NEW ISSUE – BOOK-ENTRY ONLY

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

In the opinion of Orrick, Herrington & Sutcliffe LLP and Lofton & Jennings, Co-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 2012 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Co-Bond Counsel, interest on the 2012 Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Co-Bond Counsel observe that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. In the opinion of Co-Bond Counsel, interest on the 2012 Series B Bonds is not excluded from gross income for federal income tax purposes. In the opinion of Co-Bond Counsel, interest on all of the 2012 Bonds is exempt from State of California personal income taxes under existing law. Co-Bond Counsel express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2012 Bonds. See "TAX MATTERS" herein.

BART

$130,475,000
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
SALES TAX REVENUE BONDS 2012 SERIES A

$111,085,000
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
SALES TAX REVENUE BONDS 2012 SERIES B (FEDERALLY TAXABLE)

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, 2012 Series A (the "2012 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 $51,605,000 principal amount of the Association of Bay Area Governments BART SFO Extension Bonds (Airport Premium Fare), 2002 Series A, (ii) refund $41,745,000 principal amount of the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Series 2001, (iii) refund $63,615,000 principal amount of the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Series 2006 Bonds, and (iv) fund costs of issuance associated with the 2012 Series A Bonds. The San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2012 Series B (Federally Taxable) (the "2012 Series B Bonds") are being issued to (i) provide financing for the Oakland International Airport Connector Project and (ii) fund costs of issuance associated with the 2012 Series B Bonds. See "PLAN OF FINANCE" herein. The 2012 Series A Bonds and the 2012 Series B Bonds (together, the "2012 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 2012 Bonds will be made in principal amounts of $5,000 and integral multiples thereof and will be in book-entry-only form. Purchasers of 2012 Bonds will not receive bonds representing their beneficial ownership in the 2012 Bonds but will receive a credit balance on the books of their respective DTC Direct Participants or DTC Indirect Participants. The 2012 Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein.

Interest on the 2012 Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2013, and principal of the 2012 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 2012 Bonds through their respective DTC Direct Participants or DTC Indirect Participants.

The 2012 Bonds are subject to redemption prior to maturity as described herein. See "DESCRIPTION OF THE 2012 BONDS" herein.

The 2012 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 2012 Bonds are issued on a parity with certain other bonds issued by the District and currently outstanding. See "SECURITY FOR THE 2012 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 2012 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, and Lofton & Jennings, San Francisco, California, Co-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 and Lofton & Jennings, Co-Disclosure Counsel to the District. Certain legal matters will be passed upon for the underwriters by their counsel, Sidley Austin LLP. The 2012 Bonds in book-entry-only form are expected to be delivered through the facilities of DTC on or about October 4, 2012.

RBC Capital Markets

Backstrom McCarley Berry & Co., LLC

Ramirez & Co., Inc.

Alamo Capital

Fidelity Capital Markets

Piper Jaffray & Co.

The date of this Official Statement is September 20, 2012.

$130,475,000
SAN FRANCISCO BAY AREA
RAPID TRANSIT DISTRICT
SALES TAX REVENUE BONDS
2012 SERIES A

MATURITY SCHEDULE

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP* (797669)	Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP* (797669)
2013	$3,330,000	2.00%	0.24%	UR7	2023	$4,555,000	5.00%	2.22%†	VB1
2014	2,855,000	3.00	0.32	US5	2024	4,950,000	5.00	2.34†	VC9
2015	2,985,000	3.00	0.41	UT3	2025	5,370,000	5.00	2.42†	VD7
2016	1,640,000	4.00	0.51	UU0	2026	5,825,000	5.00	2.49†	VE5
2017	2,605,000	4.00	0.73	UV8	2027	6,315,000	5.00	2.57†	VF2
2018	3,045,000	4.00	1.01	UW6	2028	6,825,000	5.00	2.63†	VG0
2019	3,255,000	5.00	1.33	UX4	2029	7,360,000	5.00	2.69†	VH8
2020	3,565,000	4.00	1.65	UY2	2030	7,920,000	5.00	2.75†	VJ4
2021	3,865,000	4.00	1.89	UZ9	2031	8,530,000	5.00	2.79†	VK1
2022	4,175,000	5.00	2.05	VA3	2032	9,170,000	5.00	2.83†	VL9

$32,335,000 5.000% Term Bonds due July 1, 2036 to Yield 3.080%† CUSIP*: 797669 VM7

$111,085,000
SAN FRANCISCO BAY AREA
RAPID TRANSIT DISTRICT
SALES TAX REVENUE BONDS
2012 SERIES B
(FEDERALLY TAXABLE)

MATURITY SCHEDULE

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP* (797669)	Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP* (797669)
2013	$3,780,000	0.460%	0.460%	UD8	2019	$2,660,000	1.962%	1.962%	UJ5
2015	2,535,000	0.755	0.755	UE6	2020	2,715,000	2.327	2.327	UK2
2016	2,555,000	1.041	1.041	UF3	2021	2,775,000	2.527	2.527	UL0
2017	2,580,000	1.341	1.341	UG1	2022	2,845,000	2.677	2.677	UM8
2018	2,615,000	1.712	1.712	UH9					

$15,670,000 3.477% Term Bonds due July 1, 2027 to Yield 3.477% CUSIP*: 797669 UN6

$18,815,000 4.087% Term Bonds due July 1, 2032 to Yield 4.087% CUSIP*: 797669 UP1

$51,540,000 4.287% Term Bonds due July 1, 2042 to Yield 4.287% CUSIP*: 797669 UQ9

 CUSIP Numbers are provided for convenience of reference only. Neither the District nor the Underwriters take any responsibility for the accuracy of such numbers. The CUSIP numbers are subject to being changed after the issuance of the 2012 Bonds as a result of various subsequent actions, including, but not limited to, a refunding, in whole or in part of the 2012 Bonds.

† Priced to par call on July 1, 2022.

This Official Statement does not constitute an offer to sell the 2012 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. 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. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any offer or solicitation or sale of the 2012 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Neither the delivery of this Official Statement nor the sale of any of the 2012 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 shall, under any circumstances, create the implication that there has been no change in the information provided herein since the date hereof.

This Official Statement is not to be construed as a contract with the purchasers of the 2012 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. 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 shall be relied upon as a promise or representation by the Financial Advisor.

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 responsibility 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.

This Official Statement 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.

FORWARD-LOOKING STATEMENTS

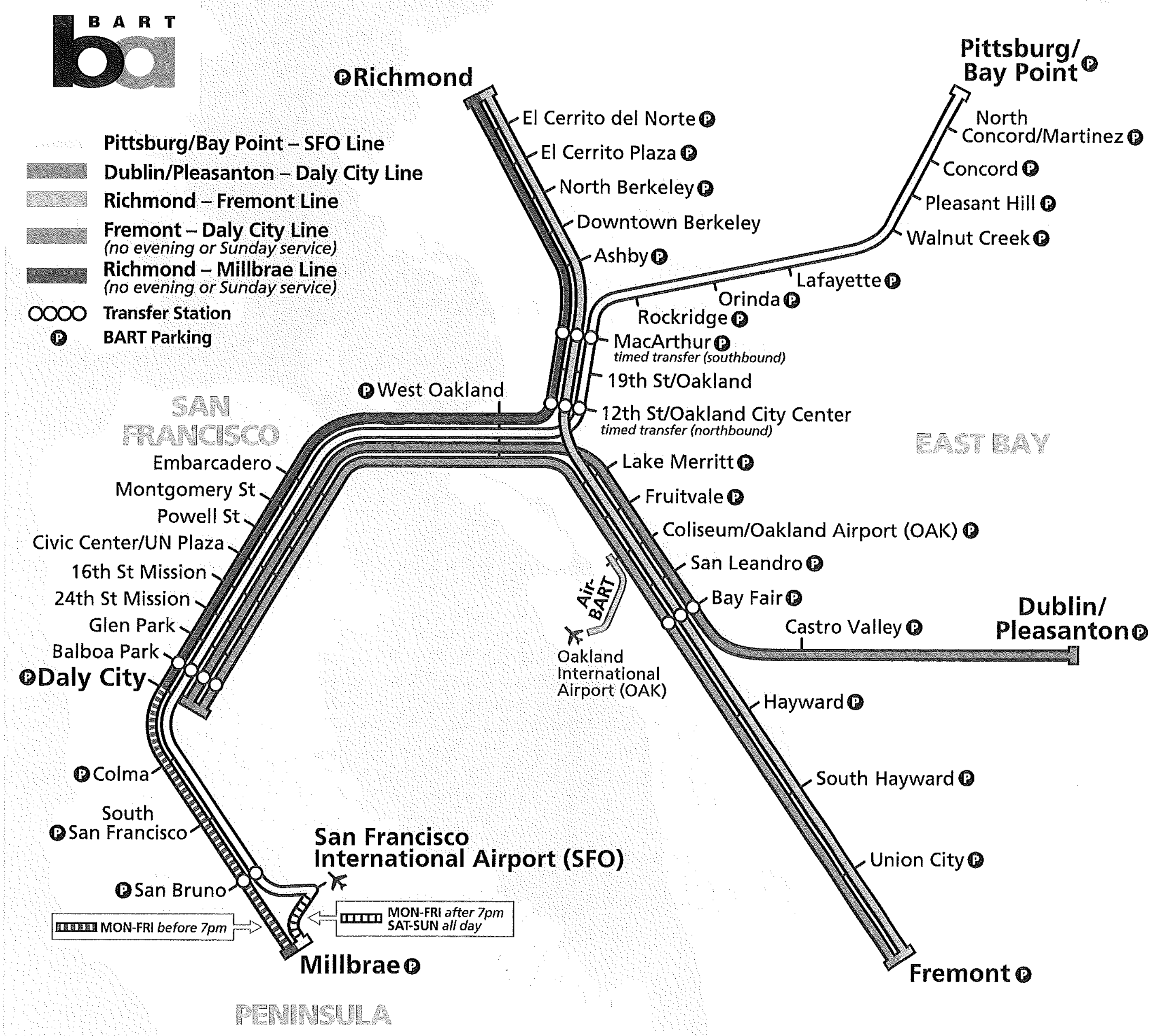
THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE 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 2012 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. Unless specifically indicated otherwise, the data and information presented on that website is not incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the 2012 Bonds.

