NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: Standard & Poor's: "AA+"
Fitch: "AA+"
See "RATINGS" herein.

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, 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 2015 Series A 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 2015 Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount accrual or receipt of interest on, the 2015 Series A Bonds. See "TAX MATTERS" herein.

$186,640,000
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Sales Tax Revenue Bonds
2015 Refunding Series A

Dated: Date of Delivery

Due: July 1, as shown on the inside cover

The San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2015 Refunding Series A (the "2015 Series A Bonds") are being issued by the San Francisco Bay Area Rapid Transit District (the "District") to, along with other District funds, provide sufficient funds to (i) refund $231,250,000 principal amount of the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Refunding Series 2005A, (ii) refund $720,000 principal amount of the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Series 2006 (collectively, the "Prior Bonds"), and (iii) fund costs of issuance associated with the 2015 Series A Bonds. See "PLAN OF REFUNDING" herein. The 2015 Series A Bonds are deliverable in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the 2015 Series A Bonds will be made in principal amounts of $5,000 and integral multiples thereof and will be in book-entry-only form. Purchasers of the 2015 Series A Bonds will not receive bonds representing their beneficial ownership in the 2015 Series A Bonds but will receive a credit balance on the books of their respective DTC Direct Participants or DTC Indirect Participants. The 2015 Series A Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein.

Interest on the 2015 Series A Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2016, and the principal of the 2015 Series A Bonds is payable July 1 in the amounts and the years set forth on the inside cover by U.S. Bank National Association, as trustee, to Cede & Co., and such interest and principal payments are to be disbursed to the beneficial owners of the 2015 Series A Bonds through their respective DTC Direct Participants or DTC Indirect Participants.

The 2015 Series A Bonds are subject to redemption prior to maturity as described herein. See "DESCRIPTION OF THE 2015 SERIES A BONDS" herein.

The 2015 Series A Bonds are special obligations of the District, payable from and secured by a pledge of Sales Tax Revenues derived from a transaction and use tax levied by the District in Alameda and Contra Costa Counties and the City and County of San Francisco, as more fully described herein. The 2015 Series A Bonds are issued on a parity with certain other bonds issued by the District and currently outstanding. See "SECURITY FOR THE 2015 SERIES A BONDS" herein.

This cover page contains certain information for reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2015 Series A Bonds will be offered when, as and if issued by the District and received by the Underwriters, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by its General Counsel, Matthew Burrows, Esq., and by Orrick, Herrington & Sutcliffe LLP, Disclosure Counsel to the District. Certain legal matters will be passed upon for the Underwriters by their counsel, Curls Bartling P.C., Oakland, California. The 2015 Series A Bonds in book-entry-only form are expected to be delivered through the facilities of DTC on or about October 8, 2015.

WELLS FARGO SECURITIES

BLAYLOCK BEAL VAN, LLC

The date of this Official Statement is September 22, 2015.

$186,640,000
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
SALES TAX REVENUE BONDS
2015 REFUNDING SERIES A

MATURITY SCHEDULE

Maturity Date (July 1)	**Principal Amount**	**Interest Rate**	**Yield**	**CUSIP*** **(Base: 797669)**
2016	$15,400,000	2.00%	0.180%	VQ8
2017	15,585,000	4.00	0.534	VR6
2018	15,815,000	4.00	0.810	VS4
2019	7,405,000	5.00	1.100	VT2
2020	7,785,000	5.00	1.350	VU9
2021	2,675,000	5.00	1.550	VV7
2022	2,795,000	5.00	1.770	VW5
2023	2,935,000	5.00	1.940	VX3
2024	16,215,000	5.00	2.080	VY1
2025	17,090,000	5.00	2.230	VZ8
2026	17,870,000	5.00	2.380 [c]	WA2
2027	18,760,000	5.00	2.500 [c]	WB0
2028	19,695,000	5.00	2.580 [c]	WC8
2029	3,925,000	5.00	2.700 [c]	WD6
2030	4,115,000	5.00	2.790 [c]	WE4
2031	4,315,000	5.00	2.860 [c]	WF1
2032	4,525,000	5.00	2.920 [c]	WG9
2033	4,750,000	5.00	2.970 [c]	WH7
2034	4,985,000	5.00	2.990 [c]	WJ3

[c] Yield to par call on July 1, 2025.

This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor will there be any offer or solicitation or sale of the 2015 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the San Francisco Bay Area Rapid Transit District (the "District") or the underwriters identified on the cover page of this Official Statement (the "Underwriters") to give any information or to make any representation other than that contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized. Neither the delivery of this Official Statement nor the sale of any of the 2015 Series A Bonds implies that the information herein is correct as of any time subsequent to the date hereof. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

This Official Statement is not to be construed as a contract with the purchasers of the 2015 Series A Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. All summaries of statutes and documents are made subject to the provisions of such statutes and documents, respectively, and do not purport to be complete statements of any or all of such provisions.

The information set forth herein has been obtained from sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. (No representation, warranty or guarantee is made by the Financial Advisor as to the accuracy or completeness of any information in this Official Statement, including, without limitation, the information contained in the appendices hereto, and nothing contained in this Official Statement is or will be relied upon as a promise or representation by the Financial Advisor.)

FORWARD LOOKING STATEMENTS

This Official Statement, including the cover and inside cover page and all appendices hereto, contains forecasts, projections and estimates that are based on current expectations or assumptions. When included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements which speak only as of the date of this Official Statement. Any such statements inherently are subject to a variety of risks and uncertainties which could cause actual results to differ materially from those that have been projected. Such risks and uncertainties include, among others, changes in economic conditions, federal, state and local statutory and regulatory initiatives, litigation, seismic events, and various other events, conditions and circumstances, many of which are beyond the control of the District. The inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the District that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. The District disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the District's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

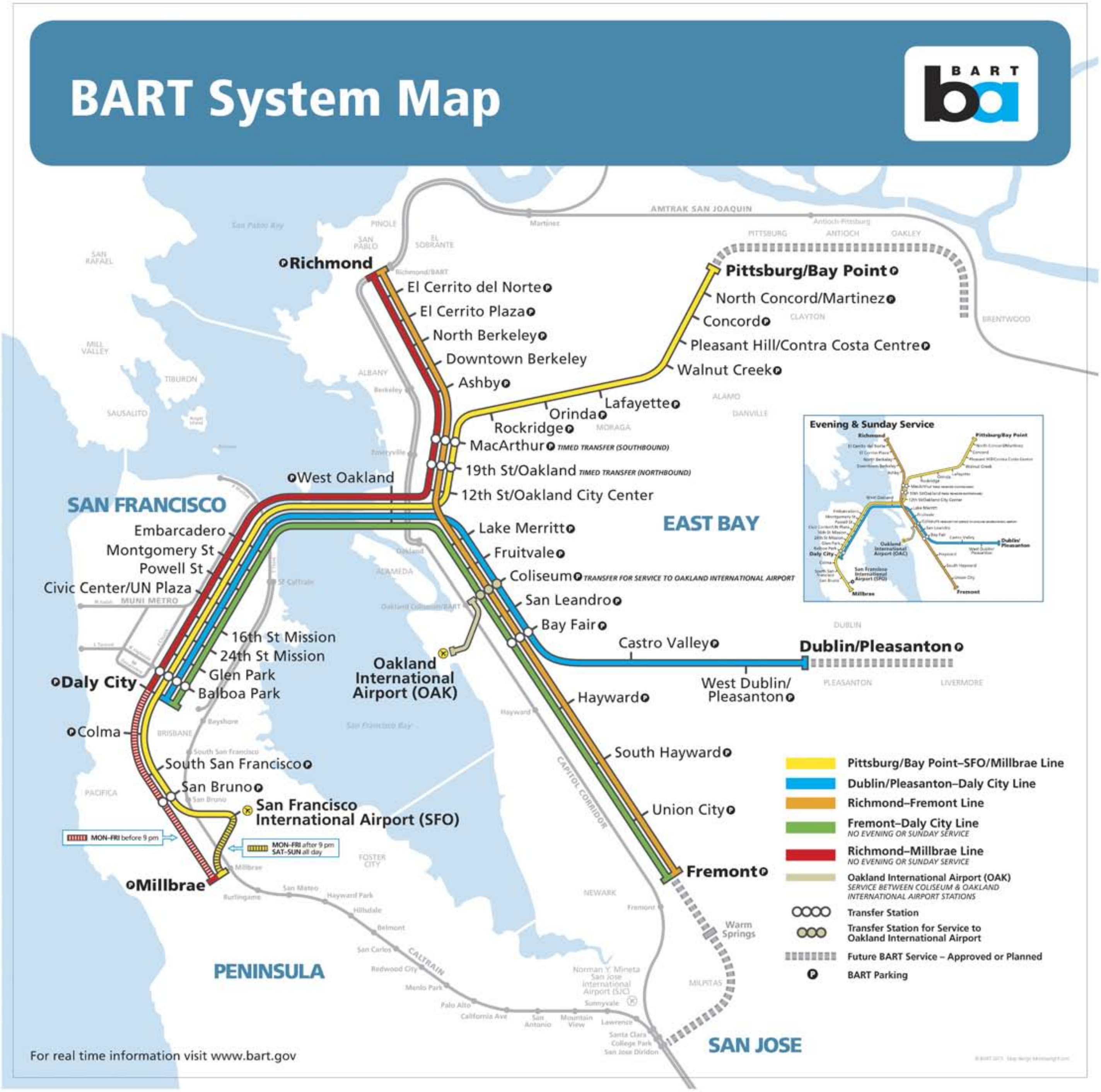
THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER "CONTINUING DISCLOSURE" HEREIN.

This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose.

The 2015 Series A Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein, and have not been registered or qualified under the securities laws of any state.

The District maintains a website. References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specifically indicated otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement and should not be relied upon in making investment decisions with respect to the 2015 Series A Bonds.

IN CONNECTION WITH THE OFFERING OF THE 2015 SERIES A BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2015 SERIES A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE 2015 SERIES A BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.


BART System Map
BART
Richmond
El Cerrito del Norte
El Cerrito Plaza
North Berkeley
Downtown Berkeley
Ashby
Rockridge
Orinda
Lafayette
Walnut Creek
Pleasant Hill/Contra Costa Centre
Concord
North Concord/Martinez
Pittsburg/Bay Point
MacArthur TIMED TRANSFER (SOUTHBOUND)
19th St/Oakland TIMED TRANSFER (NORTHBOUND)
12th St/Oakland City Center
West Oakland
SAN FRANCISCO
EAST BAY
Embarcadero
Montgomery St
Powell St
Civic Center/UN Plaza
MUNI METRO
16th St Mission
24th St Mission
Glen Park
Balboa Park
Daly City
Colma
South San Francisco
San Bruno
San Francisco International Airport (SFO)
Millbrae
MON-FRI before 9 pm
MON-FRI after 9 pm
SAT-SUN all day
Lake Merritt
Fruitvale
Coliseum TRANSFER FOR SERVICE TO OAKLAND INTERNATIONAL AIRPORT
San Leandro
Bay Fair
Castro Valley
Dublin/Pleasanton
West Dublin/ Pleasanton
Hayward
South Hayward
Union City
Fremont
Warm Springs
Oakland International Airport (OAK)
AMTRAK SAN JOAQUIN
CAPITOL CORRIDOR
CALTRAIN
PENINSULA
SAN JOSE
Evening & Sunday Service
Pittsburg/Bay Point–SFO/Millbrae Line
Dublin/Pleasanton–Daly City Line
Richmond–Fremont Line
Fremont–Daly City Line
NO EVENING OR SUNDAY SERVICE
Richmond–Millbrae Line
NO EVENING OR SUNDAY SERVICE
Oakland International Airport (OAK)
SERVICE BETWEEN COLISEUM & OAKLAND INTERNATIONAL AIRPORT STATIONS
Transfer Station
Transfer Station for Service to Oakland International Airport
Future BART Service – Approved or Planned
BART Parking
For real time information visit www.bart.gov

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

300 Lakeside Drive, 23rd Floor
Oakland, California 94612

BOARD OF DIRECTORS

Thomas Blalock *President*	Tom Radulovich *Vice President*	John McPartland *Director*
Nicholas Josefowitz *Director*	Joel Keller *Director*	Zakhary Mallett *Director*
Gail Murray *Director*	Robert Raburn *Director*	Rebecca Saltzman *Director*

OFFICERS

Grace Crunican – General Manager
Rosemarie V. Poblete – Interim Controller/Treasurer
Kenneth A. Duron – District Secretary
Mark P. Smith – Independent Police Auditor

GENERAL COUNSEL

Matthew Burrows, Esq.

TRUSTEE

U.S. Bank National Association
San Francisco, California

BOND COUNSEL AND DISCLOSURE COUNSEL

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

FINANCIAL ADVISOR

Sperry Capital Inc.
Sausalito, California

VERIFICATION AGENT

The Arbitrage Group, Inc.
Houston, Texas

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OFFICIAL STATEMENT

$186,640,000
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
SALES TAX REVENUE BONDS
2015 REFUNDING SERIES A

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to set forth certain information in connection with the issuance by the San Francisco Bay Area Rapid Transit District (the "District" or "BART") of $186,640,000 aggregate principal amount of San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2015 Refunding Series A (the "2015 Series A Bonds").

The District was created in 1957 pursuant to the laws of the State of California (the "State") to provide rapid transit service in the San Francisco Bay area. The District is composed of all of the area in the Counties of Alameda and Contra Costa and the City and County of San Francisco and owns additional property and extends service in the County of San Mateo. The District's transit system extends over 100 miles and is the major transit provider of transbay traffic from the East Bay to downtown San Francisco, averaging over 221,000 transbay passengers each weekday and over 125 million passengers annually. The District is governed by an elected board of directors consisting of nine members. For additional information concerning the District, see APPENDIX A – "SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT FINANCIAL AND OPERATING INFORMATION."

Authority for Issuance and Purpose and Application of Proceeds

The 2015 Series A Bonds are to be issued pursuant to the laws of the State of California, including Article 2, Chapter 7, Part 2, Division 10 of the California Public Utilities Code, as amended from time to time, and applicable portions of the Revenue Bond Law of 1941, as amended from time to time and Articles 10 and 11 of Chapter 3, Part 1 of Division 2 of Title 5 of the Government Code (collectively, the "Act") and pursuant to a Master Indenture, dated as of September 1, 2012 (the "Master Indenture"), between the District and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented and amended (the "Indenture") including as supplemented by the Second Supplemental Indenture, dated as of October 1, 2015 (the "Second Supplemental Indenture"), between the District and the Trustee.

Bonds issued under the Indenture will be parity debt to the outstanding bonds issued pursuant to the indenture dated as of July 1, 1990 (as supplemented and amended, the "1990 Indenture"), between the District and U.S. Bank National Association, as successor trustee. Unlike the 1990 Indenture, the Indenture does not require that each Series of Bonds be secured by a reserve fund. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE 1990 INDENTURE RESERVE FUND."

Security

General. The 2015 Series A Bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues derived from a seventy-five percent (75%) portion of a transactions and use tax levied by the District in Alameda and Contra Costa Counties and the City and

County of San Francisco in an amount equal to one-half of one percent (0.5%) of gross retail receipts, as more fully described herein. See "SECURITY FOR THE 2015 SERIES A BONDS."

Outstanding Bonds. The 2015 Series A Bonds are issued on a parity with certain outstanding bonds of the District issued pursuant to the parity 1990 Indenture and the Indenture. The outstanding bonds consist of the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Refunding Series 2005A (the "Series 2005A Bonds") issued in the principal amount of $352,095,000, of which $231,250,000 are Outstanding, the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Series 2006 (the "Series 2006 Bonds") issued in the principal amount of $64,915,000, of which $720,000 are Outstanding, the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Refunding Series 2006A (the "Series 2006A Bonds") issued in the principal amount of $108,110,000, of which $95,840,000 are Outstanding, the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Refunding Series 2010 (the "Series 2010 Bonds") issued in the principal amount of $129,595,000, of which $121,065,000 are Outstanding, the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Refunding Series 2012A (the "Series 2012A Bonds") issued in the principal amount of $130,475,000, of which $121,305,000 are Outstanding, and the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Refunding Series 2012B (the "Series 2012B Bonds") issued in the principal amount of $111,085,000, of which $104,770,000 are Outstanding. The 2015 Series A Bonds are being issued to refund the Series 2005A Bonds and the Series 2006 Bonds. The Series 2005A Bonds, the Series 2006 Bonds, the Series 2006A Bonds, the Series 2010 Bonds, the Series 2012A Bonds, the Series 2012B Bonds and the 2015 Series A Bonds, together with any future series of parity bonds, are hereinafter collectively referred to as the "Bonds."

References

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to the entire contents of this Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein, a full review of which should be made by potential investors. All descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. The offering of the 2015 Series A Bonds is made only by means of this entire Official Statement and is subject in all respects to the information contained herein. All capitalized terms used and not otherwise defined herein will have the meanings assigned to such terms in APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE 1990 INDENTURE RESERVE FUND – Definitions" or, if not defined therein, in the Indenture.

PLAN OF REFUNDING

The District intends to apply the proceeds of the 2015 Series A Bonds, together with other funds of the District, to current refund $231,250,000 principal amount of the Series 2005A Bonds, to current refund $720,000 principal amount of the Series 2006 Bonds, and to pay costs of issuance of the 2015 Series A Bonds. The Series 2005A Bonds and the Series 2006 Bonds to be refunded by a portion of the 2015 Series A Bonds are hereinafter collectively referred to as the "Prior Bonds." The Prior Bonds that will be defeased upon issuance of the 2015 Series A Bonds are listed below. See "ESTIMATED SOURCES AND USES OF FUNDS" and "VERIFICATION OF MATHEMATICAL ACCURACY."

The moneys required to refund the Prior Bonds will be derived from the net proceeds of the 2015 Series A Bonds and other available funds. The Prior Bonds will be redeemed on October 23, 2015. Pursuant to the Escrow Agreement to be entered into between the District and the U.S. Bank National Association, as escrow agent for the Series 2005A Bonds and the Series 2006 Bonds (the "Escrow

Agent"), such moneys will be deposited in the escrow fund established for the Prior Bonds (the "Escrow Fund") and held in cash or applied to purchase direct obligations of the United States of America (the "Government Securities") to the redemption date. The Government Securities will be purchased and held by the Escrow Agent in the Escrow Fund in an amount sufficient to redeem the Prior Bonds to be refunded on the redemption date, at a redemption price equal to the principal amount of the Prior Bonds to be redeemed, plus interest thereon to the redemption date. See "VERIFICATION OF MATHEMATICAL ACCURACY."

On September 24, 2015, the District executed a contract for the sale of $276,805,000 aggregate principal amount of General Obligation Bonds (Election of 2004), 2015 Refunding Series D in order to refund certain of its outstanding general obligation bonds. The issuance and sale of such refunding bonds are subject to certain conditions. The District anticipates such refunding bonds to be issued contemporaneously with the 2015 Series A Bonds. Such general obligation bonds are being offered pursuant to a separate offering document and not pursuant to this official statement.

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The Prior Bonds that the District expects to defease in whole upon issuance of the 2015 Series A Bonds are set forth below.

San Francisco Bay Area Rapid Transit District
Sales Tax Revenue Bonds, Series 2005A
Redemption Date: October 23, 2015
Redemption Price: 100%

Maturity Date (July 1)	Interest Rate	Principal Amount	CUSIP† (Base: 797669)
2016	3.875%	$3,670,000	MM7
2016	5.000	12,250,000	MN5
2017	4.000	5,200,000	MP0
2017	5.000	11,820,000	MQ8
2018	5.000	17,455,000	MR6
2019	5.000	9,215,000	MS4
2020	4.250	2,635,000	MT2
2020	5.000	7,040,000	MU9
2021	5.000	4,650,000	MV7
2022	5.000	4,875,000	MW5
2023	5.000	5,120,000	MX3
2024	5.000	18,510,000	MY1
2025	4.250	17,300,000	NA2
2025	4.375	2,130,000	MZ8
2026	5.000	20,260,000	NB0
2030	4.500	1,650,000	NC8
2030‡	5.000	55,685,000	ND6
2034‡	5.000	31,785,000	NE4
Total		$231,250,000	

San Francisco Bay Area Rapid Transit District
Sales Tax Revenue Bonds, Series 2006
Redemption Date: October 23, 2015
Redemption Price: 100%

Maturity Date (July 1)	Interest Rate	Principal Amount	CUSIP† (Base: 797669)
2016	4.000%	$720,000	QK7

‡ Term Bonds.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience only and neither the District nor the Underwriters takes any responsibility for the accuracy thereof.

DESCRIPTION OF THE 2015 SERIES A BONDS

General

The 2015 Series A Bonds will be dated as of their date of issuance and mature at the times and in the principal amounts as set forth on the inside cover page of this Official Statement. Interest on the 2015 Series A Bonds will be payable on January 1 and July 1 of each year, commencing January 1, 2016. Interest on the 2015 Series A Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

The 2015 Series A Bonds will be delivered in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2015 Series A Bonds. Beneficial Ownership interests in the 2015 Series A Bonds may be purchased by or through a DTC Participant (as described below) in book-entry-only form in denominations of $5,000 or any integral multiple thereof. See APPENDIX F – "DTC AND THE BOOK-ENTRY-ONLY SYSTEM."

Optional Redemption

The 2015 Series A Bonds maturing on or before July 1, 2025 are not subject to redemption prior to their stated maturities. The 2015 Series A Bonds maturing on or after July 1, 2026 will be subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after July 1, 2025, at the principal amount of 2015 Series A Bonds called for redemption plus interest accrued thereon to the date fixed for redemption without premium.

Selection of Bonds for Redemption

The District will designate which maturities of 2015 Series A Bonds are to be called for redemption pursuant to the Indenture. If less than all of the 2015 Series A Bonds maturing on a specific maturity date are called for redemption, the Trustee will select the 2015 Series A Bonds of such maturity to be redeemed from the outstanding 2015 Series A Bonds of such maturity not previously called for redemption, in minimum denominations of $5,000 (of principal), by lot in any manner which the Trustee in its sole discretion deems appropriate.

Purchase In Lieu of Redemption

Pursuant to the Indenture, the District has the option to purchase the 2015 Series A Bonds at any time that the 2015 Series A Bonds are subject to optional redemption as provided in the Indenture at a purchase price equal to the redemption price then applicable to such 2015 Series A Bonds in which case such 2015 Series A Bonds purchased in lieu of redemption may be remarketed and would remain outstanding after such purchase. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE 1990 INDENTURE RESERVE FUND."

Notwithstanding the foregoing, the District always retains the right to purchase the 2015 Series A Bonds in the open market, at market rates, for cancellation.

Notice of Redemption

Notice of any redemption of 2015 Series A Bonds will be mailed by the Trustee by first class mail to the Owner of any 2015 Series A Bonds designated for redemption at least 20 but not more than 60 days prior to the redemption date (but failure to receive any such notice or any defect therein will not affect the sufficiency of the redemption proceedings).

With respect to any notice of optional redemption of 2015 Series A Bonds delivered pursuant to the Indenture, unless, upon the giving of such notice, such 2015 Series A Bonds will be deemed to have been paid within the meaning of the Indenture, such notice will state that such redemption will be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, such 2015 Series A Bonds to be redeemed, and that if such amounts will not have been so received said notice will be of no force and effect and the District will not be required to redeem such 2015 Series A Bonds. In the event that such notice of redemption contains such a condition and such amounts are not so received, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice to the Owners to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the same manner and to the same parties, as notice of such redemption was given pursuant to the Indenture.

Any notice given pursuant to the Indenture (other than a notice given in connection with a mandatory sinking account redemption) may be rescinded by written notice given to the Trustee by the District no later than the date specified for redemption. The Trustee will give notice of such rescission as soon thereafter as practicable in the same manner, and to the same parties, as notice of such redemption was given pursuant to the Indenture.

Book-Entry-Only System

As noted above, DTC will act as securities depository for the 2015 Series A Bonds. See APPENDIX F – "DTC AND THE BOOK-ENTRY-ONLY SYSTEM."

Payments of interest on, principal of and premium, if any, on the 2015 Series A Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the 2015 Series A Bonds. Each such payment to DTC or its nominee will be valid and effective to fully discharge all liability of the District or the Trustee with respect to the principal, redemption price of or interest on the 2015 Series A Bonds to the extent of the sum or sums so paid.

The District and the Trustee cannot and do not give any assurances that DTC Participants or DTC Indirect Participants will distribute to the Beneficial Owners (i) payments of interest and principal with respect to the 2015 Series A Bonds, (ii) confirmation of ownership interests in the 2015 Series A Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as Owner of the 2015 Series A Bonds, or that they will do so on a timely basis.

Payments Upon Abandonment of Book-Entry-Only System

In the event that the book-entry-only system ceases to be used with respect to the 2015 Series A Bonds, payment of interest on the 2015 Series A Bonds will be made by check mailed by first class mail on each interest payment date to the Owners thereof as of the close of business on the fifteenth (15th) day of the calendar month immediately preceding such interest payment date; provided, however, that Owners of at least $1,000,000 aggregate principal amount of 2015 Series A Bonds may, at any time prior to the fifteenth day of the calendar month immediately preceding such interest payment date, give the Trustee written instructions for payment of such interest on each succeeding interest payment date by wire transfer. Principal of, and premium, if any, on the 2015 Series A Bonds will be payable at the corporate trust office of the Trustee designated for such purpose. The 2015 Series A Bonds will be in the form of fully registered Bonds and will be issued in denominations of $5,000 or any integral multiple thereof.

Transfers and Exchanges Upon Abandonment of Book-Entry-Only System

The book-entry-only system for registration of the ownership of the 2015 Series A Bonds in book-entry-only form may be discontinued at any time if: (1) after notice to the District and the Trustee, DTC determines to resign as securities depository for the 2015 Series A Bonds; or (2) after notice to DTC and the Trustee, the District determines that a continuation of the system of book-entry transfers through DTC (or through a successor securities depository) is not in the best interests of the District. In each of such events (unless, in the case described in clause (1) above, the District appoints a successor securities depository), the 2015 Series A Bonds will be delivered in such denominations and registered in the names of such persons as are requested in a certificate of the District, but without any liability on the part of the District or the Trustee for the accuracy of such designation. Whenever DTC requests the District and the Trustee to do so, the District and the Trustee will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of or to print bonds evidencing the 2015 Series A Bonds. Thereafter, all 2015 Series A Bonds are transferable or exchangeable as described in the Indenture.

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ESTIMATED SOURCES AND USES OF FUNDS

Set forth below are the estimated sources and uses of funds in connection with the 2015 Series A Bonds:

Sources of Funds:	
Principal Amount of 2015 Series A Bonds	$186,640,000.00
Original Issue Premium	31,350,017.40
Funds Released from 1990 Indenture	18,035,501.53
Total Sources:	$236,025,518.93
Uses of Funds:	
Refunding Escrow Deposits[(1)]	$235,493,938.11
Costs of Issuance[(2)]	531,580.82
Total Uses:	$236,025,518.93

(1) See "PLAN OF REFUNDING."

(2) Includes Underwriters' discount, rating agency fees, trustee fees, trustee counsel fees, escrow agent fees and expenses, verification agent fees, printing costs, Bond and Disclosure Counsel and Financial Advisor fees and expenses and other miscellaneous expenses. For details regarding the Underwriters' discount, see "UNDERWRITING."

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DEBT SERVICE REQUIREMENTS

The debt service requirements for the Outstanding Series 2006A Bonds, the Series 2010 Bonds, the Series 2012A Bonds, the Series 2012B Bonds, and the debt service of the 2015 Series A Bonds are shown in the following table. The debt service of the $231,970,000 principal amount of the Prior Bonds being defeased upon issuance of the 2015 Series A Bonds is excluded from the following table.

	Outstanding Sales Tax Bonds[1]		2015 Series A Bonds			
Fiscal Year	**1990**	**2012**	**Principal**	**Interest**	**Total[2]**	**Total Bond Debt Service[2]**
2016	$ 33,989,406	$ 15,383,346	-	$ 1,972,633	$ 1,972,633	$ 51,345,385
2017	14,237,813	13,957,902	$ 15,400,000	8,402,000	23,802,000	51,997,715
2018	13,896,563	14,832,405	15,585,000	7,936,300	23,521,300	52,250,267
2019	14,254,863	15,154,721	15,815,000	7,308,300	23,123,300	52,532,884
2020	23,119,213	15,218,967	7,405,000	6,806,875	14,211,875	52,550,055
2021	23,111,894	15,373,609	7,785,000	6,427,125	14,212,125	52,697,627
2022	28,451,938	15,518,358	2,675,000	6,165,625	8,840,625	52,810,920
2023	28,433,088	15,643,540	2,795,000	6,028,875	8,823,875	52,900,503
2024	28,416,006	15,796,359	2,935,000	5,885,625	8,820,625	53,032,990
2025	15,591,275	15,950,293	16,215,000	5,406,875	21,621,875	53,163,443
2026	15,575,394	16,110,288	17,090,000	4,574,250	21,664,250	53,349,932
2027	15,569,563	16,284,671	17,870,000	3,700,250	21,570,250	53,424,483
2028	15,562,338	16,466,604	18,760,000	2,784,500	21,544,500	53,573,441
2029	15,557,438	16,638,954	19,695,000	1,823,125	21,518,125	53,714,517
2030	7,295,169	16,814,650	3,925,000	1,232,625	5,157,625	29,267,443
2031	7,294,819	16,987,146	4,115,000	1,031,625	5,146,625	29,428,590
2032	7,294,481	17,184,262	4,315,000	820,875	5,135,875	29,614,618
2033	7,293,731	17,378,690	4,525,000	599,875	5,124,875	29,797,297
2034	7,297,038	17,574,243	4,750,000	368,000	5,118,000	29,989,280
2035	7,293,975	14,287,848	4,985,000	124,625	5,109,625	26,691,448
2036	7,299,013	14,417,647	-	-	-	21,716,659
2037	7,291,725	14,558,443	-	-	-	21,850,168
2038	-	6,337,684	-	-	-	6,337,684
2039	-	6,333,297	-	-	-	6,333,297
2040	-	6,329,478	-	-	-	6,329,478
2041	-	6,325,799	-	-	-	6,325,799
2042	-	6,316,939	-	-	-	6,316,939
2043	-	6,312,468	-	-	-	6,312,468
TOTAL	$ 344,126,738	$ 385,488,609	$ 186,640,000	$ 79,399,983	$ 266,039,983	$ 995,655,330

(1) Excludes debt service on the Prior Bonds being defeased upon issuance of the 2015 Series A Bonds.
(2) Totals may not add due to rounding.

SECURITY FOR THE 2015 SERIES A BONDS

General

The 2015 Series A Bonds are special obligations of the District payable from and secured by a pledge of sales tax revenues, comprised of seventy-five percent (75%) of the amounts derived from a one-half of one percent (0.5%) transactions and use tax (the "Sales Tax" or the "District Sales Tax") imposed within Alameda and Contra Costa Counties and the City and County of San Francisco (collectively, the "Three BART Counties") pursuant to Section 29140 of the California Public Utilities Code, after deduction by the California State Board of Equalization (the "State Board of Equalization") of its fee for administering the Sales Tax (such sales tax revenues being hereinafter referred to as the "Sales Tax Revenues"). See "– Sales Tax Revenues" below.

Only Sales Tax Revenues are pledged by the District for the payment of principal of, redemption premium, if any, and interest on the 2015 Series A Bonds and no other revenues of the District are pledged to repayment of the Bonds, including the 2015 Series A Bonds. The payment of principal of, redemption premium, if any, and interest on the 2015 Series A Bonds is on a parity with the payment of principal of, redemption premium, if any, and interest on and reserve requirements of all Bonds Outstanding under the Indenture and the 1990 Indenture and any Additional Bonds and Parity Obligations hereafter issued by the District pursuant to the Indenture. As of September 1, 2015, the District has $674,950,000 aggregate principal amount of Bonds Outstanding.

"Parity Obligations" means any indebtedness, bond, installment sale obligation, lease obligation or other obligation of the District for borrowed money or interest rate swap agreement (but only as to the regular payments thereunder, fees, expenses and termination payments being subordinate obligations) having an equal lien and charge upon the Sales Tax Revenues and therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding). The District currently has no Parity Obligations outstanding other than the Bonds and certain reserve fund surety bond contracts under the 1990 Indenture, and all its outstanding issues of Bonds bear interest at fixed interest rates.

The District has covenanted in the Indenture not to create any pledge, lien or charge on Sales Tax Revenues having priority over the lien of the Bonds. The District has also covenanted in the Indenture not to create any pledge, lien or charge on Sales Tax Revenues on a parity with the lien of the Bonds and Parity Obligations except as described under "SECURITY FOR THE 2015 SERIES A BONDS – Additional Bonds and Parity Debt" and "- Subordinated Obligations."

Sales Tax Revenues

The District is authorized by Section 29140 of the California Public Utilities Code to levy, within the Three BART Counties, the Sales Tax, which is a transactions tax of one-half of one percent (0.5%) of the gross receipts of retailers from the sale of tangible personal property sold at retail in the Three BART Counties and a use tax at the same rate upon the storage, use or other consumption in the Three BART Counties of such property purchased from any retailer for storage, use or other consumption in the Three BART Counties, subject to certain limited exceptions.

Collection of the Sales Tax is administered by the State Board of Equalization. The State Board of Equalization is authorized to charge a fee for collection of the Sales Tax, and the fee is determined pursuant to State legislation. For Fiscal Year 2014-15, the State Board of Equalization fee was $2,690,630.00.

After deducting its fee, the State Board of Equalization is required by statute to allocate seventy-five percent (75%) of the Sales Tax receipts to the District. The remaining twenty-five percent

(25%) of the Sales Tax collected by the State Board of Equalization is allocated by the Metropolitan Transportation Commission ("MTC"), on the basis of regional priorities established by MTC, among the District, the City and County of San Francisco for the San Francisco Municipal Transportation Agency, which includes buses, street cars, cable cars and electric trolley buses, and the Alameda-Contra Costa Transit District ("AC Transit") for transit service. The Sales Tax is authorized by State law, is not voter approved and has no limit on the term of its collection.

In addition to the Sales Tax and other sales taxes levied at the county level or the city and county level, the State also imposes a 7.50% sales tax. The 2015 Series A Bonds are secured only by Sales Tax Revenues and not other sales taxes levied by the State or counties. The current breakdown of the State's basic 7.50% rate imposed on a Statewide basis is as set forth below.

- 5.00% represents the State general fund tax rate (decreased from 6.00% effective July 1, 2011).

- 1.00% is imposed under the State's uniform local sales and use tax law (decreased from 1.25% before July 1, 2004), with 0.75% dedicated to cities and counties and 0.25% dedicated to county transit systems.

- 0.50% is dedicated to local governments for health and welfare program realignment.

- 0.50% is dedicated to local governments for public safety employees.

- 0.25% is deposited into the State Fiscal Recovery Fund to repay the State's Economic Recovery Bonds (as described below).

- 0.25% is dedicated to the State Education Protection Account for school districts, county offices of education, charters schools, and community college districts.

On January 1, 2013, the State sales tax rate increased by 0.25% from 7.25% to 7.50% as a result of a proposition ("Proposition 30") passed by voters at the November 2012 election. The 0.25% tax increase is scheduled to cease December 31, 2016.

In addition to the sales tax levied Statewide and the 0.5% District Sales Tax, the Three BART Counties have local transportation authorities which each collect a 0.5% sales tax. Currently, the total sales tax levied in each of the Three BART Counties is as follows: City and County of San Francisco, 8.75%; County of Alameda, 9.50%; County of Contra Costa, 8.50%. Certain cities in the Counties below have higher sales tax rates:

Alameda County		**Contra Costa County**	
City of Albany	10.00%	City of Antioch	9.00%
City of Hayward	10.00%	City of Concord	9.00%
City of San Leandro	10.00%	City of El Cerrito	10.00%
City of Union City	10.00%	City of Hercules	9.00%
		City of Orinda	9.00%
		City of Pinole	9.50%
		City of Pittsburg	9.00%
		City of Richmond	9.50%
		City of San Pablo	9.25%

Source: State Board of Equalization.

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 Statewide sales tax. Therefore, the Statewide use tax is generally applied to purchases made outside of the State for use within the State. The District Sales Tax is imposed upon the same transactions and items subject to the statewide sales tax and the statewide use tax (hereinafter collectively referred to as the "State Sales Tax"), with the same exceptions.

Many categories of transactions are exempt from the State Sales Tax and from the District Sales Tax. The most important are: sales of food products for home consumption; prescription medicine; edible livestock and their feed; seed and fertilizer used in raising food for human consumption; and gas, electricity and water when delivered 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 District 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 District which are shipped to a point outside the District, 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 also exempt from the State Sales Tax and from the District 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 District Sales Tax are imposed. Such changes could have either an adverse or beneficial impact on the District Sales Tax Revenues.

Sales Tax Revenues consist of amounts that the District actually receives from the State Board of Equalization, calculated on a cash basis. The month of receipt reflects the estimated amount for sales tax transactions that occurred approximately two months prior. At the end of each quarter, an adjustment (i.e., increase or decrease) is made to those estimates and included in the quarter-end disbursement.

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The following table shows the Sales Tax Revenues received by the District for Fiscal Years ended June 30, 1996 through June 30, 2015. For comparison purposes, the Fiscal Year 2015-16 budgeted amount is also shown.

SALES TAX REVENUES

Fiscal Year Ended June 30	Sales Tax Revenues[(1)]	Percentage Change
1996	$126,077,000	9.46%
1997	134,984,000	7.06
1998	144,675,000	7.18
1999	151,806,000	4.93
2000	170,911,000	12.58
2001	191,648,000	12.13
2002	172,774,000	(9.84)
2003	167,441,000	(3.08)
2004	170,566,000	1.86
2005	178,392,000	4.58
2006	191,680,000	7.44
2007	198,805,000	3.72
2008	202,632,000	1.93
2009	184,286,000	(9.05)
2010	166,520,000	(9.64)
2011	180,819,000	8.59
2012	195,214,000	8.00
2013	208,561,000	6.84
2014	221,149,000	6.04
2015	233,148,132 [(2)]	5.40
2016	244,600,000 [(3)]	4.91

(1) Sales Tax Revenues have been rounded to the nearest thousand.
(2) Unaudited through June 2015.
(3) Budgeted.
Source: District.

For fiscal year ending June 30, 2015, the District received $233,148,132 (unaudited) in Sales Tax Revenues, or 5.4% more than Sales Tax Revenues received in the prior fiscal year. The District has budgeted $244,600,000 in sales tax revenue for the fiscal year ending June 30, 2016.

The District's imposition of the Sales Tax and the allocation of the Sales Tax receipts pursuant to Section 29140 of the California Public Utilities Code are subject to legislative review and amendment. Any repeal or amendment of the Sales Tax provisions of the California Public Utilities Code by the State Legislature would be an Event of Default under the Indenture unless the District determined that such repeal or amendment did not materially and adversely affect the rights of the holders of Bonds. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE 1990 INDENTURE RESERVE FUND – Events of Default and Remedies."

The District levies the Sales Tax pursuant to District Ordinance No. 1 adopted on November 20, 1969, as amended. The District has covenanted in the Indenture that, so long as any Bonds are outstanding, it will not amend, modify or alter such Ordinance in any manner which would reduce the amount of or timing of receipt of Sales Tax Revenues and that it will continue to levy and collect the Sales Tax to the full amount permitted by law.

Application of Sales Tax Revenues

Pursuant to an agreement between the District and the State Board of Equalization, dated August 5, 1982, as amended, the State Board of Equalization remits all Sales Tax Revenues directly to the Trustee, as Trustee under the 1990 Indenture, on a monthly basis. The 1990 Indenture provides that Sales Tax Revenues remitted to the Trustee will be set aside with respect to the Outstanding Bonds and reserve requirements under the 1990 Indenture and on a parity basis with respect to Parity Debt (as such term is defined in the 1990 Indenture) as provided in the proceedings for such Parity Debt. The 2015 Series A Bonds are Parity Debt to the Outstanding Bonds and the Indenture is the proceedings for such Parity Debt. Under the Indenture, the Sales Tax Revenues will be deposited in the Revenue Fund and will be applied by the Trustee to the following funds established by the Indenture in the following order of priority; provided that on a parity with such deposits the Trustee will set aside or transfer amounts with respect to outstanding Parity Obligations (which will 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):

Expense Account. The Trustee will set aside in the Expense Account amounts payable by the District to the State Board of Equalization for costs and for its services in connection with the collection of the transactions and use taxes (in excess of costs previously deducted by the State Board of Equalization) and all Trustee's and paying agent's fees.

Interest Fund. The Trustee will set aside in the Interest Fund as soon as practicable in each month an amount equal to one-sixth of the aggregate half-yearly amount of interest becoming due and payable on the Outstanding Current Interest Bonds during the next ensuing six months, until the requisite half-yearly amount of interest on all such Outstanding Current Interest Bonds is on deposit in the Interest Fund; provided that from the date of delivery of the Current Interest Bonds until the first interest payment date with respect to the Current Interest Bonds the amounts so paid will be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on said interest payment date. 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 the Bonds then Outstanding and on July 1 of each year any excess amounts in the Interest Fund not needed to pay interest on such date will be transferred to the District.

Principal Fund; Sinking Accounts. The Trustee will deposit in the Principal Fund as soon as practicable in each month an amount equal to at least one-twelfth of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds having annual maturity dates within the next 12 months, plus one-twelfth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next twelve-month period into the respective Sinking Accounts for the Term Bonds of all Series for which a Sinking Account will have been created and for which annual mandatory redemption is required from such Sinking Account (See "DESCRIPTION OF THE 2015 SERIES A BONDS – Mandatory Redemption"); provided that if the District 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 the Bond Reserve Fund that would be in excess of the Bond Reserve Requirement upon such payment, no amounts need be set aside towards such principal to be so refunded or paid.

No deposit need be made into the Principal Fund so long as there will be in such fund (i) moneys sufficient to pay the Bond Obligations of all Serial Bonds then Outstanding and maturing by their terms within the next twelve months plus (ii) the aggregate of all Mandatory Sinking Account Payments required to be made in such twelve-month period, but less any amounts deposited into the Principal Fund during such twelve month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such twelve-month period.

Bond Reserve Fund. If a Bond Reserve Fund has been established for a Series of Bonds, upon the occurrence of any deficiency therein, the Trustee will deposit as soon as possible in each month in the Bond Reserve Fund, an amount equal to one-twelfth of the aggregate amount of each unreplenished prior withdrawal from the Bond Reserve Fund and the amount of any deficiency due to any required valuations of the investments in the Bond Reserve Fund until the balance in the Bond Reserve Fund is at least equal to the Bond Reserve Requirement. In addition, the Trustee will, on a pro rata basis with such deposits, reimburse to the provider of a letter of credit, insurance policy or surety bond satisfying a portion of the Bond Reserve Requirement one-twelfth of the amount of any unreplenished prior withdrawal on such letter of credit, insurance policy or surety bond.

In addition to reimbursing the provider of an insurance policy or surety bond or letter of credit (a "Reserve Facility") satisfying the Bond Reserve Requirement the amount of any unreplenished prior withdrawal on such Reserve Facility, the Trustee will, on a subordinate basis with such deposits, pay to such provider any reasonable expenses (together with interest thereon), and interest on the amount of any unreplenished prior withdrawal, calculated as specified in the agreement relating to such Reserve Facility. Repayment of such expenses and accrued interest will be made from and to the extent of available Sales Tax Revenues after the replenishment of the Bond Reserve Fund and such withdrawals. Any Sales Tax Revenues remaining in the Revenue Fund after the foregoing transfers will be transferred on the same Business Day to the District. The District may use and apply the Sales Tax Revenues when received by it for any lawful purpose of the District.

If three days prior to any principal payment date, interest payment date or mandatory redemption date the amounts on deposit in the Interest Fund and Principal Fund, including the Sinking Accounts therein, with respect to the payments to be made on such date are insufficient to make such payments, the Trustee will immediately notify the District, by telephone confirmed in writing, of such deficiency and direct that the District transfer the amount of such deficiency to the Trustee on such payment date. The District will transfer to the Trustee from any Sales Tax Revenues in its possession the amount of such deficiency on or prior to the principal, interest or mandatory redemption date referenced in such notice.

Bond Reserve Fund

The District will not be establishing a Reserve Fund for the 2015 Series A Bonds. A Bond Reserve Fund and certain surety bonds are held under the 1990 Indenture. Such reserve fund and the surety bonds held therein secure only the Bonds issued under the 1990 Indenture and not Bonds issued under the Indenture including the 2015 Series A Bonds or any Additional Bonds.

See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE 1990 INDENTURE RESERVE FUND – SUMMARY OF THE 1990 INDENTURE RESERVE FUND."

Additional Bonds and Parity Debt

Additional Bonds may be issued on a parity with the Bonds provided that, among other things: (1) Sales Tax Revenues and Associated Sales Tax Revenues relating to any recently annexed jurisdiction for any period of 12 consecutive months during the immediately preceding 18 months are at least equal to 1.5 times the Maximum Annual Debt Service (as defined below) for all Series of Bonds and Parity Obligations then outstanding, including the Bonds to be issued; (2) Sales Tax Revenues estimated by the District for the Fiscal Year in which the Additional Bonds are to be issued and for each of the next succeeding four Fiscal Years will equal at least 1.5 times the amount of Annual Debt Service on all Series of Bonds and Parity Obligations, including the Bonds to be issued; and (3) Sales Tax Revenues for the Fiscal Year in which the additional Series of Bonds are to be issued under the laws then in existence at the time of the issuance of such additional Series of Bonds will be at least 1.0 times the amount of the District's obligations with respect to repayment of any withdrawals under a Reserve Facility if any, then due and owing under the Reserve Facility.

The District may, by Supplemental Indenture, establish one or more Series of Bonds and the District may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as will be determined by the District, as well as Parity Debt, but only upon compliance by the District with certain provisions of the Indenture and the 1990 Indenture (until its discharge) and subject to certain specific conditions precedent to the issuance of any series of Bonds set forth in the Indenture. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE 1990 INDENTURE RESERVE FUND – Additional Bonds; Refunding Bonds; Parity Obligations; Subordinate Obligations."

