, VTA issued $135.2 million of Measure A Senior Lien Sales Tax Revenue Bonds (2004B Bonds) to pay certain working capital and capital expenditures and to finance capitalized interest payment through October 2006. Issuance costs related to such bonds are being amortized over the term of the debt. The 2004B Bonds are special obligations of VTA, which are payable and secured by Measure A sales tax revenue. As disclosed in Note 7, the 2004B Bonds were refunded in August 2006.

Scheduled Payments

Annual debt service requirements (including sinking fund requirements) to maturity for long-term debt are as follows:

Year Ending June 30,	Principal [1]	Interest [2]
2007	$ 6,385,000	$ 19,557,761
2008	5,675,000	19,221,273
2009	5,970,000	18,922,199
2010	6,280,000	18,607,580
2011	6,605,000	18,276,624
2012 - 2016	38,535,000	85,785,851
2017 - 2021	49,625,000	74,522,016
2022 - 2026	63,885,000	60,019,767
2027 - 2031	82,255,000	41,346,839
2032 - 2036	105,900,000	17,306,680
Total debt service requirements	$ 371,115,000	$ 373,566,590

NOTE 4 – SALES TAX REVENUE BONDS, (Continued)

Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are as follows:

	July 1, 2005	Additions	Retirements	June 30, 2006	Amounts Due Within One Year
2003 Series A Senior Lien	$131,240,000	$ -	$ -	$ 131,240,000	$ 2,705,000
2004 Series A Senior Lien	104,710,000	-	-	104,710,000	1,395,000
2004 Series B Senior Lien	135,165,000	-	-	135,165,000	2,285,000
Total outstanding debt	371,115,000	-	-	371,115,000	
Plus premiums	19,193,795	-	272,938	18,920,857	
Outstanding debt, net	$390,308,795	$ -	$ 272,938	$ 390,035,857	$ 6,385,000

[1] Assumes 2003 and 2004 Bonds are remarketed at the mandatory tender date with no refunding.
[2] Interest rates on the 2003 and 2004 A&B Bonds are fixed through the mandatory tender date of October 2, 2006.

Changes in long-term liabilities for the year ended June 30, 2005 are as follows:

	July 1, 2004	Additions	Retirements	June 30, 2005	Amounts Due Within One Year
2003 Series A Senior Lien	$131,240,000	$ -	$ -	$ 131,240,000	$ -
2004 Series A Senior Lien	104,710,000	-	-	104,710,000	-
2004 Series B Senior Lien	-	135,165,000	-	135,165,000	-
Total outstanding debt	235,950,000	135,165,000	-	371,115,000	-
Plus premiums	14,091,526	5,734,728	632,459	19,193,795	
Outstanding debt, net	$ 250,041,526	$ 140,899,728	$ 632,459	$ 390,308,795	$ -

There are a number of limitations and restrictions contained in the various bond indentures. VTA's management believes that VTA is in compliance with all significant limitations and restrictions.

NOTE 5 – CONTRIBUTIONS TO VTA'S ENTERPRISE FUND

Contributions to VTA's enterprise fund were made in accordance with the projects approved in the 2000 Measure A. These contributions were made for the following projects for the years ended June 30, 2006 and 2005 and for previous years for an inception-to date total:

Description	2006	2005	Previous Years	From Inception through June 30, 2006
Silicon Valley Rapid Transit	$ 86,695,880	$ 122,038,960	$ 122,480,811	$ 331,215,651
Bus procurement	711,865	(4,935,299)	6,625,809	2,402,375
Bus facility improvements	430,045	1,584,179	1,735,845	3,750,069
Downtown East Valley project	10,925,349	7,324,674	8,138,788	26,388,811
Low floor vehicles	13,409,711	38,464,286	20,456,537	72,330,534
Other	-	338,707	108,658	447,365
Total projects	112,172,850	164,815,507	159,546,448	436,534,805
Less interest capitalized as part of the projects	(21,803,201)	(11,431,498)	(5,195,758)	(38,430,457)
Total contributions to the Enterprise Fund of VTA	$ 90,369,649	$ 153,384,009	$ 154,350,690	$ 398,104,348

NOTE 6 –COMMITMENTS AND CONTINGENCIES

Reduced taxable sales receipts over the past few years have resulted in a substantial reduction in the projected sales tax revenues expected to be generated by 2000 Measure A. In June, 2006, the Board approved a 30-year 2000 Measure A Revenue and Expenditure Plan as recommended by the board-appointed Project Advisory Committee. The plan preserves all the projects identified on the 2000 Measure A Ballot. Currently, the Plan shows a deficit funding and staff is working with the Board to determine a possible course of action to identify additional revenue sources.