IN CONNECTION WITH THE OFFERING OF THE 2012 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2012 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 2012 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
Pittsburg/Bay Point – SFO 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)
Transfer Station
BART Parking
Richmond
El Cerrito del Norte
El Cerrito Plaza
North Berkeley
Downtown Berkeley
Ashby
Pittsburg/Bay Point
North Concord/Martinez
Concord
Pleasant Hill
Walnut Creek
Lafayette
Orinda
Rockridge
MacArthur
timed transfer (southbound)
19th St/Oakland
12th St/Oakland City Center
timed transfer (northbound)
West Oakland
SAN FRANCISCO
EAST BAY
Embarcadero
Montgomery St
Powell St
Civic Center/UN Plaza
16th St Mission
24th St Mission
Glen Park
Balboa Park
Daly City
Colma
South San Francisco
San Bruno
Millbrae
San Francisco International Airport (SFO)
MON-FRI before 7pm
MON-FRI after 7pm
SAT-SUN all day
PENINSULA
Lake Merritt
Fruitvale
Coliseum/Oakland Airport (OAK)
San Leandro
Bay Fair
Castro Valley
Dublin/Pleasanton
Air-BART
Oakland International Airport (OAK)
Hayward
South Hayward
Union City
Fremont

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

300 Lakeside Drive, 23rd Floor
Oakland, California 94612
(510) 464-6000

BOARD OF DIRECTORS

John McPartland *President*	Tom Radulovich *Vice President*	Thomas M. Blalock *Director*
James Fang *Director*	Joel Keller *Director*	Mary King *Director*
Gail Murray *Director*	Robert Raburn *Director*	Lynette Sweet *Director*

OFFICERS

Grace Crunican – General Manager
Scott L. Schroeder – Controller/Treasurer
Kenneth A. Duron – District Secretary
Mark Smith – Independent Police Auditor

GENERAL COUNSEL

Matthew Burrows, Esq.

TRUSTEE

U.S. Bank National Association
San Francisco, California

CO-BOND COUNSEL AND CO-DISCLOSURE COUNSEL

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Lofton & Jennings
San Francisco, California

FINANCIAL ADVISOR

Sperry Capital Inc.
Sausalito, California

VERIFICATION AGENT

Causey Demgen & Moore P.C.
Denver, Colorado

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OFFICIAL STATEMENT

$130,475,000 **SAN FRANCISCO BAY AREA** **RAPID TRANSIT DISTRICT** **SALES TAX REVENUE BONDS** **2012 SERIES A**	**$111,085,000** **SAN FRANCISCO BAY AREA** **RAPID TRANSIT DISTRICT** **SALES TAX REVENUE BONDS** **2012 SERIES B** **(FEDERALLY TAXABLE)**

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 $130,475,000 principal amount of San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2012 Series A (the "2012 Series A Bonds") and $111,085,000 principal amount of San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2012 Series B (Federally Taxable) (the "2012 Series B Bonds" and together with the 2012 Series A Bonds, the "2012 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 180,000 transbay passengers each weekday and over 110 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 2012 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 by the First Supplemental Indenture, dated as of September 1, 2012, (the "First Supplemental Indenture" and together with the Master Indenture, the "Indenture"), between the District and the Trustee.

Bonds issued under the Master Indenture will be parity debt to the outstanding bonds issued pursuant to the indenture dated 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 Master 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 2012 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 2012 BONDS."

Outstanding Bonds. The 2012 Bonds are issued on a parity with certain outstanding bonds of the District issued pursuant to the parity 1990 Indenture. The outstanding bonds consist of the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Series 2001 (the "Series 2001 Bonds") issued in the principal amount of $168,650,000, of which $41,745,000 are Outstanding, the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Refunding Series 2005 A (the "Series 2005 A Bonds") issued in the principal amount of $352,095,000, of which $272,455,000 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, all of which are Outstanding, the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Refunding Series 2006 A (the "Series 2006 A Bonds") issued in the principal amount of $108,110,000, of which $101,245,000 are Outstanding, and 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 $125,795,000 are Outstanding. The Series 2001 Bonds, the Series 2005 A Bonds, the Series 2006 Bonds, the Series 2006 A Bonds, the Series 2010 Bonds and the 2012 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 2012 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 shall 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 FINANCE

The District intends to apply the proceeds of the 2012 Series A Bonds, together with other funds of the District, to current refund $51,605,000 principal amount of the Association of Bay Area Governments BART SFO Extension Bonds (Airport Premium Fare), 2002 Series A (the "ABAG Bonds"), to current refund $41,745,000 principal amount of the Series 2001 Bonds, to advance refund $63,615,000 principal amount of the Series 2006 Bonds and to pay costs of issuance of the 2012 Series A Bonds. The ABAG Bonds, the Series 2001 Bonds, and the Series 2006 Bonds to be refunded by a portion of the 2012 Bonds are hereinafter collectively referred to as the "Prior Bonds." The Prior Bonds that will be defeased upon issuance of the 2012 Bonds are listed below. The resolution authorizing the 2012 Bonds authorizes refunding Series 2001 Bonds, and the Series 2006 Bonds such that such refunding shall provide present value debt service savings in an amount not less than 5% of the principal amount of the Bonds to be refunded. See "ESTIMATED SOURCES AND USES OF FUNDS" and "VERIFICATION OF MATHEMATICAL ACCURACY." The 2012 Series B Bonds are being issued to provide financing for the Oakland International Airport Connector Project and to pay costs of issuance of the 2012 Series B Bonds.

The moneys required to refund the Prior Bonds will be derived from the net proceeds of the 2012 Series A Bonds and other available funds. Pursuant to Escrow Agreements to be entered into between the District and the U.S. Bank National Association, as escrow agent for the Series 2001 Bonds and the Series 2006 Bonds (the "Escrow Agent") and the District and The Bank of New York Mellon, as escrow agent for the ABAG Bonds (the "ABAG Escrow Agent"), such moneys will be deposited in respective escrow funds (the "Escrow Fund") and applied to purchase direct obligations of the United States of America (the "Government Securities"). The Government Securities will be purchased and held by the ABAG Escrow Agent in an amount sufficient to redeem the ABAG Bonds on October 22, 2012 and by the Escrow Agent in an amount sufficient to redeem the Series 2001 Bonds on October 22, 2012, at a redemption price equal to the principal amount of the Series 2001 Bonds to be refunded, plus interest thereon and to redeem the Series 2006 Bonds to be refunded on July 1, 2014 and to pay interest due on the 2006 Bonds prior to the redemption date and the redemption price of the 2006 Bonds to be redeemed on July 1, 2014. See "VERIFICATION OF MATHEMATICAL ACCURACY."

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The Prior Bonds that will be defeased in whole upon issuance of the 2012 Bonds are set forth below.