"Maximum Annual Debt Service" will mean the greatest amount of principal and interest becoming due and payable on all Bonds and Parity Obligations in the Fiscal Year in which the calculation is made or any subsequent Fiscal Year as set forth in a Certificate of the District; provided, however, that for the purposes of computing Maximum Annual Debt Service:

(a) if the Bonds or Parity Obligations are Variable Rate Indebtedness for which an Interest Rate Swap Agreement is not in place, the interest rate on such debt will be calculated at the greater per annum rate (not to exceed 12%) of: (i) the average of the SIFMA Swap Index for the ten years preceding the date of calculation, and (ii) the highest interest rate listed in The Bond Buyer "25 Bond Revenue Bond Index" published one month preceding the date of sale of such Series of Bonds or Parity Obligations; or, if such Variable Rate Indebtedness is to bear interest expected to be included in gross income for federal income tax purposes (taxable bonds), such higher rate of interest as will be specified in a Certificate of the District;

(b) principal and interest payments on Bonds and Parity Obligations will be excluded to the extent such payments are to be paid from amounts on deposit with the Trustee or other fiduciary in escrow specifically therefore and to the extent that such interest payments are to be paid from the proceeds of Bonds or Parity Obligations held by the Trustee or other fiduciary as capitalized interest specifically to pay such interest by the Trustee or other fiduciary and to the extent such payments are to be paid from pledged Subsidy Payments the District expects to receive;

(c) in determining the principal amount due in each Fiscal Year, payment will (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such debt, including any Mandatory Sinking Account Payments or any scheduled redemption or payment of Bonds on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value will be deemed a principal payment and interest that is compounded and paid as Accreted Value will be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond or Combination Bond;

(d) if the Bonds or Parity Obligations are debt, the principal of which the District determines (in a Supplemental Indenture or other document delivered on a date not later than the date of issuance of such Bonds or Parity Obligations) that the District intends to pay with moneys which are not Revenues (such as commercial paper, balloon indebtedness or bond anticipation notes), but from future debt obligations of the District, grants received from the State or federal government, or any agency or instrumentality thereof, or any other source of funds of the District, the principal of such Bonds or Parity Obligations will be treated as if such principal were due based upon a 30-year level amortization of principal from the date of calculation and the interest on such Bonds or Parity Obligations will be calculated as if such Bonds were Variable Rate Indebtedness;

(e) if any Bonds feature an option, on the part of the Bondowners or an obligation under the terms of such Bonds, to tender all or a portion of such Bonds to the District, the Trustee, or other fiduciary or agent and require that such Bonds or portion thereof be purchased if properly presented, then for purposes of determining the amounts of principal and interest due in any Fiscal Year on such Bonds, the options or obligations of the Owners of such Bonds to tender the same for purchase or payment prior to their stated maturity or maturities will be ignored and not treated as a principal maturity and repayment obligations related to the purchase price of such Bonds provided by a Liquidity Facility and the obligation of the District with respect to the provider of such Liquidity Facility, other than its obligations on such Bonds, will be excluded from the tests for the issuance of Parity Obligations until such time as such obligation exist due to such purchase and thereafter, such repayment obligations of the District to the provider of such Liquidity Facility will be included in the computation of the Maximum Annual Debt Service in accordance with the terms of such obligation;

(f) with respect to any Variable Rate Indebtedness for which an Interest Rate Swap Agreement is in place, if (i) the interest rate on such Variable Rate Indebtedness, plus (ii) the payments received and made by the District under an Interest Rate Swap Agreement with respect to such variable interest rate, are expected to produce a synthetic fixed rate to be paid by the District (e.g., an interest rate swap under which the District pays a fixed rate and receives a variable rate that is expected to equal or approximate the rate of interest on such Variable Rate Indebtedness), the Variable Rate Indebtedness will be treated as bearing such synthetic fixed rate for the duration of the synthetic fixed rate; and

(g) if any Bonds or Parity Obligations bear a fixed interest rate or the Bonds or Parity Obligations proposed to be issued will bear a fixed interest rate and an Interest Rate Swap Agreement is entered into with respect to such Bonds or Parity Obligations, if (i) the interest rate on such fixed rate Bonds or Parity Obligations, plus (ii) the payments received and made by the District under an Interest Rate Swap Agreement with respect to such fixed rate Bonds or Parity Obligations, are expected to produce a synthetic variable rate to be paid by the District (e.g., an interest rate swap under which the District pays a variable rate and receives a fixed rate that is expected to equal or approximate the rate of interest on such fixed interest rate debt), the fixed interest rate debt, will be treated as bearing such synthetic variable rate for the duration of the Interest Rate Swap Agreement calculated as if such Bonds or Parity Obligations were Variable Rate Indebtedness.

"Interest Rate Swap Agreement" means an interest rate swap agreement relating to a Series of Bonds or portion thereof or Parity Debt in which the party with which the District or the Trustee may contract is limited to: (i) entities the debt securities of which are rated in one of the two highest long-term debt Rating Categories by either Fitch or Standard & Poor's and the debt securities of which are rated not lower than the third highest long-term debt Rating Category by the other rating agency; (ii) entities the obligations of which under the interest rate swap agreement are either guaranteed or insured by an entity the debt securities or insurance policies of which are so rated; or (iii) entities the debt securities of which are rated in the third highest long-term debt Rating Categories by Fitch or Standard & Poor's or whose obligations are guaranteed or insured by an entity so rated and, in either case, the obligations of which under the interest rate swap agreement are continuously and fully secured by Investment Securities described in clauses (i) through (iv) of the definition thereof, which will have a market value determined, by the party designated in such interest rate swap agreement, at least monthly (exclusive of accrued interest) at least equal to the termination value, if any, that would be payable by the provider of the interest rate swap agreement under such interest rate swap agreement and which will be deposited with a custodian acceptable to the District.

"Subsidy Payments" means payments made by the U.S. Department of the Treasury to the District pursuant to Section 6431 of the Internal Revenue Code

The District currently has no Parity Debt other than Bonds and reserve fund surety bond agreements outstanding under the 1990 Indenture, and has no Variable Rate Indebtedness or Interest Rate Swap Agreements relating to any Bonds Outstanding, nor has it issued any Bonds for which it expects to receive Subsidy Payments. All Outstanding Bonds of the District bear interest at fixed interest rates to maturity.

Subordinate Obligations

No provision of the Indenture limits the ability of the District to issue bonds or other obligations payable from Sales Tax Revenues which are junior and subordinate to the payment of principal, premium, interest and reserve fund requirements of the Bonds and all Parity Debt. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE 1990 INDENTURE RESERVE FUND – Additional Bonds; Refunding Bonds; Parity Obligations; Subordinate Obligations – *Subordinate Obligations*."

There are currently no outstanding debt obligations of the District payable from and secured on a subordinate basis with a lien upon Sales Tax Revenues.

Special Obligations

The 2015 Series A Bonds are special obligations of the District payable solely from Sales Tax Revenues and no other revenues of the District are pledged to the payment thereof. The 2015 Series A Bonds are not a general obligation of the District, the State or any political subdivision thereof and the District is not obligated to levy any form of taxation, other than the Sales Tax, for the payment of the 2015 Series A Bonds.

INVESTMENT CONSIDERATIONS

Economy of the Three BART Counties and the State

The 2015 Series A Bonds are secured by a pledge of Sales Tax Revenues, which consist primarily of the Sales Tax less an administrative fee paid to the State Board of Equalization. The level of Sales Tax Revenues collected at any time is dependent upon the level of retail sales within the Three BART Counties, which level of retail sales is, in turn, dependent upon the level of economic activity in the Three BART Counties and in the State generally.

The economy of the Three BART Counties has recovered from the recession as evidenced by increased Sales Tax Revenues in recent fiscal years, accompanied by increased employment rates and an increase in total personal income and taxable sales.

For information relating to current economic conditions within the Three BART Counties and the State, see APPENDIX E – "THE ECONOMY OF THE THREE BART COUNTIES."

Bankruptcy

Because it is a municipal governmental entity, BART may be eligible to file a bankruptcy petition under Chapter 9 ("Chapter 9") of the United States Bankruptcy Code (the "Bankruptcy Code") under certain circumstances.

If the Sales Tax Revenues are "special revenues" under Chapter 9, then Sales Tax Revenues collected after the date of the bankruptcy filing will be subject to the lien of the Indenture. "Special revenues" are defined to include taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. It is possible that a bankruptcy court would conclude that the sales tax is a sales tax levied to finance the general purposes of BART, and thus that the Sales Tax Revenues are not special revenues.

If the Sales Tax Revenues are subject to a "statutory lien" as defined in the Bankruptcy Code, then Sales Tax Revenues collected after the date of the bankruptcy filing will be subject to the statutory lien for the benefit of the holders of the Bonds. California state law provides that the payment of interest on and principal of the Bonds and any premiums upon the redemption of any thereof are secured by a pledge, charge, and lien upon the sales tax revenues. BART believes that this law creates a statutory lien on the Sales Tax Revenues under the Bankruptcy Code, but the definition of a statutory lien is not entirely clear, and no assurance can be given that a bankruptcy court would not conclude otherwise.

Chapter 9 also provides that Chapter 9 does not limit or impair the power of the applicable state to control its municipalities in the exercise of the political or governmental powers of such municipality, including expenditures for such exercise. California state law provides that so long as any Bonds or interest thereon are unpaid the Sales Tax Revenues and interest thereon will not be used for any other purpose. BART believes that this law would be respected in any bankruptcy proceeding so that the Sales Tax Revenues could not be used by BART for any purpose other than to make payments on the Bonds, but there are very few court decisions as to the precise meaning of this provision of Chapter 9, and no assurance can be given that a bankruptcy court would not conclude otherwise.

If it were to be determined that the Sales Tax Revenues are not special revenues and that there is no statutory lien, then the lien of the indenture likely will not attach to any Sales Tax Revenues collected after the date of the bankruptcy filing. If it is also determined that the Sales Tax Revenues can be used for other purposes, then it is not clear whether the holders of the Bonds would be treated as general unsecured creditors of BART or whether the holders of the Bonds would have no further claim against any assets of BART.

Under any circumstance, the bankruptcy court may determine that BART is entitled to use Sales Tax Revenues to pay the necessary operating expenses of the BART system prior to paying debt service on the Bonds, regardless of the provisions of the Indenture.

If BART is in bankruptcy, the Trustee and the holders of the Bonds may be prohibited from taking any action to collect any amount from BART (including Sales Tax Revenues subject to a statutory lien) or to enforce any obligation of BART, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the Bonds from funds in the Trustee's possession during the pendency of the bankruptcy proceedings.

While the State Board of Equalization has agreed that it will pay the Sales Tax Revenues directly to the Trustee, so that BART receives them only after debt service set asides, it is not clear whether this arrangement is enforceable in bankruptcy or whether BART will instead be able to require that Sales Tax Revenues be paid directly to it by the State Board of Equalization.

BART may be able, without the consent and over the objection of the Trustee and the holders of the Bonds, to alter the priority, interest rate, payment terms, maturity dates, covenants (including tax-related covenants), and other terms or provisions of the Indenture and the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be other possible effects of a bankruptcy of BART that could result in delays or reductions in payments on the Bonds or in other losses to the holders of the Bonds.

Regardless of any specific adverse determinations in a bankruptcy proceeding, the fact of a bankruptcy proceeding by BART could have an adverse effect on the liquidity and value of the Bonds.

Risk of Earthquake

The District is located in a seismically active region. Active earthquake faults underlie both the District and the surrounding Bay Area, most notably the Hayward Fault and the San Andreas Fault (both located within the District). The Loma Prieta earthquake, the most recent significant seismic event in the District, occurred in 1989 and was centered about 70 miles south of Oakland on the San Andreas Fault. It registered 7.1 on the Richter scale of earthquake intensity, and caused fires and collapse of and structural damage to buildings, highways and bridges in the Bay Area.

In April 2008, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (the "U.S.G.S."), the California Geological Society, and the Southern California Earthquake Center) reported that there is a 63% chance that one or more quakes of magnitude 6.7 or larger will occur in the Bay Area before the year 2038. Such earthquakes may be very destructive. For example, the U.S.G.S. predicts a magnitude 7 earthquake occurring today on the Hayward Fault would likely cause almost $100 billion of damage. Property within the District could sustain extensive damage in a major earthquake, and a major earthquake could adversely affect the area's economic activity and decrease the assessed value of property in the District.

Other Force Majeure Events

Operation of the BART System and amount of Sales Tax Revenues is also at risk from other events of force majeure, such as damaging storms, winds and floods, fires and explosions, spills of hazardous substances, strikes and lockouts, sabotage, wars, blockades and riots. The District cannot predict the potential impact of such events on the financial condition of the District or the level of Sales Tax Revenues.

Threats and Acts of Terrorism

BART police and other law enforcement authorities have undertaken security measures in an effort to reduce the probability that portions of the BART System could be attacked by terrorists. However, such measures are not guaranteed to prevent an attack on the BART System. The District cannot predict the likelihood of a terrorist attack on any portion of the BART System. Components of the BART System are not insured against terrorist attack. See APPENDIX A – "SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT FINANCIAL AND OPERATING INFORMATION – BART FINANCINGS AND CAPITAL PROGRAMS – Security Enhancement Program."

Changes in Taxable Items

With limited exceptions, the Sales Tax is imposed upon the same transactions and items subject to the sales tax levied statewide by the State. The State Legislature or the voters within the State, through the initiative process, could change or limit the transactions and items upon which the State Sales Tax and the District Sales Tax are imposed. Any such change or limitation could have an adverse impact on the Sales Tax Revenues collected. For a further description of the District Sales Tax, see "SECURITY FOR THE 2015 SERIES A BONDS – Sales Tax Revenues." See also APPENDIX E – "THE ECONOMY OF THE THREE BART COUNTIES" for data relating to taxable transactions in the Three BART Counties.

Effect of Growth in Internet Commerce

It is possible that collections of District Sales Tax in the future could be adversely impacted due to the growth of commerce over the internet. Goods purchased from out-of-state retailers for delivery to a customer within the District could displace sales from retailers located within the District. Even though such purchases are subject to California use tax and within the District Sales Tax, such sales often are unreported.

Constitutional Limitations on Appropriations

State and local government agencies in California are each subject to annual "appropriations limits" imposed by Article XIII B of the Constitution of the State of California ("Article XIII B"). Article XIII B prohibits government agencies and the State from spending "appropriations subject to limitation" in excess of the appropriations limit imposed. "Appropriations subject to limitation" are authorizations to spend "proceeds of taxes," which include all tax revenues and investment earnings thereon, certain state subventions and certain other funds, including proceeds received by an entity of local government from regulatory licenses, user charges or other user fees to the extent that such proceeds exceed "the cost reasonably borne by that entity in providing the regulation, product, or service." "Appropriations subject to limitation" under Article XIII B do not include appropriations required to comply with mandates of courts or of the Federal government, appropriations for qualified outlay projects (as defined by the Legislature), or appropriations for debt service on indebtedness existing prior to the passage of Article XIII B or thereafter authorized by the voters.

As amended at the June 5, 1990 election by Proposition 111, Article XIII B provides that, in general terms, the District's appropriations limit is based on the limit for the prior year adjusted annually to reflect changes in cost of living, population and, when appropriate, transfer of financial responsibility of providing services from one governmental unit to another. Proposition 111 liberalized the aforementioned adjustment factors as compared to the original provisions of Article XIII B. If revenues from "proceeds of taxes" during any two consecutive Fiscal Years exceed the combined appropriations limits for those two years, the excess must be returned by a revision of tax rate or fee schedules within the two subsequent Fiscal Years.

Section 7900 et seq. of the Government Code of the State of California defines certain terms used in Article XIII B and sets forth the methods for determining the appropriations limits for local jurisdictions. The District's appropriations limit for the Fiscal Year ending June 30, 2015 is $527,436,883 and the "appropriations subject to the limitation" are $373,112,728, or $154,324,155 under the limit. It is not anticipated that the District will ever reach its appropriations limit. However, if it were ever to reach such limit, it is arguable that amounts appropriated to pay debt service on the Bonds are appropriations for capital outlay projects and therefore not subject to the limit.

Proposition 218 and Proposition 26

On November 5, 1996, California voters approved an initiative known as the Right to Vote on Taxes Act ("Proposition 218"). Proposition 218 added Articles XIII C and XIII D to the California Constitution. Article XIII C requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, which is defined to include local or regional governmental agencies such as the District. Article XIII C also removes limitations on the initiative power with regard to reducing or repealing previously authorized local taxes. In the opinion of the District, however, any attempt by the voters to use the initiative provisions under Proposition 218 to rescind or reduce the levy and collection of the Sales Tax in a manner which would prevent the payment of debt service on the 2015 Series A Bonds would violate the Impairment Clause of the United States Constitution and, accordingly, would be precluded. However, it is likely that the interpretation and application of Proposition 218 will ultimately be determined by the courts. Proposition 26, approved by the voters of California on November 2, 2010, also amended Article XIII C to define "tax" to include in the two-thirds voter approval requirement local levies, charges or exactions previously considered fees with certain specified exemptions.

Further Initiatives

Article XIIIB and Propositions 218 and 26 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, which may affect the District's ability to levy and collect the Sales Tax.

Potential Labor Disruptions

BART employees are represented by employee bargaining units that under State law are permitted to strike during negotiations for a contract. During strikes, the District does not operate service, which results in lost operating revenues. In 2013, the District suffered strikes during contract negotiations. See APPENDIX A – "SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT FINANCIAL AND OPERATING INFORMATION – San Francisco Bay Area Rapid Transit District – Employees and Labor Relations." The District cannot predict the potential impact of future labor disruptions on the financial condition of the District.

No Acceleration Provision

The Indenture does not contain a provision allowing for the acceleration of the 2015 Series A Bonds in the event of a default in the payment of principal and interest on the 2015 Series A Bonds when due. In the event of a default by the District, each Series 2015 Series A Bondholder will have the right to exercise the remedies, subject to the limitations thereon, set forth in the Indenture. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE 1990 INDENTURE RESERVE FUND."

Loss of Tax Exemption

As discussed under "TAX MATTERS," interest on the 2015 Series A Bonds could become includable in federal gross income, possibly from the date of issuance of the 2015 Series A Bonds, as a result of acts or omissions of the District subsequent to the issuance of the 2015 Series A Bonds. Should interest become includable in federal gross income, the 2015 Series A Bonds are not subject to redemption by reason thereof and will remain outstanding until maturity or earlier redemption.

LEGAL MATTERS

The validity of the 2015 Series A Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the District ("Bond Counsel"). A complete copy of the proposed form of the opinion to be delivered by Bond Counsel is attached hereto as APPENDIX H. Compensation of Bond Counsel and counsel to the Underwriters is contingent upon the issuance of the 2015 Series A Bonds. Neither Bond Counsel nor counsel to the Underwriters take any responsibility for the accuracy, completeness or fairness of this Official Statement. Approval of certain other legal matters will be passed upon for the District by Matthew Burrows, Esq., General Counsel to the District, by Orrick, Herrington & Sutcliffe LLP, Disclosure Counsel to the District, and for the Underwriters by their Counsel, Curls Bartling P.C., Oakland, California.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, 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 2015 Series A 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. In the further opinion of Bond Counsel, interest on the 2015 Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest 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 H hereto.

To the extent the issue price of any maturity of the 2015 Series A Bonds is less than the amount to be paid at maturity of such 2015 Series A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2015 Series A Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2015 Series A Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2015 Series A Bonds is the first price at which a substantial amount of such maturity of the 2015 Series A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2015 Series A Bonds accrues daily over the term to maturity of such 2015 Series A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2015 Series A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2015 Series A Bonds. Beneficial Owners of the 2015 Series A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2015 Series A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2015 Series A Bonds in the original offering to the public at the first price at which a substantial amount of such 2015 Series A Bonds is sold to the public.

2015 Series A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2015 Series A Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2015 Series A 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 2015 Series A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2015 Series A 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 2015 Series A Bonds may adversely affect the value of, or the tax status of interest on, the 2015 Series A 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 2015 Series A 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 amounts treated as interest on, the 2015 Series A Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2015 Series A Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the obligations like the 2015 Series A Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2015 Series A Bonds. Prospective purchasers of the 2015 Series A Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2015 Series A 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 District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2015 Series A Bonds ends with the issuance of the 2015 Series A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the 2015 Series A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District 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 2015 Series A Bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2015 Series A 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 2015 Series A Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the 2015 Series A Bonds, the District will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending with respect to which the District has been served with process or, to the knowledge of the District, threatened against the District in any way affecting the existence of the District or the titles of its officers to their respective offices or seeking to restrain or to enjoin the issuance, sale or delivery of the 2015 Series A Bonds, the application of the proceeds thereof in accordance with the Indenture, or the levy or collection of the Sales Tax or application of the Sales Tax Revenues or other moneys to be pledged to pay the principal of and interest on the 2015 Series A Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the 2015 Series A Bonds, the Indenture, the Continuing Disclosure Agreement or in any way contesting the completeness or accuracy of this Official Statement.

RATINGS

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, ("S&P") and Fitch Ratings ("Fitch") have assigned ratings of "AA+" and "AA+," respectively, to the 2015 Series A Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from such rating agencies furnishing the same at the following addresses: Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041 and Fitch Ratings, One State Street Plaza, New York, New York 10004. 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 that any credit ratings given to the 2015 Series A Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by such rating agencies, if, in their judgment, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2015 Series A Bonds.

FINANCIAL ADVISOR

Sperry Capital Inc., Sausalito, California, serves as Financial Advisor to the District with respect to the sale of the 2015 Series A Bonds. The Financial Advisor has not conducted a detailed investigation of the affairs of the District to determine the completeness or accuracy of this Official Statement and has not independently verified any of the data contained herein and has no responsibility for the accuracy or completeness thereof.

The compensation of the Financial Advisor is contingent upon the issuance of the 2015 Series A Bonds.

CONTINUING DISCLOSURE

To enable the Underwriters to comply with the requirements of Rule 15c2-12 promulgated by the Securities Exchange Commission (the "Rule"), the District will enter into a Continuing Disclosure Agreement with the Trustee, as dissemination agent, for the benefit of the Beneficial Owners (as such term is defined in such Continuing Disclosure Agreement) from time to time of the 2015 Series A Bonds. A copy of the form of Continuing Disclosure Agreement is set forth in APPENDIX G hereto. The District has always been current in the filing of its required annual report filings under the Rule; however, within the last five years the District has determined that certain annual reports were not linked to all of the specific CUSIP numbers to which they related and that certain annual reports, while including District wide assessed value information, did not include specific assessed value information by County as may have been required by a continuing disclosure agreement. The District recently filed notices on the Municipal Securities Rulemaking Board Electronic Municipal Market Access System ("EMMA") with respect to the affected bonds and provided the additional information. The District has engaged BLX

Group to assist with its continuing disclosure obligations and U.S Bank National Association to serve as Dissemination Agent.

UNDERWRITING

The 2015 Series A Bonds are being purchased by Wells Fargo Bank, N.A., on its own behalf and as representative (the "Representative") of Blaylock Beal Van, LLC (together, the "Underwriters"). The bond purchase agreement provides that the Underwriters will purchase all of the 2015 Series A Bonds, if any are purchased, at a purchase price equal to $217,892,135.80 (representing the principal amount of the 2015 Series A Bonds plus a premium of $31,350,017.40, less an underwriters' discount in the aggregate amount of $97,881.60).

The Underwriters are initially offering the 2015 Series A Bonds to the public at the public offering yields indicated on the inside cover page hereof but the Underwriters may offer and sell the 2015 Series A Bonds to certain dealers, institutional investors and others (including sales for deposit into investment trusts, certain of which may be sponsored or managed by one or more of the Underwriters) at yields higher than the public offering yields stated on the cover page and the public offering yields may be changed from time to time by the Underwriters.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

Wells Fargo Bank, National Association ("WFBNA"), the senior underwriter of the 2015 Series A Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA") for the distribution of certain municipal securities offerings, including the 2015 Series A Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the 2015 Series A Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliate, Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the 2015 Series A Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Certain subsidiaries of Wells Fargo & Company (parent company of Wells Fargo Bank, National Association, senior underwriter for the 2015 Series A Bonds) have provided, from time to time, investment banking services, commercial banking services or advisory services to the District, for which they have received customary compensation. Wells Fargo & Company or its subsidiaries may, from time to time, engage in transactions with and perform services for the District in the ordinary course of their respective businesses.

VERIFICATION OF MATHEMATICAL ACCURACY

Upon delivery of the 2015 Series A Bonds, the arithmetical accuracy of certain computations included in the schedules provided by the Underwriters on behalf of the District relating to the: (i) adequacy of forecasted receipts of principal and interest on the escrow securities and cash held in the escrow fund relating to the Prior Bonds; (ii) the scheduled payments of principal and interest with respect to the Prior Bonds on and prior to their projected maturity and/or redemption dates; (iii) yields on the securities to be deposited pursuant to the escrow fund relating to the Prior Bonds upon delivery of the 2015 Series A Bonds, and (iv) level of debt service saving, will be verified by The Arbitrage Group, Inc. (the "Verification Agent"). Such verification will be based solely upon information and assumptions supplied to the Verification Agent by the Underwriters or the Financial Advisor. The Verification Agent has not made a study or evaluation of the information and assumptions on which such computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

FINANCIAL STATEMENTS

The financial statements of the District included in Appendix B to this Official Statement have been examined by Macias, Gini & O'Connell LLP (the "Auditor"), whose report thereon appears in such Appendix. The Auditor was not requested to consent to the inclusion of its report in Appendix B, nor has the Auditor 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 Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the District and the purchasers, holders or Beneficial Owners of any of the 2015 Series A Bonds. All of the preceding summaries of the 2015 Series A Bonds, the Indenture, applicable legislation and other agreements and documents are made subject to the provisions of the 2015 Series A Bonds and such documents, respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the District for further information in connection therewith.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement by the Interim Controller/Treasurer of the District has been duly authorized by the District. Concurrently with the delivery of the 2015 Series A Bonds, the District will furnish to the Underwriters a certificate of the District to the effect that this Official Statement, as of the date of this Official Statement and as of the date of delivery of the 2015 Series A Bonds, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

By: /s/ Rosemarie V. Poblete
Interim Controller/Treasurer

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APPENDIX A

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
FINANCIAL AND OPERATING INFORMATION

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SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

General Description of the District

The San Francisco Bay Area Rapid Transit District (the "District" or "BART") was created in 1957 by Chapter 1056 of the Statutes of 1957 of the State of California, constituting Sections 28500 to 29757, inclusive, of the California Public Utilities Code, as amended (the "BART Legislation") to provide rapid transit to the San Francisco Bay Area. The District is presently composed of all the area in the Counties of Alameda and Contra Costa and the City and County of San Francisco (the "Three BART Counties"). In addition, the District owns property within the County of San Mateo on which BART facilities are located, and the District acquired the right to use additional right of way and station locations in connection with the extension of its rapid transit system (the "BART System") to the San Francisco International Airport ("SFO") located in the County of San Mateo. Extension of the BART System to the County of Santa Clara is currently under construction. See "BART FINANCINGS AND CAPITAL PROGRAMS – System Expansion Program" herein. Under certain conditions, other counties may be annexed to and become a part of the District.

References to "Fiscal Year" refer to the fiscal year beginning July 1 and ending June 30 of the following designated year.

Powers of the District

The BART Legislation grants the District the following powers, among others:

Financing and Taxation. The District may issue general obligation bonds, up to the amount authorized by a two-thirds vote of the electorate voting on the ballot measure proposing such general obligation bonds. Upon issuance of general obligation bonds authorized by the electorate, the District is obligated to levy and collect an *ad valorem* tax on property in the Three BART Counties at a rate sufficient to pay the annual debt service on such outstanding general obligation bonds when due and payable. Such tax may be offset to the extent that other moneys are legally made available for such purpose.

In addition to general obligation bonds, the District may issue: (1) sales tax revenue bonds; (2) revenue bonds payable solely from revenues of any facility or enterprise to be acquired or constructed by the District; (3) equipment trust certificates payable from revenues derived from the operation of the BART System; (4) special assessment bonds; (5) grant anticipation notes, bond anticipation notes and tax and revenue anticipation notes; and (6) such other obligations as are authorized by the laws of the State of California.

Eminent Domain. The District has the right, with certain limitations, of eminent domain for the condemnation of private property for public use.

Administration

Governance of the District is vested in a Board of Directors (the "Board" or the "Board of Directors") composed of nine members, each representing an election district within the District. The boundaries of the election districts have been set on the basis of, as nearly as practicable, equal population and, among other things, community of interest of the population within the election district. The election districts are adjusted to reflect population changes after every national census. The boundaries of the District election districts do not conform to the boundaries of the Three BART Counties.

Directors are elected to four-year terms. Each term commences on the first Friday of December in the year of a November general election and ends on the first Friday of December four years later.

The District Directors are:

Director	**City of Residence**	**Term Expiration (December)**
Thomas M. Blalock, President	Fremont	2018
Tom Radulovich, Vice President	San Francisco	2016
Joel Keller	Brentwood	2018
Nicholas Josefowitz	San Francisco	2018
John McPartland	Castro Valley	2016
Zakhary Mallett	El Sobrante	2016
Gail Murray	Walnut Creek	2016
Robert Raburn	Oakland	2018
Rebecca Saltzman	Oakland	2016

The executive management staff of the District consists of statutory officers appointed by the Board and operating managers appointed by the General Manager.

The five statutory officers are:

<u>Grace Crunican, General Manager</u>

Ms. Crunican was appointed General Manager of the District by the Board of Directors on August 31, 2011. She oversees the BART staff of approximately 3,000 full time employees and the BART transportation infrastructure. Ms. Crunican has 32 years of experience in the public transportation industry, proven leadership abilities, and a focus on providing safe and reliable transportation. Ms. Crunican has previously served as Director of the Seattle Department of Transportation, the Director of the Oregon Department of Transportation, the Deputy Director with the Federal Transit Administration and Deputy of the City of Portland, Oregon Department of Transportation. She holds a B.A. from Gonzaga University and an MBA from Willamette University.

<u>Rosemarie V. Poblete, Interim Controller/Treasurer</u>

Ms. Poblete joined the District in May 1996 as a Treasury Analyst in the Finance Department. She was promoted to the Manager of Debit Credit Fare Programs in February 2008 and in December 2011 to Assistant Treasurer of the District. Effective June 29, 2015, following the announcement by the incumbent Controller/Treasurer, Scott Schroeder, of his planned retirement, Ms. Poblete was appointed by the Board of Directors to be the Interim

Controller/Treasurer. Prior to joining the District, Ms. Poblete worked in banking as an operations manager and a private banker. Ms. Poblete holds a Bachelor degree in Business Administration from the University of the Philippines.

Matthew Burrows, General Counsel

Mr. Burrows joined the District in February 1997 as an attorney in the Office of the General Counsel. In 2007, he was promoted to Associate General Counsel and in January, 2008, appointed General Counsel. Mr. Burrows received a Bachelor of Arts degree in Sociology from the University of California at Santa Barbara and his J.D. from the University of California, Hastings College of the Law.

Kenneth A. Duron, District Secretary

Mr. Duron joined the District in 1991 as a Senior Capital Program Planner in the Government and Community Relations Department. He served as Executive Assistant to the General Manager from 1995 to 2001 and was appointed District Secretary in February 2001. Prior to joining the District, Mr. Duron held staff and management positions with Xerox Corporation. His public transit experience includes five years as a member of the professional staff with the Southern California Rapid Transit District. Mr. Duron holds a Bachelor of Science degree in Public Administration from the University of Southern California, Center for Public Affairs.

Mark P. Smith, Independent Police Auditor

Mr. Smith was appointed in 2011 as the first-ever Independent Police Auditor for BART, where he has been working to develop the Office of the Independent Police Auditor (OIPA) from the ground up. Mr. Smith has previously served as the First Deputy Chief Administrator of Chicago's Independent Police Review Authority and as a Special Investigator for the Los Angeles Police Commission's Office of Inspector General. Mr. Smith received his bachelor's degree from the University of California at Berkeley and his law degree from the University of California at Los Angeles School of Law.

Principal executive management staff appointed by the General Manager include:

Marcia deVaughn, Deputy General Manager

Ms. deVaughn joined the staff of the District in September 2001 and was appointed to the position of Deputy General Manager in January 2008. Ms. deVaughn has over twenty years of public sector experience. During her tenure at BART, Ms. deVaughn has provided leadership, direction and management to the Office of Civil Rights, Internal Audit and System Safety Departments as Executive Manager of Transit System Compliance and served as Acting Executive Manager of the Office of Planning and Budget. Prior to BART, Ms. deVaughn served as Deputy Director of Public Works for Operations for the City and County of San Francisco and served the City and County of San Francisco as Director of the Solid Waste Management Program and was an appointed member of the California Integrated Waste Management Board Technical Advisory Committee. Prior to joining the City and County of San Francisco, she worked for the City of Berkeley Public Works Department. Ms. deVaughn holds a

B.S. in Business Administration from the University of San Francisco and a MBA from Golden Gate University.

Paul Oversier, Assistant General Manager, Operations

Mr. Oversier joined the District in 1990 as Chief Transportation Officer. In June 1999, Mr. Oversier was appointed as the Assistant General Manager, Operations. Prior to joining the District, Mr. Oversier was the Chief Transportation Officer of the New York City Transit Authority for four years after serving as the Director of Operations Support for over two years. He was also the General Manager of the Centre Area Transportation Authority in State College, Pennsylvania for three years. Mr. Oversier holds a Master of Science Degree in Transportation from Northwestern University and a Bachelor's Degree in Economics from the University of California at Davis.

Employees and Labor Relations

As of June 30, 2015, the District had 3,400 employees, of which 3,300 were full-time and 100 were part-time. As of such date, the average BART employee had been with the District for 12.63 years and earned an annualized salary of $81,444.73 (full-time) and $45,326.87 (part-time).

Most District employees are represented by recognized employee organizations. Some supervisors and professionals are represented by the American Federation of State, County and Municipal Employees ("AFSCME"), Local 3993. Station agents, train operators and some clerical employees and foreworkers supportive of the train operators and station agents are represented by the Amalgamated Transit Union ("ATU"), Local 1555. Maintenance and some clerical staff and foreworkers supportive of the maintenance and associated clerical staff are represented by the Service Employees International Union ("SEIU"), Local 1021. In addition, BART police officers and non-managerial civilian staff of the BART Police Department are represented by the BART Police Officers Association ("BPOA") and police managers below the Deputy Chief level are represented by the BART Police Managers Association ("BPMA").

Prior to 2013, BART had successfully negotiated a number of labor agreements with the unions in 2001, 2005 and 2009 without the employees resorting to strikes. Prior to 2013, BART had experienced a strike in 1997 for a one week period and earlier strikes in the District's history in 1976 and 1979. When the then-current labor agreements with BART employees expired on June 30, 2013, BART employees called for a strike on July 1, 2013 and were on strike for 4 days. The unions agreed to return to work under the terms of the expired contracts for a thirty day period while negotiations continued. During the strike, major traffic delays occurred, especially in congested cross bay traffic corridors. On August 11, 2013, at the request of the Governor of the State, a judge ordered a 60 day cooling off period, during which time the employees were precluded from striking. The period ended on October 10, 2013. District and union officials continued to negotiate, but were unable to reach an agreement and two of the District's unions proceeded to strike on Friday, October 18, 2013. On Monday, October 21, 2013, a tentative agreement was reached among the negotiators and the union workers represented by two unions, SEIU and ATU, returned to work on Tuesday, October 22, 2013.

Principal areas of discussion included wages, pension and medical contributions and work force rules. On November 1, 2013, the members of ATU and SEIU voted to ratify the contract. Due to a dispute over the validity of one tentative agreement, the parties did not formally ratify and adopt the labor agreements until January 2014.

The terms of the current four-year contracts (AFSCME, ATU and SEIU) and five-year contracts (BPMA and BPOA) include an approximate 15.5 percent aggregate pay raise by the end of the four-year period, but require employees to make pension contributions for the first time (increasing annually to a 4 percent contribution rate by the fourth year of the contract), resulting in a net effective pay increase of approximately 12.5 percent. Employee monthly health care contributions also increased from a prior contribution level of approximately $95, to $140 by the fourth year. During the term of the contracts, employees will be eligible each year to receive a lump sum payment of $500 for each 1% that ridership increases above the District's Short Range Transit plan ridership forecast, up to a maximum of $1,000; however, such ridership increase payment will not be made if the pension costs increase by more than 16%, medical costs increase by more than 10% or if there is an extraordinary unplanned expense exceeding 2.5% of the District's operating budget.

Following the adoption and ratification of the 2013-2017 labor agreements between the District and AFSCME, ATU and SEIU, the Board of Directors commissioned the Bay Area Rapid Transit Collective Bargaining Report and Recommendations. The report was conducted by Agreement Dynamics, and based on the direction given by the Ad Hoc Labor Negotiations Review Committee the study provided an analysis of the 2013 collective bargaining process, pro and cons of binding interest arbitration and recommendations for implementation by the District that will improve the process of labor negotiations and labor relations and offer safeguards to minimize future labor disputes.

The term of the Ad Hoc Labor Negotiations Committee was extended in order to review, direct and monitor the progress by the parties in working through the 63 report recommendations.

Litigation

The District is involved in various lawsuits, claims and disputes. Many of those lawsuits arise as a result of injuries and damages which are expected in connection with operations such as the District's. The District is also currently involved in seven lawsuits by current and former employees alleging various employment related claims including claims of discrimination, a number of civil rights lawsuits arising from its ongoing police activities and litigation involving claims of inverse condemnation and construction related claims. As a public agency, BART is not liable for punitive damages.

THE BART SYSTEM

General Description

The BART System is an electrically powered rapid transit commuter rail system serving the residents of the San Francisco Bay Area. The BART System is currently comprised of 104 miles of double track (including some areas of multiple tracks) and 45 stations, 40 of which are located in the Three BART Counties and five of which are located in San Mateo County on the San Francisco Peninsula. BART is powered by an electric third rail at 1,000 volts AC. The rail right-of-way is fully protected and has no grade crossings. Automatic fare collection equipment is located in each station to vend and process passenger tickets. As of June 30, 2015, the District owned 669 rail cars. Trains are from three to ten cars in length and contain one control-equipped vehicle (an A-car or C-car) at each end with mid-train vehicles (B-cars or C-cars) making up the remainder of each train. Control-equipped C-cars can be used as lead, mid-train, or trail vehicles. All station platforms are constructed to accommodate trains of up to ten cars. Trains are operated from the lead A-car or C-car. Computers located along the right-of-way automatically control train movements. BART System train supervision is provided by the BART train control computer located at the BART Operations Control Center ("Control Center") at the Lake Merritt station. Should the need arise, train operators aboard each train may override the automatic system. The District's 669-car operating fleet currently consists of 59 A-cars, 380 B-cars and 150 C-1 cars, and 80 C-2 cars.

BART service lines run through the urban and suburban areas of the Three BART Counties and San Mateo County. Service patterns are largely dictated by the topography of the region. Lines run along the east and west sides of the San Francisco Bay, under the San Francisco Bay and then traverse the hills and valleys of inland areas. The BART system radiates from the Oakland Wye, which is located under downtown Oakland. Lines running west from the Wye travel under the San Francisco Bay, through downtown San Francisco and terminate at Daly City, Millbrae or SFO. Other lines radiate out from the Oakland Wye and terminate in Richmond, Pittsburg/Bay Point, Dublin/Pleasanton or Fremont. A second wye is located on the San Francisco Peninsula between the San Bruno station, the Millbrae station and the San Francisco International Airport station ("SFO Station"). In addition to the two wyes, merges and diverges also occur at two other locations in Alameda County. For more detailed information regarding BART System routes, see the BART System map in the front portion of this Official Statement. Approximately one-third of the BART System is underground, one-third is aerial and one-third is at grade.

BART stations are spaced approximately one-half mile apart in downtown San Francisco and Oakland and approximately two to four miles apart in suburban areas. A number of BART stations located in downtown San Francisco provide intermodal transfers to the San Francisco Metropolitan Transportation Authority ("SFMTA") light rail, cable cars and buses. The Millbrae station provides convenient transfers to the Caltrain commuter rail service, which provides commuter service along the San Francisco Peninsula and south to Gilroy, and the Richmond station provides intermodal transfers to the Capitol Corridor intercity rail service to Sacramento. The SFO Station is located in SFO. The Coliseum station in Oakland provides access to the Oakland-Alameda County Coliseum Complex where the Oakland Raiders, a professional football team, the Oakland Athletics, a professional baseball team, and the Golden State Warriors, a professional basketball team, currently play their home games.

The Control Center controls and monitors all mainline activities and equipment, including safety-critical and emergency equipment, such as emergency telephones and fire alarm systems, responds to emergencies, manages delays, and controls the electrification grid. Operational functions performed in the OCC include the generation of daily train schedules, dispatching of trains from the ends of line and yards, keeping trains on schedule by adjusting the speeds between stations and/or dwell times at stations, control and monitoring of ventilation fans, dampers, sump pumps, traction power equipment, train location and other wayside systems equipment.

BART has three primary rail yard locations for purposes of conducting repairs, located in Concord, Daly City and Richmond, as well as a secondary facility in Hayward. The Concord, Daly City and Richmond facilities perform preventive and regular train maintenance based on operating hours as well as unscheduled failure repairs. The District's fleet of revenue vehicles are divided between the three primary maintenance facilities, with each location being responsible for supporting designated service routes: Concord, with 283 cars supports Bay Point to San Francisco Airport; Daly City, with 101 cars, supports Daly City to Fremont; Richmond, with 285 cars supports Richmond to Fremont, Richmond to Millbrae and Fremont to Daly City. The additional facility in Hayward houses shops for secondary and component repairs, including electrical, pneumatic, HVAC, and hydraulic repairs, as well as brake system components, door operators, couplers, power supply and vehicle subsystem solid state electronic logics. An expansion of the Hayward Maintenance Complex ("HMC") is being undertaken in connection with the extension of the system into the county of Santa Clara. See "BART FINANCINGS AND CAPITAL PROGRAMS - System Expansion Program" below.

The extension of the BART System into SFO and to the Millbrae Station (the "SFO Extension") was completed in 2003 and the District commenced revenue service on the SFO Extension. The final cost of the SFO Extension of $1.582 billion exceeded the amount budgeted by approximately $114 million. The additional cost was resolved by an agreement with the Metropolitan Transportation Commission ("MTC") and funding from federal grant financings provided additional assistance.

On April 27, 2007, with the assistance of MTC, BART and the San Mateo County Transit District ("SamTrans") reached a resolution (the "Settlement") regarding the financing of operations to the five San Mateo County stations south of Daly City that make up the SFO Extension. The resulting key terms of the Settlement give BART full responsibility over SFO Extension operations, with monetary contributions from SamTrans and MTC to offset the cost of operating outside the District. MTC and SamTrans provided a combined $56 million of up-front funding over several years, first used to fund operating deficits on the SFO Extension, and then directed $145 million to the Rail Vehicle Replacement Project per MTC Resolution 4123 dated December 13, 2013. BART also receives two forms of ongoing subsidy, consisting of two percent of San Mateo County's Measure A half-cent sales tax, which is currently equal to approximately $1.5 million per year and was allocated to BART for 25 years beginning in Fiscal Year 2008-09, and SamTrans' annual Proposition 42 Traffic Congestion Relief Program ("TCRP") increment, approximately $100,000 in Fiscal Year 2007-08 and a fixed amount of approximately $800,000 beginning in Fiscal Year 2008-09, until the $145 million has been generated. Proposition 42 dedicates revenues from the State's share of the sales tax on gasoline to transportation projects and is subject to reduction or elimination by State budget action that reduces the sales tax. See "BART FINANCINGS AND CAPITAL PROGRAMS – Funding Developments" herein.

BART commenced service in November, 2014 of the Oakland Airport Connector ("OAC") which provides a transit link between the Oakland International Airport ("OAK") and the BART System. The OAC is an automated driverless, cable-propelled people mover manufactured by Doppelmayr Cable Car that travels between the Coliseum BART station and OAK in about eight minutes on a primarily elevated guideway structure along the median of Hegenberger Road. Flatiron/Parsons JV constructed the project and the approximately $485 million project was funded in part with proceeds of the District's 2012 Series B Sales Tax Revenue Bonds. The OAC project is operated pursuant to a 20-year Operations and Maintenance contract with Doppelmayr Cable Car. Through August 2015, approximately 3,300 passengers per week used this service. The Fiscal Year 2015-16 operations and maintenance cost for OAC is estimated at $5.7 million.

Revenue Hours

BART revenue hours run from 4:00 a.m. to midnight Monday through Friday, 6:00 a.m. to midnight on Saturdays, and 8:00 a.m. to midnight on Sundays. The last trains depart each end of the line around midnight, so passengers can get anywhere in the BART system if they arrive at any station by midnight. Depending upon demand, holiday rail service is provided on a full or modified weekday schedule, a Saturday schedule or a Sunday schedule.

Passenger Fares

BART rail fares are computed using a distance-based formula. Distance-based fares are then adjusted based on the scheduled travel time versus travel time based on a system wide average speed. In addition, surcharges apply to transbay trips and trips originating from or destined to stations located in San Mateo County, and a premium applies to trips to and from the SFO Station. As of June 30, 2015, the transbay surcharge, applied to transbay trips, is equal to $0.94; the Daly City surcharge, applied to trips between the Daly City station and San Francisco stations, is equal to $1.03; and the San Mateo County surcharge, applied to trips beginning and ending at San Mateo County stations (except trips between the Millbrae station and SFO Station) and trips between San Mateo County stations (except Daly City) and San Francisco stations, is equal to $1.37. In addition, a premium fare of $4.27 is applied to trips to or from the SFO Station, which premium is waived for trips made by SFO-badged employees to or from SFO Station. Effective July 1, 2013, SFO began to pay BART the $4.27 SFO premium fare instead of SFO-badged employees, under an agreement between SFO and BART with a term of nine years. A capital surcharge equal to $0.13 is applied to all trips within the Three BART Counties, as well as Daly City, which is in San Mateo County. Revenues resulting from such capital surcharge will be applied to fund capital programs previously funded from the operating budget.

The current minimum one-way fare is $1.85. The current maximum one-way fare is $15.40, charged for the trip between SFO and the OAK, which includes three additive elements: the base fare, the SFO premium fare, currently valued at $4.27, and the BART-to-OAK project fare, currently valued at $6.00. Fare increases during the District's history are summarized below. In May 2003, the Board of Directors approved a series of productivity-adjusted Consumer-Price Index-based fare increases to take effect in January of each even-numbered year from 2006 through 2012. On February 28, 2013, the BART Board approved extending the productivity-adjusted Consumer Price Index-based fare increase program so that fare increases would take effect in January of 2014, 2016, 2018, and 2020. The first increase of the extended program valued at 5.2% took effect on January 1, 2014. The second increase of the extended program valued at 3.4% is scheduled to take effect on January 1, 2016. The incremental fare revenue generated by the future fare increases is intended to be set aside to fund capital projects.

Average District Fare Increases

Date	Average Increase
November 1975	21.0%
July 1980	34.9
September 1982	18.4
January 1986	30.0
April 1995	15.0
April 1996	13.0
April 1997	11.4
January 2003	5.0
January 2004	10.0
January 2006	3.7
January 2008	5.4
July 2009	6.1*
July 2012	1.4
January 2014	5.2
January 2016†	3.4

* All fares increased by an average 6.1% with the exception of the 16.7% increase to the minimum fare and the 167% increase to the premium fare charged for trips to or from SFO Station.
† Scheduled.

The District currently offers fare discounts ranging from 6.25% to 62.5%. These discounts are primarily made available when patrons use the regional Clipper fare payment smart card. A discount of 6.25% is given when a patron pays $45.00 or $60.00 and receives, respectively, $48.00 or $64.00 in BART value. A discount of 62.5% is provided to persons with disabilities, children ages 5 through 12 (children under age 5 ride for free) and senior citizens age 65 and over. Qualifying individuals must present proof of eligibility in order to obtain the appropriate Clipper smart card, which is specially encoded so that the discounted fare is automatically deducted each time the patron uses the card. A Clipper card so encoded may be confiscated if it is determined that the individual using the card is ineligible for the discount. When using discounted paper tickets, seniors or persons with disabilities are required to carry proof of age or disability. The District also offers tickets at a 50% discount to middle and secondary school students. These tickets are sold only at participating schools and are for use by students of these schools for school-related weekday trips.

The rates and charges of BART are by law free from the jurisdiction and control of any regulatory agency other than BART, including the California Public Utilities Commission. As provided in the California Public Utilities Code, passenger fares for BART are established by a two-thirds vote of the Board of Directors and are required to be reasonable. Any Board of Supervisors of a county or city and county, or the city council of a municipality having territory located within the District, may file a request for a hearing before the Board of Directors regarding the reasonableness of any fares. The hearing must be held between 15 and 60 days from the date of the request and a decision by the Board of Directors must be rendered in writing within 30 days after the hearing. Thereafter, the decision may be reviewed by the courts through a writ of mandate.

As a condition to receiving assistance from the federal government, acting through the Federal Transit Administration, BART complies with the requirements of Title VI of the Civil Rights Act of 1964. Public hearings are held before any change in fares or any substantial reduction in service is made. Such change is made only after proper consideration has been given to the views and comments expressed by the public, including those who are minority, low-income, or have limited English proficiency, in public meetings and at public hearings and after consideration has been given to the effects on energy conservation and the economic, environmental and social impact of such change.

Ridership

Average weekday passenger trips for the Fiscal Year 2009-10 through Fiscal Year 2014-15 are set forth below.