It is important to note that the Expenditure Plan for the 2000 Measure A Program adopted by the Board assumes that the Silicon Valley Rapid Transit Corridor Project will receive $750 million in funding under the federal New Starts Program. Over the next two years, VTA will use a combination of local and state revenues to advance significant project development work on the Silicon Valley Rapid Transit Corridor Project. This work will culminate in the issuance of a Record of Decision for the project by the Federal Transit Administration (FTA) in late 2008. VTA intends to begin seeking federal New Starts appropriations for final design and construction for the project in FY 2010.

NOTE 6 –COMMITMENTS AND CONTINGENCIES, (Continued)

VTA issued the 2001 and 2005 Series Bonds to commence expenditures under the 2000 Measure A Transit Improvement Program. On an annual basis, the Program reimburses VTA for expenditures incurred under the Measure A Transit Improvement Program. The reimbursement, which repays debt service payments VTA has made, will continue until the debt obligations are extinguished. There are no formal reimbursement arrangements or loan terms in place. Accordingly, any reimbursements made by the Program will be recorded in the period in which they occur.

NOTE 7 –SUBSEQUENT EVENT

On August 10, 2006, VTA issued the 2006 Measure A Sales Tax Revenue Bonds, Series A-G, aggregating to $428,375,000 (2006 Bonds). The proceeds were used to refund on a current basis $131,240,000 of Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Bonds, Series 2003, $104,710,000 of Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Bonds, Series 2004 A and $135,165,000 Santa Clara Valley Transportation Authority 2000 Measure A Sales Tax Revenue Bonds, Series 2004 B. In addition, a portion of the proceeds of the 2006 Bonds will be applied to finance a portion of the costs associated with the 2000 Measure A Program, debt service reserve funds for Series F and G, and to pay the costs of issuance of the 2006 Bonds.

The 2006 Bonds are limited obligations of the VTA secured by a pledge of 2000 Measure A sales tax revenues. The 2006 Bonds were structured as auction rate securities (ARS) insured by Ambac Assurance Corporation. Series A-E were structured as 7 day ARS with initial auction dates of September 8-11, 2006; Series F&G were structured as three month ARS, with an initial auction date of August 3 and 6, 2007.

The 2006 Bonds were rated Aaa by Moody’s and AAA by Standard & Poor’s, with underlying ratings of “Aa3” and “AA”, respectively.

On August 1, 2006, VTA entered into variable to fixed interest rate swaps on Series A-D of the 2006 Bonds, to effectively change VTA’s variable interest rate for these series to a synthetic fixed rate of 3.765%. On August 1, 2006, VTA entered into an interest rate cap agreement on Series E of the 2006 Bonds. Pursuant to the terms of the interest rate cap agreement, which will expire August 10, 2011, the variable interest rate on Series E of the 2006 Bonds is capped at 8%. Series F and G will remain unhedged.

Basis Risk. VTA bears the risk that the variable rate payment received from the counterparties may be less than the variable rate VTA pays to the bondholder. VTA will mitigate this risk in two ways. First, VTA’s swap payments are based on a swap formula that closely matches the historical trading value of VTA’s variable rate bonds in all markets. Second, VTA has created a “basis” stabilization fund -- which allows VTA to offset any shortfalls in swap receipts with any positive payments received.

NOTE 7 –SUBSEQUENT EVENT, (Continued)

Credit Risk. VTA bears the risk that the swap providers will not be able to make its offsetting payments to VTA. VTA has mitigated this potential risk in three ways. First, VTA has diversified credit exposure by entering into interest rate swaps with four counterparties. Second, each counterparty carries credit ratings at or above "Aa3" and/or "AA-" by at least two nationally recognized rating agencies (i.e. Moody's, Standard & Poor's or Fitch). Third, in the event of ratings downgrade, each counterparty is required to post collateral in an amount at least equal to the loss in market value between the par value of the swap (or its "notional value") and current valuation.

Termination Risk. VTA bears the risk that one of its swap counterparties will terminate the interest rate swap prior to maturity at a time when there would be a cost to VTA – i.e., rates have declined from the time the swap was executed. VTA has mitigated this risk through bond insurance from Ambac Assurance Corporation. The counterparties are not given the right to terminate the swap absent (a) an event of VTA default or (b) downgrade of VTA below investment grade and the bond insurer below "A3" from Moody's Investors Service, Inc. (or an equivalent rating determined by a nationally-recognized ratings service acceptable to VTA).

VTA has the ability to terminate, at market value, any of the interest rate swaps at any time.