San Francisco Bay Area Rapid Transit District
Sales Tax Revenue Bonds, Series 2001
Redemption Date: October 22, 2012
Redemption Price: 100%

Maturity Date (July 1)	Interest Rate	Principal Amount	CUSIP* (797669)
2013	4.500%	$ 690,000	ST6
2013	5.250	1,430,000	PR3
2014	4.600	640,000	SU3
2014	5.250	1,590,000	PS1
2015	4.700	300,000	SV1
2015	5.250	2,040,000	PT9
2016	4.800	380,000	SW9
2016	5.250	585,000	PU6
2017	4.800	275,000	SX7
2017	5.250	745,000	PV4
2018	4.900	420,000	SY5
2018	5.250	650,000	PW2
2019	5.000	1,125,000	SZ2
2020	5.000	1,180,000	TA6
2021	5.000	1,240,000	TB4
2026	5.000	7,225,000	TC2
2031	5.000	9,275,000	TD0
2036	5.125	11,955,000	TE8

* Copyright, American Bankers Association. CUSIP data provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP Numbers are provided for convenience of reference only. Neither the District nor the Underwriters take any responsibility for the accuracy of such numbers.

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San Francisco Bay Area Rapid Transit District
Sales Tax Revenue Bonds, Series 2006
Redemption Date: July 1, 2014
Redemption Price: 100%

Maturity Date (July 1)	Interest Rate	Principal Amount	CUSIP* (797669)
2017	4.125%	$125,000	QL5
2017	4.500	900,000	QM3
2018	4.250	1,355,000	QN1
2019	4.250	1,435,000	QP6
2020	4.375	1,590,000	QQ4
2021	4.400	1,755,000	QR2
2022	4.500	1,930,000	QS0
2023	4.500	2,120,000	QT8
2024	4.500	2,315,000	QU5
2025	4.500	2,525,000	QV3
2026	4.625	2,760,000	QW1
2031	5.000	17,995,000	QX9
2036	5.000	26,810,000	QY7

Association of Bay Area Governments
BART SFO Extension Bonds (Airport Premium Fare) 2002 Series A
Redemption Date: October 22, 2012
Redemption Price: 100%

Maturity Date (August 1)	Interest Rate	Principal Amount	CUSIP* (07201T)
2013	5.000%	$ 1,055,000	VE5
2014	5.000	1,165,000	VF2
2015	5.000	1,285,000	VG0
2016	5.000	1,410,000	VH8
2017	5.000	1,540,000	VJ4
2018	5.000	1,680,000	VK1
2019	5.000	1,825,000	VL9
2020	5.000	1,980,000	VM7
2021	5.000	2,145,000	VN5
2022	5.000	2,320,000	VP0
2026	5.000	11,230,000	VQ8
2032	5.000	23,970,000	VR6

DESCRIPTION OF THE 2012 BONDS

General

The 2012 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 2012 Bonds shall be payable on January 1 and July 1 of each year, commencing January 1, 2013. Interest on the 2012 Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

The 2012 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 2012 Bonds. Ownership interests in the 2012 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 2012 Bonds maturing on or before July 1, 2022 are not subject to redemption prior to their stated maturities. The 2012 Bonds maturing on or after July 1, 2023 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, 2022, at the principal amount of 2012 Bonds called for redemption plus interest accrued thereon to the date fixed for redemption without premium.

Mandatory Redemption

The 2012 Series A Bonds which are Term Bonds maturing on July 1, 2036 will also be subject to redemption in part, by lot, from Mandatory Sinking Account Payments required by the Indenture on each July 1 on or after July 1, 2033, at the principal amount of the 2012 Series A Bonds to be redeemed plus accrued interest, if any, to the redemption date. Such Mandatory Sinking Account Payments will be sufficient to redeem (or pay at maturity) the following principal amounts of such 2012 Series A Bonds on the dates set forth below:

2012 Series A Term Bonds Maturing July 1, 2036

Sinking Account Payment Date (July 1)	Sinking Account Payment
2033	$9,850,000
2034	6,985,000
2035	7,485,000
2036*	8,015,000

* Maturity.

Pursuant to the Indenture, money in the Sinking Accounts may be used to purchase 2012 Series A Bonds which are Term Bonds maturing on July 1, 2036, in lieu of mandatory redemption.

The 2012 Series B Bonds which are Term Bonds maturing on July 1, 2027, will also be subject to redemption, in part, by lot, from Mandatory Sinking Account Payments required by the Indenture on each July 1 on or after July 1, 2023, at the principal amount of the 2012 Series B Bonds to be redeemed plus accrued interest, if any, to the redemption date. Such Mandatory Sinking Account Payments will be sufficient to redeem (or pay at maturity) the following principal amounts of such 2012 Series B Bonds on the dates set forth below:

2012 Series B Term Bonds Maturing July 1, 2027

Sinking Account Payment Date (July 1)	Sinking Account Payment
2023	$2,925,000
2024	3,025,000
2025	3,130,000
2026	3,240,000
2027*	3,350,000

* Maturity.

Pursuant to the Indenture, money in the Sinking Accounts may be used to purchase 2012 Series B Bonds which are Term Bonds maturing on July 1, 2027, in lieu of mandatory redemption.

The 2012 Series B Bonds which are Term Bonds maturing on July 1, 2032, will also be subject to redemption, in part, by lot, from Mandatory Sinking Account Payments required by the Indenture on each July 1 on or after July 1, 2028, at the principal amount of the 2012 Series B Bonds to be redeemed plus accrued interest, if any, to the redemption date. Such Mandatory Sinking Account Payments will be sufficient to redeem (or pay at maturity) the following principal amounts of such 2012 Series B Bonds on the dates set forth below:

2012 Series B Term Bonds Maturing July 1, 2032

Sinking Account Payment Date (July 1)	Sinking Account Payment
2028	$3,470,000
2029	3,610,000
2030	3,755,000
2031	3,910,000
2032*	4,070,000

* Maturity.

Pursuant to the Indenture, money in the Sinking Accounts may be used to purchase 2012 Series B Bonds which are Term Bonds maturing on July 1, 2032, in lieu of mandatory redemption.

The 2012 Series B Bonds which are Term Bonds maturing on July 1, 2042, will also be subject to redemption, in part, by lot, from Mandatory Sinking Account Payments required by the Indenture on each July 1 on or after July 1, 2033, at the principal amount of the 2012 Series B Bonds to be redeemed plus accrued interest, if any, to the redemption date. Such Mandatory Sinking Account Payments will be sufficient to redeem (or pay at maturity) the following principal amounts of such 2012 Series B Bonds on the dates set forth below:

2012 Series B Term Bonds Maturing July 1, 2042

Sinking Account Payment Date (July 1)	Sinking Account Payment
2033	$4,235,000
2034	4,420,000
2035	4,605,000
2036	4,805,000
2037	5,010,000
2038	5,225,000
2039	5,450,000
2040	5,685,000
2041	5,925,000
2042*	6,180,000

* Maturity.

Pursuant to the Indenture, money in the Sinking Accounts may be used to purchase 2012 Series B Bonds which are Term Bonds maturing on July 1, 2042, in lieu of mandatory redemption.

Purchase In Lieu of Redemption

Pursuant to the Indenture, the District has the option to purchase the 2012 Bonds at any time the 2012 Bonds are subject to optional redemption as provided in the Indenture at a purchase price equal to the redemption price then applicable to such 2012 Bonds in which case such 2012 Bonds purchased in lieu of redemption may be remarketed and will remain outstanding after such purchase. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE 1990 INDENTURE RESERVE FUND – Mandatory Purchase In Lieu of Redemption."

Notwithstanding the foregoing, the District always retains the right to purchase the 2012 Bonds in the open market, at market rates, for cancellation.

Notice of Redemption

Notice of any redemption of 2012 Bonds will be mailed by the Trustee by first class mail to the Owner of any 2012 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 shall not affect the sufficiency of the redemption proceedings).

With respect to any notice of redemption of 2012 Bonds delivered pursuant to the Indenture, unless, upon the giving of such notice, such 2012 Bonds shall be deemed to have been paid within the meaning of the Indenture, such notice shall state that such redemption shall 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 2012 Bonds to be redeemed, and that if such amounts shall not have been so received said notice shall be of no force and effect and the District shall not be required to redeem such 2012 Bonds. In the event that such notice of redemption contains such a condition and such amounts are not so received, the redemption shall not be made and the Trustee shall 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 of optional redemption of the 2012 Bonds may be conditional and if any condition stated in the notice of redemption is not satisfied on or prior to the redemption date, said notice will be of no force and effect and the Authority will not redeem such 2012 Bonds. The Trustee will within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled.

Any notice given pursuant to the Indenture may be rescinded by written notice given to the Trustee by the District no later than the date specified for redemption. The Trustee shall 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 2012 Bonds. See APPENDIX F – "DTC AND THE BOOK-ENTRY-ONLY SYSTEM."