Trip Locations:	2010	2011	2012	2013	2014	2015
East Bay	75,742	78,713	83,377	87,787	86,254	89,108
West Bay	96,523	97,126	102,603	108,726	107,682	112,492
Transbay	162,719	169,417	180,585	195,780	205,210	221,519
Average Total Weekday Trips	334,984	345,256	366,565	392,293	399,146	423,119
Percentage Annual Change	-	3.1%	6.2%	7.0%	1.7%	5.7%

Ridership continues to grow and averaged over 423,000 weekday trips in Fiscal Year 2015 and is projected to average just under 430,000 weekday trips in Fiscal Year 2016. Employment patterns in the Bay Area affect BART ridership, as do the fluctuations in the price of gas. After recovering from the effect of the recession, BART is carrying more riders than ever, peaking in October 2014 with 441,428 average weekday trips. Ridership has been particularly strong on the SFO Extension, with annual passengers at the SFO Station just under 4.3 million trips in Fiscal Year 2013-14. The single highest day of BART ridership, 568,061, occurred on October 31, 2012 in conjunction with the San Francisco Giants World Series Victory Parade held in downtown San Francisco.

Parking Programs

The District provides a variety of options for passengers who drive to BART stations. As of August 1, 2015, parking is provided at 33 stations and the total number of parking spaces provided system-wide is approximately 47,000. Parking is provided in surface lots and in parking garages. The District commenced charging for parking to enhance revenues in 2005 and now charges for parking at all stations that have parking facilities. The District offers a paid monthly and single day reserved parking program system-wide and a paid airport/long term parking program at most of its stations. The monthly reserved parking program allows passengers to purchase guaranteed parking near the entrance to a station. Monthly parking fees vary from station to station within a range of $52.50 to $189 based upon demand. The number of spaces set aside for monthly reserved parking under current authorization cannot exceed 25% at East Bay stations and 40% at stations located on the west side of San Francisco Bay (the "West Bay stations"). The airport/long term parking program allows passengers traveling to either SFO or OAK to purchase permits to park their vehicles at some BART stations for periods of time greater than 24 hours. Long-term permits can be purchased via the BART website for $5.00-$9.50/day. At many stations, a number of spaces are set aside for carpoolers and for passengers who arrive at stations after 10 a.m.

The amount for the daily fee is demand-based, up to a $3 daily fee limit, except at the West Oakland BART station, which does not have a limit. Every 6 months, the utilization of the parking facility is evaluated. If the facility exceeds 95% full, then the daily fee may increase by $0.50 per weekday. Parking fees have now reached the $3 daily fee limit at 23 of the 33 stations with parking.

Parking Revenue (unaudited) for Fiscal Year 2014-15 was $28.3 million and $30.7 million in parking revenue is budgeted for Fiscal Year 2015-16.

Power Supply Center

The operations of the BART System require a substantial amount of electricity. The District's current annual electric energy requirement is approximately 380,000 megawatt hours and its current peak electric load is approximately 80 megawatts ("MW").

The District historically purchased all of its electricity requirements from Pacific Gas & Electric Company ("PG&E"). In 1995, the California Legislature enacted statutory provisions authorizing the District to purchase electricity from federal power marketing agencies. Pursuant to this authorization, approximately three percent of the District's electricity supply is provided by the Western Area Power Administration ("WAPA") under a contract that runs through 2025. This power supply is provided by federal hydroelectric generating facilities at relatively inexpensive rates.

The District's authority to purchase electricity from other suppliers was expanded in 2004 to permit the District to obtain electrical power supply from local publicly owned electric utilities and again in 2015 to allow purchase from developers of renewable energy projects. Pursuant to these provisions, the District has entered into long-term power supply agreements with Northern California Power Agency ("NCPA"), a California joint powers authority of which the District is a member, for all of its electrical power supply requirements above the WAPA supplies. NCPA presently sells power to the District at wholesale market rates under a ten-year supply arrangement. NCPA also entered into a 25 year contract to purchase the output of a 2.5 megawatt solar photovoltaic project in the City of Gridley, and a 20 year contract for the output from the Lake Nacimiento hydroelectric project in Monterey County, CA on behalf of the

District. These arrangements provide significant savings to the District compared to the cost of standard retail service from PG&E. The District utilizes PG&E transmission and distribution facilities to deliver its power supply.

The District is also a participant in NCPA's Lodi Energy Center, a natural gas generation plant developed by NCPA with thirteen public agency participants. Commercial operation of the plant started in October 2012. NCPA sold revenue bonds to finance a portion of the $388 million cost of the Lodi Energy Center. Pursuant to contracts with NCPA, the District is one of the obligors of such bonds. The District has authorized a Generation Entitlement Share ("GES") of 6.6%, representing approximately 18.5 MW of capacity from the plant. This is expected to meet about 25% of the District's present annual energy requirements. The District's participation in the Lodi Energy Center diversifies its power supply portfolio and provides an efficient and reliable source of power at an average cost lower than the market alternative.

Service Challenges

After more than 40 years of service, BART faces two critical capital improvement challenges. First, significant reinvestment in the existing system is required to sustain reliable and safe service for current riders. Second, BART must invest to increase capacity to meet the growing demand for transit services in the region.

Record ridership in combination with BART's aging infrastructure has resulted in increased incidents of delays in service caused by equipment failures. Higher ridership has also contributed significantly to increased delays as it has resulted in more medical emergencies, more police calls and more delays prompted by passengers jamming doors as they try to board trains. As many sections of track and trackside equipment have not been upgraded since the system opened in 1973, the District anticipates increased requirements for maintenance of its track and other equipment and response activity to emergency breakdowns. Major repairs to the Transbay Tube and adjacent track are being undertaken and involved two weekend closures of the Transbay Tube in August and September of 2015. Sections of overhead track on the crossover between the West Oakland Station and the Transbay Tube and a system of switches and over 2,400 feet of rail were replaced. During the planned closures of the Transbay Tube, the first in the District's history, bus bridges were conducted to replace the Transbay Tube travel and normal service was provided on both sides of the Bay. The repairs are estimated to cost $2 million and the added bus service $1.5 million and lost farebox revenue is estimated at approximately $0.7 million. Following the repairs, more reliable faster service with a smoother ride is anticipated. Other major track repairs will be undertaken in the near future to maintain the system's integrity. See "BART FINANCINGS AND CAPITAL PROGRAMS – System Reinvestment Program."

BART has an Asset Management program that supplies the data necessary to make decisions regarding whether to invest in capital infrastructure replacement or in maintenance to extend the life of an asset. The comprehensive Strategic Asset Management Plan (SAMP) allows BART to take a more systematic, risk-focused approach to prioritizing investment of scarce resources for both operating and capital needs.

BART FINANCINGS AND CAPITAL PROGRAMS

Sources of Funds

The District has received and expects to continue to receive grants from the federal government, from the State of California (the "State of California" or the "State") and from regional bridge tolls for capital renovation and expansion of the BART System. In addition to grants and bridge toll revenues, capital renovation and expansion of the BART System is funded with BART revenues, including allocations from the operating budget and the proceeds of BART financings, as further described below. See "Funding Developments – Pension Reform and Grant Funding."

General Obligation Bonds

Pursuant to voter approval in the Three BART Counties in 1962, the District issued a total of $792 million aggregate principal amount of general obligation bonds in twelve series during the years 1963 through 1969. Such general obligation bonds were payable from *ad valorem* taxes required to be levied on all properties subject to taxation by the District. General obligation bond proceeds were used to pay a portion of the cost of planning, acquisition and construction of the original 71-mile BART System, excluding the San Francisco-Oakland rapid transit tube and its approaches (the "Transbay Tube"). All such general obligation bonds have been paid.

Pursuant to voter approval in the Three BART Counties of Measure AA ("Measure AA") at the November 2, 2004 election, the District is authorized to issue general obligation bonds, in one or more series, in an amount not to exceed $980 million, in order to make earthquake safety improvements to the BART System. In May 2005, the District issued the General Obligation Bonds (Election of 2004), 2005 Series A (the "2005 A Bonds") in an aggregate principal amount of $100,000,000. On July 25, 2007, the District issued the General Obligation Bonds (Election of 2004), 2007 Series B (the "2007 B Bonds") in an aggregate principal amount of $400,000,000 and on November 21, 2013, the General Obligation Bonds (Election of 2004), 2013 Series C (the "2013 C Bonds") in the aggregate principal amount of $240,000,000. The 2005 A Bonds, 2007 B Bonds and the 2013 C Bonds were issued to finance earthquake safety improvements to BART facilities, including aerial trackway structures, overhead and underground trackway structures, including the Transbay Tube, the Berkeley Hills Tunnel and at-grade trackway structures, stations, and administrative, maintenance, and operations facilities and to finance additional retrofits to facilitate a rapid return to service after an earthquake or other disasters. General obligation bonds are general obligations of the District, payable from and secured solely by *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except for certain personal property which is taxable at limited rates) levied in Alameda and Contra Costa Counties and the City and County of San Francisco. No other revenues of the District are pledged to the payment of the general obligation bonds.

As of September 1, 2015, the following issues of the General Obligation Bonds were outstanding:

Issue	Original Principal Amount	Amount Outstanding	Final Maturity
2005 A Bonds	$100,000,000	$ 34,680,000	2035
2007 B Bonds	400,000,000	366,880,000	2037
2013 C Bonds	240,000,000	225,545,000	2037
		$627,105,000	

After the issuance of the 2005 A Bonds, 2007 B Bonds, and 2013 C Bonds, the remaining principal amount of general obligation bonds that the District is authorized to issue under Measure AA is $240,000,000. The District has authorized the issuance of not to exceed $400 million 2015 General Obligation Bonds, Refunding Series D to refund all or a portion of the 2005 A Bonds and 2007 B Bonds.

BART is in the process of analyzing whether it should submit an additional general obligation bond measure to the voters to address some of its capital needs. Public information and polling will be conducted to determine the feasibility of such an initiative that may result in a measure requesting authorization of over $3 billion in additional general obligation bonds. Any such measure would require approval of two-thirds of the voters voting on the measure.

Sales Tax Revenue Bonds

Commencing in 1970, the District has issued from time to time bonds payable from and collateralized by a pledge of sales tax revenues (the “Sales Tax Revenue Bonds”), comprised of seventy-five percent (75%) of the amounts derived from a one-half of one percent (0.5%) transactions and use tax imposed by the District within the Three BART Counties pursuant to Section 29140 of the California Public Utilities Code. The Sales Tax Revenue Bonds are special obligations of the District issued in order to finance or refinance the costs of constructing, improving and equipping the BART System. The following issues of sales tax revenue bonds are outstanding in the amounts and at the rates indicated in the table below as of September 1, 2015:

Issue	Original Principal Amount	Amount Outstanding	Final Maturity
Series 2005A Refunding Bonds	$352,095,000	$231,250,000	2034
Series 2006 Bonds	64,915,000	720,000	2016
Series 2006A Bonds	108,110,000	95,840,000	2036
Series 2010 Refunding Bonds	129,595,000	121,065,000	2028
Series 2012A Bonds	130,475,000	121,305,000	2036
Series 2012B (Taxable)	111,085,000	104,770,000	2042
		$674,950,000	

Plan Bay Area

On July 18, 2013 the Association of Bay Area Governments ("ABAG") and the MTC adopted Plan Bay Area (the "Plan"), an integrated transportation and land-use strategy through 2040 that marks the nine-county region's first long-range plan to meet the requirements of California's landmark 2008 Senate Bill 375, which calls on each of the State's 18 metropolitan areas to develop a Sustainable Communities Strategy to accommodate future population growth and reduce greenhouse gas emissions from cars and light trucks. Working in collaboration with local jurisdictions and transit operators, the Plan advances initiatives to expand housing and transportation choices, create healthier communities, and build a stronger regional economy. After spending a year collecting data from local transit agencies and other parties, MTC and ABAG approved a preferred land use scenario and transportation investment strategy that is designed to promote compact, mixed-use development that combines both residential and commercial uses and is located close to public transit, jobs, schools, shopping, parks, recreation and other amenities. BART facilities play a critical role in meeting major goals and objectives of the Plan.

The Plan includes the latest Regional Transportation Plan, which specifies how some $292 billion in anticipated federal, state and local funds will be spent through 2040. Nearly 87 percent (or $253 billion) will be used to maintain and operate the transportation network that already exists. Another way of looking at the distribution of the revenues — which include fuel taxes, public transit fares, bridge tolls, property taxes and dedicated sales taxes — is by mode of transportation. Maintenance and operation of the Bay Area's existing public transit services will receive about 54 percent ($159 billion) of the revenues. Of this total, BART is expected to receive from all sources (including farebox, taxes and grants) approximately $38 billion in operating and capital funds. The remainder includes: 32 percent for street, road, highway and bridge maintenance; 7 percent for transit expansion; and 5 percent for roadway and bridge expansion. A $3.1 billion reserve, comprised of anticipated future funding through the California Air Resources Board's Cap-and-Trade program for greenhouse gas emissions, accounts for another 1 percent of expected revenues.

BART continues to receive approximately $50 million per year in capital renovation funds from the FTA Sections 5307 and 5309 Formula Funding programs, which are programmed regionally by MTC. Under its current policy, MTC funds only the District's highest scoring transit capital reinvestment needs in the Plan. Under the Plan, the District has a 28 year capital asset renovation and rehabilitation need of $16.5 billion. MTC and participating counties fund these from a combination of Federal formula funds, "STP/CMAQ" and State Transportation Improvement Program ("STIP") funds. For the District, this means approximately 63% of the District's 28-year capital asset renovation and rehabilitation needs are projected to be funded in FY2013-2040. The remaining 37% of the District's reinvestment needs in this period, approximately $6 billion, remain unfunded. These Project needs will have to be met with funding sources yet to be identified by the District.

Rail Vehicle Replacement Program

On May 10, 2012, the Board of Directors authorized the award of a contract to Bombardier Transit Corporation ("Bombardier") for the procurement of additional and replacement cars. The base contract provides for the design, engineering, manufacture, testing, management and support of 260 heavy rail transit vehicles, with several options to procure additional vehicles thereafter, including two options for 150 vehicles, one option for 115 vehicles, and one option for 100 vehicles.

The District awarded the base contract for 260 vehicles in May 30, 2012, and exercised Option 1 to procure an additional 150 vehicles on June 25, 2012. Options 2, 3 and 4 for an additional 365 vehicles were exercised on December 27, 2013 for a total purchase of 775 vehicles.

The District expects Bombardier to commence delivery of 10 pilot vehicles in October 2015, which will undergo eighteen months of testing, qualification, simulated revenue service and pre-production design review. Once the initial cars are approved, Bombardier will produce and deliver 10 vehicles per month. The District expects Bombardier to begin production in December 2016.

The total project cost for the 775 vehicles will be approximately $2.584 billion, and will be paid from funding sources including funds from the MTC, the Santa Clara Valley Transportation Authority ("VTA"), and from BART itself.

MTC and the District have agreed in principle that MTC by allocation of Federal and State funds will fund 75% and BART will fund the remaining 25% of the purchases under the replacement vehicle contract. 60 vehicles will be attributed to vehicle needs for the expansion into Santa Clara County and will be funded per the terms of a cost sharing agreement entered into by VTA and BART in April 2011. A successor agreement is currently being negotiated by VTA and BART, but it is not anticipated that the successor agreement will alter the cost allocation for the 60 cars attributable to VTA.

BART anticipates funding its portion of the contract from the accumulated funds in the Rail Car Sinking Fund from annual operating funds of approximately $45 million for twelve years ending in Fiscal Year 2024-25. For Fiscal Years 2014-2015 and 2015-16 BART budgeted $45.00 million for this sinking fund. No debt is planned for the funding of the rail vehicle replacement program.

A portion of the funds MTC expects to use to fund its share of the cars depends on FTA and Federal Highway Administration ("FHWA") funds that are subject to authorization and appropriation by Congress, and on other critical regional transit capital needs. Should the FTA and FHWA funds become unavailable, the District cannot predict what funds, if any, MTC will provide in their place.

To set aside funding for vehicle replacement, the District and MTC entered into the BART Car Replacement Funding Exchange Agreement in 2006 (the "Exchange Agreement"). Under the Exchange Agreement, MTC agrees to program federal funds to eligible BART projects that are ready to be delivered within the year of MTC's programming action. In exchange for MTC programming funds for ready-to-go BART projects, the District deposits an equal amount of local unrestricted funds into a restricted account, the "BART Car Exchange Fund", established to fund BART's vehicle replacement program. MTC is the exclusive administrator of this restricted account and any withdrawal of funds from the account requires prior approval from the MTC Commission and the Board. In accordance with the agreement, MTC allocated Federal Section 5307 Grants of $72,000,000 in Fiscal Year 2013-14 and $74,168,151 in Fiscal Year 2014-15 to fund the District's preventative maintenance expenses and has budgeted $52,671,798 in Fiscal Year 2015-16 for such purpose. Accordingly, the District remitted or will remit to MTC the equivalent amount of its own funds, which funds are deposited by MTC to the BART Car Exchange Fund. The federal grant is shown as nonoperating revenue—operating financial assistance and the District's remittance to MTC is shown as nonoperating expense in the District's financial statements. The BART Car Exchange Fund for BART's car replacement program, which is excluded from the District's financial statements, showed a total cash and investment balance, at market value unaudited, of $275,998,407 as of June 30, 2015.

Earthquake Safety Program

The original components of the BART System, constructed in the 1960s, were designed to withstand much greater seismic stress than required by construction standards of the time. The 1989 Loma Prieta earthquake provided a significant test of that design. BART was back in service just hours after the event, while many roads, bridges, freeways, and other structures in the San Francisco Bay Area suffered major damage. With the San Francisco-Oakland Bay Bridge out of service, BART served as a vital link between San Francisco and the East Bay following the Loma Prieta earthquake. However, the epicenter of the Loma Prieta earthquake was located approximately 60 miles from most of the BART System. BART faces earthquake risk from several major fault lines in the immediate vicinity of BART rail lines.

In Fiscal Year 2000-01, BART embarked on a comprehensive study (the "Seismic Vulnerability Study") to assess the vulnerability of, and evaluate the risk to, the District's physical plant and systems from a major earthquake in the San Francisco Bay Area. The Seismic Vulnerability Study, developed by BART after more than a year of engineering analysis and presented to the Board of Directors on June 6, 2002, identified retrofit strategies to strengthen the BART System. In order to implement a retrofit strategy based on the Seismic Vulnerability Study, the Board of Directors adopted a resolution on July 25, 2002, placing a measure on the November 5, 2002 ballot seeking authorization to issue general obligation bonds, in one or more series, in an amount not to exceed $1.05 billion. The November 5, 2002 ballot measure failed to receive approval by at least a two-thirds vote in the Three BART Counties, receiving approval from 64.2% of the voters voting on the ballot measure.

Subsequently, on June 10, 2004, the Board of Directors adopted a General Obligation Bond Program Report, which defined a $1.307 billion (which includes projected construction inflation costs through estimated completion) earthquake safety program (the "Measure AA Earthquake Safety Program") based on the Seismic Vulnerability Study. The Measure AA Earthquake Safety Program is based on maintaining operability of the core components of the BART System and retrofitting the rest of the BART System to a life safety level. The Measure AA Earthquake Safety Program is designed (i) to protect aerial trackway structures, underground trackway structures, including the Transbay Tube, and at-grade trackway structures, stations, and administrative, maintenance, and operations facilities and (ii) to provide additional retrofits to facilitate a rapid return to service in the core of the BART System, spanning from the west portal of the Berkeley Hills Tunnel to the Daly City Yard.

In order to fund a portion of the Measure AA Earthquake Safety Program, the Board of Directors adopted a resolution on June 10, 2004, placing Measure AA on the November 2, 2004 ballot seeking authorization to issue general obligation bonds, in one or more series, in an amount not to exceed $980 million. Measure AA received approval by at least a two-thirds vote in the Three BART Counties, receiving approval from 68.8% of the voters voting on Measure AA.

Another major funding source for the Measure AA Earthquake Safety Program is a statutory designation contained in the Regional Measure 2 ("RM2") program, which was approved by Bay Area voters in March 2004. Funded by an increase of toll revenues from the State-owned Bay Area toll bridges, RM2 provides $143 million to the Measure AA Earthquake Safety Program, specifically to assist in the retrofit of the Transbay Tube. Other funding sources for the Measure AA Earthquake Safety Program include $134 million of State Local Seismic Safety Retrofit Program funds. The District has completed several retrofits of the Transbay Tube, including upgrading seismic joints, soil improvement, retrofitting the Oakland Ventilation Structure and installing structural steel liner in one Transbay Tube segment. The District is in the process of designing the last retrofit, consisting of internal leakage liners combined with a pumping upgrade.

The Program's funding plan has been reduced and its scope has been increased due to current and projected cost savings from favorable construction bids on project components. The current budgeted value of the Earthquake Safety Program is $1.27 billion.

System Expansion Program

Planned extensions of the BART System include:

Warm Springs Extension. This $890 million extension will extend BART service south 5.4 miles from the present terminus at the Fremont Station to a new station in the Warm Springs district of Fremont in southern Alameda County. Revenue service to the Warm Springs/South Fremont station is expected to commence in 2016. An optional station in the Irvington district, located north of Warm Springs, will be added if funding from the Alameda County Transportation Commission becomes available. The Warm Springs Extension alignment will be mostly at-grade; however, it will run beneath Fremont Central Park in a mile-long cut and cover subway. A Supplemental Environmental Impact Report was completed and the project was adopted by the Board of Directors in June 2003. Thereafter, an Environmental Impact Statement was completed and a Record of Decision was issued by the FTA in October 2006. The project funding plan includes substantial contributions from a variety of local and State sources and surplus revenues from the SFO Extension. The project has no Federal funding. The project is being implemented via two major contracts: the $137 million Fremont Central Park Subway contract ("Subway") which was begun in August 2009 and completed on schedule and within budget in April 2013 and the $299 million design-build Line, Track, Station and Systems

("LTSS") contract which was begun in October 2011. The Subway contract has achieved substantial completion on schedule. The LTSS (design build) contract is approaching 90% completion with factory and on-site testing of systems well underway.

Silicon Valley Program. The BART Silicon Valley Program (formerly referred to as the Silicon Valley Rapid Transit, or SVRT, Project) is a planned 16-mile extension of the regional BART system from BART's Warm Springs Station in Fremont, which is currently under construction, to the cities of Milpitas, San Jose and Santa Clara in the County of Santa Clara. The Program is being financed and implemented by VTA per the VTA - BART Comprehensive Agreement executed on November 19, 2001. The Comprehensive Agreement outlines the responsibilities of the two agencies concerning the construction, management, financing, operation and ongoing maintenance of this extension.

VTA acquired the right-of-way in December 2002 from the Union Pacific Railroad ("UPRR") securing a vital north/south transit corridor for Santa Clara County. As required under the right-of-way purchase agreement with UPRR, VTA has relocated the existing UPRR tracks off the BART corridor onto an adjacent corridor retained by UPRR. Additionally, as part of corridor preparation and in concert with the relocation of UPRR facilities, VTA has implemented flood control improvements where creeks cross the corridor and has relocated underground utilities that are in conflict with the BART and UPRR corridors.

The 16-mile extension is planned to include: six stations - one in Milpitas, four in San Jose and one in the City of Santa Clara; a five-mile tunnel in downtown San Jose and provision of a yard and shops at the end of the line in Santa Clara. The capital cost for the six station extension is estimated at $8.1 billion in Year-Of-Expenditure (YOE) dollars. The extension program is being implemented in phases.

The first phase, The Silicon Valley Berryessa Extension Project ("SVBX"), is under construction and comprises a 10-mile extension of BART service with two stations – one in Milpitas and one in San Jose at Berryessa Road. Along with VTA constructing the first phase, BART is constructing a revenue vehicle primary maintenance facility at BART's Hayward Yard, and is adding 60 new cars to the revenue vehicle fleet. The first phase, with an estimated capital cost of $2.42 billion in YOE dollars, was granted a FTA Full Funding Grant Agreement in March of 2012.

To date, relocation of UPRR facilities and third party utilities along the BART corridor for SVBX, and grade separation of Mission Boulevard, Warren Avenue and Kato Road, all in the City of Fremont, have been completed. Construction of the guideway, in trench, at grade and aerial, has progressed substantially by the Line, Track, Stations and Systems Contractor (the "LTSS Contractor"). The LTSS Contractor has also made progress on the construction activities for stations at Milpitas and Berryessa, and installation of electrical and systems equipment. The design of parking garages at the two station campus locations is underway with major construction activities anticipated to begin later in 2015. Revenue services are forecasted to begin in the last quarter of 2017.

Planning and environmental studies for the second phase have begun with the Federal Record of Decision anticipated in spring of 2017. Preparation for entry into the Federal New

Starts Program is planned for the first quarter of 2016 with the Federal Transit Administration's issuance of a Full Funding Grant Agreement anticipated sometime after 2018.

Hayward Maintenance Complex. The Hayward Maintenance Complex will consist of a maintenance yard to handle responsibilities relating to vehicles for the Silicon Valley expansion and related system maintenance needs. The first phase of $240 million of this $409 million project has been funded by Federal grants and BART operations and is now under construction. Further funding for this project is expected from VTA.

eBART/East Contra Costa Rail Extension. The eBART extension, designed to improve transit service in the congested California State Highway Route 4 ("State Route 4") corridor, consists of a 10-mile extension eastward from the Pittsburg/Bay Point BART station to the City of Antioch utilizing a diesel multiple unit ("DMU") technology. The eBART Project alignment will be in the median of State Route 4 with a transfer platform in the existing Pittsburg/Bay Point station BART tailtrack, a station in Pittsburg at the Railroad Avenue, and terminus station at Hillcrest Avenue in Antioch. The eBART Project is estimated to cost approximately $524 million. Environmental review was completed and approved by the Board in April 2009. The contracts for the transfer platform and the maintenance facility have been completed. The major contract encompassing track construction, signaling systems, communications, station finishes and performing the systems integration is currently underway. Completion of this contract is dependent on the progress of the State Route 4 widening schedule. The project is targeting a revenue service date of late 2017. The project funding plan includes substantial contributions from Contra Costa County, MTC and various other local and State funding sources.

BART to Livermore Extension. In February 2012, the Board directed staff to advance the proposed BART to Livermore Project to the next level of project development, including developing a Project-Level Environmental Impact Report ("EIR"). Study funding has been received from the Alameda County Transportation Commission and the MTC. The proposed project consists of a 4.8-mile BART extension along I-580 to a new station in the vicinity of the Isabel Avenue/I-580 interchange. In addition to the proposed project, four other alternatives are being evaluated in the EIR: 1) A No Build alternative assuming that the proposed project is not constructed; 2) A DMU/EMU (as defined below) alternative implementing a new rail service from the existing Dublin/Pleasanton BART station to a new station in the vicinity of the Isabel Avenue/I-580 interchange using DMU or electric multiple unit (EMU) technology; 3) An Express Bus/Bus Rapid Transit alternative incorporating improvements that provide for more seamless bus-to-BART transfers including direct access bus ramps from the I-580 HOV/Express lanes to a new bus facility at the BART platform level of the existing Dublin/Pleasanton station; and 4) An Enhanced Bus alternative including modest, low-cost improvements to existing bus services at the Dublin/Pleasanton BART station. The Board had previously adopted a Program Environmental Impact Report in July 2010. A funding plan for the proposed investment needs to be developed as part of the project-level environmental study.

System Reinvestment Program

Automatic Fare Collection Modernization/ Clipper Card. The Automatic Fare Collection Modernization Program (the "AFC Modernization Program") provided for the complete renovation and replacement of fare collection equipment throughout the BART System, including ticket vendors, addfare machines, and faregates. The AFC Modernization Program also provided new bill-to-bill change machines for installation in each station, upgrades to the central Data Acquisition System and station infrastructure upgrades. The new fare collection equipment is compatible with MTC's Clipper Card® Program (formerly known as "Translink"), designed to enable a transit rider to utilize one ticket to access multiple transit systems within the San Francisco Bay Area. Clipper Card® has been operating in revenue service on BART gates since August 2009.

Train Control. Trains are controlled from the Control Center, which provides supervisory control of train operations, and controls electrification, ventilation and emergency response system. Display boards use computer imaging and video projection to display the entire system, including track and train positions and maintenance information. A network of control devices that control train speed, train separation, routing, and station stopping functions. It is comprised of analog and microprocessor based systems in 44 stations and 12 control huts. The system also includes a backup train protection system.

Supervisory and Control Systems. These systems provide supervisory control of train operations, electrification, ventilation and emergency response systems to the Control Center. Display boards use computer imaging and video projection to display the entire system, including track and train positions and maintenance information. A central computer system monitors train operations and manages system schedules and dispatching, and sends commands to the train control systems to facilitate train movement and platform stopping and release functions.

Communications. The backbone of the supervisory and control systems is the operations communication network. It consists of fiber optic cable plant and computer systems that control and route all commands to the field from the Control Center. These computers, which are located throughout the system, have a limited service life and require periodic upgrading or replacement.

Replacement of the trunked radio system will be necessary within the next ten years. This system is used for train operation, communications between central operations and wayside, and for District police. Certain improvements and updates have been implemented to date; full replacement will occur at such time that funds become available.

Traction Power System. The Traction Power System ("TPS") consists of 118 substations, over 700 high voltage circuit breakers and switchgear, 114 transformer-rectifiers, and over 1.5 million linear feet of cabling, most of which will be at or exceed its life expectancy within the next 10 years. The Fiscal Year 2005-06 Capital Improvement Program began to address this critical system need by staging a reinvestment program starting in 2006 to repair and replace this equipment with annual allocations from FTA Section 5307 Federal formula funds. Currently, projects are underway to replace miles of cable and replace 14 TPS substations.

Wayside Facility Infrastructure. This program consists of renovation of the system's backbone infrastructure including rail and tie replacement, ventilation fan and street grating renovation, and other wayside facilities that will require repair and renovation on an on-going basis. Wayside Facilities which touch the track and guideway rail systems receive an annual allocation of funding from the FTA Section 5307 Formula Funding program.

As noted in several of the program descriptions above, the District will continue its practice of making necessary investments in ongoing renovation and replacement of major components of the District's infrastructure as needed. Included as ongoing system reinvestment projects are the mainline projects of Rail/Wayside Infrastructure Replacement, Traction Power System Renovation, Train Control Renovation and associated controls and communications project, Transbay Tube Cathodic Protection; and Stations and Facilities rehabilitation projects including roofs, paving, waterproofing, painting and accessibility repairs. In addition, other projects are contemplated or underway to upgrade certain District systems.

Security Enhancement Program

It is the District's mission to provide safe, clean, reliable, and customer-friendly regional public transit service that increases mobility and accessibility, strengthens community and economic prosperity, and helps preserve the Bay Area's environment. Security programs are a key component in fulfilling this mission, and as such, BART's Security Program has been developed as a tool to make security resources readily available and integrate security programs into all of BART's operations and services. It is a goal of BART, through the effective implementation and administration of this Security Program, to take proactive measures that will improve the overall security of its transit operations and services. To achieve this goal, BART must make significant capital investments in infrastructure security hardening, employee training and customer outreach. At present, the District anticipates that the majority of funding required for capital security improvements will need to be obtained from external grant sources.

Service and Capacity Enhancement Program

Major elements of this program include station enhancements and upgrades, capacity projects, station access improvements and transit-oriented development projects.

Station Enhancements and Upgrades. Station enhancement and upgrade projects include capacity expansion and upgrade projects within the paid and unpaid areas of stations. Such projects may be either system wide projects or individual station projects, which are developed through a comprehensive planning process. Once projects are identified, grant funding is sought from a variety of sources to allow for project implementation. When grant funding is secured and identified for a particular project, such project is implemented. Projects identified, funded and implemented to date include the reconstruction of the station entrance plaza at the 16th/Mission Street station, streetscape improvements at the Concord station, and access and accessibility improvements at both the Glen Park and Balboa Park stations.

Capacity Projects. Capacity projects may be either system wide projects or station-specific projects. Once projects are identified, grant funding is sought from a variety of sources to allow for project implementation. When grant funding is secured and identified for a particular project, such project is implemented. Station capacity projects identified, funded and implemented to date include the phase one expansion at the Balboa Park station, consisting of a new escalator, stairs, faregates and emergency exit improvements.

System Access Improvements. Implementation of System Access Improvements projects is dependent upon securing funding. When grant funding is secured and identified for a particular project, such project is implemented.

Transit-Oriented Development. During 2004, a policy review panel, comprised of representatives of the Board of Directors, ABAG, MTC, the Bay Area Air Quality Management District and the Center for Transit-Oriented Development, a national organization formed to address transit-oriented development issues, conducted a comprehensive review of BART development activity in order to revise existing BART policies regarding real estate development. On July 14, 2005, the Board of Directors adopted the revised "Transit-Oriented Development Policy" (the "TOD Policy"), which resulted from this review. The TOD Policy is intended to guide development on BART land, to provide for interface with private development adjacent to BART stations, and to assure that access to BART stations will be accommodated by all development around BART stations.

To date, BART and its development partners have completed residential and commercial projects at the Castro Valley, Richmond, Ashby, Pleasant Hill/Contra Costa Centre and Fruitvale stations. Projects at West Dublin/Pleasanton, McArthur and South Hayward are under construction. Other projects in various stages of development are slated for the Coliseum, Millbrae, Walnut Creek, San Leandro, and Glen Park, stations. Additional TOD activity has occurred at the Hayward and Dublin/Pleasanton stations through property exchanges with the local land use jurisdictions. The District continues to work closely with a variety of local jurisdictions, community groups and private development partners to advance such projects and to support their efforts to develop public and private funding plans for these projects. Participation in the planning and development process does not commit the District to funding any project.

Funding Developments

Pension Reform and Grant Funding. In October 2013 temporary legislation was passed exempting represented transit workers from the Public Employee's Pension Reform Act of 2013 ("PEPRA") which had been enacted in 2012 and took effect on January 1, 2013. The temporary legislation was required because the United States Department of Labor (DOL) had refused to certify federal funding grants based on its finding that PEPRA infringed upon transit workers' collective bargaining rights. DOL certification is required in order for the Federal Transit Administration to pay grants. Absent that certification transit agencies in California could not receive federal funds. Once the temporary legislation making represented transit employees exempt from PEPRA was enacted the DOL permitted the release of federal funds to transit agencies including the District.

The State of California (and the Sacramento Regional Transit Agency) brought litigation in the U.S. District Court, Eastern District of California which challenged the DOL's determination that PEPRA interfered with collective bargaining rights. On December 30, 2014, the U.S. District Court issued a ruling that the DOL's refusal to certify the federal grants was arbitrary and capricious. The District Court remanded the issue back to the DOL with instructions that it act in accordance with the District Court's order.

The legislation which exempted transit employees from PEPRA by its terms was to expire in 2015 or upon a determination by the District Court that the DOL erred in refusing to certify the federal funds. As a result, the temporary exemption expired on December 30, 2014 and all transit employees became subject to PEPRA.

However, the matter has not been resolved, since the date of the ruling the DOL refused and continues to refuse to certify any new federal grants to California transit agencies. The DOL is taking the position that the District Court's ruling does nothing more than require it to reconsider whether PEPRA infringes upon collective bargaining rights. As a result, disputed federal transit funds are not currently being released.

BART has approximately $90 million in federal grants which could be affected. The DOL has made its certification of grant funds subject to certain terms and conditions. Those conditions may require the District to either refuse to comply with PEPRA or alternatively to return the grant funds.

State Transit Funding. In Fiscal Year 2009-10, the Governor enacted the "gas tax swap" which decreased the sales tax and increased the excise tax on gasoline, providing the State with additional revenue to pay State general obligation bond debt service, and decreased the excise tax and increased the sales tax on diesel fuel, thereby providing revenue for the Public Transportation Account to fund the State Transit Assistance ("STA") program beginning in Fiscal Year 2011-12. The gas tax swap legislation requires STA to be continuously appropriated on the basis of revenue generations, thus the final STA funding each year for the District will be dependent on actual receipts from the sales tax on diesel fuel.

The District received STA funds of $20,021,402.03 in Fiscal Year 2013-14 and approximately $21.9 million in Fiscal Year 2014-15 and the District has budgeted $16.5 million in Fiscal Year 2015-16.

DISTRICT FINANCIAL INFORMATION

Financial Statements

A copy of the most recent audited financial statements of the District prepared by Macias Gini & O'Connell LLP ("MGO"), Walnut Creek, California, is included as Appendix B to this Official Statement. See Appendix B—"SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT REPORT ON AUDITS OF FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2014 AND 2013." The financial statements of the District included in Appendix B to this Official Statement have been examined by MGO, whose report thereon appears in such Appendix. MGO was not requested to consent to the inclusion of its report in Appendix B, nor has MGO 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 Official Statement, and no opinion is expressed by MGO with respect to any event subsequent to the date of its report.

In 2011, the District converted to its new Business Advancement Program ("BAP"), which included the financials, materials management and maintenance modules. Every facet of the District's operations was impacted by the implementation. In a letter to the Board of Directors of the District, the District's auditors identified several issues with the implementation which, taken together, they identified as a material weakness. A material weakness is a deficiency or combination of deficiencies in internal controls such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

The District's auditors identified the following specific weaknesses. Due to insufficient training, some users of the BAP system were performing certain financial tasks manually or in spreadsheets that should have been completed using the BAP system. The late closing of the Capital Project module negatively impacted the District's ability to bill or request for grant reimbursements of project costs, which constrained the District's available cash, and caused delays in audit planning, execution and the issuance of the District's financial statements. The implementation of the BAP system was, in the auditor's opinion, insufficiently tested, and did not use formal signoffs to note which stages of the plan had been performed. Finally, the auditors found that the BAP system listed users that had retired in 2011, although the auditors did not find any instances of such users accessing the system after their retirement date.

The District responded to the findings by implementing a corrective plan, which included additional training, supervisory oversight, tighter controls on user authorization, and hiring specialists to support the system and end users. The District's corrective plan was implemented by the end of Fiscal Year 2014 and the material weakness finding was removed.

In Fiscal Year 2014, MGO noted a significant deficiency finding related to the late recognition of the extinguishment of loans from SamTrans and MTC as a result of the termination of the 1999 Memorandum of Understanding between the District, SamTrans and MTC in 2007. During 2014, the District re-evaluated the provisions of the termination agreement and the Tri-Party Financial Agreement between the District, SamTrans and MTC and concluded that the obligations to SamTrans for $72,000,000 and MTC for $16,500,000 were extinguished. A special item to recognize a special gain was recorded in Fiscal Year 2014. Please refer to Note 6 of the audited financial statements of the District included as Appendix B to the Official Statement for more information.

Historical Financial Results

The table on the following page summarizes BART's historical financial operating results for its General Operating Fund for the Fiscal Years ending June 30, 2010 through June 30, 2014 and preliminary unaudited results for Fiscal Year 2014-15. This summary for the Fiscal Years ending June 30, 2010 through June 30, 2014 is derived from BART audited financial statements for the Fiscal Years indicated therein (excluding certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such statements, including the notes thereto. Amounts reported in audited financial statements as "Other Income (expenses)" under "Nonoperating revenues (expenses)" are excluded from the presentation below because they pertain only to extraordinary transactions or those transactions associated with Other District Funds — i.e. debt issue and debt service costs. The data presented for Fiscal Year 2014-15 consists of preliminary unaudited information that does not reflect the implementation of GASB 68 relating to pension funding and liabilities. The income and expenses reported in the audited financial statements were based on consolidated information which included transactions pertaining to Other District Funds—Capital Funds and Debt Service Funds. Generally, income and expenses associated with the Other District Funds include investment income, interest expense and debt issue costs. However, in the table below summarizing historical financial operating results, only transactions related to the District's General Operating Fund are shown.

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HISTORICAL FINANCIAL RESULTS OF GENERAL OPERATING FUND
($ in Thousands)

	(Fiscal Years Ending June 30)					
	2010	2011	2012	2013	2014	2015 (1)
Annual Passengers (thousands)	101,004	103,714	110,777	117,815	117,074	125,979
Operating Revenues						
Passenger Revenues	$332,018	$343,472	$367,342	$406,890	$416,573	$463,645
Investment Income(2)	297	228	123	23	8	167
Other	36,374	33,273	34,512	36,383	46,587	50,659
Total Operating Revenues	$368,688	$376,973	$401,977	$443,296	$463,168	$514,471
Financial Assistance:						
Sales Tax Revenues	$166,520	$180,819	$195,214	$208,561	$221,149	$233,148
Property Tax Revenues(3)	30,114	29,515	29,694	31,686	32,054	34,324
Other	59,428	28,134	49,894	47,728	96,297	101,275 (4)
Total Financial Assistance	$256,062	$238,469	$274,802	$287,975	$349,500	$368,747
Total Operating Revenues and Financial Assistance	$624,750	$615,441	$676,779	$731,271	$812,668	$883,218
Operating Expenses:						
Labor	$366,666	$358,249	$380,692	$407,076	$411,426	$437,877(5)
Electrical Power	35,332	35,297	35,062	37,306	37,231	36,568
Express Feeder Bus (6)	8,307	223	132	220	1,346	3,356
Purchased Transportation-OAC	–	–	–	–	–	3,542
Other Non-Labor	101,949	97,639	113,730	122,410	121,297	132,728
Total Operating Expenses(7)	$512,254	$491,408	$529,616	$567,012	$571,300	$614,071
Net Revenues	$112,496	$124,033	$147,163	$164,259	$241,368	$269,147
Bond Debt Service(8)	$68,389	$68,074	$62,273	$62,442	$58,240	$55,958
BART Car Exchange Funding (9)	$22,683	–	$25,940	$23,980	$72,000	$74,168
Excess Revenues/(Deficit)	$21,424	$55,959	$58,949	$77,837	$111,128	$139,021
Operating Ratio(10)	72%	77%	76%	78%	81%	84%
Farebox Ratio(11)	65%	70%	69%	72%	73%	76%

(1) Preliminary unaudited amounts, subject to change.
(2) Investment income amount in audited financial statements is higher due to inclusion of investment income from District Funds other than the District Operating Fund.
(3) Excludes property tax revenue collected for the debt service of the general obligation bonds.
(4) Excluding additional STA financial assistance not yet accrued.
(5) Before adjustment related to the implementation of GASB 68.
(6) Relates to District's share of expenses paid to local operators associated with providing passenger access to BART not covered by STA funds.
(7) Amount reported is higher in audited financial statements because such amounts in the financial statements include depreciation expense.
(8) "Bond Debt Service" reported above represents actual amount remitted to cover debt service paid from General Operating Fund, which excludes general obligation bonds. Amount in audited financial statements under "Interest Expense" represents interest expenses for all District debts, net of capitalized interest expense. For a complete discussion of BART's long term debt, see Note 6 to the audited financial statements of the San Francisco Bay Area Rapid Transit District included as Appendix B to this Official Statement.
(9) BART Car Exchange Funding represents a transfer to MTC in exchange for the same amount in Federal preventive maintenance grant provided by MTC to the District. The Federal grant received is shown as part of Financial Assistance – Other.
(10) Operating Ratio is defined as the total operating revenues divided by the total operating expenses.
(11) Farebox Ratio is defined as total passenger revenues divided by total operating expenses.

Management's Discussion of Historical Financial Results

In fiscal year ending June 30, 2014, the District saw continued growth in operating revenues and sales tax revenues, while managing increases in operating expenses to a corresponding level. The two labor strikes in July and October 2013, with a total of eight days of no rail service, resulted in an estimated loss of about 3.7 million total trips. Total passenger ridership decreased to 117.1 million, a 6% decrease from the prior fiscal year. Total operating revenues and financial assistance increased 11% to $813 million due to a $48M increase in the Rail Car Fund Swap, other operating revenue and improving sales tax revenues. In Fiscal Year 2013-14, BART's parking program generated $20.0 million and advertising and telecommunication programs generated $8.3 million and $6.4 million, respectively.

Sales Tax Revenues increased to $221 million, growing by 6% from the prior fiscal year and exceeding the pre-recession peak of $203 million. The economy appears to be more vibrant due to the location of many technology companies in the area and the increase of tourism to San Francisco and the Bay Area. The large number of education, healthcare, government and research facilities located in the area also provides stability to the local economy compared to the general State economy.

Other operating assistance received by BART includes STA, with $20.0 million received in Fiscal Year 2013-14. It should be noted that although legislation has been implemented in the past few years to make STA a more secure funding source for transit operators, STA is dependent on the price of diesel fuel and actual sales. In addition, future State budget problems could result in reduced STA. Additional revenue comes from BART's portion of the one percent general property tax levy that amounted to nearly $32.5 million in Fiscal Year 2013-14, up 6% from the prior fiscal year, including an adjustment for an incorrect booking from Fiscal Year 2013-14.

Operating expenses, excluding depreciation, increased by $4.3 million (1%) in Fiscal Year 2013-14. The Fiscal Year 2013-14 included investments in the BART system related to rising ridership and reinvesting in infrastructure, as well as additional staff and funds to address areas such as employee safety and station cleanliness. Actual labor and benefit costs for the fiscal year were slightly over budget primarily due to the labor contract settlement. Offsetting the cost increases was a lower required allocation to BART's Workers Compensation Reserve and reduced expenses during the eight days of labor strike in July and October 2013, as well as favorable electric power due to savings from carbon fees not applying to District market power purchases and lower than budgeted power purchases.

The District's labor force was increased by 52 positions in Fiscal Year 2013-14, with many of the positions addressing targeted priority areas such as station cleanliness and improvements. Under the new labor agreements, labor costs are anticipated to increase by reasonable amounts. In each Fiscal Year's budget process, management establishes an operating ratio goal (percentage of operating revenue to operating expenses). The District has achieved increasing operating ratios of above 70% in recent years, well above national averages for urban transit systems. The District's operating ratio for Fiscal Year 2013-14 was 81.1%, slightly above the budgeted goal of 80.2%.

The District proceeded with major capital projects in Fiscal Year 2013-2014, including the Warm Springs Extension, the Oakland Airport Connector project and the Rail Vehicle Replacement Program. See "BART FINANCINGS AND CAPITAL PROGRAMS."

Preliminary Results for Fiscal Year 2014-15 and Adopted Budget for Fiscal Year 2015-16

On June 12, 2014, BART's nine-member Board of Directors adopted a $854 million, balanced budget for the Fiscal Year 2014-15. Preliminary financial results for Fiscal Year 2014-15 were positive with increases in both operating revenue and financial assistance revenue, while expenses increased within expectations. BART is carrying more riders than ever while maintaining high passenger on-time performance. In order to address both the increased ridership and its impact on system capacity and the need to ensure that critical infrastructure rehabilitation projects advance, four areas required focus: Safety, Infrastructure, Stations and Sustainability.

The Fiscal Year 2014-15 operating budget included a $45.0 million allocation to the Rail Car Sinking Fund, which makes up a part of the District's initial $298 million commitment for its share of the Phase 1 purchase of 410 new rail cars. This funding, combined with previously "banked" funding and future funding commitments, enabled BART to award the base contract and Option 1 of the new vehicle contract, totaling 410 cars, in May and June, 2012, respectively, and will allow for the District to secure new rail vehicles needed to maintain reliability and meet current and future capacity demands.

The budget also allocated $43 million capital reinvestment needs, including continuing multi-year rehabilitation programs to replace seats and floors in the current fleet, and replace obsolete lighting in tunnels and facilities to improve worker visibility, as well as allocations towards the Control Center renovation and the Millbrae Tail Track. Also included were the "baseline" State of Good Repair allocation that provides for local match on capital grants, stations and facilities renovation, equipment, and other important needs not typically eligible for grants. These allocations were on top of $56.0 million in debt service payment mainly due to bond issues for prior year capital reinvestment programs, which also included $6.5 million for debt related to the OAC project. The 5.2% fare increase implemented on January 1, 2014 combined with increased ridership produced approximately $47 million in increased passenger fare revenue in Fiscal Year 2014-15. Approximately $18.8 million of such additional fare revenue was dedicated to capital projects, specifically to three priority programs: the Rail Vehicle Replacement Program, the Hayward Maintenance Complex, and the replacement of the District's automated train control system. While funding for many projects has been identified, overall, system reinvestment needs still require significant future funding.

In addition to the Rail Car Sinking Fund and capital reinvestment budget allocations, the Fiscal Year 2014-15 operating budget included $10.9 million and 56 positions in operating initiatives to address a number of essential operating needs, including worker safety initiatives, station improvements, parking enforcement, technology improvements, and other smaller needs. Most of these initiatives were recommended to keep the District functioning effectively.

On June 11, 2015, the BART Board of Directors adopted a $903 million balanced operating budget for Fiscal Year 2015-16 that expects increased ridership on the system with a further increase expected relating to the opening of service on the Warm Springs Extension by the end of 2015. Corresponding increased farebox revenues are projected, assisted by the scheduled January 1, 2016 CPI based fare increase. Other operating revenue is also expected to increase consisting primarily of parking revenue and commercial communications and advertising revenue. The District plans to utilize 4G technology in its underground cellular network and expand availability of its fiber optic cable and cellular sites for revenue licensing as well as improved service to customers. Sales Tax Revenues are expected to increase to $244.6 million and property tax revenues and other operating assistance are also expected to increase to $63 million.

The Fiscal Year 2015-16 operating budget continues the annual $45.0 million allocation to the Rail Car Sinking Fund, recognizing it as a critical investment in BART infrastructure and its required contribution to the $2.6 billion rail vehicle purchases.

Operating expenses are budgeted to increase by 10% over the prior Fiscal Year budget. Major factors for such increase, in addition to the ongoing typical increases in wages, benefits and power purchases, are the added costs of providing service to the Warm Springs Extension and related system investments and other Board initiatives resulting in 52 (171 if capital positions also included) new staff positions. In order to obtain full utilization of the existing fleet of rail vehicles pending the delivery of new cars in future years expanded maintenance shop employment is required. Recognizing the need for better customer service and in response to customer satisfaction surveys additional station, grounds and right of way maintenance personnel are also budgeted. With increase ridership and an aging system, operating funds directly support the high priority items of System Reinvestment and Capacity Enhancement programs: Rail car replacement, Hayward Maintenance Complex and Train Control Modernization Project.

BART's capital budget for the Fiscal Year 2015-16 of $665 million also focuses on the System Reinvestment program which is a collection of approximately 100 discrete projects generally categorized as controls and communications, facilities, mainline, rolling stock and work equipment. A major component of the System Reinvestment program is the "Big 3" projects – replacement/augmentation of the rail fleet, modernization of the train control system and construction of the Hayward Maintenance Complex. The "Big 3" initiative cost in Fiscal Year 2015-16 is $170 million and represents one of the largest commitments in the Fiscal Year 2015-16 capital budget. Also in the System Reinvestment program are station investments and passenger and worker safety related projects (life safety systems, circulation, access control, coverboards, aerial structure fall protection, and others). System Reinvestment expenditures overall have increased by 17% over Fiscal Year 2014-15 due to increased focus and prioritization of several reinvestment projects in operational areas of high risk exposure (track condition, traction power transformers and substations, rail tie/switch replacement, wayside equipment and existing train control rehabilitation).

Risk Management and Insurance

The District is partially self-insured for workers' compensation, public liability and property damage claims. The District's property is insured against flood damage but is not insured against earthquake damage, which is not currently commercially affordable. The District's property is insured for $65 million per occurrence for equipment in the Control Center and \$50 million per occurrence for all other insured property. The self-insured retention for property is \$5 million per occurrence. Terrorism insurance coverage is provided for workers' compensation and the first \$50 million of public liability and \$22 million for insured property.

The District's self-insurance programs are administered by independent claims adjustment firms. Claim expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities are discounted at a 3% rate and are based, in part, upon the independent adjustment firms' estimate of reserves necessary for the settlement of outstanding claims and related administrative costs, and included estimates of claims that have been incurred but not yet reported. Such reserves are reviewed by professional actuaries and are subject to periodic adjustments as conditions warrant.

Pursuant to a recent evaluation of District liabilities for workers compensation, outstanding losses as of June 30, 2014 are projected to total \$52,531,643 (undiscounted). The required reserves discounted 3% are \$45,733,407. Ultimate District workers compensation losses are limited to \$4,000,000 per occurrence for the forecast periods and are estimated at \$15,837,100 for Fiscal Year 2014-15 and \$16,264,700 for Fiscal Year 2015-16. Outstanding losses for automobile and general liability are projected to be \$6,721,687 (undiscounted). The required reserves discounted 3% are \$6,426,481.

See also Note 8 to the audited financial statements of the District included as Appendix B to this Official Statement.

Investment Policy

The investment of funds of BART are made in accordance with BART's investment policy, developed by BART's Controller/Treasurer and approved by the Board of Directors on October 23, 2003 (the "Investment Policy"), and Section 53600 et seq. of the California Government Code. The Investment Policy is subject to revision by the Controller/Treasurer, subject to approval by the Board of Directors, at any time and is reviewed periodically to ensure compliance with the stated objectives of safety, liquidity, yield and current laws and financial trends.

All funds of BART and investment activities are governed by the Investment Policy, which sets forth the following primary objectives, in order of priority:

1. Preservation of capital.

2. Liquidity – funds shall be invested only until date of anticipated need or for a lesser period.

3. Yield – generation of a favorable return on investment without compromise of the first two objectives.

See Appendix C—"SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT STATEMENT OF INVESTMENT POLICY."

Set forth in the below table are the carrying values and types of investment securities in BART's General Fund as of June 30, 2015.

INVESTMENT DISTRIBUTION
as of June 30, 2015

Certificates of Deposit	$ 858,559
Cash on Hand and in Bank	240,662,274
Investments – Federal Agency Obligations	262,714,534
Total	$504,235,367

Source: District.

As of June 30, 2015, the average duration of the District's investments (average days to maturity) was 266 days.

All amounts deposited in the Project Fund established in connection with the outstanding general obligation bonds are invested at the direction of the District in Investment Securities as such term is defined in the Paying Agent Agreement entered into by the District in connection with the general obligation bonds. Investment Securities include guaranteed investment contracts.

All amounts held by the trustee for the Sales Tax Revenue Bonds in the funds and accounts established under the indenture pursuant to which such obligations were issued are invested at the direction of the District, subject to certain limitations contained in the applicable indenture.

Employee Retirement Benefits

The information concerning the California Public Employees' Retirement System ("CalPERS") set forth below is excerpted from publicly available sources which the District believes to be accurate, but the District cannot and does not guarantee such information as to accuracy and completeness. CalPERS should be contacted directly at CalPERS, Lincoln Plaza North, 400 Q Street, Sacramento, California 95814, Telephone: (888) 225-7377 for other information, including information relating to its financial position and investments.

Plan Description. All eligible employees may participate in the Public Employees' Retirement Fund (the "Fund") administered by CalPERS under the Miscellaneous Plan and the Safety Plan of the District. The Safety Plan covers all sworn police officers of the District; all other District employees are covered by the Miscellaneous Plan. The Fund is a multiple-employer public sector employee defined-benefit retirement plan that acts as a common investment and administrative agent for approximately 3,089 local public agencies and school districts within the State of California, including the District. The Fund provides retirement, disability and death benefits based on the employee's years of service, age and compensation. New employees hired on or after January 1, 2013 whose benefits are limited by PEPRA under the Miscellaneous Plan, vest after five years of service and may receive retirement benefits starting at age 52. Under PEPRA, employees hired prior to January 1, 2013, also referred to as “classic” employees, and employees under the Safety Plan, vest after five years of service and may receive retirement benefits starting at age 50. These benefit provisions and all other requirements are established by State statute and District contractual agreements. Legislation was enacted in the State which exempted most District employees from the provisions of pension reform, at least as an interim measure pending the resolution of a dispute with DOL. See “BART FINANCINGS AND CAPITAL PROGRAMS – Funding Developments – Pension Reform and Grant Funding,” above.

Annual Actuarial Valuation Reports. CalPERS prepares an Annual Actuarial Valuation Report (“CalPERS Actuarial Report”) for its members. The District receives an annual report for its Miscellaneous Plan and a separate annual report for its Safety Plan. The latest CalPERS Actuarial Reports were received by the District in October 2014, which were based on financial data available from the District and from various CalPERS databases as of June 30, 2013. These Reports established the District’s required minimum employer contribution rates for Fiscal Year 2015-16, which are 14.787% of covered payroll for the Miscellaneous Plan and 51.606% of covered payroll for the Safety Plan, before any cost sharing. The Reports also included for District’s Miscellaneous and Safety Plans the latest Schedule of Funding Progress, which shows a five-year history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of unfunded actuarial accrued liability to payroll, as discussed herein below. CalPERS issued letters on December 19, 2012 indicating the employer contribution rates for new PEPRA employees will be the same rates as classic employees. The impact of most of the PEPRA changes first appeared in the rates and benefit provision listings of the June 30, 2013 valuation for the Fiscal Year 2015-16 rates.

The District’s employer required contribution rates for Fiscal Years 2013-14 and 2014-15 were determined by actuarial valuations of the Plans as of June 30, 2011 and 2012, respectively. The employer required contribution rates for Fiscal Year 2013-2014 were 12.26% of covered payroll for the Miscellaneous Plan and 42.885% of covered payroll for the Safety Plan, and the employer required contribution rates for Fiscal Year 2014-2015 were 13.303% of covered payroll for the Miscellaneous Plan and 47.789% of covered payroll for the Safety Plan.

Funding Policy. CalPERS’ funding policy for the Miscellaneous Plan and the Safety Plan (hereinafter sometimes referred to as the “CalPERS Plans”) requires periodic contributions by the District based on CalPERS actuarially determined amounts sufficient to accumulate the necessary assets to pay benefits when due as specified by contractual agreements between the District and its unions. The individual entry age normal method is used to determine the normal cost. There are two components to this cost: the employer cost and the employee cost. District payment for the employer portion of the contributions for the Miscellaneous Plan to cover normal cost and to amortize the unfunded actuarial accrued liability, as a percentage of covered payroll, were 12.269% for Fiscal Year 2013-2014 and 11.736% for Fiscal Year 2012-13. District payment for the employer portion of the contributions for the Safety Plan to cover normal cost and to amortize the unfunded actuarial accrued liability, as a percentage of covered payroll, were 47.789% for Fiscal Year 2014-15, 42.885% for Fiscal Year 2013-2014 and 41.566% for Fiscal Year 2012-13, and will be 51.606% for Fiscal Year 2015-16.

The District, in compliance with the collective bargaining agreements, also reimburses “classic” employees as defined by CalPERS for all or a portion of the employee share of the pension contributions, which are 9% for public safety personnel and 7% for miscellaneous covered employees. The latest collective bargaining agreements require the District to reimburse represented "classic" miscellaneous employees of ATU, SEIU, and AFSCME, for their contributions, effective on July 1, 2013 in the amount of 6.50%, effective on January 1, 2014 in the amount of 6%, effective January 1, 2015 in the amount of 5%, effective January 1, 2016 in the amount of 4%, and effective January 1, 2017 in the amount of 3%. Contributions for nonrepresented miscellaneous employees will be made at the same level but effective six months later in conjunction with their wage increases. With the latest collective bargaining agreements for represented BPOA and BPMA employees, they will continue to be reimbursed for their contributions. However, they will contribute to the employer's share effective July 1, 2013 in the amount of 0.5%, effective January 1, 2014 in the amount of 1%, effective January 1, 2015 in the amount of 2%, effective January 1, 2016 in the amount of 3% and effective January 1, 2017 in the amount of 4%. Contributions for nonrepresented safety employees will be made at the same level as BPMA but effective six months later in conjunction with their wage increases.

Under PEPRA, effective January 1, 2013, "new" employees as defined by CalPERS and PEPRA who are not represented must contribute ½ of the total normal cost. The contribution rate is 12% for safety personnel and 6.25% for miscellaneous employees. State law excluded represented employees from these contributions until a recent federal court ruling was made. Beginning on December 30, 2014, represented employees began contributing at the PEPRA rate.

In calculating the annual actuarially required contribution rates, the CalPERS actuary calculates, on the basis of certain assumptions, the actuarial present value of benefits that CalPERS expects to fund under the CalPERS Plans, which includes two components, the normal cost and the unfunded actuarial accrued liability (the "UAAL"). The normal cost represents the actuarial present value of benefits that CalPERS expects to fund under the CalPERS Plans that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that CalPERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at CalPERS and the present value of the benefits that CalPERS will pay under the CalPERS Plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions, including the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. In addition, calculation of the UAAL involves certain actuarial adjustments, which is described in more detail below. As a result, prospective investors are encouraged to consider the UAAL as an estimate of the unfunded actuarial present value of the benefits that CalPERS will fund under the CalPERS Plans to retirees and active employees upon their retirement, and not as a fixed or hard expression of the liability the District owes to CalPERS under the CalPERS Plans.

CalPERS uses the rate stabilization methodologies in its actuarial valuations which have been shown to be very effective in mitigating rate volatility. A summary of principal assumptions and methods used by CalPERS to determine the District's annual required contributions to the Miscellaneous Plan and Safety Plan is shown below:

Valuation Date	June 30, 2013	June 30, 2011	June 30, 2010
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Average remaining period	Closed; 30 years as of the valuation date for Miscellaneous Plan; and the Safety Plan*	Closed; 20 years as of the valuation date for the Miscellaneous Plan and 24 years for the Safety Plan	Closed; 17 years as of the valuation date for Miscellaneous Plan; and 22 years for the Safety Plan
Asset valuation method	Market Value	15 year smoothed market	15 year smoothed market
Investment rate of return	7.50% (net of administrative expenses)	7.50% (net of administrative expenses)	7.75% (net of administrative expenses
Projected salary increases	3.30% to 14.20% depending on age, service and type of employment	3.30% to 14.20% depending on age, service and type of employment	3.55% to 14.45% depending on age, service and type of employment for the Miscellaneous Plan; and 3.55% to 13.15% for the Safety Plan
Inflation	2.75%	2.75%	3.00%
Payroll growth	3.00%	3.00%	3.25%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

* Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year period with Direct Rate Smoothing with a 5-year ramp up/ramp down. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

Schedule of Funding Progress. The funding status applicable to the District's CalPERS Plans at June 30, 2013 (the most current information available for the plans) is summarized as follows:

Funded Status of the Miscellaneous Plan
(in thousands of dollars)[1]

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status (Actuarial Value)	Funded Status (Market Value)	Annual Covered Payroll	UAAL as a Percentage of Payroll
6/30/09	1,520,140	1,405,192	114,948	92.4	67.4	222,864	51.6
6/30/10	1,575,249	1,462,840	112,409	92.9	72.5	219,269	51.3
6/30/11	1,661,566	1,530,454	131,112	92.1	81.5	219,833	59.6
6/30/12	1,728,926	1,581,046	147,880	91.4	76.2	226,128	65.4
6/30/13	1,801,182	1,449,050	352,132	80.4	80.4*	233,176	151.0

*Beginning with the June 30, 2013 valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

Source: CalPERS Annual Valuation Report as of June 30, 2013.
(1) Numbers reflect rounding.

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Funded Status of the Safety Plan
(in thousands of dollars)[1]

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status (Actuarial Value)	Funded Status (Market Value)	Annual Covered Payroll	UAAL as a Percentage of Payroll
6/30/09	183,177	140,580	42,597	76.7	56.2	18,373	231.8
6/30/10	197,342	148,970	48,372	75.5	59.5	17,601	274.8
6/30/11	213,592	157,704	55,888	73.8	66.1	18,864	296.3
6/30/12	225,612	166,268	59,343	73.7	61.9	17,406	340.9
6/30/13	243,522	157,104	86,417	64.5	64.5*	16.871	512.2

* Beginning with the June 30, 2013 valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

Source: CalPERS Annual Valuation Report as of June 30, 2013.
[1] Numbers reflect rounding.

Money Purchase Pension Plan

Most District employees participate in the Money Purchase Pension Plan ("MPPP"), which is a supplemental retirement defined contribution plan under Internal Revenue Code Section 401(a). In January 1981, the District's employees elected to withdraw from the Federal Social Security System ("FICA") and established the Money Purchase Pension Plan. The District contributes an amount equal to 6.65% of eligible employees' annual compensation (up to $29,700 after deducting the first $133 paid during each month) up to a maximum annual contribution of $1,868 for all employees except those represented by BPOA and BPMA pursuant to their labor agreements effective January 1, 2010. An additional contribution to the MPPP equal to 1.627% of eligible compensation is provided to all employees except for represented sworn police officers. Payment of this additional contribution was also suspended for all CalPERS eligible individuals, with various effective dates, pursuant to labor agreements and District policy as a cost saving measure. These payments resumed on July 1, 2013. However, under the latest labor agreements with ATU, SEIU, and AFSCME, the District retained 0.0888% of the 1.627% contribution. The District also retained this same amount for non-represented employees. In addition, the District retained $37 per month of the 1.627% for ATU, SEIU, and AFSCME employees who elected medical to pay for medical premiums.

The annual compensation limit subject to the additional contribution is established by the Internal Revenue Code Section 401(a) (17). Each employee's account is available for distribution upon such employee's termination.

The District's total expense and funded contribution for this plan for the years ended June 30, 2014 and 2013 were $9,895,000 and $5,776,000, respectively. The Money Purchase Pension Plan assets at June 30, 2014 and 2013 (excluded from the accompanying financial statements) per the plan administrator's unaudited reports were $285,335,000 and $258,290,000, respectively. At June 30, 2015, there were approximately 204 (222 in 2014) participants receiving payments under this plan.

Postretirement Health Care Benefits

Postretirement Health Care Costs. In addition to the retirement benefits described above and as specified in the District's contractual agreements, the District provides postretirement health care benefits assistance to employees. Most employees who retire directly from the District (or their surviving spouses) are eligible if the employee retires from the District at or after age 50 with a minimum of 5 years of CalPERS service (which may be with another public entity) and elects to take an annuity from CalPERS within 120 days of leaving the District. ATU, SEIU, AFSCME, and non-represented employees first hired on or after January 1, 2014, BPOA employees first hired on or after July 1, 2014, and BPMA employees first hired on or after January 1, 2015 will be required to have 15 years of service with BART in order to receive the full contribution.

Pursuant to a Keenan Associates report dated May 11, 2015, entitled "Post-Employment Benefit Valuation Report, under GASB 43/45 as of June 30, 2014" (the "Keenan Report"), 1,939 retirees and surviving spouses are provided this benefit. Pursuant to the Retiree Health Benefit Trust Independent Auditor's Report for the Years Ended June 30, 2014 and 2013, the District made payments on a pay-as-you-go basis, net of retirees' and surviving spouses' share, of medical insurance premiums totaling $16,337,000 in Fiscal Year 2013-14 and $15,463,000 in Fiscal Year 2012-13, and life insurance premiums amounting to $76,000 in Fiscal Year 2013-14 and $74,000 in Fiscal Year 2012-13.

Retiree Health Benefit Trust. In 2004, the Government Accounting Standards Board ("GASB") issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions ("GASB 45"). GASB 45 required the District to change its accounting for other postemployment benefits ("OPEB") from pay-as-you-go to an accrual basis. Pursuant to Section 53620 of the California Government Code, a local agency may create a trust to fund postretirement health benefits. The assets of such a trust will qualify as an offset against liability under GASB 45. On May 18, 2004, the District created the Retiree Health Benefit Trust for the San Francisco Bay Area Rapid Transit District (the "Health Benefit Trust") in order to provide a vehicle for prefunding portions of retiree health benefits. Pursuant to the terms of the Health Benefit Trust, the assets of the Health Benefit Trust are to be held for the sole and exclusive purpose of providing benefits to participants and beneficiaries and to defray the reasonable expenses of administering the Health Benefit Trust and designated plans. Assets placed into the Health Benefit Trust cannot be used for any other purposes and are not available to satisfy general creditors of the District. The Health Benefit Trust is administered by a trustee appointed by the Board of Directors. The current trustee is the Controller/Treasurer of the District.

At June 30, 2014, net assets held in the Health Benefit Trust included money market mutual funds, U.S. Treasury obligations, corporate obligations, foreign obligations, domestic common stocks, equity mutual funds, and foreign stocks with an actuarial value of approximately $202,181,000.

The District's collective bargaining agreements require that, beginning July 1, 2007, the District contribute into its Health Benefit Trust amounts that at a minimum, reflect an eight year "ramp up" to District payment of the full GASB 45-compliant ARC beginning July 1, 2013 using an open group valuation method with a closed thirty year amortization schedule for unfunded liability ending June 30, 2034.

Funding projections are based on the Keenan Report, the most recent actuarial analysis prepared for the District. These funding projections are based on certain assumptions and are inherently subject to a variety of risks and uncertainties, including increases in the cost and duration of health care benefits, which could cause actual results to differ materially from those that have been projected. Pursuant to its labor agreements, effective January 1, 2010, the District's contribution toward medical coverage was limited to the highest Bay Area HMO rate under CalPERS minus the applicable retiree contribution. The actuarial accrued liability ("AAL") as of June 30, 2014 is estimated at approximately $331.4 million. The report also contained projected per capita claims cost updates based on Calendar Years 2014 and 2015 CalPERS premiums.

Following is the summary of results of the valuation:

	(in $ Millions)		
	Retiree Medical Plan	Additional OPEB Plan	Total
June 30, 2014 Valuation Results			
Actuarial Accrued Liability	$331.4	$29.1	$360.5
Actuarial Value of Assets	202.2	0	202.2
Unfunded Actuarial Accrued Liability	129.2	29.1	158.3
Results for Fiscal Year 2016			
ARC (Percentage of Pay)	9.89%	0.81%	10.70%
ARC (Dollar Amount)	$27.1	$2.2	$29.4
Estimated BART Payments			
Benefit Payments from General Assets	$0.0	$0.7	$0.7
Contributions to Trust	27.1	0.0	27.1
Total	$27.1	$0.7	$27.8

Source: Keenan Report dated May 11, 2015 and the District.

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APPENDIX B

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
REPORT ON AUDITS OF FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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SAN FRANCISCO BAY AREA
RAPID TRANSIT DISTRICT

Annual Financial Report

For the Years Ended June 30, 2014 and 2013

MGO Certified Public Accountants.

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SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
ANNUAL FINANCIAL REPORT
For the Years Ended June 30, 2014 and 2013

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MGO Certified Public Accountants.

Oakland
505 14th Street, 5th Floor
Oakland, CA 94612
510.273.8974

Sacramento

Walnut Creek

LA/Century City

Newport Beach

San Diego

Seattle

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the San Francisco
Bay Area Rapid Transit District
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Enterprise Fund and the Retiree Health Benefit Trust Fund of the San Francisco Bay Area Rapid Transit District (the District) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the Enterprise Fund and the Retiree Health Benefit Trust Fund of the District as of June 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, effective July 1, 2012, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress identified in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014 on our consideration of the District'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Oakland, California
December 30, 2014

Introduction

The following discussion and analysis of the financial performance and activity of the San Francisco Bay Area Rapid Transit District (the District) provide an introduction and understanding of the basic financial statements of the District for the years ended June 30, 2014 and 2013. This discussion was prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The District is an independent agency created in 1957 by the legislature of the State of California for the purpose of providing an adequate, modern, interurban mass rapid transit system in the various portions of the metropolitan area surrounding the San Francisco Bay. The District started its revenue operations in September 1972. It presently owns a 104-mile, 44-station system serving the four counties of Alameda, Contra Costa, San Francisco and San Mateo. The governance of the District is vested in a Board of Directors composed of nine members, each representing an election district within the District.

The Financial Statements

The basic financial statements provide information about the District's Enterprise Fund and the Retiree Health Benefit Trust. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

Overview of the Enterprise Fund Financial Statements

The *Statement of Net Position* reports assets, deferred outflows of resources, liabilities, deferred inflows of resources and the difference as *net position*. The entire equity section is combined to report total *net position* and is displayed in three components - *net investment in capital assets; restricted net position; and unrestricted net position*.

The net position component *net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings attributable to the acquisition, construction or improvements of those assets.

Restricted net position consist of assets where constraints on their use are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consist of net position that does not meet the definition of restricted or net investment in capital assets. This net position component includes net position that has been designated by management for specific purposes, which in the case of the District include allocations to fund capital projects, and other liabilities, which indicate that management does not consider them to be available for general operations.

The *Statement of Revenues, Expenses and Changes in Net Position* consists of operating and nonoperating revenues and expenses based upon definitions provided by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended by GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, and GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis for State and Local Governments: Omnibus.* Accordingly, significant recurring sources of the District's revenues, such as capital contributions, are reported separately, after nonoperating revenues and expenses.

Statement of Cash Flows is presented using the direct method and includes a reconciliation of operating loss to net cash used in operating activities.

Financial Highlights

Statements of Revenues, Expenses and Changes in Net Position
A summary of the District's *Statements of Revenues, Expenses and Changes in Net Position* for fiscal years 2014, 2013 and 2012 is as follows (dollar amounts in thousands):

	2014	2013 (Restated)	2012 (Restated)
Operating revenues	$ 463,160	$ 443,274	$ 401,855
Operating expenses, net	(718,952)	(712,485)	(667,628)
Operating loss	(255,792)	(269,211)	(265,773)
Nonoperating revenues, net	282,507	246,446	237,875
Capital contributions	326,690	419,852	355,462
Special item - settlement of loans	88,500	-	-
Change in net position	441,905	397,087	327,564
Net position, beginning of year as restated	5,767,598	5,370,511	5,042,947
Net position, end of year	$ 6,209,503	$ 5,767,598	$ 5,370,511

Operating Revenues
In fiscal year 2014, operating revenues increased by $19,886,000 primarily due to (1) an increase of $9,683,000 in passenger fares, despite a slight decrease of 0.80% in average weekday ridership caused by the labor strike, due to higher net average fares and longer trips; average weekday ridership dipped slightly to 389,000 in fiscal 2014 compared to 392,000 in fiscal year 2013; (2) an increase of $4,312,000 due to higher parking rates implemented effective in January 2014 at several stations; (3) an increase in ground lease revenue of $4,798,000 primarily from recognizing ground lease prepayments received for the West Dublin Station due to the reassignment of the original ground lease to a new lessee; and 4) increase in advertising revenue of $497,000 primarily from the increase in minimum guaranteed amount received by the District in fiscal year 2014, per poster advertising franchise agreement.

In fiscal year 2013, operating revenues increased by $41,419,000 primarily due to (1) an increase of $39,582,000 in passenger fares, which is attributable to a 6.81% increase in average weekly ridership from 367,000 in fiscal year 2012 to 392,000 in fiscal year 2013; (2) an increase of $907,000 in parking revenue coming from an increase in nonreserved and long-term parking fees which was an offshoot of the previously noted general increase in ridership; and (3) an increase in advertising revenue of $662,000 due to increase in the minimum annual guaranteed advertising revenue.

Operating Expenses, Net

In fiscal year 2014, operating expenses, net, increased by $6,467,000, primarily due to (1) an increase of $10,618,000 in employees' salaries and benefits, which were attributable to (a) an increase of $2,249,000 in regular wages, which is up only slightly since the expected wage increase were offset by non-payment of wages during the strike to represented non-safety employees; (b) overtime increase by $4,271,000 partly due to the strike; (c) provision in the new labor contract for additional qualified retirement contribution increase operating expense by $3,208,000; (d) medical health insurance premium increase by 10.6% or $5,072,000; (e) Employer portion of PERS contribution was higher by $1,193,000 due to increase in contribution rate for both the miscellaneous and safety group from 11.736% (41.566% for safety) in fiscal year 2013 to 12.269% (42.885% for safety) in fiscal 2014; (f) decrease of $1,341,000 in the District's reimbursement to employees for PERS employee contribution due to new contract provision that requires employees to contribute 1% of their PERS eligible wages on the first year of the labor contract; and (g) decrease of $4,034,000 since there were no negotiated lump sum wage payment in fiscal year 2014; (2) an increase of $1,126,000 in bus service cost due to the strike; (3) an increase of $2,178,000 in depreciation expense as more assets were put into service; and offset by (4) $7,934,000 reduction in workers compensation as the latest actuarial report available as of June 30, 2014 did not result in a substantial increase in liability.

In fiscal year 2013, operating expenses, net, increased by $44,857,000, which is primarily due to (1) an increase of $12,865,000 in employees' salaries and benefits largely from an additional 57 positions hired during fiscal year 2013 ($2,253,000) to address targeted priority areas such as front line service and compliance areas, an increase in overtime pay ($4,256,000) for operational needs, a slight increase in PERS contribution ($853,000) due to new hires and an increase in contribution rate for the safety group from 38.001% in fiscal year 2012 to 41.566% in fiscal year 2013, an increase in annual lump-sum payment to employees ($1,005,000) per contractual agreement, and a 10% increase in medical health insurance premiums ($4,498,000); (2) an increase of $6,778,000 in actuarially determined self-insurance reserves due to anticipated increases in claims for both workers compensation and general liability; (3) an increase of $1,963,000 in other post-employment benefit expenses due to a higher annual required contribution rate from 12.45% in fiscal year 2012 to 13.02% in fiscal year 2013; (4) a net increase in materials and services of $4,200,000 and traction power of $2,243,000 associated with maintaining the rail fleet as ridership continues to increase; (5) an increase in depreciation expense of $7,464,000 as capital projects have been completed and placed into use; and (6) an increase in clipper and interchange fees of $2,305,000 due to continuing increase in the usage of the clipper card and credit card transactions used to purchased tickets at the stations

Nonoperating Revenues, Net

In fiscal year 2014, nonoperating revenues, net, increased by $36,061,000 principally from (1) sales tax revenue which grew by 6% or $12,588,000 as the economy in the San Francisco Bay Area continues to thrive; (2) $18,702,000 increase in earmarked property tax revenue for the payment of the General Obligation Bonds; (3) a decrease in interest expense of $2,802,000 primarily from the full payment of the QTE lease/leaseback obligation in FY 2013, partially offset by increase in interest expense from the issuance of sales tax revenue bonds in October 2012 and new General Obligation Bonds issued in fiscal year 2014; (4) a decrease in investment income of $2,291,000 primarily due to the usage of the deposits for the lease/leaseback to payoff the lease/leaseback obligations; (5) an increase of $2,716,000 in State Transit Assistance received in fiscal year 2014 offset by $2,346,000 decrease in other federal operating assistance; and (6) higher revenue in fiscal year 2014 due to the recognition of $4,675,000 loss from early termination of lease/leaseback in fiscal year 2013.

In fiscal year 2013, nonoperating revenues, net, increased by $8,571,000 principally from (1) sales tax revenue which grew by $13,347,000 due to a more vibrant economy in the San Francisco Bay Area; (2) an increase in property tax revenue of $1,992,000 attributable to the rising property values within the District boundaries and $1,315,000 increase in earmarked property tax revenue for the payment of the General Obligation Bonds; (3) a decrease in interest expense of $5,855,000 primarily from an increase in capitalized interest; offset by (4) a decrease in investment income of $8,695,000 due to a combination of lesser funds available for investment and the decrease in the carrying value of investments; (5) a decrease of $1,013,000 in State Transit Assistance received in fiscal year 2013; and (6) a loss of $4,675,000 from early termination of the lease/leaseback obligation with Wells Fargo Bank and CIBC Capital Corporation on June 26, 2013.

Capital Contributions

The revenues from capital contributions relate to grants and other financial assistance received by the District from federal, state and local agencies to fund capital projects. The District receives mostly reimbursement-type grants of which the District has to first incur eligible costs under the provider's program before qualifying for the grant resources. Revenues from capital contributions are recognized at the time when the eligible project costs are incurred.

In fiscal year 2014, revenue from capital contributions decreased by $93,162,000 principally from (1) a net decrease of $44,059,000 in grants revenue recognized in fiscal year 2013 from the Federal Transit Administration associated with the procurement of rail cars without corresponding grants earned in fiscal 2014; (2) a decrease of $80,426,000 in grants received from MTC associated with reductions in funding for the rail car procurement, a non-recurring funding, and the Oakland Airport Connector due to full utilization of grant amounts received for the project as it gets near towards completion; (3) a decrease of $3,078,000 in contribution from the Santa Clara Valley Transportation Authority "VTA" for the Warm Springs Extension; (4) a decrease of $2,322,000 in Measure J funds received for the eBART Project; (5) a decrease of $3,295,000 in contribution from the Port of Oakland for the Oakland Airport Connector Project; and offset by (6) a net increase of $53,899,000 in funds earned from the State of California primarily from the funding received for the rail car procurement project.

In fiscal year 2013, the revenues from capital contributions increased by $64,390,000 mostly from local funds received from the Metropolitan Transportation Commission (MTC) to fund the rail car replacement project ($15,500,000) and the Oakland Airport Connector Project ($31,000,000). The remaining increase of $17,890,000 came from the Proposition 1B funds provided by the State of California for the EBART project and the Warm Springs Extension.

The major additions in fiscal years 2014 and 2013 to capital projects are detailed on page 10.

Special Item

The special item of $88,500,000 in fiscal year 2014 refers to the principal balances of the construction loans from San Mateo County Transit District (SamTrans) in the amount of $72,000,000 and MTC in the amount of $16,500,000, which were extinguished upon the termination of the 1999 Memorandum of Understanding between the District, SamTrans and MTC.

There were no special items in fiscal years 2013 or 2012.

Statements of Net Position

A comparison of the District's *Statements of Net Position* as of June 30, 2014, 2013 and 2012 is as follows (dollar amounts in thousands):

	2014	2013 (Restated)	2012 (Restated)
Current assets	$ 1,115,063	$ 1,101,538	$ 999,970
Noncurrent assets - capital assets, net	6,894,032	6,519,471	6,077,309
Noncurrent assets - other	198,513	49,022	123,233
Total assets	8,207,608	7,670,031	7,200,512
Deferred outflow of resources	19,434	20,490	16,165
Current liabilities	287,053	352,075	385,592
Noncurrent liabilities	1,730,486	1,570,848	1,460,574
Total liabilities	2,017,539	1,922,923	1,846,166
Net position			
Net investment in capital assets	5,689,954	5,290,181	5,058,253
Restricted	237,694	252,613	159,443
Unrestricted	281,855	224,804	152,815
Total net position	$ 6,209,503	$ 5,767,598	$ 5,370,511

Current Assets

In fiscal year 2014 current assets increased by $13,525,000 primarily from (1) an increase of $119,293,000 from portion of the proceeds deposited in restricted cash equivalent and current investments from proceeds of the 2013 General Obligation Bonds; (2) a net increase of $143,373,000 in unrestricted cash, cash equivalent and current investments from collections of grants receivable; (3) an increase of $31,270,000 in unrestricted and restricted cash and current investment due to timing of payment of vendor invoices; (4) an increase of $967,000 in accrued property tax receivable; (5) an increase of $1,563,000 in materials and supplies inventory due to timing in the usage of supplies used for repairs and maintenance; and offset by (6) a decrease of $52,791,000 from payment of project expenses from the proceeds of the 2012 Sales Tax Revenue Bonds, (7) a decrease of $50,454,000 for payments of seismic related project expenses funded by the General Obligation Bonds; (8) a decrease of $143,373,000 in capital grants receivable; (9) a reduction of $6,348,000 from receivables from Capitol Corridor, mostly for reimbursement for advances for capital project expenses; and (10) a decrease of $30,664,000 in restricted cash and cash equivalent due to utilization of advances received in prior years from proceeds from Proposition 1B funds.

In fiscal year 2013, current assets increased by $101,568,000 primarily from (1) an increase of $35,356,000 on the receivables from funding agencies for reimbursement of paid and accrued capital project expenditures due to timing in submission and receipt of payment of invoices; (2) an increase of $5,623,000 in receivables from the Capitol Corridor Joint Powers Authority, mostly for advances for capital project expenses; (3) an increase of $34,577,000 in unrestricted cash and cash equivalents due to timing of payment of vendor invoices; (4) an increase in current restricted investments of $99,999,000 representing unspent proceeds from issuance of 2012 Series B Sales Tax Revenue Bonds for the Oakland Airport Connector project; and offset by (4) a net decrease of $79,935,000 in restricted cash and cash equivalents from a combination of the following: (a) an increase of $82,321,000 from unspent portion of advances received from grantors from Proposition 1B funds allocated for various projects, (b) an increase of $11,086,000 from a portion of the proceeds from the 2012 Series B Sales Tax Revenue Bonds deposited in a checking account, (c) a decrease of $138,413,000 for payments of seismic related project expenses funded by the General Obligation Bonds, and (d) a decrease from disbursements of $34,929,000 related to the 2002 SFO Premium Fare Bonds for refund of excess premium fare to the General Fund from funds held by Trustee ($13,119,000) and for a portion used to defease the bonds in 2013 and for debt service payments ($21,810,000).

Noncurrent Assets - Other

In fiscal year 2014, noncurrent assets – other increased by $149,491,000 primarily from the following: (1) an increase of $148,058,000 in restricted investments from portion of the proceeds from the 2013 General Obligation Bonds issued in November 2013; and (2) an increase of $1,214,000 in property tax receivable for debt service of the General Obligation Bonds.

In fiscal year 2013, noncurrent assets – other showed a decrease of $74,211,000 principally from (1) a reduction of $70,309,000 in deposits for sublease obligations ($24,565,000), interest receivable ($20,060,000), and investments ($25,684,000) used for the settlement of part of the District's obligation for the early termination of the lease with Wells Fargo Bank and CIBC Capital Corporation; (2) a decrease of $9,685,000 in previously deferred debt issuance costs that were reclassified to expense as required by GASB 65, which was implemented in fiscal year 2014; (3) a decrease of $4,403,000 in investments used to defease a portion of the 2002 Premium Fare Bonds; and offset by (4) an increase of $5,653,000 in receivables from Capitol Corridor mainly to cover advances for capital expenditures.

Current Liabilities

In fiscal year 2014, current liabilities decreased by $65,022,000 primarily attributable to (1) a decrease of $49,573,000 in payables to vendors and contractors due to the timing of receiving and paying their invoices; (2) an increase of $3,860,000 in payables to employees due to timing paying the payroll at the end of the fiscal year and in the remittances of payroll taxes and benefits; (3) a decrease of $2,959,000 in the accruals of post- employment benefits estimated to be paid in the following fiscal year; (4) an increase of $4,061,000 in interest payable on long term debt primarily associated with the issuance of the 2013 General Obligation Bonds; (5) reduction of $3,780,000 for sales tax revenue bond obligations due to timing of principal payments required; (6) increase of $14,455,000 in principal payment required for the General Obligation Bonds associated with the new bonds issued in November 2013; (7) $5,000,000 full settlement of construction loan from MTC in fiscal year 2013, which reduced the liability in fiscal year 2014; (8) an increase of $2,783,000 in current reserves required for workers compensation and general liability insurance; and (9) decrease of $30,501,000 in the current portion of advances from grantors based on projected fund utilization for fiscal year 2015.

In fiscal year 2013, current liabilities showed a decrease of $33,517,000, which is primarily attributable to: (1) a decrease of $22,407,000 due mainly to timing in the remittance of funds to Metropolitan Transportation Commission related to the BART Car Replacement Funding Exchange Agreement – see note 9 to the financial statements; (2) a decrease of $3,661,000 in payables to vendors and contractors due to the timing of receiving and paying their invoices; (3) a decrease of $8,240,000 in the current portion of long-term debt; (4) a slight decrease of $3,310,000 in the current portion of advances from grantors based on estimated fund utilization; and offset by (5) an increase of $3,590,000 in payables to employees due to the timing of remitting payroll taxes and benefits and from an increase in unfunded liabilities ($2,468,000) for other post-employment benefits.

Noncurrent Liabilities

In fiscal year 2014, non-current liabilities increased by $159,638,000 primarily from (1) an increase of $3,073,000 in payables to employees due to timing in the utilization of accrued benefits; (2) an increase of $5,116,000 in non-current portion of accruals for unfunded post-employment benefits (3) a decrease of $88,500,000 due to extinguishment of loans from SamTrans ($72,000,000) and MTC ($16,500,000) arising from the termination of the 1999 Memorandum of Understanding between the District, SamTrans and MTC; (4) increase of $240,000,000 in principal balance of General Obligation Bonds due to new bonds issued in fiscal year 2014; (5) an increase of $27,113,000, net of amortization, on premiums from issuance of bond obligation due to the newly issued General Obligation Bonds; (6) a decrease of $25,875,000 in outstanding bond obligations from payments made in fiscal year 2014; (7) a decrease of $11,700,000 in long-term, portion of bond obligations; (8) an increase of $13,776,000 in the non-current portion of advances from grantors; and (9) a decrease of $4,695,000 for portion of deferred ground lease recognized as income due to reassignment of ground lease by the original lessor to a new lessee, offset by an increase of $1,100,000 for prepayment received on the new ground lease.

In fiscal year 2013, non-current liabilities increased by $110,274,000 primarily from (1) a net increase in long-term debt of $12,172,000 due to (a) an increase of $64,956,000 from the issuance of 2012 Series A and B Sales Tax Revenue Bonds in October 2012, net of debt service payments and increase in debt related items; (b) an increase $4,189,000 in lease/leaseback obligations due to accretion; (c) an increase of $8,240,000 in long-term debt due to a reduction in the current portion; and offset by (d) a decrease of $65,213,000 in lease/leaseback obligations from early termination of the leases with Wells Fargo Bank and CIBC Capital Corporation; (2) an increase of $3,351,000 in accruals for unfunded other post-employment benefits; (3) an increase of $92,421,000 in advances from grantors mostly from new funds received related to projects funded by Proposition 1B; (4) an increase of $10,602,000 in the self-insurance reserve for worker's compensation and general liability to align the reserve to the actuarially determined amount; and offset by (5) a decrease of $6,687,000 in previously deferred gain due to the termination of the lease/leaseback transactions.

Capital Assets

Details of the capital assets, net of accumulated depreciation, as of June 30, 2014, 2013 and 2012 are as follows (dollar amounts in thousands):

	2014	2013 (Restated)	2012
Land	$ 559,222	$ 549,685	$ 544,874
Stations, track, structures and improvements	3,158,779	3,087,961	3,069,628
Buildings	8,336	8,336	8,470
Revenue transit vehicles	175,086	197,933	266,561
Other	441,783	430,852	353,679
Construction in progress	2,550,826	2,244,704	1,834,097
Total capital assets	$ 6,894,032	$ 6,519,471	$ 6,077,309

The District's capital assets before depreciation and retirements showed a net increase of $522,503,000 in 2014 and $588,301,000 in 2013. There were no major retirements in fiscal 2014 and 2013. Major additions in capital assets included capital expenditures for the acquisition and/or major improvements related to the following assets (dollar amounts in thousands):

	2014	2013
Core system and extensions	$ 337,869	$ 422,181
Train control equipment	12,833	18,843
Revenue transit vehicles	124,059	110,326
Automatic fare collections and other equipment	25,395	33,703

Core system and extensions projects included among others the Oakland Airport Connector, Warm Springs Extension, the Hayward Maintenance Complex and the ongoing Earthquake Safety Program. Revenue transit vehicle expenses are associated with the project to procure and replace the existing rail cars.

The District has entered into contracts for the construction of various facilities and equipment totaling approximately $2,146,016,000 at June 30, 2014 and $1,694,140,000 at June 30, 2013.

Long-Term Debt

The outstanding balance of total long-term debt (including current portion but excluding unamortized balance of bond premium/discounts) as of June 30, 2014, 2013 and 2012 are as follows (dollar amounts in thousands):

	2014	2013	2012
Bonds payable from and collateralized by a pledge of sales tax revenues	$ 718,895	$ 742,355	$ 626,455
Construction loans payable from the net operating surplus of the SFO Extension	-	88,500	88,500
Construction loan for temporary cash flow requirements of the SFO Extension	-	5,000	21,000
Lease/leaseback obligation, including accumulated accretion, for rail traffic control equipment	-	-	61,024
Bonds payable from the premium fare imposed on the passengers who board on or depart from the San Francisco International Airport Station	-	-	52,570
General obligation bonds	648,275	410,690	412,540
Total long-term debt	$ 1,367,170	$ 1,246,545	$ 1,262,089

Total long-term debt in fiscal year 2014 increased by $120,625,000 from a combination of the following transactions: (1) a decrease of $23,460,000 due to schedule principal payments on Sales Tax Revenue Bonds; (2) a decrease of $2,415,000 for scheduled principal payments on the General Obligation Bonds; (3) a decrease of $5,000,000 for the final payment of construction loan for temporary cash flow from MTC; (4) a decrease of $88,500,000 from extinguishment of construction loans from SamTrans ($72,000,000) and MTC ($16,500,000) due to the termination of the 1999 Memorandum of Understanding between the District, SamTrans and MTC; and offset by (5) increase of $240,000,000 from the issuance of new General Obligation Bonds in fiscal year 2014.

Total long-term debt in fiscal year 2013 decreased by $15,544,000 from a combination of the following transactions: (1) a net increase of $115,900,000 in outstanding sales tax revenue bonds after accounting for the issuance of 2012 Series A and 2012 Series B Bonds for $241,560,000 in October 2012 and payment, including defeasance, which totaled $125,660,000 in fiscal year 2013; offset by (2) a decrease of $52,570,000 from retirement of all outstanding 2002 SFO Extension Premium Fare Bonds; (3) a net decrease of $61,024,000 from the close out of all outstanding sublease obligations with Wells Fargo Bank and CIBC Corporation due to the early termination of the leases; (4) a decrease of $17,850,000 due to scheduled principal payments for the construction loan ($16,000,000) and general obligation bonds ($1,850,000).

Economic Factors and Next Year's Budgets

On June 12, 2014, The District's Board of Directors adopted a balanced operating budget of $854,527,397 and a capital budget of $711,530,567 for the fiscal year 2015.

The fiscal year 2015 budget for operating sources is $56,947,019 higher than the fiscal year 2014 budget, with strong ridership and sales tax growth the main factors. Through the first five months of the year total system ridership has exceeded the budget by over 5%. In order to meet future increase in ridership and its impact on system capacity, the District needs to invest on its aging rail vehicle fleet and infrastructure.

The current operating budget includes a total of $45,000,000 allocation to the Rail Car Sinking Fund as part of BART's $298,000,000 initial commitment for its share of the phase I acquisition of 410 rail cars. In addition, BART's Board of Directors also dedicated an estimated $19 million in additional revenue generated from the productivity-adjusted inflation-based fare increase program towards its top three priority capital projects – Rail Car Replacement Program, Hayward Maintenance Center and Automated Train Control. The fiscal year 2015 operating budget also included $42,978,040 for other state of good repair needs, such as the continuing program to replace floors in the current fleet, a lighting retrofit project and the "baseline" State of Good Repair allocation that provides for local match on capital grants. Despite these investments commitment, the District needs to aggressively seek other funding sources to increase its existing capital resources in order to sustain its current state of reliability. The BART Asset Management Plan Program has identified a wide variety of system infrastructure funding needs.

The largest program areas for capital expenditure next year will be system expansion and system renovation which include the rail car replacement program, station modernization, replacement of train control system, traction power, trackway renovation and other capital projects. System expansion projects include the eBART, Warm Springs, the Silicon Valley extension programs, and construction of the Hayward Maintenance Complex. Work will also continue on essential security upgrades, life safety improvements, and ADA/system accessibility improvements.

BART opened a new extension to the Oakland International Airport this year, with regular passenger service beginning November 22, 2014. The service is provided through a fast, frequent people mover connection from the BART system to the airport.