Payments of interest on, principal of and premium, if any, on the 2012 Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the 2012 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 2012 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 2012 Bonds, (ii) confirmation of ownership interests in the 2012 Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as Owner of the 2012 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 2012 Bonds, payment of interest on the 2012 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 2012 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 2012 Bonds will be payable at the corporate trust office of the Trustee designated for such purpose. The 2012 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 2012 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 2012 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 2012 Bonds shall 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 shall 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 2012 Bonds. Thereafter, all 2012 Bonds are transferable or exchangeable as described in the Indenture.

ESTIMATED SOURCES AND USES OF FUNDS

Set forth below are the estimated sources and uses of funds in connection with the 2012 Bonds:

Sources of Funds:	2012 Series A	2012 Series B	Total
Principal Amount of 2012 Bonds	$130,475,000.00	$111,085,000.00	$241,560,000.00
Plus Original Issue Premium	23,438,633.80	–	23,438,633.80
Existing Fund Transfers	10,689,849.61	–	10,689,849.61
Total Sources:	$164,603,483.41	$111,085,000.00	$275,688,483.41
Uses of Funds:			
Deposit to Escrow Fund[1]	164,099,971.05	–	164,099,971.05
Deposit to Project Fund	–	110,663,556.87	110,663,556.87
Costs of Issuance[2]	503,512.36	421,443.13	924,955.49
Total Uses:	$164,603,483.41	$111,085,000.00	$275,688,483.41

(1) See "PLAN OF FINANCE."

(2) Includes Underwriters' discount, rating agency fees, trustee fees, trustee counsel fees, escrow agent fees and expenses, verification agent fees, printing costs, Co-Bond 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 Bonds following issuance of the 2012 Bonds and defeasance of the Prior Bonds, including the Series 2005 A Bonds, the Series 2006 Bonds, the Series 2006 A Bonds, the Series 2010 Bonds and the 2012 Bonds, are shown in the following table.

		2012 Bonds			
Calendar Year	Outstanding Sales Tax Bonds(1)	Principal	Interest	Total(2)	Total Bond Debt Service(2)
2013	$ 40,088,319	$7,110,000	$7,481,435	$14,591,435	$54,679,754
2014	40,231,913	2,855,000	10,003,340	12,858,340	53,090,253
2015	40,520,150	5,520,000	9,917,690	15,437,690	55,957,840
2016	42,298,000	4,195,000	9,809,001	14,004,001	56,302,001
2017	41,542,988	5,185,000	9,716,804	14,901,804	56,444,791
2018	41,547,988	5,660,000	9,578,006	15,238,006	56,785,993
2019	41,537,838	5,915,000	9,411,437	15,326,437	56,864,274
2020	41,548,188	6,280,000	9,196,498	15,476,498	57,024,685
2021	41,553,463	6,640,000	8,990,720	15,630,720	57,184,182
2022	41,551,788	7,020,000	8,765,995	15,785,995	57,337,783
2023	41,564,513	7,480,000	8,481,085	15,961,085	57,525,597
2024	41,572,875	7,975,000	8,151,633	16,126,633	57,699,508
2025	41,563,550	8,500,000	7,798,953	16,298,953	57,862,503
2026	41,572,175	9,065,000	7,421,623	16,486,623	58,058,798
2027	41,575,450	9,665,000	7,017,718	16,682,718	58,258,168
2028	41,586,225	10,295,000	6,585,489	16,880,489	58,466,714
2029	16,375,400	10,970,000	6,102,420	17,072,420	33,447,820
2030	16,374,938	11,675,000	5,586,879	17,261,879	33,636,817
2031	16,381,450	12,440,000	5,037,412	17,477,412	33,858,862
2032	16,382,263	13,240,000	4,451,111	17,691,111	34,073,373
2033	16,394,200	14,085,000	3,826,270	17,911,270	34,305,470
2034	16,400,375	11,405,000	3,152,215	14,557,215	30,957,590
2035	7,444,575	12,090,000	2,613,480	14,703,480	22,148,055
2036	7,443,450	12,820,000	2,041,814	14,861,814	22,305,264
2037	–	5,010,000	1,435,073	6,445,073	6,445,073
2038	–	5,225,000	1,220,295	6,445,295	6,445,295
2039	–	5,450,000	996,299	6,446,299	6,446,299
2040	–	5,685,000	762,657	6,447,657	6,447,657
2041	–	5,925,000	518,941	6,443,941	6,443,941
2042	–	6,180,000	264,937	6,444,937	6,444,937
TOTAL(2)	$ 775,052,069	$241,560,000	$176,337,230	$ 417,897,230	$1,192,949,298

(1) Excludes debt service on the Prior Bonds to be refunded by the 2012 Series A Bonds.
(2) Totals may not add due to rounding.

SECURITY FOR THE 2012 BONDS

General

The 2012 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."

Only Sales Tax Revenues are pledged by the District for the payment of principal of, redemption premiums, if any, and interest on the 2012 Bonds and no other revenues of the District are pledged to repayment of the Bonds, including the 2012 Bonds. The payment of principal of, redemption premiums, if any, and interest on the 2012 Bonds is on a parity with the payment of principal of, redemption premiums, if any, and interest on and reserve requirements of all Bonds Outstanding under the 1990 Indenture and any Additional Bonds and Parity Obligations hereafter issued by the District pursuant to the Indenture. Currently, the District has $606,155,000 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 surety bond contracts under the 1990 Indenture, and all its outstanding issues of Bonds bear interest at fixed 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 2012 BONDS – Additional Bonds; Refunding Bonds; Parity Obligations; 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 2011-12, the State Board of Equalization fee was $1,936,070.

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 7.25% sales tax. The 2012 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 7.25% 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).
- 1.0% 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.
- 0.5% is dedicated to local governments for health and welfare program realignment.
- 0.5% 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).

Legislation in 2009 raised the State sales tax rate 1.00% to 6.00%. The 1.00% tax increase ceased July 1, 2011. Under the Governor's budget proposal a one-half cent increase in the State Sales tax will be implemented if the voters approve the proposal at the November 2012 election.

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, 8.5% (including a 0.25% sales tax for school services); County of Alameda, 8.75% (including a 0.5% essential health care services transactions and use tax); County of Contra Costa, 8.25% (9.75% for the cities of El Cerrito, Pinole and Richmond).

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. Senate Bill 671 which was adopted by the State Legislature in 1993 (1993 Reg. Session, Chapter 881), exempts from the State Sales Tax, but not the District Sales Tax, manufacturing equipment purchases of start-up firms.

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 by the quarter-end disbursement.

The following table shows the Sales Tax Revenues received by the District for Fiscal Years ended June 30, 1996 through June 30, 2012.

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[2]	8.00
2013	204,248,000[3]	4.60

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

For fiscal year ending June 30, 2012, the District received $195,214,000 (unaudited) in Sales Tax Revenues, or 8.00% more than Sales Tax Revenues received in the prior fiscal year. The District has budgeted $204,248,000 in sales tax revenue for the fiscal year ending June 30, 2013.

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 receipts 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 2012 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 shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Obligations):

Expense Account. The Trustee shall 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 shall 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 shall be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on said interest payment date. 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 shall be transferred to the District. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE 1990 INDENTURE RESERVE FUND" for an explanation of how interest on Variable Rate Indebtedness is calculated.

Principal Fund; Sinking Accounts. The Trustee shall 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 shall have been created and for which annual mandatory redemption is required from such Sinking Account (See "DESCRIPTION OF THE 2012 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 shall 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 shall 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 shall, 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 shall, 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 shall 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 shall 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 shall 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 shall 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 2012 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 the 2012 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 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.

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 shall 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" 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 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 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.

"Interest Rate Swap Agreement" means 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 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.

"Subsidy Payments" means payments made by the U.S. Department of the Treasury to the Trustee on behalf of the District with respect to 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 Internal Revenue Code.

The District currently has no Parity Debt, Variable Rate Indebtedness or Interest Rate Swap Agreement 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 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 Obligations. 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 obligations of the District payable from and secured on a subordinate basis with a lien upon Sales Tax Revenues.

Special Obligations

The 2012 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 2012 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 2012 Bonds.

INVESTMENT CONSIDERATIONS

Economy of the Three BART Counties and the State

The 2012 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 is recovering from a recession as evidenced by decreased Sales Tax Revenues in fiscal years ending June 30, 2009 and 2010, accompanied by increased unemployment rates, a decrease in total personal income and taxable sales, a drop in residential and commercial building permits, a decline in the rate of home sales and the median price of single-family homes and condominiums, and an increase in foreclosures resulting from such defaults.

The domestic and international recession and financial crisis has had, and is expected to continue to have, significant negative repercussions upon District, State, national and global economies, including reduced revenues for government, increased unemployment, a scarcity of credit, lack of confidence in the financial sector, extreme volatility in the financial markets, increase in interest costs, reduced business activity, increased consumer bankruptcies, and increased business failures and bankruptcies.

Any further substantial deterioration in the level of economic activity within the Three BART Counties or in the State could have a material adverse impact upon the level of Sales Tax Revenues and therefore upon the ability of the District to pay principal of and interest on the 2012 Bonds. 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 shall 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 Board of Equalization has agreed that it will pay the Sales Tax Revenues directly to the Trustee, so that BART never receives them, 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 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 Bay Area's historical level of seismic activity and its proximity to a number of significant known earthquake faults (including most notably the San Andreas Fault and the Hayward Fault) increases the likelihood that an earthquake originating in the region could disrupt economic activity in the Three BART Counties and adversely affect Sales Tax Revenues for an undetermined period of time.

An earthquake originating outside the immediate Bay Area could have an impact on Sales Tax Revenues. On October 17, 1989, the San Francisco Bay Area experienced the effects of the Loma Prieta earthquake that registered 7.1 on the Richter Scale. The epicenter of the earthquake was located in Loma Prieta about 60 miles south of the City of San Francisco in the Santa Cruz Mountains.

Research conducted since the 1989 Loma Prieta earthquake by the United States Geological Survey concludes that there is a 70% probability of at least one magnitude 6.7 or greater earthquake, capable of causing wide-spread damage, striking the Bay Area before 2030. Major earthquakes may occur in any part of, and at any time in, the Bay Area.

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 – 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 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 Sales Tax, see "SECURITY FOR THE 2012 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, 2012 is $470,524,949. Pursuant to the budget for the Fiscal Year ending June 30, 2013, "appropriations subject to the limitation" are $387,017,319, or $102,214,545 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

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 2012 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 Proposition 218 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.

No Acceleration Provision

The Indenture does not contain a provision allowing for the acceleration of the 2012 Bonds in the event of a default in the payment of principal and interest on the 2012 Bonds when due. In the event of a default by the District, each Series 2012 Bondholder will have the rights 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 2012 Series A Bonds could become includable in federal gross income, possibly from the date of issuance of the 2012 Series A Bonds, as a result of acts or omissions of the District subsequent to the issuance of the 2012 Series A Bonds. Should interest become includable in federal gross income, the 2012 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 2012 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California and Lofton & Jennings, San Francisco, California, Co-Bond Counsel to the District. A complete copy of the proposed form of the opinion to be delivered by Co-Bond Counsel is attached hereto as APPENDIX H. Compensation of Co-Bond Counsel and Counsel to the Underwriters is contingent upon the issuance of the 2012 Bonds. Neither Co-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 and Lofton & Jennings, Co-Disclosure Counsel to the District, and for the Underwriters by their Counsel, Sidley Austin LLP, San Francisco, California.

TAX MATTERS

2012 Series A Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP and Lofton & Jennings ("Co-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 2012 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 Co-Bond Counsel, interest on the 2012 Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Co-Bond Counsel observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Co-Bond Counsel is set forth in APPENDIX H hereto.

To the extent the issue price of any maturity of the 2012 Series A Bonds is less than the amount to be paid at maturity of such 2012 Series A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2012 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 2012 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 2012 Series A Bonds is the first price at which a substantial amount of such maturity of the 2012 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 2012 Series A Bonds accrues daily over the term to maturity of such 2012 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 2012 Series A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2012 Series A Bonds. Beneficial owners of the 2012 Series A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2012 Series A Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such 2012 Series A Bonds in the original offering to the public at the first price at which a substantial amount of such 2012 Series A Bonds is sold to the public.

2012 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 2012 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 2012 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 2012 Series A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2012 Series A Bonds. The opinion of Co-Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Co-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 Co-Bond Counsel's attention after the date of issuance of the 2012 Series A Bonds may adversely affect the value of, or the tax status of interest on, the 2012 Series A Bonds. Accordingly, the opinion of Co-Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Co-Bond Counsel is of the opinion that interest on the 2012 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 interest on, the 2012 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. Co-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 2012 Series A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, on September 12, 2011, the Obama Administration announced a legislative proposal that would generally limit the exclusion from gross income of interest on obligations like the 2012 Series A Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the 2012 Series A Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2012 Series A Bonds. Prospective purchasers of the 2012 Series A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Co-Bond Counsel expresses no opinion.

The opinion of Co-Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Co-Bond Counsel's judgment as to the proper treatment of the 2012 Series A Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Co-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.

Co-Bond Counsel's engagement with respect to the 2012 Series A Bonds ends with the issuance of the 2012 Series A Bonds, and, unless separately engaged, Co-Bond Counsel is not obligated to defend the District or the beneficial owners regarding the tax-exempt status of the 2012 Series A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its 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 2012 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 Internal Revenue Service, including but not limited to selection of the 2012 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 2012 Series A Bonds, and may cause the District or the beneficial owners to incur significant expense.

2012 Series B Bonds – Federally Taxable

The following discussion summarizes certain United States ("U.S.") federal tax considerations generally applicable to holders of the 2012 Series B Bonds that acquire their 2012 Series B Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the Internal Revenue Service ("IRS") with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their 2012 Series B Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a holder. In addition, this summary generally is limited to investors that acquire their 2012 Series B Bonds pursuant to this offering for the issue price that is applicable to such 2012 Series B Bonds (i.e., the price at which a substantial amount of the 2012 Series B Bonds are sold to the public) and who will hold their 2012 Series B Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds 2012 Series B Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding 2012 Series B Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the 2012 Series B Bonds (including their status as U.S. Holders or Non-U.S. Holders).

For U.S. Holders

In the opinion of Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming compliance with certain covenants, interest on the 2012 Series B Bonds is exempt from State of California personal income taxes. Interest on the 2012 Series B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Co-Bond Counsel express no opinion regarding any other tax consequences related to the ownership or disposition of, or accrual or receipt of interest on, the 2012 Series B Bonds.

The 2012 Series B Bonds are not expected to be treated as issued with original issue discount ("OID") for U.S. federal income tax purposes because the stated redemption price at maturity of the 2012 Series B Bonds is not expected to exceed their issue price, or because any such excess is expected to only be a de minimis amount (as determined for tax purposes).

Prospective investors that are not individuals or regular C corporations who are U.S. persons purchasing the 2012 Series B Bonds for investment should consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of the 2012 Series B Bonds.

Disposition of the 2012 Series B Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the District), defeasance or other disposition of a 2012 Series B Bond, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a 2012 Series B Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the 2012 Series B Bond which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted tax basis in the 2012 Series B Bond (generally, the purchase price paid by the U.S. Holder for the 2012 Series B Bond, decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. In the case of a noncorporate U.S. Holder of the 2012 Series B Bond, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the 2012 Series B Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

For Non-U.S. Holders

Interest. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," payments of principal of, and interest on, any 2012 Series B Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, as such term is defined in the Code, which is related to the District through stock ownership and (2) a bank which acquires such 2012 Series B Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the beneficial owner of the 2012 Series B Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the 2012 Series B Bonds. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the District), defeasance or other disposition of a 2012 Series B Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the District), defeasance or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A 2012 Series B Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that at the time of such individual's death, payments of interest with respect to such 2012 Series B Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. U.S. information reporting and "backup withholding" requirements apply to certain payments of principal of, and interest on the 2012 Series B Bonds, and to proceeds of the sale, exchange, redemption, retirement (including pursuant to an offer by the District), defeasance or other disposition of a 2012 Series B Bond, to certain noncorporate holders of 2012 Series B Bonds that are United States persons. Under current U.S. Treasury Regulations, payments of principal and interest on any 2012 Series B Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the 2012 Series B Bond or a financial institution holding the 2012 Series B Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. If a financial institution, other than a financial institution that is a qualified intermediary, provides the certification, the certification must state that the financial institution has received from the beneficial owner the certification set forth in the preceding sentence, set forth the information contained in such certification, and include a copy of such certification, and an authorized representative of the financial institution must sign the certificate under penalties of perjury. A financial institution generally will not be required to furnish to the IRS the names of the beneficial owners of the 2012 Series B Bonds that are not United States persons and copies of such owners' certifications where the financial institution is a qualified intermediary that has entered into a withholding agreement with the IRS pursuant to applicable U.S. Treasury Regulations.