Contacting the District's Financial Management

The District's financial report is designed to provide the District's Board of Directors, management, investors, creditors, legislative and oversight agencies, citizens and customers with an overview of the District's finances and to demonstrate its accountability for funds received. For additional information about this report, please contact Scott Schroeder, Controller-Treasurer, at 300 Lakeside Drive, P.O. Box 12688, Oakland, California 94604.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Net Position
June 30, 2014 and 2013
(dollar amounts in thousands)

	2014	2013 (Restated)
Assets		
Current assets		
Unrestricted assets		
Cash and cash equivalents	$ 293,447	$ 123,682
Investments	624	569
Government receivables	248,837	392,210
Receivables and other assets	18,044	28,649
Materials and supplies	28,129	26,566
Total unrestricted current assets	589,081	571,676
Restricted assets		
Cash and cash equivalents	466,272	429,578
Investments	59,710	100,284
Total restricted current assets	525,982	529,862
Total current assets	1,115,063	1,101,538
Noncurrent assets		
Capital assets		
Nondepreciable	3,110,048	2,793,967
Depreciable, net of accumulated depreciation	3,783,984	3,725,504
Unrestricted assets		
Investments	22,704	22,620
Receivables and other assets	267	334
Restricted assets		
Investments	162,277	14,202
Receivables and other assets	13,265	11,866
Total noncurrent assets	7,092,545	6,568,493
Total assets	8,207,608	7,670,031
Deferred Outflows of Resources		
Losses on refundings of debt	19,434	20,490
Liabilities		
Current liabilities		
Accounts payable and other liabilities	187,731	232,892
Current portion of long-term debt	37,575	30,875
Self-insurance liabilities	18,067	15,141
Unearned revenue	43,680	73,167
Total current liabilities	287,053	352,075
Noncurrent liabilities		
Accounts payable and other liabilities	80,807	72,170
Long-term debt, net of current portion	1,416,356	1,275,319
Self-insurance liabilities, net of current portion	34,093	34,007
Unearned revenue	199,230	189,352
Total noncurrent liabilities	1,730,486	1,570,848
Total liabilities	2,017,539	1,922,923
Net position		
Net investment in capital assets	5,689,954	5,290,181
Restricted for debt service and other liabilities	237,694	252,613
Unrestricted	281,855	224,804
Total net position	$ 6,209,503	$ 5,767,598

The accompanying notes are an integral part of these financial statements.

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SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2014 and 2013
(dollar amounts in thousands)

	2014	2013 (Restated)
Operating revenues		
Fares	$ 416,573	$ 406,890
Other	46,587	36,384
Total operating revenues	463,160	443,274
Operating expenses		
Transportation	174,958	177,699
Maintenance	226,227	228,766
Police services	56,308	52,303
Construction and engineering	19,539	19,021
General and administrative	147,031	143,285
Depreciation	147,652	145,474
Total operating expenses	771,715	766,548
Less - capitalized costs	(52,763)	(54,063)
Net operating expenses	718,952	712,485
Operating loss	(255,792)	(269,211)
Nonoperating revenues (expenses)		
Transactions and use tax - sales tax	221,149	208,561
Property tax	72,251	53,181
Operating financial assistance	96,312	47,728
Contribution for BART car replacement funding exchange program	(72,000)	(23,980)
Investment income	37	2,328
Interest expense	(34,590)	(37,392)
Other expense, net	(652)	(3,980)
Total nonoperating revenues, net	282,507	246,446
Change in net position before capital contributions and special item	26,715	(22,765)
Capital contributions	326,690	419,852
Special item - settlement of loans	88,500	-
Change in net position	441,905	397,087
Net position, beginning of year, as previously reported		5,390,042
Restatement for adoption of GASB 65		(19,531)
Net position, beginning of the year, as restated	5,767,598	5,370,511
Net position, end of year	$ 6,209,503	$ 5,767,598

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Cash Flows
For the Years Ended June 30, 2014 and 2013
(dollar amounts in thousands)

	2014	2013
Cash flows from operating activities		
Receipts from customers	$ 440,423	$ 394,833
Payments to suppliers	(185,662)	(166,782)
Payments to employees	(399,628)	(390,717)
Other operating cash receipts	45,703	28,834
Net cash used in operating activities	(99,164)	(133,832)
Cash flows from noncapital financing activities		
Transactions and use tax (sales tax) received	168,042	154,492
Property tax received	32,301	31,586
Financial assistance received	97,043	49,889
Net cash provided by noncapital financing activities	297,386	235,967
Cash flows from capital and related financing activities		
Transactions and use tax (sales tax) received	53,107	54,069
Property tax received	38,983	20,767
Capital grants received	429,761	484,024
Expenditures for facilities, property and equipment	(542,257)	(591,916)
Principal paid on long-term debt	(30,875)	(196,080)
Payments of long-term debt issuance and service costs	(652)	(1,054)
Proceeds from Issuance of Sales Tax Revenue Bonds	-	264,999
Proceeds from Issuance of General Obligation Bonds	270,840	-
Interest paid on long-term debt	(27,858)	(35,883)
Principal payments received from notes receivable	-	1,340
Contribution for BART car replacement funding exchange program	(75,533)	(46,387)
Cash paid on early termination of lease/leaseback obligation	-	(25,408)
Deposit refunded	(126)	(302)
Net cash used in capital and related financing activities	115,390	(71,831)
Cash flows from investing activities		
Proceeds from sale and maturity of investments	99,999	30,087
Purchase of investments	(208,704)	(100,199)
Investment income	1,552	1,129
Net cash provided by (used in) investing activities	(107,153)	(68,983)
Net change in cash and cash equivalents	206,459	(38,681)
Cash and cash equivalents, beginning of year	553,260	591,941
Cash and cash equivalents, end of year	$ 759,719	$ 553,260
Reconciliation of cash and cash equivalents to the Statements of Net Position		
Current, unrestricted assets - cash and cash equivalents	$ 293,447	$ 123,682
Current, restricted assets - cash and cash equivalents	466,272	429,578
Total cash and cash equivalents	$ 759,719	$ 553,260

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Cash Flows, continued
For the Years Ended June 30, 2014 and 2013
(dollar amounts in thousands)

	2014	2013
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (255,792)	$ (269,211)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	147,652	145,474
Amortization of deferred settlement costs	213	147
Net effect of changes in		
Receivables and other assets	33,711	(18,020)
Materials and supplies	(1,563)	266
Accounts payable and other liabilities	(20,356)	(5,182)
Self-insurance liabilities	3,012	11,756
Unearned revenue	(6,041)	938
Net cash used in operating activities	$ (99,164)	$ (133,832)
Noncash transactions		
Capital assets acquired with a liability at year-end	$ 50,773	$ 70,527
Lease/leaseback obligation additions	-	1,960
Donated land to the State of California	-	(858)
Reduction in interest receivable related to lease/leaseback obligation	-	26,602
Reduction in prepaid sublease and lease/leaseback obligation	-	24,565
Decrease in fair value of investments	1,515	2,382
Amortization of long-term debt premium, discount and issue costs	(3,728)	(3,614)
Addition of loss on early debt retirement	-	(9,160)
Amortization of loss on early debt retirement	1,056	998
Amortization of gain on lease/leaseback transaction	-	2,189
Amortization of ground lease	534	534
Special item - settlement of loans	88,500	-

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Retiree Health Benefit Trust
Statements of Trust Net Position
June 30, 2014 and 2013
(dollar amounts in thousands)

	2014	2013
Assets		
Cash and cash equivalents	$ 1,101	$ 910
Receivables and other assets	797	464
Pending trades receivable	7,650	16,176
Investments		
Domestic common stocks	75,645	59,767
U.S. Treasury obligations	40,855	24,201
Money market mutual funds	5,502	15,542
Mutual funds - equity	53,772	42,782
Corporate obligations	19,630	24,050
Foreign stocks	1,946	2,379
Foreign obligations	710	976
Total investments	198,060	169,697
Total assets	207,608	187,247
Liabilities		
Accounts payable	141	94
Pending trades payable	5,286	21,514
Total liabilities	5,427	21,608
Net position held in trust for retiree health benefits	$ 202,181	$ 165,639

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Retiree Health Benefit Trust
Statements of Changes in Trust Net Position
For the Years Ended June 30, 2014 and 2013
(dollar amounts in thousands)

	2014	2013
Additions		
Employer contributions		
Cash contributions	$ 27,031	$ 10,393
Pay-as-you-go contributions	-	15,463
Total employer contributions	27,031	25,856
Investment income (expense)		
Interest income	4,015	3,600
Realized gain	11,026	4,655
Net appreciation in fair value of investments	11,322	8,386
Investment expense	(405)	(287)
Net investment income	25,958	16,354
Total additions	52,989	42,210
Deductions		
Pay-as-you-go benefit payments	16,337	15,463
Legal fees	9	1
Audit fees	18	18
Insurance expense	23	22
Administrative fees	60	-
Total deductions	16,447	15,504
Increase in trust net position	36,542	26,706
Net position held in trust for retiree health benefits		
Beginning of year	165,639	138,933
End of year	$ 202,181	$ 165,639

The accompanying notes are an integral part of these financial statements.

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1. Reporting Entity and Summary of Significant Accounting Policies

Description of Reporting Entity

The San Francisco Bay Area Rapid Transit District (the District) is a public agency created by the legislature of the State of California in 1957 and regulated by the San Francisco Bay Area Rapid Transit District Act, as amended, and subject to transit district law as codified in the California Public Utilities Code. The disbursement of funds received by the District is controlled by statutes and by provisions of various grant contracts entered into with federal, state and local agencies.

Basis of Accounting and Presentation

The basic financial statements provide information about the District's Enterprise Fund and the Retiree Health Benefit Trust Fund (the Trust). Separate statements for each fund category – proprietary and fiduciary – are presented. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Revenues from property taxes are recognized in the fiscal year for which the taxes are levied; revenue from sales taxes are recognized in the fiscal year when the underlying exchange takes place; revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied; and revenue from investments is recognized when earned.

The Enterprise Fund, a proprietary fund, distinguishes operating revenues and expenses from nonoperating items. The District's operating revenues are generated directly from its transit operations and consist principally of passenger fares. Operating expenses for the transit operations include all costs related to providing transit services. These costs include labor, fringe benefits, materials, supplies, services, utilities, leases and rentals, and depreciation on capital assets. All other revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The Trust, a fiduciary fund, is used to account for assets held by the District as a trustee to pay retiree health care premiums. The assets of the Trust cannot be used to support the District's programs.

Cash Equivalents

For purposes of the statements of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

The District records investment transactions on the trade date. Investments in nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposits and guaranteed investment contracts) are reported at cost and all other investments are at fair value. Fair value is defined as the amount that the District could reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller and for the District's investments is generally measured by quoted market prices. As a matter of policy, the District usually holds investments until their maturity.

Restricted Assets

Certain assets are classified as restricted assets on the statement of net position because their use is subject to externally imposed stipulations, either by certain bond covenants, laws or regulations or provisions of debt agreements.

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Capital Grants/Contributions

The District receives grants from the Federal Transit Administration (FTA) and other agencies of the U.S. Department of Transportation, the State of California, and local transportation funds for the acquisition of transit-related equipment and improvements. Capital grants receivables represent amounts expected from governmental agencies to reimburse the District for costs incurred for capital projects (Notes 8 and 9) and are reported as Government receivables on the Statement of Net Position.

Materials and Supplies

Materials and supplies consist primarily of replacement parts for the system and rail vehicles, which are stated at cost using the average-cost method. Materials and supplies are expensed as consumed.

Bond Discounts, Premiums and Losses on Refundings

The bond discounts, premiums and losses on refundings, are deferred and amortized over the term of the bonds as a component of interest expense. The unamortized portion of these items, except the losses on refundings, which are reported as deferred outflows of resources, are presented as a reduction of the face amount of bonds payable.

Capital Assets

Capital assets are stated at cost or at fair value of donated assets, and depreciated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 80 years. The District's policy is to capitalize acquisitions of capital assets with a cost of $5,000 or more and a useful life of more than one year, and all costs related to capital projects, regardless of amounts. Upon disposition, costs and accumulated depreciation/amortization are removed from the accounts and resulting gains or losses are included in operations.

The District capitalizes, as intangible capital assets, easements and right-of-ways and internally generated intangibles such as computer software. Easements and right-of-ways are not amortized as they have indefinite useful lives while computer software is amortized over a period of 20 years.

Major improvements and betterments to existing facilities and equipment are capitalized. Costs for maintenance and repairs that do not extend the useful life of the applicable assets are charged to expense as incurred. The District capitalizes certain interest income and expense related to tax-free borrowings until the assets are ready for their intended use. The amount capitalized is the difference between the interest revenue and interest expense associated with the applicable tax-free borrowings. Amounts capitalized were net interest expense of $22,350,000 in fiscal year 2014 and $17,900,000 in fiscal year 2013.

Unearned Revenue

Unearned revenue consists of (1) prepayments of revenues related to license fees paid by telecommunication companies for the use of the District's right of way for wireless accessibility to their customers; (2) estimated passenger tickets sold but unused; (3) advances received from grant agreements; and (4) prepayments of ground lease revenues (Note 15).

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Compensated Absences

Compensated absences are reported and accrued as a liability in the period incurred. Compensated absences have a total balance of $59,388,000 as of June 30, 2014 and $56,865,000 as of June 30, 2013 and are shown in the statements of net position in accounts payable and other liabilities (see Note 5) as follows (dollar amounts in thousands):

	2014	2013
Current liabilities	$ 19,493	$ 20,043
Noncurrent liabilities	39,895	36,822
Total	$ 59,388	$ 56,865

Pollution Remediation

The recognition of pollution remediation obligations (including contamination) address the current or potential detrimental effects of existing pollution by estimating costs associated with participating in pollution remediation activities, such as site assessments and cleanups. There are no known material remediation obligations that the District is currently or potentially involved in.

Net Position

Net investment in capital assets include capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation and include amounts restricted for debt service and other liabilities. All other net position is unrestricted. Generally, the District's policy is to spend restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Transactions and Use Tax (Sales Tax) Revenues

The State of California legislation authorizes the District to impose a 0.5% transaction and use tax within District boundaries, which is collected and administered by the State Board of Equalization. Of the amounts available for distribution, 75% is paid directly to the District for the purpose of paying operating expenses, except for the portion that is paid directly to trustees to cover principal and interest payments of maturing sales tax revenue bonds. The remaining 25% is allocated by the Metropolitan Transportation Commission (MTC) to the District, the City and County of San Francisco, and the Alameda-Contra Costa Transit District for transit services. The District records the total transactions and use taxes earned (including amounts paid to the trustees) as nonoperating revenue.

Property Taxes, Collection and Maximum Rates

The State of California Constitution Article XIII.A provides that the general purpose maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII.A and may be adjusted by no more than 2% per year, unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among the counties, cities, school districts and other districts, such as the District.

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

The District receives an allocation of property tax revenues for transit operations. Additionally, beginning in fiscal year 2006, the District received property tax allocations for the debt service payments on the 2005, 2007 and 2013 General Obligation Bonds. As required by the law of the State of California, the District utilizes the services of each of the three BART Counties of Alameda, Contra Costa and San Francisco for the assessment and collection of taxes for District purposes. District taxes are collected at the same time and on the same tax rolls as county, school district and other special district taxes. Property taxes are recorded as revenue in the fiscal year of levy. Assessed values are determined annually by the Assessor's Offices of City and County of San Francisco, County of Alameda and County of Contra Costa on January l, and become a lien on the real properties at January 1. The levy date for secured and unsecured properties is July 1 of each year. Secured taxes are due November l and February 1 and are delinquent if not paid by December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent after August 31.

Operating Financial Assistance

Financial assistance grants for operations from federal, state and local agencies are reported as nonoperating revenue in the period in which all eligibility requirements have been satisfied (Notes 8 and 9).

Collective Bargaining

Approximately 87% of the District's employees are subject to collective bargaining. The current bargaining units consist of the following:

- American Federation of State, County and Municipal Employees (AFSCME), Local 3993
- Amalgamated Transit Union (ATU), Local 1555
- Service Employees International Union (SEIU), Local 1021
- BART Police Officers Association (BPOA)
- BART Police Managers Association (BPMA)

Capitalized Costs

The District initially charges employee salaries, wages and benefits to operating expenses by functional expense category. Labor costs included in those amounts that are associated with capital projects are subsequently adjusted to be included in the cost of the related capital asset. This adjustment is reflected in the statement of revenues, expenses and changes in net position as a reduction of operating expenses. The amounts of $52,763,000 and $54,063,000 were capitalized during the years ended June 30, 2014 and 2013, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements Adopted

In 2014, the District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). This GASB statement recognized, as outflow of resources or inflow of resources, certain items that were previously reported as assets or liabilities. As a result, the District restated the beginning net position of as of July 1, 2012 in the amount of $19,531,000 to write off unamortized bond issue costs that were previously reported as an asset as well as those that were included in the unamortized losses on refundings previously reported as a contra liability. The remaining unamortized losses on refundings of $20,490,000 were reclassified from a contra liability to deferred outflows of resources. Lastly, the District also restated fiscal year 2013 interest expense by $712,000 and construction in progress in the amount of $422,000 due to the removal of previously amortized bond issuance costs.

In March 2012, GASB issued Statement No. 66*, Technical Corrections – 2012 - An Amendment of GASB Statements No. 10 and No. 62*. The portion of the statement, which may have applicability to the District, enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This statement modifies the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. Application of this statement is effective for the District's fiscal year ending June 30, 2014. As of July 1, 2012, the District adopted this statement, which did not have a significant impact to its financial statements.

Recent Accounting Pronouncements That Have Not Been Adopted

The District is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The significant changes in this statement address (1) the measurement and reporting of pension obligations associated with defined benefit pension plans and (2) the calculations of pension expense. GASB 68 also covers:

- Reporting of deferred outflows and deferred inflows of resources;
- Methods and assumptions of pension calculations, including how to calculate the discount rate to be used and how to attribute the pension liability to various periods;
- Note disclosure and required supplementary information; and
- Defined contribution pension plan reporting.

Application of this statement is effective for the District's fiscal year ending June 30, 2015.

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged. Application of this statement is effective for the District's fiscal year ending June 30, 2015.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability in its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. A nonexchange financial guarantee is a credit enhancement or assurance offered by a guarantor without receiving equal or approximately equal value in exchange. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Application of this statement is effective for the District's fiscal year ending June 30, 2015.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this statement is to address an issue regarding application of the transition provisions of GASB 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this statement are required to be applied simultaneously with the provisions of GASB 68.

2. Cash, Cash Equivalents and Investments

A. Cash, Cash Equivalents and Investments of the Enterprise Fund

Cash, cash equivalents and investments are reported in the Enterprise Fund as follows (dollar amounts in thousands):

	2014			2013		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Current assets						
Cash and cash equivalents	$ 293,447	$ 466,272	$ 759,719	$ 123,682	$ 429,578	$ 553,260
Investments	624	59,710	60,334	569	100,284	100,853
Noncurrent assets						
Investments	22,704	162,277	184,981	22,620	14,202	36,822
Total	$ 316,775	$ 688,259	$ 1,005,034	$ 146,871	$ 544,064	$ 690,935

Investment Policy

The California Public Utilities Code, Section 29100, and the California Government Code (CGC), Section 53601, provide the basis for the District's investment policy. To meet the objectives of the investment policy – (1) preservation of capital, (2) liquidity, and (3) yield – the investment policy, approved by the Board of Directors, specifically identifies the types of permitted investments, as well as any maturity limits and other restrictions. The following table presents the authorized investment, requirements, and restrictions per the CGC and the District's investment policy:

Investment Type	Maximum Maturity (1)		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating (2)	
	CGC	District	CGC	District	CGC	District	CGC	District
U.S. Treasury Obligations (bills, bonds, or notes)	5 years	5 years	None	None	None	None	None	None
U.S. Agencies	5 years	5 years	None	None	None	None	None	None
Bankers' Acceptances	180 days	180 days	40%	40%	30%	30%	None	None
Commercial Paper (3)	270 days	270 days	25%	25%	10%	10%	P1	P1
Negotiable Certificates	5 years	5 years	30%	30%	None	None	None	None
Repurchase Agreements	1 year	1 year	None	None	None	None	None	None
Reverse Repurchase Agreements	92 days	90 days	20%	20%	None	None	None	None
Local Agency Investment Fund	N/A	N/A	None	(4)	None	None	None	None
Non-Negotiable Time Deposits	5 years	5 years	30%	30%	None	None	None	None
Medium Term Notes/Bonds (3)	5 years	5 years	30%	30%	None	None	A	A
Municipal Securities of California Local Agencies	5 years	5 years	None	None	None	None	None	None
Mutual Funds	N/A	N/A	20%	(4)	10%	10%	AAA	AAA
Notes, Bonds, or Other Obligations	5 years	5 years	None	None	None	None	None	None
Mortgage Pass-Through Securities	5 years	5 years	20%	20%	None	None	AAA	AAA
Financial Futures (3)	N/A	N/A	None	None	None	None	None	None

Footnotes
(1) In the absence of a specified maximum, the maximum is 5 years.
(2) Minium credit rating categories include modifications (+/-).
(3) District will not invest in these investment types unless specifically authorized by the Board.
(4) District may invest in an amount not to exceed $25,000,000.

2. Cash, Cash Equivalents and Investments (Continued)

Investments Authorized by Debt Agreements

The District must maintain required amounts of cash and investments with fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds and funds set aside for debt service. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Securities of the U.S. Government and its agencies	None	None	None	None
Housing Authority Bonds or project notes issued by public agencies or municipalities fully secured by the U.S.	None	None	None	None
Obligations of any state, territory, or commonwealth of the U.S. or any agency or political subdivisions thereof	None	Aa1/AA+	None	None
Collateralized time deposits	None	A-1	None	None
Commercial paper	None	Aaa/AAA	None	None
Repurchase agreements	None	None	None	None
Money market mutual funds	None	None	None	None
Investment agreements	None	Aa1/AA+	None	None
Other investments approved by the Board that will not adversely affect ratings on bonds	None	None	None	None
Corporate bonds, notes, and debentures	None	Aa1/AA+	None	None
Local Agency Investment Fund	None	None	None	None

2. Cash, Cash Equivalents and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. One of the District's primary objectives is to provide sufficient liquidity to meet its cash outflow needs, however, the District does not have any policies specifically addressing interest rate risk, except as outlined in the CGC. A summary of investments by type of investments and by segmented time distribution as of June 30, 2014 and 2013 is as follows (dollar amounts in thousands):

	2014	Investment Maturities (in Years)		
	Fair Value	Less Than 1	1 - 5	6 - 10
Money market mutual funds*	$ 146,302	$ 146,302	$ -	$ -
U.S. government agencies	188,057	39,999	148,058	-
Commercial paper	59,579	59,579	-	-
Repurchase agreements	36,822	-	36,822	-
Total investments	430,760	$ 245,880	$ 184,880	$ -
Deposits with banks	569,642			
Certificate of Deposit	857			
Imprest funds	3,775			
Total cash and investments	$ 1,005,034			

	2013	Investment Maturities (in Years)		
	Fair Value	Less Than 1	1 - 5	6 - 10
Money market mutual funds*	$ 137,867	$ 137,867	$ -	$ -
Repurchase agreements	36,822	-	36,822	-
U.S. Treasury bills	99,999	99,999	-	-
Total investments	274,688	$ 237,866	$ 36,822	$ -
Deposits with banks	412,854			
Certificates of deposit	854			
Imprest funds	2,539			
Total cash and investments	$ 690,935			

* weighted-average maturity

2. Cash, Cash Equivalents and Investments (Continued)

Credit Risk

The District's credit rating risk is governed by Section 53601 of the CGC which, among others, limits investments in money market mutual funds to those funds with the highest evaluations granted by the rating agencies, which is Aaam. The District has investments in U.S. Treasury and government agencies, bank repurchase agreements (underlying of U.S. Treasury securities and others), and in money market mutual funds. There are no investment limits on the securities of U.S. Treasury or certain U.S. government agencies that are backed by the full faith and credit of the United States government. The following is a summary of the credit quality distribution for securities with credit exposure as rated by Standard & Poor's, Fitch Ratings and/or Moody's as of June 30, 2014 and 2013 (dollar amounts in thousands):

	2014	Credit Ratings			
	Fair Value	AAA	AA	A	Not Rated
Money market mutual funds	$ 146,302	$ 138,123	$ -	$ 8,179	$ -
U.S. Government agencies	188,057	148,058	-	39,999	-
Commercial paper	59,579	-	-	59,579	-
Repurchase agreements	36,822	-	-	36,822	-
Total investments	430,760	$ 286,181	$ -	$ 144,579	$ -
Deposits with banks	569,642				
Certificate of deposit	857				
Imprest funds	3,775				
Total cash and investments	$ 1,005,034				

	2013	Credit Ratings			
	Fair Value	AAA	AA	A	Not Rated
Money market mutual funds	$ 137,867	$ 125,546	$ -	$ 12,321	$ -
Repurchase agreements	36,822	-	-	36,822	-
U.S. Treasury bills	99,999	99,999	-	-	-
Total investments	274,688	$ 225,545	$ -	$ 49,143	$ -
Deposits with banks	412,854				
Certificates of deposit	854				
Imprest funds	2,539				
Total cash and investments	$ 690,935				

Concentration of Credit Risk

The District does not have a policy to limit investments in any one issuer to no more than 5% of the total portfolio. However, the CGC Section 53601.7 requires that investments in one issuer do not exceed 5% of the entity's total portfolio at the time of purchase, except obligations of the United States government, United States government agencies, and United States government-sponsored enterprises and no more than 10% of the entity's total portfolio may be invested in any one mutual fund at the time of purchase. At June 30, 2014 and 2013, the investments with Bayerische Landesbank Investment Repurchase Agreement amounted to $36,822,000, which exceeded 5% of the District's total investment portfolio at 8.5% and 13.4% respectively.

2. Cash, Cash Equivalents and Investments (Continued)

Custodial Credit Risk - Deposits
For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The CGC Section 53652 requires California banks and savings and loan associations to secure governmental deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure governmental deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. Such collateral is considered to be held in the District's name.

Custodial Credit Risk - Investments
For investments, custodial credit risk is the risk that in the event of a failure of the counterparty, the District may not be able to recover the value of its investments. The exposure to the District is limited as the District's investments are held in the District's name by a third-party safe-keeping custodian that is separate from the counterparty or in the custody of a trust department, as required by bond covenants.

B. Investments of the Retiree Health Benefit Trust
Investment Policy
The investment objective of the Trust is to achieve consistent long-term growth for the Trust and to maximize income consistent with the preservation of capital for the sole and exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Trust. The District's Board of Directors establishes the general investment policy and guidelines for the Trust. Allowable investments under the Trust investment guidelines include:

- Cash equivalents such as U.S. Treasury bills, money market trusts, short-term interest fund (STIF) trusts, commercial paper rated A1/P1, banker's acceptances, certificates of deposits and repurchase agreements;
- Fixed income securities, which include U.S. agency and corporation bonds (including Yankees) and preferred stock and Rule 144A issues, and mortgage or asset-backed securities; and
- Equity securities, including U.S. traded common, preferred stocks and convertible stocks and bonds, including American Depository Receipts.

Interest rate risk
The Trust's investment policies mitigate exposure to changes in interest rates by requiring that the assets of the Trust be invested in accordance with the following asset allocation guidelines:

Asset Class	Minimum	Maximum	Preferred
Equity securities	45%	70%	60%
Fixed income securities	25%	45%	35%
Cash equivalents	3%	10%	5%

Fixed income securities have the following maturity restrictions: 1) maximum maturity for any single security is 40 years and 2) the weighted average portfolio maturity may not exceed 25 years.

2. Cash, Cash Equivalents and Investments (Continued)

A summary of investments by type of investments and by segmented time distribution as of June 30, 2014 and 2013 is as follows (dollar amounts in thousands):

	2014	Investment Maturities (in Years)			
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Treasury obligations	$ 40,855	$ 24,690	$ 9,657	$ 4,268	$ 2,240
Money market mutual funds*	5,502	5,502	-	-	-
Corporate obligations	19,630	978	12,867	1,796	3,989
Foreign obligations	710	218	492	-	-
Investments subject to interest rate risk	66,697	$ 31,388	$ 23,016	$ 6,064	$ 6,229
Domestic common stocks	75,645				
Mutual funds- equity	53,772				
Foreign stocks	1,946				
Total investments	$ 198,060				

	2013	Investment Maturities (in Years)			
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Treasury obligations	$ 24,201	$ 3	$ 6,981	$ 6,086	$ 11,131
Money market mutual funds*	15,542	15,542	-	-	-
Corporate obligations	24,050	784	14,822	3,815	4,629
Foreign obligations	976	-	804	172	-
Investments subject to interest rate risk	64,769	$ 16,329	$ 22,607	$ 10,073	$ 15,760
Domestic common stocks	59,767				
Mutual funds- equity	42,782				
Foreign stocks	2,379				
Total investments	$ 169,697				

* weighted-average maturity

2. Cash, Cash Equivalents and Investments (Continued)

Credit Risk

The Trust's credit risk policy is defined in its Statement of Investment Policy approved by the District's Board of Directors. The policy states that the Board recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Trust's objectives and that the Trust's investment managers are expected to make reasonable efforts to control risk. The investment policy requires that all of the Trust's assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Trust, with minimal impact on market prices. The investment policy also demands that no single investment shall exceed five percent of the total Trust assets, at market value, except obligations of the U.S. Government, short-term money market funds, index funds and other diversified commingled accounts; and for actively managed equity accounts, where, for issues that comprise more than 4% of the account's stated benchmark, the limit shall be 125% of the weight of the common stock benchmark. The following is a summary of the credit quality distribution for securities with credit exposure as rated by Standard & Poor's and/or Moody's as of June 30, 2014 and 2013 (dollar amounts in thousands):

	2014	Credit Ratings					
	Fair Value	AAA	AA	A	BBB	BB	Not Rated
U.S. Treasury obligations	$ 40,855	$ -	$ 40,855	$ -	$ -	$ -	$ -
Money market mutual funds	5,502	5,502	-	-	-	-	-
Corporate obligations	19,630	3,253	2,214	11,196	2,967	-	-
Foreign obligations	710	-	-	166	544	-	-
Investments subject to credit risk	66,697	$ 8,755	$ 43,069	$ 11,362	$ 3,511	$ -	$ -
Domestic common stocks	75,645						
Mutual funds - equity	53,772						
Foreign stocks	1,946						
Total investments	$ 198,060						

	2013	Credit Ratings					
	Fair Value	AAA	AA	A	BBB	BB	Not Rated
U.S. Treasury obligations	$ 24,201	$ -	$ 24,201	$ -	$ -	$ -	$ -
Money market mutual funds	15,542	15,542	-	-	-	-	-
Corporate obligations	24,050	6,299	2,345	12,559	1,567	1,280	-
Foreign obligations	976	-	418	167	391	-	-
Investments subject to credit risk	64,769	$ 21,841	$ 26,964	$ 12,726	$ 1,958	$ 1,280	$ -
Domestic common stocks	59,767						
Mutual funds - equity	42,782						
Foreign stocks	2,379						
Total investments	$ 169,697						

2. Cash, Cash Equivalents and Investments (Continued)

Concentration of Credit Risk
The Trust's investment policies mitigate exposure to concentration of credit risk by diversifying the portfolio and limiting investments in any one issuer to no more than 5% of the total portfolio.

Custodial Credit Risk – Investments
For investments, custodial credit risk is the risk that in the event of a failure of the counterparty, the Trust may not be able to recover the value of its investments. The exposure to the Trust is limited as the Trust's investments are in the custody of a third-party custodian that is separate from the counterparty.

3. Receivables and Other Assets

The District reports the following aggregated accounts as receivables and other assets in the statements of net position as of June 30, 2014 and 2013 (dollar amounts in thousands):

	2014	2013 (Restated)
Interest receivable - other investments	$ 2	$ 2
Deferred charges	334	412
Deposit for power supply	10,960	10,774
Off-site ticket vendor receivable	3,318	3,315
Capitol Corridor Joint Powers Authority receivable (Note 15)	2,155	8,503
Property tax receivable	3,350	2,383
Prepaid expenses	3,986	9,638
Imprest deposits for self-insurance liabilities	1,192	1,063
Other	6,678	5,081
Allowance for doubtful accounts	(399)	(322)
Total receivables and other assets	$ 31,576	$ 40,849
Current, unrestricted portion	$ 18,044	$ 28,649
Noncurrent, unrestricted portion	267	334
Noncurrent, restricted portion	13,265	11,866
Total receivables and other assets, as presented in the basic financial statements	$ 31,576	$ 40,849

4. Capital Assets

Changes to capital assets during the year ended June 30, 2014 were as follows (dollar amounts in thousands):

	Lives (Years)	2013 (Restated)	Additions and Transfers	Retirements and Transfers	2014
Capital assets, not being depreciated					
Land	N/A	$ 549,685	$ 9,537	$ -	$ 559,222
Construction in progress	N/A	2,244,282	522,503	(215,959)	2,550,826
Total capital assets, not being depreciated		2,793,967	532,040	(215,959)	3,110,048
Capital assets, being depreciated					
Tangible Asset					
Stations, track, structures and improvements	80	4,081,399	125,150	-	4,206,549
Buildings	80	10,732	-	-	10,732
System-wide operation and control	20	598,338	9,789	(3)	608,124
Revenue transit vehicles	30	1,103,557	-	-	1,103,557
Service and miscellaneous equipment	3-20	264,100	30,206	(2,332)	291,974
Capitalized construction and start-up costs	30	98,305	-	-	98,305
Repairable property items	30	106,234	40,823	(492)	146,565
Intangible Asset					
Information systems	20	41,292	454	-	41,746
Total capital assets, being depreciated		6,303,957	206,422	(2,827)	6,507,552
Less accumulated depreciation		(2,578,453)	(147,652)	2,537	(2,723,568)
Total capital assets, being depreciated, net		3,725,504	58,770	(290)	3,783,984
Total capital assets, net		$ 6,519,471	$ 590,810	$ (216,249)	$ 6,894,032

4. Capital Assets (Continued)

Changes to capital assets during the year ended June 30, 2013 were as follows (dollar amounts in thousands):

	Lives (Years)	2012	Additions and Transfers (Restated)	Retirements and Transfers	2013 (Restated)
Capital assets, not being depreciated					
Land	N/A	$ 544,874	$ 5,669	$ (858)	$ 549,685
Construction in progress	N/A	1,834,097	588,301	(178,116)	2,244,282
Total capital assets, not being depreciated		2,378,971	593,970	(178,974)	2,793,967
Capital assets, being depreciated					
Tangible Asset					
Stations, track, structures and improvements	80	4,008,657	72,742	-	4,081,399
Buildings	80	10,732	-	-	10,732
System-wide operation and control	20	588,136	10,202	-	598,338
Revenue transit vehicles	30	1,103,557	-	-	1,103,557
Service and miscellaneous equipment	3-20	219,215	45,024	(139)	264,100
Capitalized construction and start-up costs	30	98,305	-	-	98,305
Repairable property items	30	61,334	44,900	-	106,234
Intangible Asset					
Information systems	20	41,292	-	-	41,292
Total capital assets, being depreciated		6,131,228	172,868	(139)	6,303,957
Less accumulated depreciation		(2,432,890)	(145,702)	139	(2,578,453)
Total capital assets, being depreciated, net		3,698,338	27,166	-	3,725,504
Total capital assets, net		$ 6,077,309	$ 621,136	$ (178,974)	$ 6,519,471

After the completion of the San Francisco International Airport Extension in 2004, which added 38 miles of track and 10 new stations to the system, the District embarked on three expansion projects, which include the East Contra Costa BART Extension (eBART) in Contra Costa County, the Oakland Airport Connector (OAC) in Alameda County and the Warm Springs Extension (WSX) also in Alameda County. The OAC Project was completed and revenue operations began on November 22, 2014. Expected completion date for the WSX Extension is in December 2015 and the eBART Extension in calendar year 2018.

The District has entered into contracts for the construction of various facilities and equipment totaling approximately $2,146,016,000 at June 30, 2014, and $1,694,140,000 in 2013.

5. Accounts Payable and Other Liabilities

The District reports the following aggregated payables as accounts payable and other liabilities in the statements of net position as of June 30, 2014 and 2013 (dollar amounts in thousands):

	2014	2013
Payable to vendors and contractors	$ 94,912	$ 144,037
Employee salaries and benefits	25,524	21,664
Accrued compensated absences	59,388	56,865
Net OPEB obligation	59,378	57,222
Accrued interest payable	29,336	25,274
Liabilities at the end of year	268,538	305,062
Less noncurrent portion	(80,807)	(72,170)
Net current portion	$ 187,731	$ 232,892

6. Long-Term Debt

Long-term debt activity for the year ended June 30, 2014 is summarized as follows (dollar amounts in thousands):

	2013 (Restated)	Additions/ Accretion	Payments/ Amortization	2014
2005 Sales Tax Revenue Refunding Bonds	$ 272,455	$ -	$ (12,630)	$ 259,825
2006 Sales Tax Revenue Bonds	1,300	-	-	1,300
2006 Sales Tax Revenue Refunding Bonds	101,245	-	(2,190)	99,055
2010 Sales Tax Revenue Refunding Bonds	125,795	-	(1,530)	124,265
2012 Sales Tax Revenue Refunding Bonds	130,475	-	(3,330)	127,145
2012 Sales Tax Revenue Bonds	111,085	-	(3,780)	107,305
Construction Loans	93,500	-	(93,500)	-
2005 General Obligation Bonds	37,725	-	(980)	36,745
2007 General Obligation Bonds	372,965	-	(1,435)	371,530
2013 General Obligation Bonds	-	240,000	-	240,000
	1,246,545	240,000	(119,375)	1,367,170
Add (less):				
Original issue premiums and discounts, net	59,649	30,840	(3,728)	86,761
Long-term debt net of accumulated accretion and debt related items	1,306,194	$ 270,840	$ (123,103)	1,453,931
Less: current portion of long-term debt	(30,875)			(37,575)
Net long-term debt	$ 1,275,319			$ 1,416,356

6. Long-Term Debt (Continued)

Long-term debt activity for the year ended June 30, 2013 is summarized as follows (dollar amounts in thousands):

	2012 (Restated)	Additions/ Accretion (Restated)	Payments/ Amortization	2013 (Restated)
2001 Sales Tax Revenue Bonds	$ 43,765	$ -	$ (43,765)	$ -
2005 Sales Tax Revenue Refunding Bonds	281,465	-	(9,010)	272,455
2006 Sales Tax Revenue Bonds	64,915	-	(63,615)	1,300
2006 Sales Tax Revenue Refunding Bonds	107,130	-	(5,885)	101,245
2010 Sales Tax Revenue Refunding Bonds	129,180	-	(3,385)	125,795
2012 Sales Tax Revenue Refunding Bonds	-	130,475	-	130,475
2012 Sales Tax Revenue Bonds	-	111,085	-	111,085
Construction Loans	109,500	-	(16,000)	93,500
Lease/Leaseback Obligation	44,375	-	(44,375)	-
2002 SFO Extension Premium Fare Bonds	52,570	-	(52,570)	-
2005 General Obligation Bonds	38,675	-	(950)	37,725
2007 General Obligation Bonds	373,865	-	(900)	372,965
	1,245,440	241,560	(240,455)	1,246,545
Add (less):				
Accumulated Accretion on Lease/Leaseback Obligation	16,649	4,189	(20,838)	-
Original issue premiums and discounts, net	40,173	23,439	(3,963)	59,649
Long-term debt net of accumulated accretion and debt related items	1,302,262	$ 269,188	$ (265,256)	1,306,194
Less: current portion of long-term debt	(39,115)			(30,875)
Net long-term debt	$ 1,263,147			$ 1,275,319

2001 Sales Tax Revenue Bonds (the 2001 Bonds)
In July 2001, the District issued sales tax revenue bonds totaling $168,650,000 to fund the rehabilitation of District rail cars and certain other capital improvements, to fund capital reserves to be utilized in connection with the SFO Extension project and to refund certain outstanding bonds with principal amounts of $41,175,000. The 2001 Bonds are special obligations of the District payable from and secured by a pledge of sales tax revenues. In August 2005, 2001 Bonds with principal amounts totaling $19,640,000 were refunded from the proceeds of the 2005 Bonds. Another refunding of the 2001 Bonds occurred in July 2006 when 2001 Bonds with principal amounts totaling $102,560,000 were refunded from the proceeds of the 2006 Refunding Bonds. In October 2012, the remaining outstanding balance of $41,745,000 were refunded from the proceeds of the 2012 Sales Tax Revenue Refunding Bonds (2012 Series A Refunding Bonds).

6. Long-Term Debt (Continued)

2005 Sales Tax Revenue Refunding Bonds (the 2005 Refunding Bonds)
In August 2005, the District issued the Sales Tax Revenue Bonds, Refunding Series 2005A totaling $352,095,000. The 2005 Refunding Bonds were used to advance refund $349,925,000 in aggregate principal amount of sales tax revenue bonds related to the Sales Tax Revenue Bonds, Series 1995, 1998, 1999, and 2001. The 2005 Refunding Bonds are special obligations of the District, payable from and collateralized by a pledge of sales tax revenues. At June 30, 2014, the 2005 Refunding Bonds consist of $170,705,000 in serial bonds due from 2015 to 2027 with interest rates ranging from 3.75% to 5.00%, two 5.00% term bonds in the amounts of $55,685,000 and $31,785,000 due in 2031 and 2035, respectively, and one 4.50% term bond for $1,650,000 due in 2031.

2006 Sales Tax Revenue Bonds (the 2006 Bonds)
In June 2006, the District issued sales tax revenue bonds with an aggregate principal amount of $64,915,000 to finance a portion of the cost of construction of a new transit station, the West Dublin/Pleasanton Station including two parking facilities, pedestrian bridges, a bus intermodal facility and related improvements. The 2006 Bonds are special obligations of the District payable from and secured by a pledge of sales tax revenues. In October 2012, the 2006 Bonds with principal amounts totaling $63,615,000 were refunded from the proceeds of the 2012 Series A Refunding Bonds. At June 30, 2014, the 2006 Bonds outstanding consist of $1,300,000 in serial bonds due from 2015 to 2017 with an interest rate of 4.0%.

2006 Sales Tax Revenue Refunding Bonds (the 2006 Refunding Bonds)
On November 30, 2006, the District issued the Sales Tax Revenue Bonds, Refunding Series 2006A, with a principal amount of $108,110,000 to advance refund a portion of the 2001 Bonds with an aggregate principal amount of $102,560,000. The 2006 Refunding Bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues. At June 30, 2014, the 2006 Refunding Bonds consist of serial bonds amounting to $44,485,000 due from 2015 to 2028 with interest rates ranging from 4.0% to 5.0%, and term bonds totaling $54,570,000 of various maturity dates from 2029 to 2037 with an interest rate of 4.25%. The term bonds are subject to redemption in part, by lot, from Mandatory Sinking Account Payments required by the Indenture on certain dates, at the principal amount of the 2006 Refunding Bonds to be redeemed plus accrued interest, if any, to the redemption date.

2010 Sales Tax Revenue Refunding Bonds (the 2010 Refunding Bonds)
On May 5, 2010, the District issued the Sales Tax Revenue Bonds, Refunding Series 2010, with a principal amount of $129,595,000 to provide sufficient funds to refund a portion of the 1998 Bonds with an aggregate principal amount of $143,825,000, to fund a deposit to the Series 2010 Reserve Account in the bond reserve fund and to pay costs of issuance of the Series 2010 Bonds. The District funded from its own funds the Bond Reserve Fund in the amount of $14,202,000. The 2010 Refunding Bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues. At June 30, 2014, the 2010 Refunding Bonds consist of serial bonds amounting to $124,265,000 with interest rates ranging from 3.0% to 5.0%, with various maturity dates from 2015 to 2029.

6. Long-Term Debt (Continued)

2012 Sales Tax Revenue Refunding Bonds (the 2012 Series A Refunding Bonds)
On October 4, 2012, the District issued the Sales Tax Revenue Bonds, Refunding Series 2012A, with a principal amount of $130,475,000 and a premium of $23,439,000 to provide sufficient funds, along with $10,690,000 in other District funds, to refund $51,605,000 principal amount of the Association of Bay Area Governments BART SFO Extension Bond (Airport Premium Fare), 2002 Series A, to refund the remaining balance of the 2001 Bonds with an aggregate principal amount of $41,745,000, to refund $63,615,000 principal amount of the 2006 Series A Bonds, and to fund costs of issuance of the Series A 2012 Refunding Bonds. The 2012 Series A Refunding Bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues. At June 30, 2014, the 2012 Series A Refunding Bonds consist of serial bonds amounting to $94,810,000 with interest rates ranging from 3.0% to 5.0% with various maturity dates from 2015 to 2033, and a term bond in the amount of $32,335,000 due in 2037. The refunding during fiscal year 2013 resulted in economic gain of $25,132,000 and cash flow savings of $35,819,000.

2012 Sales Tax Revenue Bonds (the 2012 Series B)
On October 4, 2012, the District issued the Sales Tax Revenue Bonds, Series 2012B, with a principal amount of $111,085,000 to provide financing for the Oakland International Airport Connector Project and to fund the costs of issuance. The 2012 Series B are special obligations of the District, payable from and secured by a pledge of sales tax revenues. At June 30, 2014, the 2012 Series B consist of serial bonds amounting to $21,280,000 with interest rates ranging from 0.755% to 2.677% with various maturity dates from 2016 to 2023, a term bond in the amount of $15,670,000 with interest rate of 3.477% due in 2028, a term bond in the amount of $18,815,000 with interest rate of 4.087% due in 2033 and a term bond in the amount of $51,540,000 with interest rate of 4.287% due in 2043.

Construction Loans
In March 1999, the District, MTC and San Mateo County Transit District (SamTrans) entered into a Memorandum of Understanding (MOU), which provided additional funds for the SFO Extension project in the form of construction loans from each agency.

As of June 30, 2013, the outstanding construction loans consist of funds received for the SFO Extension project costs from SamTrans for $72,000,000 and MTC for $16,500,000 and $5,000,000 from MTC for the project's temporary cash requirements. The District provided $50,000,000 of its own funds to assist with the financing of the SFO Extension project costs. The terms and conditions of the MOU provide that the loans for project costs will be repaid, without interest, from the future net operating surplus generated by the SFO Extension. Such repayments of the loans for project costs from SamTrans and MTC totaling $88,500,000 plus reimbursement of the District's $50,000,000, will commence after SamTrans' capital contribution to the District's Warm Springs Extension project is fully paid.

As of June 30, 2014, the balances of the District's obligations to SamTrans for $72,000,000 and MTC for $16,500,000 were extinguished after the District reevaluated the provisions of the Tri-Party Financial Agreement between the District, SamTrans, and MTC, which was in effect as of February 28, 2007. The remaining balance of the District's obligation with respect to the Project's temporary cash requirements of $5,000,000 was paid from the District's general fund in June 2014 (See Note 14).

6. Long-Term Debt (Continued)

Lease/Leaseback Obligation

On March 19, 2002, the District entered into a transaction to lease rail traffic control equipment (the Network) to investors through March 19, 2042 (the head lease) and simultaneously sublease the Network back through January 2, 2018 (the sublease). At the expiration of the sublease term the District has the option to purchase back the remaining head lease interest.

At closing, the Network had a fair market value of approximately $206,000,000 and a book value of $203,000,000. Under the terms of the head lease, the District received a prepayment equivalent to the net present value of the head lease obligation totaling approximately $206,000,000, of which the District paid approximately $146,000,000 to a Payment Undertaker. Under the terms of the agreement, the Payment Undertaker committed to pay the debt portion of the District's sublease obligation and to set aside funds to enable the District to exercise its purchase option of the head lease interest, if it chooses to do so. Of the remaining head lease proceeds, approximately $37,000,000 was deposited to a trust account to be used to pay the remaining equity portion of the District's sublease obligation and to set aside additional funds to enable the District to exercise its purchase option of the head lease interest, if it chooses to do so. The District received cash from the lease/leaseback transaction amounting to approximately $23,000,000. The cash gain was deferred and was being amortized over a period of 15.75 years through January 2, 2018.