In the case of payments to a foreign partnership, foreign simple trust or foreign grantor trust, other than payments to a foreign partnership, foreign simple trust or foreign grantor trust that qualifies as a withholding foreign partnership or a withholding foreign trust within the meaning of applicable U.S. Treasury Regulations and payments to a foreign partnership, foreign simple trust or foreign grantor trust that are effectively connected with the conduct of a trade or business within the United States, the partners of the foreign partnership, the beneficiaries of the foreign simple trust or the persons treated as the owners of the foreign grantor trust, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from withholding and backup withholding tax requirements. The current backup withholding tax rate is 28% (subject to future adjustment).

In addition, if the foreign office of a foreign "broker," as defined in applicable U.S. Treasury Regulations pays the proceeds of the sale of a 2012 Series B Bond to the seller of the 2012 Series B Bond, backup withholding and information reporting requirements will not apply to such payment provided that such broker derives less than 50% of its gross income for certain specified periods from the conduct of a trade or business within the United States, is not a controlled foreign corporation, as such term is defined in the Code, and is not a foreign partnership (1) one or more of the partners of which, at any time during its tax year, are U.S. persons (as defined in U.S. Treasury Regulations Section 1.1441-1(c)(2)) who, in the aggregate hold more than 50% of the income or capital interest in the partnership or (2) which, at any time during its tax year, is engaged in the conduct of a trade or business within the United States. Moreover, the payment by a foreign office of other brokers of the proceeds of the sale of a 2012 Series B Bond, will not be subject to backup withholding unless the payer has actual knowledge that the payee is a U.S. person. Principal and interest so paid by the U.S. office of a custodian, nominee or agent, or the payment by the U.S. office of a broker of the proceeds of a sale of a 2012 Series B Bond, is subject to backup withholding requirements unless the beneficial owner provides the nominee, custodian, agent or broker with an appropriate certification as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

Circular 230

Under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), the District and our tax advisors are (or may be) required to inform you that:

- Any advice contained herein, including any opinions of counsel referred to herein, is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer;

- Any such advice is written to support the promotion or marketing of the 2012 Series B Bonds and the transactions described herein (or in such opinion or other advice); and

- Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the 2012 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 2012 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 2012 Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the 2012 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 ("S&P") and Fitch Ratings ("Fitch") have assigned ratings of "AA+" and "AA," respectively, to the 2012 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, a division of The McGraw-Hill Companies, Inc., 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 2012 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 2012 Bonds.

FINANCIAL ADVISORS

Sperry Capital Inc., Sausalito, California, serves as Financial Advisor to the District with respect to the sale of the 2012 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 have not independently verified any of the data contained herein and have no responsibility for the accuracy or completeness thereof.

The compensation of the Financial Advisor is contingent upon the issuance of the 2012 Bonds.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners and Beneficial Owners of the 2012 Bonds to cause to be provided certain financial information and operating data relating to the District by not later than eight months following the end of the District's fiscal year (presently June 30), commencing with the report for the 2011-12 Fiscal Year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access website ("EMMA") for purposes of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"). When provided by the District, the Annual Report will be filed by the Trustee on behalf of the District with the MSRB. When directed to do so by the District, the notices of listed events will be filed by the Trustee on behalf of the District with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of listed events is described in APPENDIX G – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

The District has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of listed events. See APPENDIX G – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

UNDERWRITING

The 2012 Bonds are being purchased by the Underwriters identified on the cover page of this Official Statement (the "Underwriters"), for whom RBC Capital Markets, LLC, is acting as Representative. The bond purchase agreement provides that the Underwriters will purchase all of the 2012 Bonds, if any are purchased, at a purchase price equal to $264,706,891.00 (representing the principal amount of the 2012 Bonds plus an original issue premium of $23,438,633.80, less an underwriters' discount in the aggregate amount of $291,742.80).

Piper Jaffray & Co. (Piper) and Pershing LLC, a subsidiary of the Bank of New York Mellon Corporation, entered into an agreement (the Agreement) which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper, including the Series 2012 Bonds. Under the Agreement, Piper will share with Pershing LLC a portion of the fee or commission paid to Piper.

The Underwriters are initially offering the 2012 Bonds to the public at the public offering yields indicated on the cover page hereof but the Underwriters may offer and sell the 2012 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.

VERIFICATION OF MATHEMATICAL ACCURACY

Upon delivery of the 2012 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; and (iii) yields on the securities to be deposited pursuant to the escrow fund relating to the Prior Bonds upon delivery of the 2012 Series A Bonds, will be verified by Causey Demgen & Moore P.C., independent certified public accountants (the "Verification Agent"). Such verification shall be based solely upon information and assumptions supplied to the Verification Agent by the Financial Advisor or Underwriters. 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 & Company, LLP, whose report thereon appears in such appendix. Macias, Gini & Company, LLP was not requested to consent to the inclusion of its report in APPENDIX B, nor has Macias, Gini & Company LLP 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 Macias, Gini & Company LLP with respect to any event subsequent to the date of its report.

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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 2012 Bonds. All of the preceding summaries of the 2012 Bonds, the Indenture, applicable legislation and other agreements and documents are made subject to the provisions of the 2012 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 Controller/Treasurer of the District has been duly authorized by the District. Concurrently with the delivery of the 2012 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 2012 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/ Scott L. Schroeder
Controller/Treasurer

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 located in the County of San Mateo. Under certain conditions, other counties may be annexed to and become a part of the District.

All capitalized terms used and not otherwise defined in this Appendix A shall have the meanings assigned to such terms in Appendix D – Summary of Certain Provisions of the Indenture, or, if not defined in Appendix D, in the Indenture, as such term is defined in the front portion of this Official Statement, to which this Appendix A is attached. References to "Fiscal Year" refer to the fiscal year ending June 30 of the 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, such as the 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)
John McPartland	Castro Valley	2012
President		
Tom Radulovich	San Francisco	2012
Vice President		
Thomas M. Blalock	Fremont	2014
James Fang	San Francisco	2014
Joel Keller	Brentwood	2014
Mary King	Oakland	2012
Gail Murray	Walnut Creek	2012
Robert Raburn	Oakland	2014
Lynette Sweet	San Francisco	2012

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:

Grace Crunican, General Manager

Ms. Crunican was appointed General Manager of the San Francisco Bay Area Rapid Transit 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.

Scott L. Schroeder, Controller/Treasurer

Mr. Schroeder joined the District in November 1988 as an Investment Analyst in the Finance Department. He served as Assistant Treasurer of the District from January 1996 until June 1997. In June 1997, the Board of Directors appointed Mr. Schroeder Controller/Treasurer. Prior to joining the District, Mr. Schroeder worked as a portfolio manager and government bond trader. Mr. Schroeder holds a Bachelor degree in Business Administration from California State University, Chico and became a Chartered Financial Analyst ("CFA") in 1992.

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 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 San Francisco Bay Area Rapid Transit 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 Bachelors Degree in Economics from the University of California at Davis.

Employees and Labor Relations

As of July 1, 2012, the District had 3,175 employees, of which 3,032 were full-time and 143 were 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 police managers are represented by the BART Police Officers Association ("BPOA") and the BART Police Managers Association ("BPMA"), respectively.

As of July 1, 2012, the average BART employee had been with the District 13.43 years and earned an annualized salary of $76,148.18.

Labor negotiations in 2009 resulted in a settlement without a strike with all District unions, the ATU, SEIU, BPOA, BPMA and AFSCME. All of these agreements have been approved by the union memberships and the Board of Directors and expire June 30, 2013. The four-year agreement caps BART's medical costs at the premium cost of the District's HMO plans, while continuing to provide full-family medical coverage, suspends a portion of BART's contributions to secondary retirement accounts, eliminates wasteful work rules to provide greater flexibility in Station Agent and Foreworker assignments, reduces union business leave, freezes base salaries and provides lump sum payments to employees of $500 in Fiscal Year 2010-11, $1000 in Fiscal Year 2011-12, and $1,500 in Fiscal Year 2012-13. The previous union agreements were negotiated in 2005, and resulted in no wage increases in 2006 and wage increases of 2%, 2% and 3% for Fiscal Years ending June 30, 2007, 2008 and 2009. In addition, an agreement on increased health benefit premium co-payments by employees was reached to assist the District with the cost of employee health benefits.

Litigation

The District is involved in various lawsuits, claims and disputes, which for the most part are expected in connection with operations such as the District's. An atypical incident occurred on January 1, 2009, New Year's Day, in connection with disturbances on a BART platform that involved a fatal shooting by a BART policeman of a suspect. BART settled the actions brought by the deceased's mother ($1.3 million) and daughter ($1.5 million). Claims brought by the decedent's father and six others are still pending. As a public agency, BART is not liable for punitive damages.

BART SYSTEM FINANCINGS

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 "CAPITAL PROGRAMS" in this Appendix A.

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 (Elections 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. The 2005 A Bonds and the 2007 B 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. 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.

After the issuance of the 2005 A Bonds and 2007 B Bonds, the remaining principal amount of general obligation bonds that the District is authorized to issue under Measure AA is $480,000,000.

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. Prior outstanding issues of the Sales Tax Revenue Bonds were issued pursuant to the 1990 Indenture. The 2012 Bonds will be issued pursuant to the Master Indenture. The District expects that subsequent issues of Sales Tax Revenue Bonds will also be issued under the Master Indenture and not the 1990 Indenture. The following issues of sales tax revenue bonds are outstanding in the amounts and at the rates indicated in the table below:

Issue	Original Principal Amount	Amount Outstanding[1]	Final Maturity	Interest Rates
Series 2001 Bonds	$ 168,650,000	$ 41,745,000	2036	4.50-5.25%
Series 2005A Bonds	352,095,000	272,455,000	2034	3.625-5.00%
Series 2006 Bonds	64,915,000	64,915,000	2036	4.00-5.00%
Series 2006A Bonds	108,110,000	101,245,000	2036	4.00-5.00%
2010 Refunding Bonds	129,595,000	125,795,000	2028	3.00-5.00%

(1) As of September 1, 2012.

Leaseback Transactions

On March 19, 2002, the District entered into a lease financing transaction (consisting of three separate tranches) (the "Network Lease Transaction") to lease rail traffic control equipment (the "Network") to investors under head lease agreements that expire March 19, 2042, January 25, 2050 and March 19, 2042, respectively, and to simultaneously sublease the Network back from the investors under sublease agreements that each expire January 2, 2018, at which point the District has the option to purchase the head lease interests in the Network from the investors. At the closing, the investors prepaid their entire rent obligations to the District under the head lease agreements in the amount of approximately $206,000,000 (which amount represented the fair market value of the Network at closing), of which the District paid approximately $146,000,000 to a payment undertaker in consideration for the payment undertaker's agreement to make rent payments on the District's behalf under the subleases. The net cash benefit the District received from this lease/leaseback transaction at closing amounted to approximately $23,000,000. See Appendix B – "San Francisco Bay Area Rapid Transit District Report on Audits of Financial Statements for the Years Ended June 30, 2010 and 2011. (Note #18)." On September 2, 2009, the District terminated one of the three tranches of the Network Lease Transaction (representing $104,990,500 of the $206,000,000 fair market value of equipment in the Network Lease Transaction at closing) and acquired the head lease interest for the equipment that was leased under such tranche.

Under the terms of the Network Lease Transaction, if the payment undertaker (or its guarantor) is not rated at least "Baa1" by Moody's Investors Service and "BBB+" by Standard & Poor's, the District is required, if requested by the investors, to replace the payment agreement with acceptable substitute credit protection in the form of any of (i) securities issued by certain approved institutions or governments, (ii) a standby letter of credit from a bank or financial institution that is rated at least AA by Standard & Poor's and Aa2 by Moody's Investors Service or (iii) another payment agreement from a bank or financial institution that is rated at least AA by Standard & Poor's and Aa2 by Moody's Investors Service. Failure to replace the payment agreement pursuant to the foregoing requirements would result in a default under the Network Lease Transaction, thereby triggering the investors' right to demand a liquidated damages payment from the District. The payment undertaker is AIG-FP Special Finance (Cayman) Limited. The obligations of the payment undertaker are guaranteed by American International Group, Inc.

SFO Extension

The extension of the BART System into the San Francisco International Airport 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. Approximately $43 million of proceeds of the Premium Fare Bonds (described below) were applied to fund a portion of such additional costs. An agreement with the Metropolitan Transportation Commission ("MTC") and funding from federal grant financings provided additional assistance (see "MTC MOU" below).

During Fiscal Year 2006-07, with the assistance of MTC, BART and the San Mateo County Transit District ("SamTrans") reached a resolution 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 agreements 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, then to complete the funding commitment of $145 million to the Warm Springs Extension project. See "CAPITAL PROGRAMS – System Expansion Program – Warm Springs Extension" below. BART also receives two forms of ongoing subsidy. Two percent of San Mateo County's Measure A half-cent sales tax, which is currently equal to approximately $1.2 million per year, was allocated to BART for 25 years beginning in Fiscal Year 2008-09. BART also receives 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 Warm Springs Extension funding is completed. 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 "CAPITAL PROGRAMS – Funding Developments" herein.

MTC MOU

On June 28, 2006, BART reached agreement with MTC relating to $60 million in funding previously made available to the District for the SFO Extension by MTC from certain bridge toll reserve funds held by MTC to fund rail extension projects in the East Bay. Such funding was a loan to the District, to be repaid by the District upon receipt of the final payment from the FTA under a full funding grant agreement (which final payment was received in June 2007). MTC agreed to extend the repayment period and amortize the principal for the loan over a nine-year term, charging 3% simple interest, with the final payment due in June 2014. As of July 1, 2012, the outstanding balance of the loan was $13,000,000.

Premium Fare Financing

On October 31, 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 to finance a portion of the costs of the SFO Extension project, including all system-wide and associated improvements and expenditures related to the project. 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 $4.00 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 total number of entries and exits from the San Francisco International Airport station for Fiscal Year 2011-12 was 4,197,262, which produced revenues sufficient to cover debt service on the Premium Fare Bonds. All outstanding 2002 Airport Premium Fare Bonds will be refunded with proceeds from the 2012 Bonds.

Vehicle Replacement Program

This program consists of replacement of the District's current fleet of 669 vehicles (A2, B2, C1 and C2). To set aside funding for this future need, the District and MTC entered into the BART Car Replacement Funding Exchange Agreement in 2006. 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, the Rail Car Sinking Fund, established to fund BART's car 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 $25,940,067 in Fiscal Year 2011-12 to fund the District's preventative maintenance expenses. Accordingly, the District remitted to MTC the equivalent amount of its own funds, which was 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. The restricted account 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, of $120,458,723 as of August 31, 2012. See – "CAPITAL PROGRAMS – *Rail Vehicle Replacement Program*" below.

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 44 stations, 39 of which are located in the Three BART Counties and 5 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, 2012, the District owned 669 rail cars. Trains are from three to 10 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 10 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 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 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 San Francisco Bay, through downtown San Francisco and terminate at Daly City, Millbrae or the San Francisco International Airport. 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. 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 San Francisco International Airport station is located in the San Francisco International Airport. 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, play their home games.

In addition, a bus shuttle service is operated between BART Oakland Coliseum Station and the Oakland Airport by ShuttlePort under a contract with the Port of Oakland (the "Port"). The Port and BART have an agreement that the Port operates this service, and revenues and expenses are divided between the Port and BART (See *"—Oakland Airport Connector"* below). The AirBART shuttle service has been serving Oakland Airport travelers, employees and other users since the late-1970s.

The BART Operations Control Center (the "OCC") 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.

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 San Francisco International Airport station. As of the date of this Official Statement, the transbay surcharge, applied to transbay trips, is equal to \$0.89; 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 the San Francisco International Airport station) and trips between San Mateo County stations (except Daly City) and San Francisco stations, is equal to \$1.30. In addition, a premium of \$4.06 is applied to trips to or from the San Francisco International Airport (SFO) station, which premium is reduced to \$1.50 for SFO employees using the Millbrae station. A capital surcharge equal to \$0.12 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.

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The current minimum one-way fare is $1.75 and the current maximum one-way fare is $11.05. 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. The 3.7% increase effective January 1, 2006 was the first of these productivity-adjusted Consumer-Price Index-based fare increases. The second such increase of 5.4% was effective January 1, 2008. The third fare increase took effect July 1, 2009, and included a CPI based increase of 6.1% on all fares, an increase of the minimum fare from $1.50 to $1.75, and an increase of $2.50 to the premium fare for trips to or from SFO, raising the premium fare to $4.00. The fourth fare increase of 1.4% was effective July 1, 2012.

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

* 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.

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 increase 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 2006-07 through Fiscal Year 2011-12 are set forth below.

	2007	2008	2009	2010	2011	2012
East Bay	**80,387**	**82,840**	**82,872**	**75,742**	**78,713**	**83,377**
West Bay	**99,238**	**106,482**	**107,089**	**96,523**	**97,126**	**102,603**
Transbay	**159,734**	**168,452**	**166,751**	**162,719**	**169,417**	**180,585**
Average Total Weekday Trips	**339,359**	**357,775**	**356,712**	**334,984**	**345,256**	**366,565**
Percentage Annual Change	**5.1%**	**5.4%**	**(0.3%)**	**(6.1%)**	**3.1%**	**6.2%**

Employment patterns in the Bay Area affect BART ridership, as do the fluctuations in the price of gas, and construction on the San Francisco-Oakland Bay Bridge, the primary means of crossing the bay by automobile. After declining during the recent recession, ridership growth has been strong since early 2011, peaking in August 2012 with 384,295 average weekday trips. Ridership has been particularly strong on the SFO Extension, with annual passengers at the San Francisco International Airport Station exceeding 4 million trips in fiscal year 2011-12. The single highest day of BART ridership, 522,198, occurred on November 3, 2010 for the San Francisco Giants World Series Victory Parade.