On September 2, 2009, the District entered into a Termination Agreement with Key Equipment Finance, Inc., which is one of the three Equity Investors in the Lease/Leaseback transaction. Under the terms of the Termination Agreement, the District bought back the portion of the head lease interest identified with Key Equipment Finance for a total purchase price equal to the sum of (1) $30,559,000 plus (2) all principal and interest related to the debt portion of the District sublease obligation to Key Equipment Finance Inc., Subject to the terms and conditions of the Termination Agreement, Key Equipment Finance, Inc. acknowledge that all of its respective right, title, and interest in and to the Head Lease Interest, the Network and the Software Rights are automatically terminated and all such right, title, and interest vest in the District.

On June 26, 2013, the remaining leases with Wells Fargo Bank and CIBC Capital Corporation were also terminated. The total purchase price was equal to the sum of (1) $47,456,000 plus (2) all principal and interest related to the debt portion of the District's sublease obligations to Wells Fargo Bank and CIBC Capital Corporation. The termination agreements specify that the transactions effected pursuant to these agreements constitute an exercise by the District of the Purchase Option at the end of the term of the sublease and that the District's obligations under the head lease, the sublease and other operative agreement were satisfied. The early termination of the leases with Wells Fargo Bank and CIBC Corporation resulted in a net loss of $4,675,000 which is shown as part of other income (expense), net, in the District's statements of revenues, expenses and changes in net position.

6. Long-Term Debt (Continued)

2002 SFO Extension Premium Fare Bonds (the Airport Premium Fare Bonds)
On October 1, 2002, the Association of Bay Area Governments ("ABAG") issued BART SFO Extension Bonds ("Airport Premium Fare Bonds"), 2002 Series, in the amount of $56,715,000. The Airport Premium Fare Bonds were issued for the benefit of the District's SFO Extension project. The proceeds were used to finance a portion of the costs of the SFO Extension project, including all system-wide and associated improvements and expenditures related to the extension. The Airport Premium Fare Bonds are limited obligations of ABAG payable solely from and collateralized solely by amounts received from the District pursuant to a Pledge and Contribution Agreement, dated October 1, 2002, between ABAG and the District. The Airport Premium Fare Bonds are not a general obligation of ABAG. The District's obligation to make payments under the Pledge and Contribution Agreement is limited to and payable solely from and collateralized solely by a pledge of the premium fare imposed and collected by the District from passengers who board or depart the District's rapid transit system at the San Francisco International Airport station. The District's obligation to make such payments under the Pledge and Contribution Agreement is not a general obligation of the District. The payments of the principal and interest when due, are insured by a financial guaranty insurance policy issued by an insurance company. In October 2012, the remaining outstanding aggregate principal balance of $51,605,000 were refunded from the proceeds of the 2012 Series A Refunding Bonds.

2005 General Obligation Bonds (the 2005 GO Bonds)
In May 2005, the District issued the General Obligation Bonds (Elections 2004), 2005 Series A with an aggregate principal amount of $100,000,000. The 2005 GO Bonds constitute a portion of the total authorized amount of $980,000,000 of general obligation bonds of the District duly authorized by at least two-thirds of the qualified voters of the District voting on a ballot measure ("Measure AA") at an election held on November 2, 2004. The 2005 GO Bonds constitute the first issue of general obligation bonds being issued pursuant to the Measure AA authorization.

The 2005 GO Bonds were issued to finance earthquake safety improvements to BART facilities, including aerial trackway structures, underground trackway structures, including the Transbay Tube, and at-grade trackway structures, stations, and administrative, maintenance, and operations facilities and to finance additional retrofits to facilitate a rapid return to service after an earthquake or other disasters. The 2005 GO Bonds are general obligations of the District, payable from and secured solely by ad valorem taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except for certain personal property which is taxable at limited rates) levied in Alameda and Contra Costa Counties and the City and County of San Francisco. No other revenues of the District are pledged to the payment of the 2005 GO Bonds. At June 30, 2014, the 2005 GO Bonds consist of $17,130,000 in serial bonds due from 2015 to 2027 with interest ranging from 3.60% to 5.00%, a $7,720,000 term bond at 4.50% due in 2031 and a $11,895,000 term bond at 5.00% due in 2036. The District is required to make sinking fund payments on the term bond due in 2031 beginning in 2028 and on the term bond due in 2036 beginning in 2032.

6. Long-Term Debt (Continued)

2007 General Obligation Bonds (the 2007 GO Bonds)

On July 25, 2007, the District issued the General Obligation Bonds (Election of 2004), 2007 Series B with a principal amount of $400,000,000. The 2007 GO Bonds constitute the second issue of general obligation bonds being issued pursuant to the Measure AA authorization as discussed in the preceding paragraph regarding the 2005 GO Bonds. Similar to the 2005 GO Bonds, the 2007 GO Bonds were issued to finance earthquake safety improvements to BART facilities in the three BART Counties, including strengthening tunnels, bridges, overhead tracks and the underwater Transbay Tube. The 2007 GO Bonds are general obligations of the District payable from and secured solely by ad valorem taxes upon all property subject to taxation by the District levied in Alameda and Contra Costa Counties and the City and County of San Francisco. No other revenues of the District are pledged to the payment of the 2007 GO Bonds. At June 30, 2014, the 2007 GO Bonds consist of $107,080,000 in serial bonds due from 2015 to 2028 with interest rates ranging from 4.00% to 5.00%, and three term bonds totaling $264,450,000 due in 2033, 2036 and 2038 with interest rates ranging from 4.75% to 5.00%. The bonds maturing in 2033, 2036 and 2038 are subject to mandatory sinking fund redemptions starting in 2029, 2034 and 2037, respectively.

2013 General Obligation Bonds, Series C (the 2013 Series C GO Bonds)

On November 21, 2013, the District issued the General Obligation Bonds, 2013 Series C (the 2013 Series C GO Bonds) with a principal amount of $240,000,000. The 2013 Series C GO Bonds are general obligations of the District, payable from and secured solely by ad valorem taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except for certain personal property which is taxable at limited rates) levied in Alameda and Contra Costa Counties and the City and County of San Francisco. No other revenues of the District are pledged to the payment of the 2013 Series C GO Bonds. The 2013 Series C GO Bonds constitute the third issue of general obligation bonds issued pursuant to the Measure AA authorization to provide financing for earthquake safety improvements to District facilities in the Three District Counties, including strengthening tunnels, bridges, overhead tracks, the underwater Transbay Tube and the Berkeley Hills Tunnel.

At June 30, 2014, the 2013 Series C GO Bonds consist of $219,875,000 in serial bonds due from 2015 to 2034 with interest ranging from 2.0% to 5.00%, and term bonds totaling $20,125,000 due in 2037. The serial bonds maturing on or after August 1, 2024 are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after August 1, 2023, at the principal amount called for redemption, without premium, plus accrued interest. The term bonds are also subject to mandatory sinking fund redemption on August 1 beginning 2034, at the principal amount, without premium, plus accrued interest.

After the issuance of the 2005, 2007, and 2013 GO Bonds, the remaining General Obligation Bonds that can be issued by the District as authorized under Measure AA is $240,000,000.

Defeased Bonds

On various dates, the District issued bonds to refund certain outstanding sales tax revenue bonds previously issued by the District. In October 2012, $51,605,000 aggregate principal amount of the Airport Premium Fare, 2002 Series A, $41,745,000 remaining aggregate balance of the 2001 Bonds, and $63,615,000 aggregate principal amount of the 2006 Series A Bonds were refunded from the proceeds of the 2012 Series A Refunding Bonds.

6. Long-Term Debt (Continued)

On the above described defeasances, the District placed in irrevocable trusts the required amounts to pay the future debt service payments on the defeased bonds. The advance refunding met the requirement of the in-substance debt defeasance, and the defeased bonds were removed from the District's long-term debt. Accordingly the trust accounts assets and liabilities for the defeased bonds are not included in the District's financial statements.

As of June 30, 2014, $63,615,000 aggregate principal balance of the 2006 Series A Bonds are outstanding. These outstanding bonds were redeemed on July 1, 2014.

Arbitrage Bonds
The District is subject to certain bond covenants, including the rules set forth by IRS Code Section 148a, which requires that interest earned on the proceeds of a tax exempt bond issuance does not exceed the interest expense related to those bonds, which qualifies those bonds as arbitrage bonds. Any excess interest income is subject to a 100% tax and is payable to the Federal Government. As of June 30, 2014, the District has recorded an estimated arbitrage liability amounting to $4,000 in 2014 and 2013, which is included in accounts payable and other liabilities in the statements of net position.

Pledge of Revenue to Repay Sales Tax Revenue Bonds
The District issues sales tax revenue bonds primarily to finance a portion of its capital projects. The sales tax revenue bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues derived from a seventy-five percent (75%) portion of a transactions and use tax levied by the District in Alameda and Contra Costa Counties and the City and County of San Francisco in an amount equal to one-half of one percent (0.5%) of gross retail receipts. The sales tax revenue bonds outstanding as of June 30, 2014 consist of the 2005 Refunding Bonds, the 2006 Bonds, the 2006 Refunding Bonds, the 2010 Refunding Bonds, the 2012 Series A Refunding Bonds and the 2012 Series B Bonds. Interest on the sales tax revenue bonds are payable on January 1 and July 1 of each year, and the principal on July 1 of the scheduled year until 2043. The total principal and interest remaining on these sales tax revenue bonds is $1,105,277,000 as of June 30, 2014 ($1,161,730,000 as of June 30, 2013), which is 10.69% in 2014 (11.32% in 2013) of the total projected sales tax revenues of $10,342,410,000 as of June 30, 2014 ($10,264,191,000 as of June 30, 2013). The total projected sales tax revenues covers the period from fiscal year 2015 through fiscal year 2043, which is the last scheduled bond principal payment. The pledged sales tax revenues recognized in fiscal year 2014 was $221,149,000 ($208,561,000 in fiscal year 2013) as against a total debt service payment of $53,090,000 in fiscal year 2014, and $54,053,000 in fiscal year 2013 (exclude $105,360,000 for the bonds refunded).

6. Long-Term Debt (Continued)

Debt Repayments

The following is a schedule of long-term debt principal and interest payments required as of June 30, 2014 (dollar amounts in thousands):

Sales Tax Revenue Bonds

Year ending June 30:	2005 Refunding Bonds Principal	2005 Refunding Bonds Interest	2006 Bonds Principal	2006 Bonds Interest	2006 Refunding Bonds Principal	2006 Refunding Bonds Interest
2015	$ 13,445	$ 12,006	$ 145	$ 46	$ 2,070	$ 4,111
2016	15,130	11,298	435	29	1,145	4,054
2017	15,920	10,543	720	-	1,390	3,985
2018	17,020	9,744	-	-	1,105	3,940
2019	17,455	8,872	-	-	1,520	3,880
2020-2024	33,535	38,758	-	-	18,950	17,135
2025-2029	101,805	21,849	-	-	23,395	12,588
2030-2034	36,975	6,003	-	-	28,930	6,930
2035-2039	8,540	-	-	-	20,550	898
2040-2044	-	-	-	-	-	-
	$ 259,825	$ 119,073	$ 1,300	$ 75	$ 99,055	$ 57,521

Year ending June 30:	2010 Refunding Bonds Principal	2010 Refunding Bonds Interest	2012A Refunding Bonds Principal	2012A Refunding Bonds Interest	2012B Bonds Principal	2012B Bonds Interest
2015	$ 1,580	$ 6,027	$ 2,855	$ 6,008	$ -	$ 3,910
2016	1,620	5,962	2,985	5,918	2,535	3,891
2017	2,925	5,845	1,640	5,852	2,555	3,864
2018	3,045	5,723	2,605	5,748	2,580	3,830
2019	3,165	5,597	3,045	5,626	2,615	3,785
2020-2024	75,310	17,864	19,415	25,639	13,920	17,947
2025-2029	36,620	3,841	29,285	19,492	16,215	15,434
2030-2034	-	-	42,830	10,216	19,580	11,838
2035-2039	-	-	22,485	1,176	24,065	7,131
2040-2044	-	-	-	-	23,240	1,547
	$ 124,265	$ 50,859	$ 127,145	$ 85,675	$ 107,305	$ 73,177

6. Long-Term Debt (Continued)

Year ending June 30:	2005 General Obligation Bonds Principal	2005 General Obligation Bonds Interest	2007 General Obligation Bonds Principal	2007 General Obligation Bonds Interest	2013 General Obligation Bonds Principal	2013 General Obligation Bonds Interest	Total Principal	Total Interest
2015	$ 1,015	$ 1,701	$ 2,010	$ 18,103	$ 14,455	$ 10,448	$ 37,575	$ 62,360
2016	1,050	1,662	2,640	18,000	-	10,424	27,540	61,238
2017	1,090	1,621	3,315	17,870	-	10,424	29,555	60,004
2018	1,130	1,576	4,050	17,706	19,815	9,732	51,350	57,999
2019	1,175	1,530	4,840	17,510	18,050	9,026	51,865	55,826
2020-2024	6,750	6,677	38,350	82,603	76,460	33,834	282,690	240,457
2025-2029	8,610	4,752	68,545	68,844	50,525	20,181	335,000	166,981
2030-2034	10,820	2,442	111,260	45,770	40,570	8,945	290,965	92,144
2035-2039	5,105	152	136,520	11,264	20,125	1,378	237,390	21,999
2040-2044	-	-	-	-	-	-	23,240	1,547
	$ 36,745	$ 22,113	$ 371,530	$ 297,670	$ 240,000	$ 114,392	$ 1,367,170	$ 820,555

7. Risk Management

The District is partially self-insured for workers' compensation, public liability and property damage claims. The self-insured retention for workers' compensation is $4,000,000 per accident and the limit of liability is $10,000,000. The self-insured retention for public liability and property damage is $5,000,000 for any one occurrence. Claims in excess of self-insured retentions are covered up to a total of $145,000,000 by insurance policies. There have been no settlement amounts during the past three years that have exceeded the District's insurance coverage.

The self-insurance programs are administered by independent claims adjustment firms. Claim expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities are discounted at a 3% rate, in part, upon the independent adjustment firms' estimate of reserves necessary for the settlement of outstanding claims and related administrative costs, and include estimates of claims that have been incurred but not yet reported, including loss adjustment expenses. Such reserves are estimated by professional actuaries through June 30 and are subject to periodic adjustments as conditions warrant.

7. Risk Management (Continued)

The estimated liability for insurance claims at June 30, 2014 is believed to be sufficient to cover any costs arising out of claims filed or to be filed for accidents occurring through that date. At June 30, 2014 and 2013, the estimated amounts of these liabilities were $52,160,000 and $49,148,000, respectively. Changes in the reported liabilities since the beginning of the respective fiscal years are as follows (dollar amounts in thousands):

	2014	2013
Liabilities at beginning of year	$ 49,148	$ 37,392
Current year claims and changes in estimates	17,754	25,748
Payments of claims	(14,742)	(13,992)
Liabilities at the end of year	52,160	49,148
Less current portion	(18,067)	(15,141)
Net noncurrent portion	$ 34,093	$ 34,007

8. Federal Capital Contributions and Operating Financial Assistance

The U.S. Department of Transportation and other federal agencies provide capital funding to the District for construction projects, planning and technical assistance. Cumulative information for grants which were active during the years ended June 30, 2014 and 2013 are summarized as follows (dollar amounts in thousands):

	2014	2013
Total approved project costs	$ 1,628,029	$ 3,293,122
Cumulative amounts of project costs incurred and earned	$ 913,041	$ 1,482,164
Less: approved federal allocations received	(882,567)	(1,369,987)
Capital grants receivable - Federal	$ 30,474	$ 112,177

The District's fleet replacement project consisting of construction for the A, B, C1 and C2 fleet replacement was formally launched in 2013. To set aside funding for this program, the District and MTC, on May 24, 2006, entered into the BART Car Replacement Funding Exchange Agreement. Under the agreement, MTC agrees to program federal funds to eligible BART projects that are ready to be delivered within the year of MTC's programming action. In exchange for MTC programming funds for ready-to-go BART projects, the District will deposit an equal amount of local unrestricted funds into a restricted account established to fund BART's car replacement program. MTC is the exclusive administrator of the restricted account and any withdrawal of funds from the account requires prior approval from the MTC Commission and the District's Board. In accordance with the agreement, MTC allocated Federal Section 5307 and 5337 Grants for $72,000,000 in fiscal year 2014 and Federal Section 5307 Grants for $23,980,000 in fiscal year 2013 to fund the District's preventive maintenance expenses. In fiscal year 2014, the District remitted to MTC $3,534,000 for fiscal year 2013 allocation on July 25, 2013 and $72,000,000 for fiscal year 2014 allocation between January – June 2014, the equivalent amount of its own funds, which were deposited by MTC to the restricted account. The federal grant is shown as nonoperating revenue – operating financial assistance and the District's remittance to MTC is shown as nonoperating expense in the District's financial statements.

8. Federal Capital Contributions and Operating Financial Assistance (Continued)

In fiscal year 2013, the MTC commission and the District's Board authorized a withdrawal of $15,500,000 from the restricted account to support the Rail Car Replacement Program. The amount received was recorded as capital contributions. The restricted account for BART's car replacement program held by MTC, which is excluded from the District's financial statements, reported a balance of $201,345,000 as of June 30, 2014 and $125,528,000 as of June 30, 2013.

9. State and Local Operating and Capital Financial Assistance

The District is eligible to receive local operating and capital assistance from the Transportation Development Act Funds (TDA). There was no TDA operating assistance received in fiscal years 2014 or 2013. The District was awarded TDA capital allocation of $2,300,000 in fiscal year 2010 of which $0 was earned during fiscal year 2014 and $122,000 in fiscal year 2013. The District may be entitled to receive state operating and capital assistance from the State Transit Assistance Funds (STA). These funds are allocated by MTC based on the ratio of the District's transit operation revenue and local support to the revenue and local support of all state transit agencies. The District received STA operating allocations of $20,837,000 in fiscal year 2014 and $18,596,000 in fiscal year 2013, of which $20,738,000 was earned in fiscal year 2014 and $18,106,000 was earned in fiscal 2013. The District also received STA capital allocations amounting to $1,170,000 awarded in fiscal year 2004, $227,000 awarded in 2008 and $971,000 awarded in 2011, of which $719,000 was earned during fiscal year 2014 and $100,000 was earned during fiscal year 2013.

The District receives Paratransit funds provided to cities and transit operators from Alameda County Measure B funds to be used for services aimed at improving mobility for seniors and persons with disabilities. The Alameda County Transportation Commission is the administrator of Measure B funds. In fiscal year 2014, the District's revenues that relate to the Measure B funds were $1,763,000 ($1,714,000 in fiscal year 2013) for the annual assistance for paratransit operating funds and $70,000 ($243,000 in fiscal year 2013) from the Contra Costa Transportation Authority Measure J funds for operating expenses.

On February 28, 2007, the District, SamTrans, and MTC entered into a Tri-Party Financial Agreement establishing the operational and financial arrangement regarding the BART San Francisco International Airport Extension. To fund the operating costs of the SFO Extension, the agreement provided that (1) the District will receive up-front funding of $24,000,000 from MTC and $32,000,000 from SamTrans from their shares of Proposition 1B funds; (2) the District will also receive 2% of the San Mateo County half cent sales tax, Measure A, which was reauthorized by the voters of San Mateo County in 2004, for 25 years beginning in fiscal year 2009; this amount is currently equal to approximately $1,200,000 per year; and (3) MTC shall allocate to the District additional STA revenue-based funds beginning in fiscal year 2009, which would otherwise be available for allocation to SamTrans as a result of the completion of the Traffic Congestion Relief Program projects, in an amount of $801,000 annually. The above funds will be used first to cover any operating deficit on the SFO Extension and then to complete SamTrans' funding commitment of $145,000,000 to the District's Warm Springs Extension Project. The upfront funding of $24,000,000 from MTC was allocated to the District in 2008 in the form of a capital grant funded by Regional Measure 2 (RM2) revenues. For the purpose of the Tri-Party Agreement, the District is required to make a deposit to the reserve account in an amount equal to the capital reimbursement received from MTC/RM2 revenues.

9. State and Local Operating and Capital Financial Assistance (Continued)

As of June 30, 2014 and 2013, the balance of the reserve account is as follows (dollar amounts in thousands):

	2014	2013
Reserve account at beginning of year	$ 20,901	$ 19,369
Received/accrued	4,584	2,273
Add interest earnings	71	60
Total	25,556	21,702
Less: amount used to cover SFO Extension operating shortfall	(801)	(801)
Reserve account at end of year	$ 24,755	$ 20,901

In accordance with the Tri-Party Financial Agreement, the District recognized contributions in fiscal year 2014 of $2,329,000 from SamTrans ($2,273,000 in fiscal year 2013) and $2,255,000 from MTC ($0 in fiscal year 2013).

PTMISEA Grants
The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by the voters as Proposition 1B on November 7, 2006, includes a program of funding in the amount of $4 billion to be deposited in the Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA). Of this amount, $3.6 billion in the PTMISEA is available to project sponsors in California for allocation to eligible public transportation projects.

The District has cumulatively received a total $294,977,000 in PTMISEA grant funds to fund various BART capital projects. The grants received are in the form of cash for $289,462,000 and reimbursement grants for $5,515,000.

9. State and Local Operating and Capital Financial Assistance (Continued)

The following schedules show the changes in activities related to the PTMISEA grant funds during the fiscal years 2014 and 2013 (dollar amounts in thousands):

2014	**Grant Fund Balance at Beginning of Year**	**Grants Received**	**Project Costs Incurred**	**Grant Fund Balance at End of Year**
eBART Extension	$ 16,646	$ 13,000 [3]	$ 10,610	$ 19,036
Ashby Elevator	261	-	(11)	272
Station Modernization	115,675	(12,856) [3]	5,480	97,339
Seismic Retrofit	(33)	-	178	(211) [2]
Oakland Airport Connector	106	-	160	(54) [2]
Warm Springs Extentsion	3,545	(144) [3]	2,309	1,092
Balboa West Side Entrance	82	-	82	-
Balboa Park Eastside	-	800 [4]	23	777
Berkeley Station Entrance	-	721 [4]	-	721
Access Improvements	6,001	(1,521) [4]	65	4,415
Station Signage[1]	2,043	-	460	1,583
Train Control	17,500	-	-	17,500
	$ 161,826	$ -	$ 19,356	$ 142,470

2013	**Grant Fund Balance at Beginning of Year**	**Grants Received**	**Project Costs Incurred**	**Grant Fund Balance at End of Year**
eBART Extension	$ 28,257	$ -	$ 11,611	$ 16,646
Ashby Elevator	249	-	(12)	261
Station Modernization	21,081	99,188	4,594	115,675
Seismic Retrofit	152	-	185	(33) [2]
Oakland Airport Connector	330	-	224	106
Warm Springs Extentsion	24,917	(100) [5]	21,272	3,545
Balboa West Side Entrance	907	-	825	82
Access Improvements	487	5,514	-	6,001
Station Signage[1]	3,147	-	1,104	2,043
Train Control	-	17,500	-	17,500
	$ 79,527	$ 122,102	$ 39,803	$ 161,826

[1] This grant is on a reimbursement basis.
[2] Covered by interest earnings.
[3] Grants for $13,000,000 were reprogrammed from Station Modernization to eBART Extension with additional grant funds reprogrammed from the Warm Springs Extension ($144,000) to Station Modernization.
[4] Grants for $1,521,000 were reprogrammed from Access Improvements to Balboa West Side Entrance ($800,000) and Berkeley Station ($721,000).
[5] Grants for $100,000 were reprogrammed from Warm Springs Extension to Station Modernization.

9. State and Local Operating and Capital Financial Assistance (Continued)

As of June 30, 2014 and 2013, the unused portion of PTMISEA grant funds received in cash are shown on the statements of net position as a component of unearned revenues as follows (dollar amounts in thousands):

	2014	2013
Cash available, end of year	$ 140,887	$ 159,783
Less noncurrent portion	(120,887)	(113,096)
Net current portion	$ 20,000	$ 46,687

At the end of fiscal year 2014, the PTMISEA funds had earned interest income of $1,491,000 from inception, of which $143,000 was earned in fiscal year 2014 and $108,000 in fiscal year 2013.

10. Employees' Retirement Benefits

Plan Description

All eligible employees participate in the Public Employees' Retirement Fund (the Fund) of the State of California's Public Employees' Retirement System (CalPERS) under the Miscellaneous Plan and the Safety Plan of the San Francisco Bay Area Rapid Transit District. The Fund is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for 3,089 local public agencies and school districts within the State of California. The Fund provides retirement, disability, and death benefits based on the employee's years of service, age and compensation. Most employees vest after five years of service and may receive retirement benefits at age 50. These benefit provisions and all other requirements are established by State statute and District contractual agreements.

Copies of CalPERS' annual financial report may be obtained from their Executive Office by writing or calling the Plan: California PERS, P.O. Box 942709, Sacramento, CA 94229-2709, (916) 326-3420. A separate report for the District's plan is not available.

Funding Policy and Annual Pension Cost

The Plans funding policy provides for periodic District contributions at actuarially determined amounts sufficient to accumulate the necessary assets to pay benefits when due as specified by contractual agreements. The individual entry age normal cost method is used to determine the normal cost. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay in each year from the age of hire (entry age) to the assumed retirement age.

10. Employee Retirement Benefits (Continued)

The District's covered payroll for employees participating in the Fund for the years ended June 30, 2014 and 2013 was $243,970,000 and $243,798,000, respectively. The District's 2014 and 2013 payroll for all employees was $290,551,000 and $289,571,000, respectively. The District, in compliance with the collective bargaining agreements, also reimburses "classic" employees as defined by CalPERS for all or a portion of the employee share of the pension contributions, which are 9% for public safety personnel and 7% for miscellaneous covered employees. The latest collective bargaining agreements require the District to reimburse represented "classic" miscellaneous employees of Amalgated Transit Union (ATU), Service Employees International Union (SEIU), and American Federation of State, County and Municipal Employees (AFSCME), for their contributions, effective on July 1, 2013 in the amount of 6.50%, effective on January 1, 2014 in the amount of 6%, effective January 1, 2015 in the amount of 5%, effective January 1, 2016 in the amount of 4% and effective January 1, 2017 in the amount of 3%. Contributions for non-represented miscellaneous employees will be made at the same level but effective 6 months later in conjunction with their wage increases. With the latest collective bargaining agreements for represented BART Police Officer Association (BPOA) and BART Police Managers Association (BPMA) employees, they will continue to be reimbursed for their contributions. However, they will contribute to the employer's share effective July 1, 2013 in the amount of 0.5%, effective January 1, 2014 in the amount of 1%, effective January 1, 2015 in the amount of 2%, effective January 1, 2016 in the amount of 3% and effective January 1, 2017 in the amount of 4%. Contributions for non-represented safety employees will be made at the same level as BPMA but effective 6 months later in conjunction with their wage increases. Under the California Public Employees' Pension Reform Act of 2013 (PEPRA), effective January 1, 2013, "new" employees as defined by CalPERS and PEPRA who are not represented must contribute ½ of the total normal cost. The contribution rate is 12% for public safety personnel and 6.25% for miscellaneous covered employees. Currently, this does not apply to represented employees pending a court decision. State law currently excludes represented employees from these contributions pending the outcome of a federal court case or until January 1, 2016, whichever occurs sooner.

The employer annual required contributions for fiscal years 2014 and 2013 were determined by an actuarial valuation of the Plans as of June 30, 2011 and 2010, respectively. The contribution rates in fiscal year 2014 were 12.269% for the Miscellaneous Plan and 42.885% for the Safety Plan. The contribution rates in fiscal year 2013 for the Miscellaneous Plan were 11.736% and 41.566% for the Safety Plan.

The three-year trend information for the Fund of the actuarially required employer contribution is as follows (dollar amounts in thousands):

	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed (%)	Net Pension Obligation
Miscellaneous Plan:	June 30, 2012	$ 26,355	100%	$ -
	June 30, 2013	26,565	100%	-
	June 30, 2014	27,838	100%	-
Safety Plan:	June 30, 2012	6,950	100%	-
	June 30, 2013	7,250	100%	-
	June 30, 2014	7,324	100%	-

10. Employee Retirement Benefits (Continued)

Funded Status and Funding Progress of the Miscellaneous Plan

As of June 30, 2013, based on CalPERS most recent actuarial report, the Miscellaneous Plan is 80.4% funded. The actuarial accrued liability for benefits was $1,801,182,000, and the actuarial value of assets was $1,449,050,000, resulting in an unfunded actuarial accrued liability (UAAL) of $352,132,000. The covered payroll (annual payroll of active miscellaneous employees covered by the plan) was $233,176,000, and the ratio of the UAAL to the covered payroll was 151%.

The Schedule of Funding Progress, presented as Required Supplementary Information (RSI), following the Notes to Financial Statements, presents three-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Funded Status and Funding Progress of the Safety Plan

As of June 30, 2013, based on CalPERS most recent actuarial report, the Safety Plan is 64.5% funded. The actuarial accrued liability for benefits was $243,522,000, and the actuarial value of assets was $157,104,000, resulting in an unfunded actuarial accrued liability (UAAL) of $86,417,000. The covered payroll (annual payroll of active safety employees covered by the plan) was $16,871,000, and the ratio of the UAAL to the covered payroll was 512.2%.

The Schedule of Funding Progress, presented as RSI, following the Notes to Financial Statements, presents three-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

10. Employee Retirement Benefits (Continued)

Actuarial Assumptions and Methods

CalPERS uses the rate stabilization methodologies in its actuarial valuations which have been shown to be very effective in mitigating rate volatility. A summary of principal assumptions and methods used by CalPERS to determine the District's annual required contributions to the Miscellaneous Plan and Safety Plan is shown below:

Valuation Date	June 30, 2013	June 30, 2011	June 30, 2010
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Average remaining period	Closed; 30 years as of the valuation date for the Miscellaneous Plan and the Safety Plan*	Closed; 20 years as of the valuation date for Miscellaneous Plan; and 24 years for the Safety Plan	Closed; 17 years as of the valuation date for Miscellaneous Plan; and 22 years for the Safety Plan
Asset valuation method	Market Value	15 year smoothed market	15 year smoothed market
Investment rate of return	7.50% (net of administrative expenses)	7.50% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected salary increases	3.30% to 14.20% depending on age, service and type of employment	3.30% to 14.20% depending on age, service and type of employment	3.55% to 14.45% depending on age, service and type of employment for the Miscellaneous Plan; and 3.55% to 13.15% for the Safety Plan
Inflation	2.75%	2.75%	3.00%
Payroll growth	3.00%	3.00%	3.25%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

* Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year period with Direct Rate Smoothing with a 5-year ramp up/ramp down. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

11. Money Purchase Pension Plan

Most District employees participate in the Money Purchase Pension Plan (MPPP), which is a supplemental retirement defined contribution plan. In January 1981, the District's employees elected to withdraw from the Federal Social Security System (FICA) and established the Money Purchase Pension Plan. The District contributes an amount equal to 6.65% of eligible employees' annual compensation (up to $29,700 after deducting the first $133 paid during each month) up to a maximum annual contribution of $1,868 for all employees except those represented by BPOA and BPMA pursuant to their labor agreements effective January 1, 2010. An additional contribution to the MPPP equal to 1.627% of eligible compensation is provided to all employees except for represented sworn police officers. Payment of this additional contribution was also suspended for all CalPERS eligible individuals, with various effective dates, pursuant to labor agreements and District policy as a cost saving measure. These payments resumed on July 1, 2013. However, under the latest labor agreements with ATU, SEIU, and AFSCME, the District retained 0.0888% of the 1.627% contribution. The District also retained this same amount for non-represented employees. In addition, the District retained $37 per month of the 1.627% for ATU, SEIU, and AFSCME employees who elected medical to pay for medical premiums.

The annual compensation limit subject to the additional contribution is established by the Internal Revenue Code Section 401(a) (17). Each employee's account is available for distribution upon such employee's termination.

The District's total expense and funded contribution for this plan for the years ended June 30, 2014 and 2013 were $9,895,000 and $5,776,000, respectively. The Money Purchase Pension Plan assets at June 30, 2014 and 2013 (excluded from the accompanying financial statements) per the plan administrator's unaudited reports were $285,335,000 and $258,290,000, respectively. At June 30, 2014, there were approximately 222 (238 in 2013) participants receiving payments under this plan.

The plan issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing or calling: BART Investments Plans Committee, 300 Lakeside Drive, Oakland, California 94612, (510) 464-6238.

12. Other Postemployment Benefits

In addition to the retirement benefits described in Notes 10 and 11, and specified in the District's contractual agreements, the District provides certain other postemployment benefits ("OPEB") to employees, which may include medical benefits to retirees and surviving spouses, retiree life insurance, survivor dental and vision benefits, and medical benefits to survivors of active employees. Most employees who retire directly from the District or their surviving spouses are eligible for medical benefits if the employee retires at or after age 50 with a minimum of 5 years of service with the District, elects to take an annuity from CalPERS and makes a timely election of retiree medical.

12. Other Postemployment Benefits (Continued)

In compliance with GASB requirements, the District accounts for OPEB on an accrual basis and created the Retiree Health Benefit Trust. The purpose of establishing the Trust is to facilitate the provision of medical benefits and other health and welfare benefits ("retiree medical benefits") for the qualifying retirees of the District; to provide the means for financing the costs and expenses of operating and administering such benefits; to hold Trust assets for the sole and exclusive purpose of providing benefits to participants and beneficiaries; and to defray the reasonable expenses of administering the Trust and designated plans. Assets placed into the Trust cannot be used for any other purposes and are not available to satisfy general creditors of the District. Under California state law, the restrictions on the use of any proceeds from liquidation of the Trust are significant enough to render the Trust effectively irrevocable. The Trust is administered by one or more Trustees appointed by the District's Board of Directors. Currently, the Board has appointed the District's Controller-Treasurer as the Trustee. The Trust issues a publicly available audited financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to Retiree Health Benefit Trust, San Francisco Bay Area Rapid Transit District, 300 Lakeside Drive, P.O. Box 12688, Oakland, California 94604.

Currently, the Trust covers the funding only for the "retiree medical benefits", which include retiree medical benefits and medical benefits provided to widows and widowers of retirees. It does not fund the "additional OPEB" which includes the retiree life insurance premiums or the cost to the District of additional benefits available to survivors of employees and retirees who, at the time of hire, elected to contribute to a survivor health benefit program. Survivors of employees and retirees who elected this program and who continue to contribute are eligible for medical, dental and vision coverage at a cost of $15/mo. The District has not yet made the decision whether the additional OPEB will be incorporated in the existing Trust or whether a new and separate trust will be established.

Basis of Accounting. The financial statements of the Trust are prepared using the accrual basis of accounting. Beginning with fiscal year 2007, the Trust implemented the GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which established the accounting and financial reporting standards for plans that provide OPEB. The Trust recognizes contributions from the District in accordance with the provisions contained on the District collective bargaining agreements, as described briefly in the following discussion.

Method Used to Value Investments. Investments are reported at fair value as determined by the financial institutions, which have custody of the investments based on quoted market prices.

Funding Policy and Long-Term Contract for Contributions. The District's current collective bargaining agreements with its unions (CBA) describe the District's funding commitments to the Trust. Beginning fiscal year 2008, the District is funding the Trust with a "ramp up" (increasing) percentage of the "full" annual required contribution (ARC) in addition to funding the pay-as-you-go amount outside of the Trust every year for the following six years. Including fiscal years 2007 and 2008, this "ramp-up" contribution funds an eight-year period covering fiscal years 2006 through 2013. The CBAs include the baseline "ramp-up" percentages, which is the minimum amount that the District is committed to contribute to the Trust during the "ramp-up" period. The District shall commission an actuarial study of the retiree medical insurance plan liabilities and funding needs, including the ARC, every year. The revised "ramp-up" percentage shall be the basis of the District's contribution to the Trust, except when it is less than the baseline "ramp-up" percentage. In addition, in fiscal year 2009 the District contributed into the Trust a lump sum make up payment reflecting the amounts it would have contributed for fiscal years 2006 and 2007, which was actuarially calculated at $14,629,000.

12. Other Postemployment Benefits (Continued)

Beginning in fiscal year 2014, the District contributed to the Trust each pay period an amount equal to the full GASB compliant ARC. Also effective on July 1, 2013, retiree health insurance premiums and related administration fees are paid by the Trust.

Funding Policy. The actuarially calculated ARC for fiscal year 2014, using the June 30, 2012 actuarial valuation, as a percent of covered payroll for the year, are 10.90% (12.20% in fiscal year 2013) for retiree medical benefits and 0.95% (0.82% in fiscal year 2013) for additional OPEB, which amounted to $27,076,000 and $2,187,000, respectively ($29,695,000 and $2,070,000 in fiscal year 2013). In fiscal year 2014, the District contributed cash equivalent to the full annual required contribution to the Trust amounting to $27,031,000 for the retiree medical benefits and zero for the additional OPEB to partially fund the OPEB cost for the year. In fiscal year 2013, the District contributed cash to the Trust amounting to $10,393,000 for the retiree medical benefits and zero for the additional OPEB to partially fund the OPEB cost for the year. In addition, the District made payments in fiscal year 2013 on a pay-as-you-go basis, net of retirees' and surviving spouses' share, medical insurance premiums totaling $15,463,000 for 1,866 retirees and surviving spouses. The district also paid in fiscal year 2014 life insurance premiums amounting to $76,000 ($74,000 in fiscal year 2013). The District does not charge any administration cost to the Trust. Currently, most retirees pay $132.01 per month for their share of the medical premium and the balance is paid by the District. The following tables show the components of the District's annual OPEB cost, the amount contributed to the Trust, pay-as-you-go payments and changes in the net OPEB obligation for fiscal years 2014 and 2013 (dollar amounts in thousands):

Retiree Medical Benefits

	2014	2013
Annual Required Contribution (ARC)	$ 27,031	$ 29,695
Interest on net OPEB obligation	3,045	2,786
Adjustments to ARC	(3,000)	(2,786)
Annual OPEB Cost	27,076	29,695
Contributions made	(27,031)	(25,856)
Increase in Net OPEB obligation	45	3,839
Net OPEB obligation, beginning of year	45,106	41,267
Net OPEB obligation, end of year	$ 45,151	$ 45,106

Additional OPEB

	2014	2013
Annual Required Contribution (ARC)	$ 2,321	$ 2,070
Interest on net OPEB obligation	515	430
Adjustments to ARC	(649)	(430)
Annual OPEB Cost	2,187	2,070
Contributions made	(76)	(74)
Increase in Net OPEB obligation	2,111	1,996
Net OPEB obligation, beginning of year	12,116	10,120
Net OPEB obligation, end of year	$ 14,227	$ 12,116

12. Other Postemployment Benefits (Continued)

The total net OPEB obligations of $59,378,000 in fiscal year 2014 and $57,222,000 in fiscal year 2013 are shown on the statements of net position as a component of accounts payable and other liabilities.

The three-year trend for the OPEB costs and net OPEB obligation follows (dollar amounts in thousands):

	Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Retiree Medical Benefits	June 30, 2012	$ 28,002	87.9%	$ 41,267
	June 30, 2013	29,695	87.1%	45,106
	June 30, 2014	27,076	99.8%	45,151
Additional OPEB	June 30, 2012	1,813	3.6%	10,120
	June 30, 2013	2,070	3.6%	12,116
	June 30, 2014	2,187	3.5%	14,227

Funded Status and Funding Progress of the Retiree Medical Plan. As of June 30, 2013, based on Keenan and Associates (Keenan)'s most recent actuarial report, the Retiree Medical Plan is 55.6% funded. The actuarial accrued liability for benefits was $297,955,000, and the actuarial value of assets was $165,639,000 resulting in an unfunded actuarial accrued liability (UAAL) of $132,316,000. The covered payroll (annual payroll of active miscellaneous and safety employees covered by the plan) was $243,406,000 and the ratio of the UAAL to the covered payroll was 54.36%.

The Schedule of Funding Progress, presented as RSI, following the Notes to Financial Statements, presents the three-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Funded Status and Funding Progress of the Additional OPEB Plan. As of June 30, 2013, based on Keenan's most recent actuarial report, the Additional OPEB Plan is zero percent funded. The actuarial accrued liability for benefits was $33,027,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $33,027,000. The covered payroll (annual payroll of active miscellaneous and safety employees covered by the plan) was $243,406,000, and the ratio of the UAAL to the covered payroll was 13.57%.

The Schedule of Funding Progress, presented as RSI, following the Notes to Financial Statements, presents the three-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

12. Other Postemployment Benefits (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan in effect and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Assumptions and Methods
The latest OPEB actuarial valuation was performed by Keenan in June 2015 using District data as of June 30, 2013. A summary of principal assumptions and methods used by Keenan to determine the District's annual required contributions to the OPEB plans is shown below:

Valuation Date	June 30, 2013	June 30, 2012	June 30, 2011
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Closed, Level percent of payroll	Closed, Level percent of payroll	Closed, Level percent of payroll
Remaining amortization period	20 years	21 years	22 years
Asset valuation method	Market value	Market value	Market value
Discount rate	6.75% for the retiree medical plan; 4.25% for the additional OPEB	6.75% for the retiree medical plan; 4.25% for the additional OPEB	6.75% for the retiree medical plan; 4.25% for the additional OPEB
Inflation rate	2.75%	2.75%	2.75%
Payroll growth rate	3.00% per year	3.00% per year	0% through 2012-2013; then 3.00% per year
Health care cost trend rate for the first year	6.00%	6.50%	7.00%
Ultimate trend rate	3.75%	3.75%	3.75%
Year that rate reaches the ultimate rate	2020	2020	2020

13. Board of Directors' Expenses

Total Directors' expenses, consisting of travel and other business related expenses for the years ended June 30, 2014 and 2013 amounted to $33,000 each year.

14. Special Item

In March 1999, the District, SamTrans and MTC entered a Memorandum of Understanding (MOU) that provide a total of $198.5 million to the SFO Extension Project, with BART to provide $50 milllion, SamTrans $72 milllion, and MTC an amount sufficient to generate $76.5 million ($16.5 million for project budget items and $60 million for project cash flow requirement). The agreement stipulated that following the completion of the SFO Extension, if operating surplus is generated, such surplus shall be applied toward satisfying the $145 million SamTrans' SFO Project Cost share as well as capital contribution to the BART system, for the Warm Springs Extension.

14. Special Item (Continued)

On April 27, 2007, the District and SamTrans entered into a settlement agreement and release of claims. The agreement provided among others that SamTrans will be relieved of any and all responsibility for payment of operating costs, as well as capital costs, associated with the SFO extension. In order to facilitate the assumption by the District of responsibility for all future operating and capital costs associated with the SFO Extension and permanent relief of SamTrans of any cost responsibilities associated therewith, the District, SamTrans and MTC entered into a Tri-Party Financial Agreement, which became effective on February 28, 2007, please refer to Note 9 for more details. The Tri-Party Agreement provides that with the exception of the Loan Extension Agreement, which requires the District to pay MTC for the SFO project's temporary cash requirement, MTC, Samtrans and the District agree that the March 1999 MOU shall terminate and shall be of no further force and effect for any purpose whatsoever.

In fiscal year 2014, the District recognized the extinguishment of the construction loans from SamTrans ($72,000,000) and MTC ($16,500,000) after it concluded based on the reevaluation of the language stated in the Tri-Party Financial Agreement that repayment of those debt are no longer required. A special item settlement of loans amounting to $88,500,000 was recognized in fiscal year 2014.

15. Related Organizations and Joint Venture Projects

Capitol Corridor Joint Powers Authority

The Joint Exercise of Powers Agreement dated December 31, 1996, between the District and five other transportation authorities in surrounding counties (Agencies) provided for the creation of the Capitol Corridor Joint Powers Authority (Capitol Corridor), a public instrumentality of the State of California. Capitol Corridor was formed for the purpose of administering and managing the operation of the Capitol Corridor Rail Service as part of the California intercity passenger rail system. The District is the managing agency of Capitol Corridor and in that capacity shall provide all necessary administrative support to Capitol Corridor. Capitol Corridor entered into an Interagency Transfer Agreement with the State of California and assumed administration and operation commencing on July 1, 1998. The initial term of the Interagency Transfer Agreement was for three years beginning July 1, 1998, and was extended for three additional years effective July 1, 2001. In 2004, State legislation was enacted that eliminated the sunset date of the Interagency Transfer Agreement, which now exists indefinitely.

The governing board of Capitol Corridor consists of six members from the District and two members from each of the five other Agencies. Neither the District nor the other Agencies are responsible for any debt, liabilities and obligations of Capitol Corridor and the District would not be entitled to any of Capitol Corridor's net assets should it terminate.

The District charged Capitol Corridor a total of $3,464,000 for marketing and administrative services during 2014 and $3,909,000 during 2013. In addition, Capitol Corridor reimburses the District for its advances for capital project expenditures and other operating expenses. Reimbursements for expenses incurred by the District on behalf of and in providing services to Capitol Corridor are netted against the corresponding expense in the statements of revenues, expenses and changes in net position. Unreimbursed expenses and advances for capital project costs from Capitol Corridor amount to $2,155,000 and $8,503,000 as of June 30, 2014 and 2013, respectively. All unreimbursed expenses and advances are included as current receivables and other assets in the statements of net position. As the District has no ownership involvement or ongoing financial interest or responsibility in Capitol Corridor, its financial statements include only amounts related to the services and advances it provides to Capitol Corridor.

15. Related Organizations and Joint Venture Projects (Continued)

East Bay Paratransit Consortium

In 1994, the District and the Alameda-Contra Costa Transit District (AC Transit) executed an agreement establishing the East Bay Paratransit Consortium (the Consortium). The purpose of the Consortium is to enable the District and AC Transit to jointly provide paratransit services in the overlapping service area of the District and AC Transit. Revenues and expenditures for the Consortium are split 31% and 69% between the District and AC Transit, respectively, except the program coordinator's expenses, which are split 50/50 starting in 2011. The District's financial statements reflect its portion of revenues and expenditures as operating activities. The District supported the project primarily through its own operating funds, with some financial assistance from Alameda County Measure B funds and from the Contra Costa Transportation Authority Measure J funds (Note 9). The District has no equity interest in the Consortium.

Pleasant Hill BART Station Leasing Authority

In July 2004, the District, the County of Contra Costa (County) and the Contra Costa County Redevelopment Agency (Agency) entered into a Joint Exercise of Powers Agreement (JPA Agreement) to create the Pleasant Hill BART Station Leasing Authority (Pleasant Hill Authority). In 2012, the Agency was dissolved by California Assembly Bill ABx1 26, and the Pleasant Hill Authority now consists of the District and Contra Costa County. The Pleasant Hill Authority was created as a means of accomplishing the cooperation and coordination among the agencies to provide for the development of a transit center located in BART's Pleasant Hill station, which includes residential rental and retail units. The Pleasant Hill Authority leased for a 99-year term expiring on May 14, 2105, a portion of the property owned by BART adjacent to the Pleasant Hill BART station as the transit center site.

On June 30, 2009, the District received as ground lease payments for the full term of the lease, a cash base rent of $99 and a noncash base rent in the form of a newly constructed parking structure located at the Pleasant Hill BART station. The District accepted the completion of the new parking structure, and became its new owner, effective June 30, 2009. The new parking structure was recorded as a capital asset at a value of $51,236,000, which is its final construction cost as reported by its developer, and with a credit to deferred revenue.

The Pleasant Hill Authority is a public entity separate from any member and as such its debts, liabilities and obligations shall not be the debts, liabilities and obligations of any of the members. The governing body of the Pleasant Hill Authority is a Board of Directors consisting of four persons – two from the County and the District.

16. Commitments and Contingencies

Litigation

The District is involved in various lawsuits, claims and disputes, which for the most part are normal to the District's operations. It is the opinion of the District's management that the costs that might be incurred in the disposition of these matters, if any, would not materially affect the District's financial position.

Power Purchases

The District purchases electrical power for self-consumption at multiple points of delivery such as Traction Power, Passenger Station Power and Miscellaneous Power from the Northern California Power Agency (NCPA). Power purchase contracts with the NCPA are in place through December 31, 2016, with a total remaining contract value of $32,058,000 as of June 30, 2014.

16. Commitments and Contingencies (Continued)

Lease Commitments

The District leases certain facilities under operating leases with original terms ranging from one to fifty years with options to renew.

Future minimum rental payments under noncancelable operating leases with initial or remaining lease terms of over one year at June 30, 2014 are as follows (dollar amounts in thousands):

Year ending June 30:	Operating Leases
2015	$ 11,794
2016	12,075
2017	12,376
2018	12,643
2019	12,943
2020-2024	34,732
2025-2029	12,500
2030-2034	12,500
2035-2039	12,500
2040-2044	12,500
2045-2049	12,500
2050-2053	9,792
Total minimum rental payments	$ 168,855

Rent expenses under all operating leases were $12,005,000 and $11,233,000 for the years ended June 30, 2014 and 2013, respectively.

Fruitvale Development Corp.

On October 1, 2001, the District entered into a ground lease agreement with Fruitvale Development Corporation (FDC) pertaining to 1.8 acres of land for the purpose of constructing thereon portions of a mixed-use development project commonly known as the Fruitvale Transit Village, which consists of approximately 250,000 square feet of commercial, community service and residential improvements. The lease agreement became effective December 9, 2003 and continues through January 31, 2077.

The terms of the lease require FDC to pay the District a Base Rent and a Percentage Rent. The Base Rent is a fixed amount determined at the inception of the lease subject to periodic CPI adjustments. Percentage Rent is calculated equal to 15% of annual net revenues, as defined in the ground lease agreement.

The District provided FDC a Rent Credit with an initial amount of $7,247,000, to acknowledge its assistance in obtaining grants for the construction of a Replacement BART Commuter Parking Garage near the Fruitvale Transit Village. The initial Rent Credit earned interest on the outstanding balance at simple interest based on the prime rate and can only be applied to satisfy the Base Rent.

16. Commitments and Contingencies (Continued)

In October 2010, there was a second amendment to the ground lease agreement, which recalculated the initial Rent Credit available to FDC as related to the replacement parking. The amount of the Replacement Parking Rent Credit was revised to $4,642,000, after a payment of $5,500,000 coming from the proceeds of the sale of land at the Fruitvale BART Station to the City of Oakland Redevelopment Agency. The second amendment also stated that no interest shall accrue on the revised Replacement Parking Rent Credit and that beginning on December 1, 2003 and continuing throughout the term of the ground lease, base rent shall be subtracted from the Replacement Parking Rent Credit balance, until there is no longer a positive Replacement Parking Rent Credit. The offset base rent was $169,000 for fiscal year 2014 and $158,000 in fiscal year 2013. The remaining balance in the Replacement Parking Rent Credit was $3,281,000 as of June 30, 2014 ($3,450,000 as of June 30, 2013).

Based on the agreement, FDC shall not be under any obligation to make any cash payment to the District for base rent at any time that the Replacement Parking Rent Credit still has a positive balance.

Employees' Retirement Benefits
Schedules of Funding Progress on Actuarial Value
(dollar amounts in thousands)

Miscellaneous Plan

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)		Funded Ratio (%)	Annual Covered Payroll	UAAL as a Percentage of Payroll (%)
6/30/11	$ 1,661,566	$ 1,530,454	$ 131,112		92.1	$ 219,833	59.6
6/30/12	1,728,926	1,581,046	147,880		91.4	226,128	65.4
6/30/13	1,801,182	1,449,050	352,132	*	80.4	233,176	151.0

Safety Plan

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)		Funded Ratio (%)	Annual Covered Payroll	UAAL as a Percentage of Payroll (%)
6/30/11	$ 213,592	$ 157,704	$ 55,888		73.8	$ 18,864	296.3
6/30/12	225,612	166,268	59,344		73.7	17,406	340.9
6/30/13	243,522	157,104	86,417	*	64.5	16,871	512.2

*On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CALPERS amortization and smoothing policies. Beginning with the June 30, 2013, the latest available report, CALPERS will no longer use an actuarial value of assets and will employ an amortization and rate smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the contribution rate phased in over a 5-year period. Prior to this change, CalPERS employed an amortization and smoothing policy, which spread investment returns over a 15 year period while experience gains and losses were amortized over a rolling 30-year period.

Other Postemployment Benefits
Schedules of Funding Progress
(dollar amounts in thousands)

Valuation Date	Accrued Liability	Value of Assets	Accrued Liability (UAAL)	Funded Ratio (%)	Covered Payroll	Covered Payroll (%)
6/30/11	$ 376,063	$ 120,103	$ 255,960	31.9	$ 240,465	106.44
6/30/12	328,571	138,933	189,638	42.3	240,465	78.86
6/30/13	297,955	165,639	132,316	55.6	243,406	54.36

Additional OPEB

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (%)	Covered Payroll	UAAL as a Percentage of Covered Payroll (%)
6/30/11	$ 25,919	$ -	$ 25,919	-	$ 240,465	10.78
6/30/12	33,050	-	33,050	-	240,465	13.74
6/30/13	33,027	-	33,027	-	245,406	13.57

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APPENDIX C

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
STATEMENT OF INVESTMENT POLICY

The Treasurer of the District shall invest District funds in a manner the Treasurer deems prudent, suitable and advantageous under existing circumstances and in accordance with the following objectives, in order of priority:

1. Preservation of Capital

2. Liquidity – funds shall be invested only until date of anticipated need or for a lesser period.

3. Yield – generation of a favorable return on investment without compromise of the first two objectives.

The Treasurer may invest in Securities authorized by the Public Utilities Code Sections 29100 through 29102; Government Code Sections 53601, 53601.1 and 53635 and Board Resolution 2697 with the following exception: the Treasurer will not invest in commercial paper, financial or commodity futures, options contracts, medium-term corporate notes, or mutual funds unless specifically authorized by the Board.

The Treasurer may invest in repurchase agreements and will accept as security only securities of the U.S. government and U.S. governmental agencies which have a market value, including accrued interest, equal to the amount of the repurchase agreement. The maturity date of the collateral may, however, be later than that required by Objective 2 above.

The Treasurer may invest in reverse repurchase agreements with a maturity of 90 days or less.

The Treasurer may invest in "swaps" defined as, the simultaneous buying and selling of a security of approximately the same maturity to increase yield, cash flow or to improve quality.

In addition to the securities authorized above, the Treasurer may invest in public time deposits in financial institutions having at least one branch within the BART boundaries. The Treasurer will accept as collateral securities authorized by the Government Code Section 53651 (a) through (p) excluding subsection (m) promissory notes secured by first mortgages and first trust deeds. The Treasurer will require 110% collateralization, less the portion authorized by Government Code Section 53653 on public time deposits, except for San Francisco Federal Home Loan Bank Letters of Credit, in which case the collateralization will be 105%.

The Treasurer has the authority to waive the required collateralization and substitute Federal Deposit Insurance Corporation (FDIC) for the first $100,000 of the investment.

The Treasurer will continue to seek minority Banks and Savings and Loan Associations, as defined by the Federal Government, for the placement of some of the District's funds.

The Treasurer may invest in money market mutual funds as authorized by Section 53601(k) of the Government Code up to a maximum total of $25,000,000. The funds must carry a credit rating of "AAA" by both Standard & Poor's and Moody's and their portfolio must consist entirely of direct obligations of the U. S. Government, its agencies or instrumentalities, and repurchase agreements backed by such obligations.

The Treasurer may invest in the State of California Local Agency Investment Fund as authorized by Government Code Sections 16429.1 et seq. in an amount not to exceed $25,000,000.

The District's investment policy shall also discourage the investment of funds in any institution or business which conducts operations or invests funds in any country whose laws discriminate against individuals based upon race, color or creed.

The foregoing defines the Treasurer's investment policies for calendar year 2003 and thereafter unless and until they are modified by the Treasurer and approved by the Board.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE 1990 INDENTURE RESERVE FUND

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SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture, dated as of September 1, 2012, as supplemented and amended, including as supplemented and amended by the Second Supplemental Indenture, dated as of October 1, 2015 (the "Second Supplemental Indenture"), between the San Francisco Bay Area Rapid Transit District (the "District") and U.S. Bank National Association, as trustee (the "Trustee"). Such summary does not purport to be complete or definitive, is supplemental to the summary of other provisions of the Indenture contained elsewhere in this Official Statement, and is qualified in its entirety by reference to the full terms of the Indenture. All capitalized terms used and not otherwise defined in this Official Statement shall have the meanings assigned to such terms in the Indenture. Copies of the Indenture are available from the District.

Definitions

"Accreted Value" means, with respect to any Capital Appreciation Bond, the principal amount thereof plus the interest accrued thereon, compounded at the approximate interest rate thereon on each date specified therein and, with respect to any Combination Bond, the principal amount thereof plus the interest accrued thereon, compounded at the approximate interest rate thereon, on each date specified therein for compounding and after the last date specified for such compounding, the principal and interest so determined as of such last compounding date. The Accreted Value at any date shall be the amounts set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, as of the immediately preceding compounding date.

"Accreted Value Table" means the table denominated as such which appears as an exhibit to a Supplemental Indenture providing for a Series of Capital Appreciation Bonds issued pursuant to such Supplemental Indenture.

"Act" means Article 2, Chapter 7, Part 2, Division 10 of the Public Utilities Code of the State of California, as amended from time to time hereafter, and the Revenue Bond Law of 1941, as amended from time to time hereafter, to the extent made applicable to the District by Section 29143 of Article 2, Chapter 7, Part 2 of said Division 10, and Articles 10 and 11 of Chapter 3, Part 1 of Division 2 of Title 5 of, and other generally applicable provisions of, the Government Code of the State of California, as amended from time to time hereafter.

"Alternate Credit Enhancement" means, with respect to a Series of Bonds, any insurance, letter of credit, line of credit, surety bond or other instrument, if any, which secures or guarantees the payment of principal of and interest on a Series of Bonds, issued by an insurance company, commercial bank, pension fund or other financial institution, and delivered or made available to the Trustee, as a replacement or substitution for any Credit Enhancement then in effect.

"Alternate Liquidity Facility" means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility, issued by a commercial bank, insurance company, pension fund or other financial institution, and delivered or made available to the Trustee, as a replacement or substitute for any Liquidity Facility then in effect.

"Annual Debt Service" means for any Fiscal Year the aggregate amount of principal and interest on all Bonds and Parity Obligations becoming due and payable during such Fiscal Year calculated using the principles and assumptions set forth under the definition of Maximum Annual Debt Service.

"Associated Sales Tax Revenues" means, for any designated period, an amount of Sales Tax Revenues that would have been received by the District from a transaction and use tax imposed in a jurisdiction, if such jurisdiction had been annexed to the District during such period of time, as set forth in a Certificate of the District delivered to the Trustee.

"Authorized Representative" means the President of the Board, the General Manager, the Treasurer, or any other person designated to act on behalf of the District by a written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the District by any of such officials.

"Board" means the Board of Directors of the District.

"Bond Obligation" means, as of any given date of calculation, (1) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond, (2) with respect to any Outstanding Combination Bonds, the Accreted Value thereof and (3) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof.

"Bond Reserve Fund" means the fund by that name established with respect to one or more Series of Bonds pursuant to one or more Supplemental Indentures establishing the terms and provisions of such Series of Bonds.

"Bond Reserve Requirement" means, as of any date of calculation, an amount equal to the aggregate of the Bond Reserve Requirements, if any, established by the District for one or more Series of Bonds Outstanding as such requirement is specified in the Supplemental Indenture pursuant to which such Series of Bonds is issued.

"Bonds" means the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

"Business Day" means any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State are authorized or obligated by law or executive order to be closed, and (2) for purposes of payments and other actions relating to Bonds secured by a Credit Enhancement or Liquidity Facility, a day upon which commercial banks in the city in which is located the office of the issuing bank at which demands for payment under the Credit Enhancement or Liquidity Facility are to be presented are authorized or obligated by law or executive order to be closed.

"Capital Appreciation Bonds" means the Bonds of any Series designated as Capital Appreciation Bonds in the Supplemental Indenture providing for the issuance of such Series and on which interest is compounded and paid at maturity or on prior redemption.

"Certificate," "Statement," "Request," "Requisition," and "Order" of the District mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the District by the President of the Board or the General Manager or the Secretary or Treasurer of the District or any other person authorized by the General Manager to execute such instruments.

"Code" means the Internal Revenue Code of 1986, and the regulations applicable thereto or issued thereunder, or any successor to the Internal Revenue Code of 1986. Reference to any particular Code section shall, in the event of such a successor Code, be deemed to be reference to the successor to such Code section.

"Combination Bonds" means the Bonds of any Series designated as Combination Bonds in the Supplemental Indenture providing for the issuance of such Series and on which interest is compounded for a period of time and, following a specific date, is paid currently on the compounded amount.

"Continuing Disclosure Agreement" means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the Continuing Disclosure Agreement, dated the date of issuance of such Series of Bonds, executed by the District and a Dissemination Agent, as the same may be supplemented, modified or amended in accordance with its terms.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, execution, sale and delivery of the Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, travel expenses and costs relating to rating agency meetings and other meetings concerning the Bonds, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, surety, insurance and credit enhancements costs, termination fees payable in connection with the termination of an Interest Rate Swap Agreement, and any other cost, charge or fee in connection with the delivery of Bonds.

"Credit Enhancement" means, with respect to a Series of Bonds, any insurance, letter of credit, line of credit, surety bond or other instrument, if any, which secures or guarantees the payment of principal of and interest on a Series of Bonds, issued by an insurance company, commercial bank or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms, or, in the event of the delivery or availability of an Alternate Credit Enhancement, such Alternate Credit Enhancement.

"Credit Provider" means, with respect to a Series of Bonds, the insurance company, commercial bank or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Credit Enhancement then in effect with respect to such Series of Bonds.

"Current Interest Bonds" means the Bonds of any Series designated as Current Interest Bonds in the Supplemental Indenture providing for the issuance of such Series of Bonds and which pay interest at least semiannually to the Owners thereof excluding the first payment of interest thereon.

"Dissemination Agent" means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12(b)(5), the dissemination agent under the Continuing Disclosure Agreement delivered in connection with such Series of Bonds, or any successor dissemination agent designated in writing by the District and which has entered into a Continuing Disclosure Agreement with the District.

"District" means San Francisco Bay Area Rapid Transit District and any successor entity thereto.

"DTC" means The Depository Trust Company, New York, New York, or any successor thereto.

"Electronic Means" means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

"EMMA" means Electronic Municipal Market Access.

"Event of Default" means any of the events specified as such in the Indenture.

"Expense Account" means the account by that name established pursuant to the provisions of the Indenture.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other 12-month period hereafter selected and designated as the official fiscal year period of the District which designation shall be provided to the Trustee in a Certificate of the District.

“Fitch” means Fitch Inc., and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“Indenture” means the Master Indenture, dated as of September 1, 2012, by and between the District and the Trustee, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Indenture delivered pursuant to the provisions thereof. As of the date of issuance of the 2015 Series A Bonds, “Indenture” includes the Second Supplemental Indenture, dated as of October 1, 2015.

“Interest Fund” means the fund by that name established pursuant to the provisions of the Indenture.

“Interest Rate Swap Agreement” shall mean an interest rate swap agreement relating to a Series of Bonds or portion thereof or Parity Obligations in which the party with which the District or the Trustee may contract is at the time of entering into such contract limited to: (i) entities the debt securities of which are rated in one of the two highest long-term debt Rating Categories by either Fitch or Standard & Poor’s and the debt securities of which are rated not lower than the third highest long-term debt Rating Category by the other rating agency; (ii) entities the obligations of which under the interest rate swap agreement are either guaranteed or insured by an entity the debt securities or insurance policies of which are so rated; or (iii) entities the debt securities of which are rated in the third highest long-term debt Rating Categories by Fitch or Standard & Poor’s or whose obligations are guaranteed or insured by an entity so rated and, in either case, the obligations of which under the interest rate swap agreement are continuously and fully secured by Investment Securities described in clauses (i) through (iv) of the definition thereof, which shall have a market value determined, by the party designated in such interest rate swap agreement, at least monthly (exclusive of accrued interest) at least equal to the termination value, if any, that would be payable by the provider of the interest rate swap agreement under such interest rate swap agreement and which shall be deposited with a custodian acceptable to the District.

“Investment Securities” means the following:

(i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies and federally sponsored entities set forth in clause (iii) below to the extent unconditionally guaranteed by the United States of America;

(ii) any certificates, receipts, securities or other obligations evidencing ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof, to be made on any bond, note, or other obligation described above in clause (i);

(iii) obligations of the Federal National Mortgage Association, the Government National Mortgage Association, Federal Home Loan Banks, Farmers Home Administration and Federal Home Loan Mortgage Corporation;

(iv) housing authority bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(v) obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing; provided that at the time of their purchase such obligations are rated in either of the two highest Rating Categories by Standard & Poor's (if Standard & Poor's is then rating the Bonds);

(vi) any bonds or other obligations of any state of the United States of America or any political subdivision thereof (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described above in clause (i), (ii) or (iii) which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the interest payment dates and the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (c) as to which the principal of and interest on the bonds and obligations of the character described above in clause (i), (ii) or (iii) which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay the principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (vi) on the interest payment dates and the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (vi), as appropriate;

(vii) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by a nationally recognized rating agency in its highest short-term Rating Category, or, if the term of such indebtedness is longer than 3 years, rated by Standard & Poor's (if Standard & Poor's is then rating the Bonds) in one of its two highest long-term Rating Categories, for comparable types of debt obligations;

(viii) demand or time deposits or certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee), provided that such certificates of deposit shall be purchased directly from such a bank, trust company or national banking association and shall be either (1) continuously and fully insured by the Federal Deposit Insurance Corporation, or (2) continuously and fully secured by such securities and obligations as are described above in clauses (i) through (v), inclusive, which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit, and the bank, trust company or national banking association issuing each such certificate of deposit required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be an amount equal to the principal amount of each such certificate of deposit and the Trustee shall be entitled to rely on each such undertaking or unsecured certificates of deposit, time deposits, money market deposits, demand deposits and bankers' acceptances of any bank (including those of the Trustee, its parent and its affiliates) the short-term obligations of which are rated on the date of purchase "A-1" or better by S&P and certificates of deposit (including those of the Trustee, its parent and its affiliates);

(ix) taxable commercial paper or tax-exempt commercial paper rated in the highest Rating Category by Standard & Poor's (if Standard & Poor's is then rating the Bonds);

(x) variable rate obligations required to be redeemed or purchased by the obligor or its agent or designee upon demand of the Owner thereof secured as to such redemption or purchase requirement by a liquidity agreement with a corporation and as to the payment of interest and principal either upon maturity or redemption (other than upon demand by the Owner thereof) thereof by an unconditional credit facility of a corporation, provided that the variable rate obligations themselves are rated in the highest Rating Category for its short-term rating, if any, and in either of the two highest Rating Categories for its long-term rating, if any, by Standard & Poor's (if Standard & Poor's is then rating the Bonds), and that the corporations providing the liquidity agreement and credit facility have, at the date of acquisition of the variable rate obligation by the Trustee, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations rated in either of the two highest long-term Rating Categories by Standard & Poor's (if Standard & Poor's is then rating the Bonds);

(xi) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee) having a minimum permanent capital of one hundred million dollars ($100,000,000) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities and obligations described in clauses (i), (ii), (iii) or (iv) above, which shall have a market value (exclusive of accrued interest and valued at least monthly) at least equal to the principal amount of such investment and shall be lodged with the Trustee or other fiduciary, as custodian for the Trustee, by the bank, trust company, national banking association or bond dealer executing such repurchase agreement, and the entity executing each such repurchase agreement required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least monthly) will be an amount equal to the principal amount of each such repurchase agreement and the Trustee shall be entitled to rely on each such undertaking;

(xii) any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clauses (i), (ii), (iii), (iv), (v) and (xi) of this definition of Investment Securities and any money market fund, the entire investments of which are limited to investments described in clauses (i), (ii), (iii), (iv), (v) and (xi) of this definition of Investment Securities; provided that as used in this clause (xii) and clause (xiii) investments will be deemed to satisfy the requirements of clause (xi) if they meet the requirements set forth in clause (xi) ending with the words "clauses (i), (ii), (iii) or (iv) above" and without regard to the remainder of such clause (xi);

(xiii) any investment agreement with a financial institution or insurance company or whose obligations are guaranteed by such an entity which has at the date of execution thereof and during the term thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated in either of the two highest long-term Rating Categories by Standard & Poor's (if Standard & Poor's is then rating the Bonds);

(xiv) bonds, notes, certificates, bills, acceptances or other securities in which funds of the District may now or hereafter be legally invested as provided by the law in effect at the time of such investment;

(xv) the Local Agency Investment Fund (LAIF) or similar pool operated by or on behalf of the State of California and is authorized to accept investments of money held under the Indenture; and

(xvi) any investment approved by the Board for which confirmation, which may be in the form of a general renewal of rating, is received from Fitch (if Fitch is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds) that such investment will not adversely affect such agency's rating on such Bonds.

"Letter of Credit Account" means an account by that name established to hold funds that are drawn on Credit Enhancement provided in the form of a letter of credit and that are to be applied to pay the principal of or interest on a Series of Bonds, which account shall be established pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

"Liquidity Facility" means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility securing or guaranteeing the payment of purchase price of such Series of Bonds and issued by a commercial bank, insurance company, pension fund or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms, or, in the event of the delivery or availability of an Alternate Liquidity Facility, such Alternate Liquidity Facility.

"Liquidity Facility Bonds" means any Bonds purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a Liquidity Facility, but excluding any Bonds no longer considered to be Liquidity Facility Bonds in accordance with the terms of the applicable Liquidity Facility.

"Liquidity Facility Rate" means, with respect to a Series of Bonds, the interest rate per annum, if any, specified as applicable to Liquidity Facility Bonds in the Liquidity Facility delivered in connection with such Series of Bonds.

"Liquidity Provider" means, with respect to a Series of Bonds, the commercial bank, insurance company, pension fund or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Liquidity Facility then in effect with respect to such Series of Bonds.

"Mandatory Sinking Account Payment" means, with respect to Bonds of any Series and maturity, the amount required by the Indenture or a Supplemental Indenture to be deposited by the District in a Sinking Account for the payment of Term Bonds of such Series and maturity.

"Maximum Annual Debt Service" shall mean the greatest amount of principal and interest becoming due and payable on all Bonds and Parity Obligations in the Fiscal Year in which the calculation is made or any subsequent Fiscal Year as set forth in a Certificate of the District; provided, however, that for the purposes of computing Maximum Annual Debt Service:

(a) if the Bonds or Parity Obligations are Variable Rate Indebtedness for which an Interest Rate Swap Agreement is not in place, the interest rate on such debt shall be calculated at the greater per annum rate (not to exceed 12%) of: (i) the average of the SIFMA Swap Index for the ten years preceding the date of calculation, and (ii) the highest interest rate listed in The Bond Buyer "25 Bond Revenue Bond Index" published one month preceding the date of sale of such

Series of Bonds or Parity Obligations; or, if such Variable Rate Indebtedness is to bear interest expected to be included in gross income for federal income tax purposes (taxable bonds), such higher rate of interest as shall be specified in a Certificate of the District;

(b) principal and interest payments on Bonds and Parity Obligations shall be excluded to the extent such payments are to be paid from amounts on deposit with the Trustee or other fiduciary in escrow specifically therefor and to the extent that such interest payments are to be paid from the proceeds of Bonds or Parity Obligations held by the Trustee or other fiduciary as capitalized interest specifically to pay such interest by the Trustee or other fiduciary and to the extent such payments are to be paid from pledged Subsidy Payments the District expects to receive;

(c) in determining the principal amount due in each Fiscal Year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such debt, including any Mandatory Sinking Account Payments or any scheduled redemption or payment of Bonds on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond or Combination Bond;

(d) if the Bonds or Parity Obligations are debt, the principal of which the District determines (in a Supplemental Indenture or other document delivered on a date not later than the date of issuance of such Bonds or Parity Obligations) that the District intends to pay with moneys which are not Revenues (such as commercial paper, balloon indebtedness or bond anticipation notes), but from future debt obligations of the District, grants received from the State or federal government, or any agency or instrumentality thereof, or any other source of funds of the District, the principal of such Bonds or Parity Obligations will be treated as if such principal were due based upon a 30-year level amortization of principal from the date of calculation and the interest on such Bonds or Parity Obligations shall be calculated as if such Bonds were Variable Rate Indebtedness;

(e) if any Bonds feature an option, on the part of the Bondowners or an obligation under the terms of such Bonds, to tender all or a portion of such Bonds to the District, the Trustee, or other fiduciary or agent and require that such Bonds or portion thereof be purchased if properly presented, then for purposes of determining the amounts of principal and interest due in any Fiscal Year on such Bonds, the options or obligations of the Owners of such Bonds to tender the same for purchase or payment prior to their stated maturity or maturities shall be ignored and not treated as a principal maturity and repayment obligations related to the purchase price of such Bonds provided by a Liquidity Facility and the obligation of the District with respect to the provider of such Liquidity Facility, other than its obligations on such Bonds, shall be excluded from the tests for the issuance of Parity Obligations until such time as such obligation exist due to such purchase and thereafter, such repayment obligations of the District to the provider of such Liquidity Facility shall be included in the computation of the Maximum Annual Debt Service in accordance with the terms of such obligation;

(f) with respect to any Variable Rate Indebtedness for which an Interest Rate Swap Agreement is in place, if (i) the interest rate on such Variable Rate Indebtedness, plus (ii) the payments received and made by the District under an Interest Rate Swap Agreement with respect to such variable interest rate, are expected to produce a synthetic fixed rate to be paid by the District (e.g., an interest rate swap under which the District pays a fixed rate and receives a variable rate that is expected to equal or approximate the rate of interest on such Variable Rate Indebtedness), the Variable Rate Indebtedness shall be treated as bearing such synthetic fixed rate for the duration of the synthetic fixed rate; and

(g) if any Bonds or Parity Obligations bear a fixed interest rate or the Bonds or Parity Obligations proposed to be issued will bear a fixed interest rate and an Interest Rate Swap Agreement is entered into with respect to such Bonds or Parity Obligations, if (i) the interest rate on such fixed rate Bonds or Parity Obligations, plus (ii) the payments received and made by the District under an Interest Rate Swap Agreement with respect to such fixed rate Bonds or Parity Obligations, are expected to produce a synthetic variable rate to be paid by the District (e.g., an interest rate swap under which the District pays a variable rate and receives a fixed rate that is expected to equal or approximate the rate of interest on such fixed interest rate debt), the fixed interest rate debt, shall be treated as bearing such synthetic variable rate for the duration of the Interest Rate Swap Agreement calculated as if such Bonds or Parity Obligations were Variable Rate Indebtedness.

"1990 Indenture" means the indenture dated as of July 1, 1990, by and between the District and U.S. Bank National Association, as successor trustee, pursuant to which the District has issued sales tax revenue bonds, which bonds shall be Parity Obligations thereunder.

"Opinion of Bond Counsel" means a written opinion of a law firm of national standing in the field of public finance selected by the District.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.09) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the District shall have been discharged in accordance with the provisions of the Indenture; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture; provided, however, that in the event the principal of or interest due on any Bonds shall be paid by the Credit Provider pursuant to the Credit Enhancement issued in connection with such Bonds, such Bonds shall remain Outstanding for all purposes and shall not be considered defeased or otherwise satisfied or paid by the District and the pledge of Revenues and all covenants, agreements and other obligations of the District to the Owners shall continue to exist and shall run to the benefit of such Credit Provider and such Credit Provider shall be subrogated to the rights of such Owners.

"Owner" or "Bondholder" or "Bondowner," whenever used with respect to a Bond, means the person in whose name such Bond is registered.

"Parity Obligations" means any indebtedness, bond, installment sale obligation, lease obligation or other obligation of the District for borrowed money or interest rate swap agreement (but only as to the regular payments thereunder, fees, expenses and termination payments being subordinate obligations) having an equal lien and charge upon the Sales Tax Revenues and therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding).

"Person" means a corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Principal Fund" means the fund by that name established pursuant to the provisions of the Indenture.

"Project" means the planning, acquisition, construction, operation or maintenance of any facility or facilities necessary or convenient for the transportation of passengers and their incidental baggage by any means, or incidental to, or in connection with, the operation of the transit system of the District, which shall constitute an "enterprise" within the meaning of Section 54309 of the California Government Code. Such facilities shall include, but are not limited to, any and all works, structures, property, rolling stock or other facilities of any kind which the District is authorized to acquire, construct or complete.

"Project Fund" means the fund by that name established by a Supplemental Indenture to hold the proceeds of a Series of Bonds or a portion thereof prior to expenditure on the Project.

"Proportionate Basis," when used with respect to the redemption of Bonds, means that the amount of Bonds of each maturity to be redeemed shall be determined as nearly as practicable by multiplying the total amount of funds available for redemption by the ratio which the amount of Bond Obligation of Bonds of such maturity bears to the amount of all Bond Obligation of Bonds to be redeemed, provided that if the amount available for redemption of Bonds of any maturity is insufficient to redeem a multiple of $5,000 principal amount or Accreted Value payable at maturity, such amount shall be applied to the redemption of the highest possible integral multiple (if any) of $5,000 principal amount or Accreted Value payable at maturity. For purposes of the foregoing, Term Bonds shall be deemed to mature in the years and in the amounts of the Mandatory Sinking Account Payments, and Capital Appreciation Bonds, Combination Bonds and Current Interest Bonds maturing or subject to Mandatory Sinking Account Payments in the same year shall be treated as separate maturities. When used with respect to the payment or purchase of Bonds, "Proportionate Basis" shall have the same meaning set forth above except that "pay" or "purchase" shall be substituted for "redeem" or "redemption" and "paid" or "purchased" shall be substituted for "redeemed."

"Purchase Fund" means a fund by that name established to hold funds to be applied to pay the purchase price of a Series of Bonds, which fund shall be established pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

"Rating Agency" means, as and to the extent applicable to a Series of Bonds, each of Fitch and Standard & Poor's then maintaining a rating on such Series of Bonds at the request of the District.

"Rating Category" means (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"Rebate Fund" means that fund by that name established pursuant to the provisions of the Indenture.

"Rebate Instructions" means those calculations and directions required to be delivered to the Trustee by the District under the Tax Certificate.

"Rebate Requirement" means the Rebate Requirement as such term is defined in the Tax Certificate.

"Redemption Price" means, with respect to any Bond (or portion thereof) the principal amount or accreted value of such Bond (or portion thereof) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

“Reserve Facility” means any insurance policy, letter of credit or surety bond issued by a Reserve Facility Provider, meeting the requirements set forth in the Indenture, and delivered to the Trustee in satisfaction of all or a portion of the Bond Reserve Requirement applicable to one or more Series of Bonds.

“Reserve Facility Provider” means any issuer of a Reserve Facility.

“Revenue Fund” means the Sales Tax Revenue Fund established pursuant to the provisions of the Indenture.

“Sales Tax Revenues” means the amounts available for distribution to the District pursuant to Section 29142.2(a) of the Act on account of the transactions and use tax imposed pursuant to Section 29140 of the Act.

“Serial Bonds” means Bonds, maturing in specified years, for which no Mandatory Sinking Account Payments are provided.

“Series” whenever used with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Indenture.

“SIFMA Swap Index” means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry & Financial Markets Association (“SIFMA”) or by any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the District and effective from such date.

“Sinking Accounts” means the accounts in the Principal Fund so designated and established pursuant to the Indenture for the payment of Term Bonds.

“Standard & Poor’s” or “S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Standard & Poor’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“State” means the State of California.

“Subordinate Obligations” means any obligations of the District issued or incurred in accordance with the Indenture.

“Subordinate Obligations Fund” means the fund by that name established pursuant to the Indenture.

“Subsidy Payments” means payments to be made by the United States Treasury to the Trustee, for credit to the accounts held by the Trustee on behalf of the District, with respect to the interest due on a Series of Bonds that qualify for one or more direct subsidy payments or other form of credits or payments pursuant to the Code, including, without limitation, pursuant to Section 54AA or Section 6431 of the Code or any successor to either such provision.

“Supplemental Indenture” means any indenture duly executed and delivered, supplementing, modifying or amending the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Swap Revenues” means all regularly-scheduled amounts (but not termination payments) owed or paid to the District by any counterparty under any Interest Rate Swap Agreement after offset for the regularly-scheduled amounts (but not termination payments) owed or paid by the District to such counterparty under such Interest Rate Swap Agreement.

“System” means any and all works, structures, property, rolling stock or other facilities of any kind, which the District is now or hereafter authorized by law to acquire, construct or complete.

“Tax Certificate” means the Tax Certificate delivered by the District at the time of the issuance and delivery of any Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

“Term Bonds” means Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

“Trustee” means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, or its successors as Trustee as provided in the Indenture.

“Variable Rate Indebtedness” means any indebtedness the interest rate on which is not fixed at the time of incurrence of such indebtedness, and has not at some subsequent date been fixed, at a single numerical rate for the entire term of the indebtedness.

“2015 Costs of Issuance Fund” means the fund by that name established pursuant to the Second Supplemental Indenture.

Additional Bonds; Refunding Bonds; Parity Obligations; Subordinate Obligations

Additional Bonds. The District may, by Supplemental Indenture, establish one or more Series of Bonds, payable from Sales Tax Revenues and secured by a pledge under the Indenture equally and ratably with Bonds previously issued, and the District may issue, and the Trustee may authenticate and deliver to or upon the written order of the District, Bonds of any such Series so established, in such principal amount as shall be determined by the District, but only upon compliance by the District with certain requirements and conditions, including the following:

(a) The Trustee shall have received a Certificate of the District stating that no Event of Default has occurred and is then continuing.

(b) The Trustee shall have received an Opinion of Bond Counsel to the effect that the Supplemental Indenture authorizing such Series of Bonds has been duly executed and delivered by the District, that the Bonds of such Series, when duly executed by the District and authenticated by the Trustee, will be valid and binding special obligations of the District.

(c) The Trustee shall have received a Certificate of the District certifying that: (1) the amount of Sales Tax Revenues received plus the amount of Associated Sales Tax Revenues relating to any recently annexed jurisdiction for any period of 12 consecutive months during the 18 months immediately preceding the date on which such additional Series of Bonds will become

Outstanding shall have been at least equal to 1.5 times the amount of 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; (2) the amount of Sales Tax Revenues for the Fiscal Year in which the Bonds are to be issued and each of the next succeeding 4 Fiscal Years under the laws then in existence at the time of issuance of such additional Series of Bonds are estimated by the District to be at least 1.5 times the amount of Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding, including the additional Series of Bonds then proposed to be issued, in each such Fiscal Year; and (3) Sales Tax Revenues for the Fiscal Year in which the additional Series of Bonds are to be issued under the laws then in existence at the time of the issuance of such additional Series of Bonds shall be at least 1.0 times the amount of the District's obligations with respect to repayment of any withdrawals under a Reserve Facility, if any, then due and owing under the Reserve Facility.

Refunding Bonds. Refunding Bonds may be authorized and issued by the District, without compliance with the requirements described immediately above under the subcaption "Additional Bonds," in an aggregate principal amount sufficient (together with any additional funds available or to become available) to provide funds for the payment of all of the following:

(a) The principal or Redemption Price of the Outstanding Bonds or Parity Obligations to be refunded.

(b) All expenses incident to the calling, retiring or paying of such Outstanding Bonds or Parity Obligations and the Costs of Issuance of such refunding Bonds.

(c) Interest on all Outstanding Bonds or Parity Obligations to be refunded to the date such Bonds or Parity Obligations will be called for redemption or paid at maturity.

(d) Interest on the refunding Bonds from the date thereof to the date of payment or redemption of the Bonds or Parity Obligations to be refunded.

Before such additional Series of refunding Bonds shall be issued and delivered, the District shall file the following documents with the Trustee:

(a) An Opinion of Bond Counsel to the effect that the execution of the Supplemental Indenture authorizing the refunding Bonds has been duly authorized by the District, that such Series, when duly executed by the District and authenticated and delivered by the Trustee, will be valid and binding special obligations of the District, and that upon delivery of such Series the aggregate principal amount of Bonds then Outstanding will not exceed the amount permitted by law or by the Indenture.

(b) If any of the Bonds to be refunded are to be redeemed prior to their stated maturity dates, irrevocable instructions to the Trustee to give the applicable notice of redemption or a waiver of the notice of redemption signed by the Owners of all or the portion of the Bonds or Parity Obligations to be redeemed, or proof that such notice has been given by the District; provided, however, that in lieu of such instructions or waiver or proof of notice of redemption, the District may cause to be deposited with the Trustee all of the Bonds and Parity Obligations proposed to be redeemed (whether cancelled or uncancelled) with irrevocable instructions to the Trustee to cancel said Bonds or Parity Obligations so to be redeemed upon the exchange and delivery of said refunding Bonds.

(c) A Certificate of the District certifying that: (1) the amount of Sales Tax Revenues received plus the amount of Associated Sales Tax Revenues relating to any recently annexed jurisdiction for any period of 12 consecutive months during the 18 months immediately preceding the date on which such additional Series of Bonds will become Outstanding shall have been at least equal to 1.5 times the amount of 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 (provided that in calculating the amount of Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding, the Bonds and Parity Obligations to be refunded by such refunding Bonds shall not be treated as Outstanding); (2) the amount of Sales Tax Revenues for the Fiscal Year in which the Bonds are to be issued and each of the next succeeding 4 Fiscal Years under the laws then in existence at the time of issuance of such additional Series of Bonds are estimated by the District to be at least 1.5 times the amount of Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding, including the additional Series of Bonds then proposed to be issued, in each such Fiscal Year; and (3) Sales Tax Revenues for the Fiscal Year in which the additional Series of Bonds are to be issued under the laws then in existence at the time of the issuance of such additional Series of Bonds shall be at least 1.0 times the amount of the District's obligations with respect to repayment of any withdrawals under a Reserve Facility, if any, then due and owing under the Reserve Facility.

Parity Obligations. The District will not, so long as any of the Bonds are outstanding, issue any obligations or securities, payable in whole or in part from Sales Tax Revenues, except additional Bonds issued pursuant to the provisions of the Indenture described above under the subcaption "Additional Bonds," refunding Bonds issued pursuant to the provisions of the Indenture described above under the subcaption "Refunding Bonds," and Parity Obligations payable on a parity with the Bonds, which Parity Obligations will have, when issued, an equal lien and charge upon the Sales Tax Revenues, provided that the following conditions to the issuance of such Parity Obligations are satisfied:

(1) Such Parity Obligations have been duly and legally authorized for any lawful purpose.

(2) No Event of Default shall have occurred and then be continuing, as evidenced by a Certificate the District filed with the Trustee.

(3) Unless such Parity Obligations are for refunding purposes as specified in the Indenture, the District shall have obtained and placed on file with the Trustee a Certificate of the District certifying that the debt service coverage ratio requirements applicable to the issuance of additional Bonds described above under the subcaption "Additional Bonds" have been met with respect to such Parity Obligations.

(4) The District shall have filed with the Trustee an Opinion of Bond Counsel to the effect that such Parity Obligations have been duly authorized in accordance with law.

(5) The Trustee shall be designated as paying agent or trustee for such Parity Obligations and the District shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Parity Obligations (but the Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Parity Obligations).

Subordinate Obligations. Subordinate Obligations that are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Sales Tax Revenues after the prior payment of all amounts then required to be paid under the Indenture from Sales Tax Revenues for principal, premium, interest and reserve fund requirements, if any, for all Bonds Outstanding, and all Parity Obligations outstanding, as the same become due and payable, and at the times and in the amounts as required in the Indenture and in the instrument or instruments pursuant to which any Parity Obligations were issued or incurred, provided that the following conditions to issuance or incurrence of such Subordinate Obligations are satisfied:

(1) Such Subordinate Obligations have been duly and legally authorized by the District for any lawful purpose.

(2) No Event of Default shall have occurred and then be continuing, as evidenced by the delivery to the Trustee of a Certificate of the District to that effect.

(3) As and to the extent applicable, the Trustee shall be designated as paying agent or trustee for such Subordinate Obligations and the District shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Subordinate Obligations (but the Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Subordinate Obligations).

Termination Payments. Termination payments and fees and expenses on Interest Rate Swap Agreements, Liquidity Provider or Credit Provider fees and expenses and other obligations that may be secured by a lien and charge on the Sales Tax Revenues subordinate to the lien and charge upon the Sales Tax Revenues that secures the Bonds, Parity Obligations and payment of principal of and interest on Subordinate Obligations.

Mandatory Purchase In Lieu of Redemption

Each Owner, by purchase and acceptance of any 2015 Series A Bonds, irrevocably grants to the District the option to purchase such 2015 Series A Bonds at any time such 2015 Series A Bonds is subject to optional redemption as provided in the Indenture at a purchase price equal to the Redemption Price then applicable to such 2015 Series A Bonds. In order to exercise such option, the District shall direct the Trustee to provide notice of mandatory purchase, such notice to be provided, as and to the extent applicable, in accordance with the provisions set forth in the Indenture. On the date fixed for purchase of any 2015 Series A Bonds pursuant to this paragraph, the District shall pay the purchase price of such 2015 Series A Bonds to the Trustee in immediately available funds and the Trustee shall pay the same to the Owners of 2015 Series A Bonds being purchased against delivery thereof. Following such purchase, the Trustee shall register such 2015 Series A Bonds in accordance with the written instructions of the District. No purchase of any 2015 Series A Bonds pursuant to this paragraph shall operate to extinguish the indebtedness evidenced by such 2015 Series A Bonds. No Owner may elect to retain 2015 Series A Bonds subject to mandatory purchase pursuant to this paragraph. Notwithstanding the foregoing, nothing contained herein is meant to prevent the District from purchasing 2015 Series A Bonds on the open market for cancellation.

Establishment and Application of Funds and Accounts; Investments

The following funds and accounts are established pursuant to the Indenture: the Revenue Fund, the Interest Fund, the Principal Fund, the Bond Reserve Fund, the Redemption Fund, the Rebate Fund, Subordinate Obligations Fund and the Expense Account. In addition, the 2015 Costs of Issuance Fund is established pursuant to the Second Supplemental Indenture.

For a description of the allocation of Sales Tax Revenues and the Interest Fund, Principal Fund, Bond Reserve Fund and Expense Account see "SECURITY FOR THE 2015 SERIES A BONDS" in the front portion of this Official Statement.

Redemption Fund. All moneys deposited by the District with the Trustee for the purpose of optionally redeeming Bonds of any Series shall, unless otherwise directed by the District, be deposited in the Redemption Fund. All amounts deposited in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds of such Series and maturity as shall be specified by the District in a request to the Trustee, in the manner, at the times and upon the terms and conditions specified in the Supplemental Indenture pursuant to which such Series of Bonds was created; provided that, at any time prior to giving such notice of redemption, the Trustee shall, upon receipt of a Request of the District, apply such amounts to the purchase of Bonds of such Series at public or private sale, as and when and at such prices (including brokerage and other charges) as is directed by the District, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price or Accreted Value then applicable to such Bonds. All Term Bonds purchased or redeemed from the Redemption Fund shall be allocated to Mandatory Sinking Account Payments applicable to such Series and maturity of Term Bonds as may be specified in a Request of the District.

Investments. All moneys in any of the funds and accounts held by the Trustee and established pursuant to the Indenture shall be invested, as directed by the District solely in Investment Securities, subject to the limitations set forth in the Indenture. If and to the extent the Trustee does not receive investment instructions from the District with respect to the moneys in the funds and accounts held by the Trustee pursuant to the Indenture, such moneys will be invested in Investment Securities described in clause (xii) of the definition thereof and the Trustee shall request investment instructions from the District for such moneys.

Moneys in the Bond Reserve Fund shall be invested in Investment Securities available on demand or maturing within 10 years of the date of such investment. Moneys in the remaining funds and accounts shall be invested in Investment Securities maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Trustee.

Unless otherwise provided in a Supplemental Indenture, all interest, profits and other income received from the investment of moneys in any fund or account, other than the Rebate Fund or a Project Fund, shall be transferred to the District when received. All investment earnings on funds held in each Project Fund shall be deposited in such Project Fund unless transferred by the District to the Trustee to be deposited in the Rebate Fund. All interest, profits and other income received from the investment of moneys in the Rebate Fund shall be deposited in the Rebate Fund pursuant to the Indenture, unless the Trustee is otherwise directed by the District in accordance with the provisions of the Tax Certificate.

Interest Rate Swaps. The District may and the Trustee shall, upon the Request of the District, and provided that the Trustee is supplied with an Opinion of Bond Counsel to the effect that such action is permitted under the laws of the State of California, enter into an Interest Rate Swap Agreement corresponding to the interest rate or rates payable on a Series of Bonds or any portion thereof and the amounts received by the District or the Trustee, if any, pursuant to such an Interest Rate Swap Agreement may be applied to the deposits required under the Indenture. If the District so designates, amounts payable under the Interest Rate Swap Agreement shall be secured by Sales Tax Revenues and other assets pledged under the Indenture to the Bonds on a parity basis therewith and, in such event, the District shall pay to the Trustee for deposit in the Interest Fund, at the times and in the manner provided by the provisions of the Indenture, the amounts to be paid under such Interest Rate Swap Agreement, as if such amounts were additional interest due on the Bonds to which such Interest Rate Swap Agreement relates, and the Trustee shall pay to the other party to the Interest Rate Swap Agreement, to the extent required thereunder, amounts deposited in the Interest Fund for the payment of interest on the Bonds with respect to which such agreement was entered into; provided that all termination payments payable with respect to an Interest Rate Swap Agreement shall only be payable on a subordinate basis to payment of principal and interest on the Bonds and to costs of replenishing the Bond Reserve Fund, including, without limitation, any account therein securing a Series of Bonds or any costs associated with a surety bond or other instrument permitted under the Indenture to be deposited therein to provide credit support for a Series of Bonds.

Certain Covenants of the District

Collection of Sales Tax Revenues. The District has duly levied a transactions and use tax in accordance with the Act, pursuant to and in accordance with Ordinance No. 1, as amended by Ordinance Nos. 2, 3, 4, 5, 7, 8, 9 and 10. Said Ordinance has not and will not be amended, modified or altered so long as any of the Bonds are Outstanding in any manner which would reduce the amount of or timing of receipt of Sales Tax Revenues, and the District will continue to levy and collect such transactions and use taxes to the full amount permitted by law. The District has entered into an agreement with the State Board of Equalization under and pursuant to which the State Board of Equalization processes and supervises collection of said transactions and use taxes and transmits Sales Tax Revenues directly to the Trustee. Said agreement will be continued in effect so long as any of the Bonds are Outstanding and shall not be amended, modified or altered without the written consent of the Trustee so long as any of the Bonds are Outstanding. The District will receive and hold in trust for (and remit immediately to) the Trustee any Sales Tax Revenues paid to the District by the State Board of Equalization.

The District covenants and agrees to separately account for all Sales Tax Revenues and to provide to the Trustee access to such accounting records at reasonable hours and under reasonable circumstances.

The District covenants that so long as the Bonds are Outstanding, it will not, to the best of its ability, suffer or permit any change, modification or alteration to be made to the legislation authorizing the levy and collection of the transactions and use tax which would materially and adversely affect the rights of Bondholders.

General Covenants. The District has covenanted, among other things, (1) to punctually pay or cause to be paid the principal or Redemption Price of and interest on the Bonds, but only out of Sales Tax Revenues as provided in the Indenture, (2) to maintain and preserve the System in good repair and working order at all times and to operate the System in an efficient and economical manner, (3) to keep proper books of record and accounts, prepared in accordance with generally accepted accounting principles, relating to Sales Tax Revenues, which shall be available for inspection by the Trustee at reasonable hours and under reasonable circumstances, (4) to cause the annual preparation and filing with the Trustee, so long as any of the Bonds are Outstanding, of reasonably detailed financial statements for the preceding Fiscal Year, which financial statements shall be accompanied by an opinion of an independent certified public accountant, (5) to pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges, if any, lawfully imposed upon the System or any part thereof or upon any Sales Tax Revenues, when the same shall become due, and (6) to commence and continue to completion the acquisition and construction of all facilities for which any of the Bonds are issued.

Tax Covenants. The District has covenanted in the Indenture not to take any action, or fail to take any action, if any such action or failure to act would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code. The District has covenanted to comply with the provisions of the Tax Certificate.

The District specifically covenants to pay or cause to be paid to the federal government of the United States of America the Rebate Requirement at the times and in the amounts determined under and as described in the Tax Certificate. This covenant shall survive the defeasance of the Bonds or any Series thereof.

If the District shall receive an Opinion of Bond Counsel to the effect that any action required under the tax covenants of the Indenture is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the District and the Trustee may rely conclusively on such opinion in complying with the provisions of the Indenture, and such tax covenants in the Indenture shall be deemed to be modified to that extent.

Events of Default and Remedies

The following events shall be Events of Default:

(a) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, or default in the redemption from any Sinking Account of any Bonds in the amounts and at the times provided therefor;

(b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) if the District shall fail to observe or perform any covenant, condition, agreement or provision in the Indenture on its part to be observed or performed, other than as described in subsection (a) or (b) above, for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, has been given to the District by the Trustee; except that, if such failure can be remedied but not within such 60-day period and if the District has taken all action reasonably possible to remedy such failure within such 60-day period, such failure shall not become an Event of Default for so long as the District shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee;

(d) if any default shall exist under any agreement governing any Parity Obligations and such default shall continue beyond the grace period, if any, provided for with respect to such default;

(e) if the District files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself;

(f) if a court of competent jurisdiction shall enter an order, judgment or decree declaring the District insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the District, or approving a petition filed against the District seeking reorganization of the District under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within 60 days from the date of the entry thereof;

(g) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the District or of the Sales Tax Revenues, and such custody or control shall not be terminated within 60 days from the date of assumption of such custody or control; or

(h) if the Legislature of the State shall repeal or amend all or any portion of the provisions of the Act relating to the retail transactions and use tax, being Section 29140 of the Public Utilities Code, unless the District determines that said repeal or amendment does not materially and adversely affect the rights of Bondholders.

Application of Sales Tax Revenues and Other Funds After Default. If and for so long as an Event of Default shall occur and be continuing, the District shall immediately transfer to the Trustee all Sales Tax Revenues held by it and the Trustee shall apply all Sales Tax Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (except as otherwise provided in the Indenture) as follows and in the following order:

(1) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and Parity Obligations, including the costs and expenses of the Trustee and the Bondholders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Indenture;

(2) To the payment of the whole amount of Bond Obligation then due on the Bonds and Parity Obligations (upon presentation of the Bonds and Parity Obligations to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, with interest on such Bond Obligation, at the rate or rates of interest borne by the respective Bonds and Parity Obligations, to the payment to the persons entitled thereto of all installments of interest then due and the unpaid principal or Redemption Price of any Bonds and Parity Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue Bond Obligation and Parity Obligations at the rate borne by the respective Bonds and Parity Obligations, and, if the amount available shall not be sufficient to pay in full all the Bonds and Parity Obligations due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or interest or Accreted Value (plus accrued interest) due on such date to the persons entitled thereto, without any discrimination or preference.

(3) To the payment of reimbursement of withdrawals under any Reserve Facility and, at the written request of the provider of the Reserve Facility, costs and interested related thereto.

Trustee to Represent Bondholders. The Trustee is irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, the Indenture, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and upon the written request of the Owners of not less than 25% in aggregate amount of Bond Obligation of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Indenture, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Sales Tax Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

Termination of Proceedings. In case any proceedings taken by the Trustee, the Bond Insurer or any one or more Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, the Bond Insurer or the Owners, then in every such case the District, the Trustee, the Bond Insurer and the Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the District, the Trustee, the Bond Insurer and the Owners shall continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee, the Bond Insurer or to the Owners is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

Bondholders' Direction of Proceedings. Except as provided under "Bond Insurer's Direction of Proceedings" anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, all as more fully described in the Indenture.

Limitation on Bondholders' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Act or any other applicable law with respect to such Bond, unless: (1) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Owners of not less than 25% in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (3) such Owner or said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (5) the Trustee shall not have received contrary directions from the Owners of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Indenture, the Act or other applicable law with respect to the Bonds, except in the manner in the Indenture provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner in the Indenture provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Defeasance

Bonds of any Series or a portion thereof may be paid by the District in any of the following ways:

(a) by paying or causing to be paid the Bond Obligations of and interest on such Outstanding Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem such Outstanding Bonds; or

(c) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

If the District shall pay all Bonds Outstanding and also pay or cause to be paid all other sums payable under the Indenture by the District, then and in that case, at the election of the District (evidenced by a Certificate of the District filed with the Trustee, signifying the intention of the District to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Sales Tax Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the District under the Indenture shall cease, terminate, become void and be completely discharged and satisfied.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture and described below under the subcaption "Deposit of Money or Securities with Trustee") to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the District in respect of such Bond shall cease, terminate and be completely discharged, provided that the Owner thereof shall thereafter be entitled to the payment of the principal of and premium, if any, and interest on the Bonds, and the District shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture described below under the subcaption "Payment of Bonds After Discharge of Indenture," and continuing duties of the Trustee under the Indenture.

Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) Non-callable Investment Securities described in clauses (i), (ii) or (vi) of the definition thereof the principal of and interest on which when due will, in the opinion of an independent certified public accountant delivered to the Trustee, provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by request of the District) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

Payment of Bonds After Discharge of Indenture. Any moneys held by the Trustee in trust for the payment of the principal or Redemption Price of, or interest on, any Bonds and remaining unclaimed for 2 years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption as provided in the Indenture), if such moneys were so held at such date, or 2 years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall, upon Request of the District, be repaid to the District free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the District as aforesaid, the Trustee may (at the cost of the District) first mail to the Owners of any Bonds remaining unpaid at the addresses shown on the registration books maintained by the Trustee a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof. All moneys held by or on behalf of the Trustee for the payment of principal of Accreted Value of or interest or premium on Bonds, whether at redemption or maturity, shall be held in trust for the account of the Owners thereof and the Trustee shall not be required to pay Owners any interest on, or be liable to the Owners or any other person (other than the District) for any interest earned on, moneys so held. Any interest earned thereon shall belong to the District and shall be deposited monthly by the Trustee into the Revenue Fund.

Amendments

The Indenture and the rights and obligations of the District, the Owners of the Bonds and the Trustee may be modified or amended at any time by a Supplemental Indenture, with the written consent of the Owners of a majority in the aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Indenture is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under this caption.

The Indenture and the rights and obligations of the District and of the Owners of the Bonds and of the Trustee may also be modified or amended at any time by a Supplemental Indenture entered into by the District and the Trustee which shall become binding when the written consents of each Credit Provider for the Bonds shall have been filed with the Trustee, provided that at such time the payment of all the principal of and interest on all Outstanding Bonds shall be insured by a Credit Enhancement the provider of which shall be a financial institution or association having unsecured debt obligations rated, or insuring or securing other debt obligations rated on the basis of such Credit Enhancement, in one of the two highest Rating Categories of Standard & Poor's.

No such modification or amendment shall (a) extend the fixed maturity of any Bond or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected, or (b) reduce the aforesaid percentage of Bond Obligation the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Sales Tax Revenues or other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Owners of the Bonds of the lien created by the Indenture on such Sales Tax Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding.

The Indenture and the rights and obligations of the District, of the Trustee and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Bondholders, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) To add to the covenants and agreements of the District in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof) or to surrender any right or power reserved to or conferred upon the District;

(2) To make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the District may deem necessary or desirable, and which shall not materially and adversely affect the interests of the Owners of the Bonds;

(3) To modify, amend or supplement the Indenture in such manner as to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially and adversely affect the interests of the Owners of the Bonds;

(4) To make modifications or adjustments necessary, appropriate or desirable to provide for the issuance of Variable Rate Indebtedness, Capital Appreciation Bonds or Parity Obligations with such interest rate, payment, maturity and other terms as the District may deem desirable, subject to the provisions of the Indenture described above under the caption "Additional Bonds, Refunding Bonds, Parity Obligations, Subordinate Obligations";

(5) To provide for the issuance of Bonds in book-entry form or bearer form, or as direct placements loans or as may be necessary to accommodate electronic transactions and recordkeeping and new technology;

(6) To make modifications or adjustments necessary, appropriate or desirable to accommodate liquidity or credit enhancements including Reserve Facilities delivered with respect to any Bond Reserve Fund;

(7) If the District agrees in a Supplemental Indenture to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion;

(8) To provide for the issuance of an additional Series of Bonds pursuant to provisions of the Indenture described above under the caption "Additional Bonds, Refunding Bonds, Parity Obligations, Subordinate Obligations;"

(9) to make modifications or adjustments necessary, appropriate or desirable to provide for the appointment of an auction agent, a broker-dealer, a remarketing agent, a tender agent and/or a paying agent in connection with any Series of Bonds;

(10) to modify, alter, amend or supplement this Indenture in any other respect, including amendments that would otherwise be described in the Indenture, if the effective date of such amendments is a date on which all Bonds affected thereby are subject to mandatory tender for purchase pursuant to the provisions of the Indenture or if notice of the proposed amendments is given to Owners of the affected Bonds at least thirty (30) days before the proposed effective date of such amendments and, on or before such effective date, such Owners have the right to demand purchase of their Bonds pursuant to the provisions of the Indenture or if all Bonds affected thereby are in an auction mode and a successful auction is held following notice of such amendment; and

(11) For any other purpose that does not materially and adversely affect the interests of the Owners of the Bonds.

Other Provisions

Waiver of Personal Liability. No Board member, officer, agent or employee of the District or the Trustee shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing in the Indenture contained shall relieve any such Board member, officer, agent or employee of the District or the Trustee from the performance of any official duty provided by law or by the Indenture.

SUMMARY OF THE 1990 INDENTURE RESERVE FUND

The 1990 Indenture requires the Trustee to deposit into the Bond Reserve Fund held thereunder (the "1990 Reserve Fund") such amounts as shall be necessary so that such amount will be equal to the Bond Reserve Requirement set forth in the 1990 Indenture (the "1990 Reserve Requirement"). The Series 2010 Bonds issued under the 1990 Indenture have a separate reserve account within the 1990 Reserve Fund (the "Series 2010 Reserve Account") which, upon the defeasance of the Prior Bonds, will be combined with the 1990 Reserve Fund and no longer separately maintained. The amounts held in the 1990 Bond Reserve Fund, including the Series 2010 Reserve Account, are only security for the Bonds issued under the 1990 Indenture and are not available to pay the 2015 Series A Bonds or any Additional Bonds issued under the Indenture. Upon issuance of the 2015 Series A Bonds, the 1990 Reserve Requirement will be approximately $19,002,467, to be funded in cash and securities. The Bonds under the 1990 Indenture will be additionally secured by the Reserve Policies (as such term is defined in the 1990 Indenture). The Reserve Policies include one issued by Financial Security Assurance, Inc. (now known as Assured Guaranty Municipal Corp.) in the amount of $4,410,874. Upon issuance of the 2015 Series A Bonds, excess cash in the 1990 Reserve Fund, including the Series 2010 Reserve Account, will be deposited in the escrow fund established for the Series 2005A Bonds and the Series 2006 Bonds that are being refunded by proceeds of the 2015 Series A Bonds.

At any time, should there be a deficiency in the 1990 Reserve Fund under the 1990 Indenture, the Trustee is required to deposit as soon as possible in each month in which the deficiency continues, the aggregate amount of each un-replenished prior withdrawal from the 1990 Reserve Fund and the full amount of any deficiency due to any required valuation of the investments in the 1990 Reserve Fund until the balance in the 1990 Reserve Fund is at least equal to the 1990 Reserve Requirement. On a pro rata basis with such deposits, the Trustee is also required to reimburse to the provider of a letter of credit, insurance policy or surety bond satisfying a portion of the 1990 Reserve Requirement the amount of any un-replenished prior withdrawal on such letter of credit, insurance policy or surety bond. The payments and deposits required under the 1990 Indenture and the payments due under the Indenture have parity claims against available Sales Tax Revenues.

Cash on deposit in the 1990 Reserve Fund is permitted to be invested in Investment Securities as defined in the 1990 Indenture. Neither the funds in the Series 2010 Reserve Account, nor the funds and Reserve Policies held in the 1990 Reserve Fund are available for payment of the 2015 Series A Bonds.

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APPENDIX E

THE ECONOMY OF THE THREE BART COUNTIES

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APPENDIX E

THE ECONOMY OF THE THREE BART COUNTIES

General

The San Francisco Bay Area (the "Bay Area") encompasses the nine counties which border San Francisco Bay. The Three BART Counties (the City and County of San Francisco, Alameda County and Contra Costa County) comprise a 1,512 square-mile central core of the nearly 7,000 square miles of land in the Bay Area. The City and County of San Francisco occupies approximately 49 square miles, while Alameda County and Contra Costa County are approximately 733 and 734 square miles in size, respectively. The San Francisco Bay Area Rapid Transit District (the "District" or "BART") service area also includes northern San Mateo County, adjacent to the southern border of San Francisco. The surrounding non-member six counties, four to the north and two to the south, provide reciprocal economic support, potential users and expansion area for the District's centrally located System. All capitalized terms used and not otherwise defined in this Appendix E shall have the meanings set forth in the front portion of this Official Statement.

The City and County of San Francisco occupies the tip of a peninsula situated between the Pacific Ocean and San Francisco Bay (the "Bay") and is separated from Marin County and other northerly counties by the Golden Gate, which forms the entrance to the Bay and is spanned by the Golden Gate Bridge. Alameda and Contra Costa Counties, bordering the east side of the Bay across from San Francisco, stretch eastward up to 40 miles beyond the series of hills between the Bay and the Central Valley (the Sacramento and San Joaquin Valleys) of California. Contra Costa County is bordered on the northwest by San Pablo Bay and the north by the Carquinez Strait and the extensive Delta area of the Sacramento and San Joaquin Rivers, which empty into the Bay. Alameda County adjoins Santa Clara County at the southern tip of the Bay. Linking the Bay Area are seven major bridges.

Sales taxes levied in the Three BART Counties are a principal source of District revenues. Sales tax revenues depend on economic activity and trends as well as the demographic characteristics of the Three BART Counties. Historical trends are summarized below and forecasts are presented for the population and employment of the Three BART Counties.

Historical Population and Employment Trends

Table 1 shows historical population for cities within the Three BART Counties for the selected years between 2000 and 2015. Population in the Three BART Counties increased approximately 11.8% between 2000 and 2015 and 1.3% between 2014 and 2015.

Table 1
HISTORICAL POPULATION
Alameda and Contra Costa Counties and City and County of San Francisco
2000, 2010 and 2013 through 2015
(As of January 1)

	2000[(1)]	2010[(1)]	2013[(2)]	2014[(2)]	2015[(2)]	% Change 2014-2015
Alameda County						
Alameda	72,259	73,812	75,395	75,961	76,638	0.9%
Albany	16,444	18,539	18,483	18,457	18,565	0.6
Berkeley	102,743	112,580	116,118	117,383	118,780	1.2
Dublin	29,973	46,036	50,049	53,430	55,844	4.5
Emeryville	6,882	10,080	10,302	10,481	10,570	0.8
Fremont	203,413	214,089	220,846	224,116	226,551	1.1
Hayward	140,030	144,186	149,326	151,047	152,889	1.2
Livermore	73,345	80,968	83,624	84,815	85,990	1.4
Newark	42,471	42,573	43,489	43,821	44,204	0.9
Oakland	399,566	390,724	401,628	405,703	410,603	1.2
Piedmont	10,952	10,667	10,925	11,011	11,113	0.9
Pleasanton	63,654	70,285	72,124	73,028	74,850	2.5
San Leandro	79,452	84,950	86,981	87,661	88,441	0.9
Union City	66,869	69,516	71,576	72,109	72,744	0.9
Other Areas	135,688	141,266	144,375	145,474	146,787	0.9
	1,443,741	1,510,271	1,555,241	1,574,497	1,594,569	1.3%
Contra Costa County						
Antioch	90,532	102,372	105,076	106,691	108,298	1.5%
Brentwood	23,302	51,481	53,234	54,824	56,493	3.0
Clayton	10,762	10,897	11,079	11,209	11,288	0.7
Concord	121,782	122,067	123,787	124,977	126,069	0.9
Danville	41,715	42,039	42,683	43,206	43,691	1.1
El Cerrito	23,171	23,549	23,885	24,115	24,288	0.7
Hercules	19,488	24,060	24,378	24,601	24,775	0.7
Lafayette	23,908	23,893	24,289	24,690	25,154	1.9
Martinez	35,866	35,824	36,545	36,891	37,384	1.3
Moraga	16,290	16,016	16,223	16,363	16,466	0.6
Oakley[(3)]	25,619	35,432	37,218	38,124	38,789	1.7
Orinda	17,599	17,643	17,906	18,109	18,612	2.8
Pinole	19,039	18,390	18,643	18,813	18,946	0.7
Pittsburg	56,769	63,264	65,291	66,479	67,628	1.7
Pleasant Hill	32,837	33,152	33,602	33,917	34,162	0.7
Richmond	99,216	103,701	105,530	106,388	107,346	0.9
San Pablo	30,256	29,139	29,237	29,499	29,730	0.8
San Ramon	44,722	72,148	76,266	77,410	78,561	1.5
Walnut Creek	64,296	64,173	65,652	66,319	66,868	0.8
Other Areas	151,557	159,785	163,793	166,594	168,323	1.0
	948,816	1,049,025	1,074,317	1,089,219	1,102,871	1.3%
City and County of San Francisco	776,733	805,235	828,440	834,903	845,602	1.3%
Three BART Counties	3,169,488	3,364,531	3,457,998	3,498,619	3,543,042	1.3%

(1) As of April 1 of that year. 2010 is based on Census Data that uses a different methodology to assess population than California Department of Finance.
(2) As of January 1 of that year.
(3) The City of Oakley was incorporated in 1999.
Source: U.S. Census for 2010; California Department of Finance for years other than 2010.

Table 2-A shows historical nonagricultural employment for the Three BART Counties by industry sector in calendar year 2014 and Table 2-B shows total nonagricultural employment for the Three BART Counties by industry sector in calendar years 2004 and 2014.

Table 2-A
NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SECTOR
Alameda and Contra Costa Counties and City and County of San Francisco
Calendar Year 2014
(Not Seasonally Adjusted)

	Alameda County		Contra Costa County		City and County of San Francisco	
	Number	Percent[2]	Number	Percent[2]	Number	Percent[2]
Total Nonagricultural Employment[1]	721,100	–	343,900	–	639,200	–
Major Classifications						
Manufacturing	66,400	9.2%	15,500	4.5%	10,000	1.6%
Transportation, Warehousing and Public Utilities	26,000	3.6	9,500	2.8	12,000	1.9
Wholesale Trade	37,100	5.1	9,100	2.7	14,200	2.2
Retail Trade	67,900	9.4	41,700	12.1	45,400	7.1
Finance and Insurance	14,200	2.0	18,200	5.3	37,600	5.9
Real Estate, Rental and Leasing	10,100	1.4	6,800	2.0	13,300	2.1
Information	12,700	1.8	8,400	2.4	27,900	4.4
Professional & Business Services	126,000	17.5	53,900	15.7	169,800	26.7
Educational & Health Services	114,300	15.9	60,800	17.7	87,000	13.7
Leisure & Hospitality	66,600	9.2	36,500	10.7	90,100	14.1
Other Services	25,200	3.5	12,500	3.6	26,000	4.1
Government	117,000	16.2	49,100	14.3	89,200	14.0

(1) Totals may reflect rounding.
(2) Represents percentage of total nonagricultural employment; reflects rounding.
Source: California Employment Development Department, Labor Market Information Division with 2014 Benchmark.

Table 2-B
NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SECTOR
Total Three BART Counties
Calendar Years 2004 and 2014
(Not Seasonally Adjusted)

	2004		2014	
	Number	Percent[2]	Number	Percent[2]
Total Nonagricultural Employment[1]	1,552,100	–	1,704,200	–
Major Classifications				
Manufacturing	109,000	7.0%	91,900	5.4%
Transportation, Warehousing and Public Utilities	50,200	3.2	47,500	2.8
Wholesale Trade	61,500	4.0	60,400	3.5
Retail Trade	153,000	9.9	155,000	9.1
Finance and Insurance	90,600	5.8	70,000	4.1
Real Estate, Rental, and Leasing	29,500	1.9	30,200	1.8
Information	50,400	3.2	49,000	2.9
Professional & Business Services	250,300	16.1	349,700	20.5
Educational & Health Services	196,100	12.6	262,100	15.4
Leisure & Hospitality	152,300	9.8	193,200	11.3
Other Services	57,700	3.7	63,700	3.7
Government	263,600	17.0	255,300	15.0

(1) Totals may reflect rounding.
(2) Represents percentage of total nonagricultural employment; reflects rounding.
Source: California Employment Development Department, Labor Market Information Division with 2014 Benchmark.

Total nonagricultural employment in the Three BART Counties increased approximately 9.8% between 2004 and 2014.

As shown in Table 2-A and Table 2-B, the economy of the Three BART Counties is well diversified, with emphasis on educational and health services, professional and business services, and government.

Alameda County. Alameda County accounts for approximately 45% of the population and approximately 42.3% of the nonagricultural employment of the Three BART Counties. Alameda County's population increased approximately 10.4% between 2000 and 2015.

Alameda County has a diverse economic base. A large number of new jobs have been, and are expected to be, created by firms classified in the services industry. Many of these jobs will be highly skilled professional, technical, and managerial positions. The two largest employment sectors are professional and business services and government, which account for approximately 34% of total employment. The transportation, warehousing and public utilities sector, accompanied by both retail trade and wholesale trade categories, averaged 131,000 jobs in 2014, comprising approximately 18.1% of total nonagricultural employment. The professional and business services industry averaged 126,000 jobs for 2014, comprising approximately 17.5% of total employment. Major employers in Alameda County include Kaiser Permanente, University of California at Berkeley, Alameda County, Lawrence Livermore National Laboratory, Oakland Unified School District, Alta Bates Summit Medical Center and Lawrence Berkeley National Laboratory, as shown in Table 4-A.

Contra Costa County. Contra Costa County, predominantly a low-density residential area, accounts for approximately 31% of the population and approximately 20.2% of employment of the Three BART Counties in 2014. Contra Costa County's population increased approximately 16.2% between 2000 and 2015.

Contra Costa County has one of the fastest-growing work forces among Bay Area counties, with growth in its employment base being driven primarily by the need to provide services to an increasing local population. Contra Costa County has also experienced an influx of white-collar jobs due to the relocation of companies from more expensive locations in the Bay Area. The professional and business services, educational and health services, retail trade and government employment sectors account for approximately 59.8% of the employment base. Major employers in Contra Costa County include Contra Costa County, Safeway Inc., Chevron Corp. and John Muir/Mount Diablo Health System, as shown in Table 4-A.

City and County of San Francisco. The City and County of San Francisco (the "City") is a major employment center of the Three BART Counties, accounting for approximately 37.5% of the nonagricultural employment and approximately 24% of the population of the Three BART Counties. The population of San Francisco is relatively dense and has increased slowly in recent years, with an overall increase of approximately 1.3% between 2014 and 2015.

The City has the benefit of a highly skilled, professional labor force. Key industries include tourism, real estate, banking and finance, retailing, apparel design and manufacturing. Emerging industries include multimedia and bioscience. Major employers in San Francisco include the City and County of San Francisco, the University of California at San Francisco, Wells Fargo & Co. Inc., and the San Francisco Unified School District, as shown in Table 4-B.

Table 3 shows the average annual unemployment rates for the Three BART Counties and the State of California and the United States for the calendar years 2010 through May 2015 (the most recent data available).

Table 3

AVERAGE ANNUAL UNEMPLOYMENT RATES

Alameda County, Contra Costa County, City and County of San Francisco, State of California and the United States Calendar Years 2010 Through May 2015

Calendar Year	Alameda County	Contra Costa County	City and County of San Francisco	State of California	United States
2010	10.9%	11.0%	8.9%	12.2%	9.6%
2011	10.1	10.3	8.1	11.7	8.9
2012	8.7	9.0	6.8	10.4	8.1
2013	7.3	7.5	5.5	8.9	7.4
2014	5.9	6.2	4.4	7.5	6.2
2015[(1)]	4.6	4.8	3.5	6.2	5.3

[(1)] Annual average up through May 2015.
Sources: California Employment Development Department and U.S. Department of Labor, Bureau of Labor Statistics.

Table 4-A identifies the major employers of Alameda and Contra Costa Counties and Table 4-B identifies the major employers in the City and County of San Francisco.

Table 4-A
MAJOR EMPLOYERS
Alameda and Contra Costa Counties
As of 2015

Employer	Number of Employees
University of California, Berkeley	23,962
Kaiser Permanente	18,450
Alameda County	9,147
State of California	8,930
Contra Costa County	8,500
Chevron Corp.	6,631
Safeway Inc.	6,270
U.S. Postal Service	5,948
John Muir Health	5,857
Wells Fargo Bank	5,400
City of Oakland	5,055
PG&E Corp.	4,625
Alta Bates Summit Medical Center	4,471
Oakland Unified School District	4,359
Lawrence Livermore National Lab	4,051
FedEx Corp.	4,000
Alameda Health System	3,800
Lam Research Corp.	3,465
UPS	3,369
Contra Costa Community College District	3,100
Hayward Unified School District	3,054
Tesla Motors Inc.	3,000
West Contra Costa Unified School District	2,968
San Ramon Valley Unified School District	2,900

Sources: San Francisco Business Times, *2015 Book of Lists* and San Francisco Business Journal.

Table 4-B
MAJOR EMPLOYERS
City and County of San Francisco
As of 2015

Employer	Number of Employees
City and County of San Francisco	25,458
University of California, San Francisco	20,100
Wells Fargo Bank	8,200
San Francisco Unified School District	8,189
Gap Inc.	6,000
California Pacific Medical Center	5,934
PG&E Corp.	4,394
State of California	4,134
San Francisco State University	3,707
Kaiser Permanente	3,492
United States Postal Service	3,453
San Francisco VA Medical Center	2,692
Academy of Art University	2,554
Charles Schwab & Co. Inc.	2,500
City College of San Francisco	2,500
Dignity Health	2,391
Safeway Inc.	2,000
Levi-Strauss & Co.	1,900
Williams-Sonoma Inc.	1,731
Starbucks Coffee Co.	1,670
Twitter Inc.	1,500
BlackRock	1,400
PricewaterhouseCoopers LLP (PwC)	1,300
YMCA of San Francisco	1,300
Zynga	1,453

Source: San Francisco Business Times, *2015 Book of Lists*.

Population and Employment Forecasts

Table 5 presents population and employment projections for the Three BART Counties prepared by the Association of Bay Area Governments ("ABAG"). ABAG projects the population of the Three BART Counties to increase by approximately 4,258,200 people by 2035, as compared to the actual population of 3,543,042 in January 2015, with most of the growth occurring in Contra Costa and Alameda counties. Employment in the Three BART Counties is projected by ABAG to increase to 2,402,160 in 2035, as compared to the actual 1,826,500 employment level as of May 2015 (the most recent data available). Most of the growth in employment is projected by ABAG to occur in the professional and managerial services and health and educational services sectors in each of the Three BART Counties. ABAG also projects the largest growth in employment will occur in San Francisco County.

Table 5
PROJECTED POPULATION AND EMPLOYMENT
Alameda and Contra Costa Counties and City and County of San Francisco
Population

County	2015[1] (Actual)	2035 (Projected)	% Change 2015-2035 (Projected)
Alameda	1,594,569	1,966,300	26.3%
Contra Costa	1,102,871	1,322,900	20.0
San Francisco	845,602	969,000	14.6
Three BART Counties	3,543,042	4,258,200	20.2%

Employment

County	2015[2]	2035 (Projected)	Percent Change 2015-2035 (Projected)
Alameda	779,600	1,039,680	33.4%
Contra Costa	521,300	555,650	6.6
San Francisco	525,600	806,830	53.4
Three BART Counties	1,826,500	2,402,160	31.5%

(1) As of January 1, 2015.
(2) As of May 2015; not seasonally adjusted.
Sources: State of California Department of Finance; State of California Employment Development Department; Association of Bay Area Governments, *Jobs-Housing Connections Strategy*.

Personal Income

The United State Department of Commerce, Bureau of Economic Analysis (the "BEA") produces economic accounts statistics that enable government and business decision-makers, researchers, and the public to follow and understand the performance of the national economy.

The BEA defines "personal income" as income received by persons from all sources, including income received from participation in production as well as from government and business transfer payments. Personal income represents the sum of compensation of employees (received), supplements to wages and salaries, proprietors' income with inventory valuation adjustment and capital consumption adjustment (CCAdj), rental income of persons with CCAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance. Per capita personal income is calculated as the personal income divided by the resident population based upon the Census Bureau's annual midyear population estimates.

Table 6 below presents the latest available total income and per capita personal income for the Three BART Counties, the State and the nation for the calendar years 2010 through 2014 (the most recent annual data available). The Three BART Counties have traditionally had per capita income levels significantly higher than those of the State and the nation.

Table 6
PERSONAL INCOME
Alameda County, Contra Costa County, City and County of San Francisco, State of California and United States
Calendar Years 2010 through 2014

Year and Area	Personal Income (millions of dollars)[1]	Per Capita Personal Income (dollars)
2014		
Alameda County	N/A	N/A
Contra Costa County	N/A	N/A
San Francisco County	N/A	N/A
State of California	1,944,369	50,109
United States	14,708,582	46,129
2013		
Alameda County	87,373	55,338
Contra Costa County	69,376	63,403
San Francisco County	70,643	84,356
State of California	1,856,614	48,434
United States	14,151,427	44,765
2012		
Alameda County	84,503	54,379
Contra Costa County	67,779	62,860
San Francisco County	67,392	81,448
State of California	1,805,194	47,505
United States	13,873,161	44,200
2011		
Alameda County	78,173	51,049
Contra Costa County	62,693	58,816
San Francisco County	60,315	74,005
State of California	1,685,635	44,749
United States	13,189,935	42,332
2010		
Alameda County	72,428	47,854
Contra Costa County	58,023	55,118
San Francisco County	54,896	68,135
State of California	1,578,553	42,282
United States	12,417,659	40,144

Source: U.S. Department of Commerce, Bureau of Economic Analysis.
[1] Numbers reflect rounding.

Table 7 shows the total dollar volume of sales and other taxable transactions (which correlate with sales tax receipts) in the Three BART Counties for calendar years 2010 through 2014 (the most recent data available).

Table 7
HISTORICAL TAXABLE TRANSACTIONS
Alameda and Contra Costa Counties and City and County of San Francisco
Calendar Years 2010 Through First Quarter of 2014
($ in thousands)

Fiscal Year	Alameda County	Contra Costa County	San Francisco County	Total Three BART Counties	Percentage Change
2010	$21,541,741	$11,953,846	$13,443,121	$46,938,708	4.4%
2011	23,430,799	12,799,857	14,890,527	51,121,183	8.9
2012	25,181,571	13,997,249	15,953,605	55,132,425	7.8
2013	26,624,571	14,471,988	17,094,163	58,190,722	5.5
2014[1]	6,480,772	3,406,340	4,101,487	13,988,599	NA

Source: California State Board of Equalization, 2010-2013 Annual Reports.
(1) Reflects data through first calendar quarter of 2014.

Table 8 shows taxable transactions by type of business for the Three BART Counties for the year ended December 31, 2013 (the most recent annual data available).

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Table 8
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
Alameda and Contra Costa Counties and the City and County of San Francisco
For Calendar Year 2013
($ in thousands)

Type of Business	**Alameda County**	**Contra Costa County**	**City and County of San Francisco**
Retail and Food Services			
Motor Vehicle and Parts Dealers	**3,138,082**	**1,823,019**	**548,713**
New Car Dealers	2,609,608	1,471,849	453,704
Used Car Dealers	179,078	139,966	13,361
Other Motor Vehicle Dealers	98,550	38,568	27,699
Auto. Parts, Accessories and Tire Stores	250,847	172,636	53,949
Furniture and Home Furnishings Stores	**506,386**	**277,477**	**496,720**
Furniture Stores	336,129	143,329	239,486
Home Furnishings Stores	170,256	134,148	257,235
Electronics and Appliance Stores	**636,277**	**371,275**	**383,610**
Bldg. Matrl. and Garden Equip. and Supplies	**1,379,338**	**879,211**	**508,070**
Building Material and Supplies Dealers	1,291,512	781,371	485,847
Lawn and Garden Equip. and Supplies Stores	87,826	97,841	22,223
Food and Beverage Stores	**1,031,311**	**748,131**	**740,746**
Supermarkets and Other Grocery Stores	706,316	555,481	519,882
Convenience Stores	82,142	64,352	40,355
Specialty Food Stores	38,669	23,761	44,359
Beer, Wine, and Liquor Stores	204,184	104,537	136,151
Health and Personal Care Stores	**476,407**	**303,182**	**491,692**
Pharmacies and Drug Stores	304,556	214,859	294,790
Health and Personal Care Stores	171,850	88,323	196,902
Gasoline Stations	**2,218,302**	**1,623,539**	**650,678**
Clothing and Clothing Accessories Stores	**1,331,394**	**825,235**	**2,040,734**
Men's Clothing Stores	37,703	26,396	52,086
Women's Clothing Stores	167,902	104,351	307,974
Family Clothing Stores, Accessories, and Other Stores	845,568	545,202	1,217,904
Shoe Stores	169,915	77,148	161,572
Jewelry, Luggage, and Leather Goods Stores	110,305	72,139	301,197
Sporting Goods, Hobby, Book, and Music Stores	**493,428**	**312,720**	**411,302**
Sporting Goods Stores	209,482	139,796	202,771
Hobby, Toy and Musical Instrument Stores	174,658	120,345	74,535
Book, Periodical, and Music Stores	109,288	52,580	133,997
General Merchandise Stores	**1,943,081**	**1,525,347**	**897,608**
Miscellaneous Store Retailers	**939,103**	**427,955**	**680,080**
Florists	16,522	8,009	30,357
Office Supplies and Stationery Stores	287,440	60,387	64,817
Gift, Novelty, and Souvenir Stores	57,295	26,470	143,026
Used Merchandise Stores	36,130	17,880	44,595
Other Miscellaneous Store Retailers	541,716	315,209	397,285
Nonstore Retailers	**294,264**	**180,980**	**269,544**
Food Services and Drinking Places	**2,505,728**	**1,378,947**	**3,750,056**
Full-Service Restaurants	1,145,699	663,214	2,513,819
Limited-Service Eating Places	1,154,897	638,498	750,390
Special Food Services	127,765	30,155	307,757
Drinking Places (Alcoholic Beverages)	77,369	47,080	178,090
Total Retail and Food Services(1)	**16,893,102**	**10,677,018**	**11,869,555**
All Other Outlets(1)	**9,731,469**	**3,794,970**	**5,224,609**
Total All Outlets(1)	**26,624,571**	**14,471,988**	**17,094,163**

(1) Totals may reflect rounding.
Source: California State Board of Equalization.

Table 9 shows a comparison of taxable transactions among several large northern and southern California counties (including the Three BART Counties) and Statewide over the calendar years 2009 through 2013 (the most recent annual data available).

Table 9
COMPARISON OF TAXABLE TRANSACTIONS TRENDS
FOR MAJOR CALIFORNIA COUNTIES
Calendar Years 2009 Through 2013
($ in thousands)

	2009	2010	2011	2012	2013	% Change (2012-2013)
Three BART Northern Counties						
Alameda	$20,304,629	$21,541,741	$23,430,799	$25,181,571	$26,624,571	5.7%
Contra Costa	11,883,049	11,953,846	12,799,857	13,997,249	14,471,988	3.4
San Francisco	12,633,575	13,443,121	14,890,527	15,953,605	17,094,163	7.1
Total Three BART Counties	$44,821,253	$46,938,708	$51,121,183	$55,132,425	$58,190,722	5.5
Other Northern Counties						
Sacramento	$16,563,853	$16,904,528	$18,003,765	$19,089,848	$20,097,095	5.3
San Mateo	11,327,022	11,966,338	13,020,643	13,906,978	14,611,618	5.1
Santa Clara	27,427,709	30,523,322	33,431,217	36,220,445	37,621,606	3.9
Southern Counties						
Los Angeles	$112,744,727	$116,942,334	$126,440,737	$135,295,582	$140,079,708	3.5
Orange	45,712,784	47,667,179	51,731,139	55,230,612	57,591,217	4.3
Riverside	22,227,877	23,152,780	25,641,497	28,096,009	30,065,467	7.0
San Bernardino	23,652,433	24,687,862	27,322,980	29,531,921	31,177,823	5.6
San Diego	39,728,657	41,623,636	45,090,382	47,947,035	50,297,331	4.9
Ventura	9,883,853	10,225,488	11,020,181	11,958,260	12,824,296	7.2
Statewide	$456,492,945	$477,347,986	$520,568,055	$558,387,250	$586,839,618	5.1

Source: California State Board of Equalization.

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APPENDIX F

DTC AND THE BOOK-ENTRY-ONLY SYSTEM

The information in this Appendix F concerning The Depository Trust Company ("DTC") and DTC's book-entry-only system has been obtained from sources that the San Francisco Bay Area Rapid Transit District (the "District") believes to be reliable, but neither the District nor the Underwriters takes any responsibility for the accuracy thereof. The District and the Underwriters cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (all as defined below): (a) payments of principal of, premium if any, and interest on ("Debt Service") the 2015 Series A Bonds; (b) confirmations of ownership interest in the 2015 Series A Bonds; or (c) notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2015 Series A Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Direct Participants and Indirect Participants are on file with DTC.

None of the District, the Underwriters nor the Trustee will have any responsibility or obligations to DTC, the Direct Participants, the Indirect Participants of DTC or the Beneficial Owners with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participants or Indirect Participants of DTC; (2) the payment by DTC or any Direct Participants or Indirect Participants of DTC of any amount due to any Beneficial Owner in respect of the Debt Service on the 2015 Series A Bonds; (3) the delivery by DTC or any Direct Participants or Indirect Participants of DTC of any notice to any Beneficial Owner that is required or permitted to be given to owners under the terms of the Indenture; or (4) any consent given or other action taken by DTC as registered owner of the 2015 Series A Bonds.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2015 Series A Bonds. The 2015 Series A Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of 2015 Series A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 a Standard & Poor's rating of AA+. 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.

Purchases of 2015 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2015 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2015 Series A Bond (each a "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 2015 Series A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2015 Series A Bonds, except in the event that use of the book-entry system for the 2015 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2015 Series A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2015 Series A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2015 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2015 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2015 Series A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2015 Series A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the documents. For example, Beneficial Owners of 2015 Series A Bonds may wish to ascertain that the nominee holding the 2015 Series A Bonds 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.

Redemption notices shall be sent to DTC. If less than all of the 2015 Series A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2015 Series A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District or to the Trustee 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 2015 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2015 Series A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the 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, the Trustee, or the District, 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 the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2015 Series A Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

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

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the 2015 Series A Bonds, the provisions of the Indenture relating to place of payment, transfer and exchange of the 2015 Series A Bonds, regulations with respect to exchanges and transfers, bond register, Bonds mutilated, destroyed or stolen, and evidence of signatures of 2015 Series A Bond Owners and ownership of 2015 Series A Bonds will govern the payment, registration, transfer, exchange and replacement of the 2015 Series A Bonds. Interested persons should contact the District for further information regarding such provisions of the Indenture.

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APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

San Francisco Bay Area Rapid Transit District
Sales Tax Revenue Bonds
2015 Refunding Series A

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the San Francisco Bay Area Rapid Transit District (the "Issuer") and U.S. Bank National Association, as trustee (the "Trustee") and as dissemination agent (the "Dissemination Agent"), in connection with the issuance of $186,640,000 principal amount of San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2015 Refunding Series A (the "2015 Bonds"). The 2015 Bonds are being issued pursuant to an Indenture, dated as of September 1, 2012 (the "Master Indenture"), as supplemented and amended by a First Supplemental Indenture, dated as of September 1, 2012 (the "First Supplemental Indenture") and a Second Supplemental Indenture, dated as of October 1, 2015 (the "Second Supplemental Indenture" and, together with the Master Indenture and the First Supplemental Indenture, the "Indenture"), each by and between the Issuer and the Trustee. The Issuer, the Trustee and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer, the Trustee and the Dissemination Agent for the benefit of the Holders and the Beneficial Owners (as hereinafter defined) of the 2015 Bonds and in order to assist the Participating Underwriters (as hereinafter defined) in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement and not otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 2015 Bonds (including persons holding 2015 Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the Controller/Treasurer of the Issuer or his designee, or such other officer or employee of the Issuer as the Controller/Treasurer of the Issuer shall designate in writing to the Trustee and the Dissemination Agent from time to time.

"Dissemination Agent" shall mean U.S. Bank National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

"Holder" shall mean the person in whose name any 2015 Bond shall be registered.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Participating Underwriter" shall mean any of the original underwriters of the 2015 Bonds required to comply with the Rule in connection with offering of the 2015 Bonds.

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

"SEC" shall mean the Securities and Exchange Commission or any successor agency thereto.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than eight (8) months after the end of the Issuer's fiscal year (presently June 30), commencing with the Annual Report for the fiscal year of the Issuer ending June 30, 2015, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Each Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. Neither the Trustee nor the Dissemination Agent shall have any duties or responsibilities with respect to the contents of the Annual Report. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer and the Trustee to determine if the Issuer is in compliance with the first sentence of this subsection (b).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice, in electronic format, to the MSRB, such notice to be in substantially the form attached as Exhibit A.

(d) If the Annual Report is delivered to the Dissemination Agent for filing, the Dissemination Agent shall file a report with the Issuer and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided.

SECTION 4. Content of Annual Reports. The Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, dated September 22, 2015, relating to the 2015 Bonds (the "Official Statement"), and the audited financial statements shall be filed in the same manner as the Annual Report when such audited financial statements become available.

(b) An update (as of the most recently ended fiscal year of the Issuer) for the table entitled "Sales Tax Revenues" set forth in the Official Statement under the caption "SECURITY FOR THE 2015 SERIES A BONDS – Sales Tax Revenues" and an update for the table entitled "Debt Service Requirements" set forth in the Official Statement under the caption "DEBT SERVICE REQUIREMENTS."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been filed with the MSRB or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2015 Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

6. Tender offers;

7. Defeasances;

8. Rating changes; or;

9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(b) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2015 Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the 2015 Bonds or other material events affecting the tax status of the 2015 Bonds;

2. Modifications to rights of bond holders;

3. Optional, unscheduled or contingent bond calls;

4. Release, substitution, or sale of property securing repayment of the 2015 Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional paying agent or the change of name of a paying agent.

(c) The Issuer shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3, as provided in Section 3(b).

(d) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the Issuer shall determine if such event would be material under applicable federal securities laws.

(e) If the Issuer learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the Issuer shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected 2015 Bonds pursuant to the Resolution.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The obligations of the Issuer, the Trustee and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2015 Bonds. If such termination occurs prior to the final maturity of the 2015 Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

SECTION 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty (30) days written notice to the Issuer and the Trustee. The Dissemination Agent shall not be responsible in any manner for the form or the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer, the Trustee and the Dissemination Agent may amend this Disclosure Agreement (and the Trustee and the Dissemination Agent shall agree to any amendment so requested by the Issuer, provided neither the Trustee nor the Dissemination Agent shall be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the 2015 Bonds, or the type of business conducted;

(b) This Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2015 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the 2015 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the 2015 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(e), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Issuer, the Dissemination Agent or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee, at the written request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding 2015 Bonds, shall, but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys, or any Owner or Beneficial Owner of the 2015 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer, the Dissemination Agent or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Trustee or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Trustee and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent and the Trustee and their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Trustee's or the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The obligations of the Issuer under this Section shall survive resignation or removal of the Trustee or the Dissemination Agent and payment of the 2015 Bonds.

The Dissemination Agent agrees to accept and act upon instructions or directions pursuant to this Disclosure Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Dissemination Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Issuer elects to give the Dissemination Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Dissemination Agent acts upon such instructions, the Dissemination Agent's understanding of such instructions shall be deemed controlling. The Dissemination Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Dissemination Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Issuer agrees: (i) to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Dissemination Agent, including without limitation the risk of the Dissemination Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting instructions to the Dissemination Agent and that there may be more secure methods of transmitting instructions than the method(s) selected by the Issuer; and (iii) that the security procedures (if any) to be followed in connection with its transmission of instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances.

It is understood and agreed that any information that the Dissemination Agent may be instructed to file with the MSRB shall be prepared and provided to it by the Issuer. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Issuer shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the Issuer.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

(i) If to the Issuer:

San Francisco Bay Area Rapid Transit District
300 Lakeside Drive
Oakland, California 94612-3534
Attention: Controller/Treasurer
Telephone: (510) 464-6070
Fax: (510) 464-6011

(ii) If to the Trustee or the Dissemination Agent:

U.S. Bank National Association
One California Street, Suite 1000
San Francisco, California 94111
Attention: Global Corporate Trust Services
Telephone: (415) 677-3596
Fax: (415) 677-3769

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent. Notices may also be given by electronic means.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the 2015 Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law. This Disclosure Agreement shall be governed under the laws of the State of California.

SECTION 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: October 8, 2015.

SAN FRANCISCO BAY AREA RAPID
TRANSIT DISTRICT

By____
Interim Controller/Treasurer

U.S. BANK NATIONAL ASSOCIATION,
as Trustee and Dissemination Agent

By____
Authorized Officer

Exhibit A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF
FAILURE TO FILE ANNUAL REPORT

Name of Issuer: San Francisco Bay Area Rapid Transit District
Name of Bond Issue: San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2015 Refunding Series A
Date of Issuance of Bonds: October 8, 2015

NOTICE IS HEREBY GIVEN that the San Francisco Bay Area Rapid Transit District (the "Issuer") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Agreement, dated October 8, 2015, between the Issuer and U. S. Bank National Association, as trustee and as dissemination agent. [The Issuer anticipates that the Annual Report will be filed by _____________.]

Dated: _____________, 2015

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent on behalf of the San Francisco Bay Area Rapid Transit District

cc: Issuer

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APPENDIX H

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Date of Delivery]

San Francisco Bay Area
Rapid Transit District
Oakland, California

San Francisco Bay Area Rapid Transit District
Sales Tax Revenue Bonds
2015 Refunding Series A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the San Francisco Bay Area Rapid Transit District (the "District") in connection with the issuance by the District of $186,640,000 aggregate principal amount of San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2015 Refunding Series A (the "Bonds"), issued pursuant to a Master Indenture, dated as of September 1, 2012, as supplemented and amended by a First Supplemental Indenture, dated as of September 1, 2012, and by a Second Supplemental Indenture, dated as of October 1, 2015 (hereinafter collectively referred to as the "Indenture"), between the District and U.S. Bank National Association, 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"), certificates of the District, the Trustee, and others, opinions of counsel to the District and 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 letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. 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, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public transit districts in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement 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 special obligations of the District payable from and secured by a pledge of Sales Tax Revenues.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the District. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Sales Tax Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate 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.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT • SALES TAX REVENUE BONDS, 2015 REFUNDING SERIES A

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