Parking Programs

The District provides a variety of options for passengers who drive to BART stations. As of the date of this Official Statement, parking is provided at 33 stations and the total number of parking spaces provided system-wide is approximately 46,400. Parking is provided in surface lots and in parking garages. The District commenced charging for parking to enhance revenues in 2005. The District offers a paid monthly 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 $30 to $115.50 based on 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 San Francisco International Airport or Oakland Airport 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 web site for $5.00/day for East Bay stations and $6.00/day for West Bay stations. At many stations, a number of spaces are set aside for carpoolers and for passengers who arrive at stations after 10 a.m.

Current parking programs include criteria-based daily weekday parking fees at selected stations, including Daly City, and a Single Day Reserved Program for East Bay stations.

The criteria for implementing daily weekday parking fees at an East Bay station is (i) parking at such station fills three or more days a week or (ii) the local government jurisdiction requests that the District implement a daily fee. Nineteen of twenty-six East Bay stations have met the criteria and have implemented a Single Day Reserved Parking Permit Program. These permits are available for purchase via the BART web site at a cost ranging from $3.00 to $6.00.

Parking Revenue for Fiscal Year 2011-12 was $14.8 million.

Power Supply; Participation in NCPA's Lodi Energy 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 traditionally 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 supplies was expanded in 2004 to permit the District to obtain electrical power supply from local publicly-owned electric utilities. 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. 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 for its power supply.

The District has elected to participate in NCPA's Lodi Energy Center, a natural gas generation plant being developed by NCPA with thirteen public agency participants. Commercial operation of the plant is scheduled to start in September 2012. NCPA sold revenue bonds to finance a portion of the $388 million cost of the Lodi Energy Center. 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 will diversify its power supply portfolio and provide an efficient and reliable source of power at an average cost lower than the market alternative.

CAPITAL PROGRAMS

California's Sustainable Communities and Climate Protection Act (SB 375, Steinberg) requires that each of the state's 18 Metropolitan Planning Organizations—and in the Bay Area specifically the Metropolitan Transportation Commission ("MTC") and the Association of Bay Area Governments ("ABAG")—develop a long-range plan to reduce per-capita greenhouse gas emissions from cars and light trucks. The Bay Area is required to reduce emissions by 7 percent by 2020 and by 15 percent by 2035. SB 375 also requires Plan Bay Area to include a strategy to house by 2035 all of the Bay Area's projected 25-year population growth, without displacing current low-income residents. Today, MTC, in collaboration with ABAG, is developing a 25-year blueprint for transportation, housing and land use policies and investments in the Bay Area. This long-range guide to the Bay Area's transportation, jobs and housing is anticipated to be adopted in April 2013. 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 an important function in the plan.

BART adopted a Capital Improvement Plan (CIP) in Fiscal Year 2007-08. Major program areas of the Fiscal Year 2007-08 CIP include System Reinvestment, Earthquake Safety, Security, Service and Capacity Enhancement and System Expansion. The System Reinvestment Program consists of numerous infrastructure rehabilitation and replacement projects designed to improve the reliability of the District's rail cars and other BART System elements. The Earthquake Safety Program is intended to address the earthquake risk from several major fault lines in the immediate vicinity of the BART rail lines. The Security Program is comprehensive in nature, covering various operating and capital programs, including the following categorical projects: surveillance, locks and alarms, structural augmentation, emergency communications and operations, detective systems and preparedness. The Service Capacity and Enhancement Program includes a variety of elements, including accessibility improvements to better accommodate disabled riders, general access to stations through a variety of modes, station area development to attract and accommodate increased ridership, and projects to increase the passenger-carrying capacity of the BART System, including station and line-haul capacity. The System Expansion Program consists of various extension projects being studied, designed and/or constructed within the BART System.

Rail Vehicle Replacement Program. On May 10, 2010, the Board of Directors of the District 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.

Initially, the District intends on exercising its option to procure an additional 150 cars beyond the 260 vehicle base contract. The contract price for the initial 260 vehicles is approximately $630.5 million, and the contract price for the additional, optional 150 vehicles is approximately $265.8 million.

The combined cost for the 410 cars will be approximately $896.3 million, and will be paid from funding sources including funds from the Metropolitan Transportation Commission, the Santa Clara Valley Transportation Authority, 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 the Santa Clara Valley Transportation Authority ("VTA") and BART in April 2011. A successor agreement is currently being negotiated by VTA and BART, and the District cannot predict how the agreement, once complete, will affect the cost allocation for the 60 cars attributable to VTA.

BART anticipates funding its portion of the contract from the accumulated funds in the MTC Rail Car Sinking Fund and from annual operating funds of approximately $45 million for the next twelve years. 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 Federal Transit Administration and Federal Highway Administration 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.

The District expects Bombardier to deliver 10 pilot vehicles in March 2016, which will undergo nine months of 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.

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

Replacement of the 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 CIP begun 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. 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.

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 mainline rail system 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, and Transbay Tube Cathodic Protection; the station projects of Station Re-lamping, Parking Lot Re-lamping, and Station Re-roofing; and the controls and communications project of Train Control Renovation.

In addition, other projects are contemplated or underway to upgrade certain District systems.

Funding Developments

MTC RTIP 2030. 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 MTC Regional Transportation Plan 2030 ("T2030"). Under T2030, 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 76% of the District's 25-year system reinvestment needs are projected to be funded in T2030. This constitutes three main project areas: renovation or replacement of the District's revenue vehicle fleet; renovation of various mainline structures (rail structures, fencing, remote monitoring equipment and power delivery systems); and train control systems (wayside and on-board controls and radios.) The remaining 24% of the District's reinvestment needs in T2030, constituting $1.4 billion, remain as District capital priorities but do not score high enough and are not funded by MTC and the counties under the T2030 financial forecast. Project needs such as station and yard renovation will have to be met with funding sources yet to be identified by the District.

State Transit Funding. In Fiscal Year 2009-2010, 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 receipts of $18,244,671 in Fiscal Year 2011-12, and the District's adopted 2012-2013 budget anticipates STA receipts of $17,305,464.

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 and a $50 million contribution from BART from sources to be identified by the District.

The Program's funding plan and scope have been changed due to current and projected cost savings from favorable construction bids on project components. The current budgeted value of the Earthquake Safety Program is $1.22 billion.

Security Enhancement Program

Prior to the terrorist attacks of September 11, 2001, the District had an active security program in place under the auspices of the BART Police Department. The security program also included full involvement by the various District operating departments. Subsequent to the terrorist attacks of September 11, 2001, this security program continued, with the BART Police Department currently numbering 215 sworn police officers. However, subsequent to the terrorist attacks of September 11, 2001, the District has made significant investments in security training for all employees, customer outreach, physical hardening of BART facilities, and the development/installation of electronic security enhancements. In addition, concerted efforts to enhance the security of certain components of the BART System are ongoing and involve cooperation with, among others, outside law enforcement agencies and the U.S. Department of Homeland Security. However, unlike an airport system, the BART System remains fundamentally open, and open and easy access to transit service and public facilities is essential to the success of any public, mass transit system, including BART. The District is continuing its efforts to make its facilities and riders as secure as possible under such circumstances. 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 16^{th}/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. A project at West Dublin/Pleasanton is under construction. Other projects in various stages of development are slated for the Coliseum, MacArthur, Walnut Creek, San Leandro, Glen Park, and South Hayward 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.

System Expansion Program

Planned or proposed extensions of the BART System include:

Oakland Airport Connector. Since the early 1970s, the concept of an improved transit link between the Oakland International Airport ("OAK") and the BART System has been explored, and various feasibility, engineering and environmental studies have been undertaken. As currently planned, the Oakland Airport Connector ("OAC") project follows a 3.1-mile, aerial and at-grade alignment from the Coliseum BART station to the OAK, and is designed to accommodate a potential future intermediate station. The total budget to build the project is $484.1 million. Although there is a strong local funding commitment from several sources, other funds are necessary to meet project funding requirements. Feasibility studies found that projected OAC ridership could generate sufficient revenue such that BART could contribute a portion of the funding to the project by issuing debt that would be paid back from the long-term revenue generated by the OAC ridership.

In May 2009, the Board approved the OAC financial plan which assumed a conservative ridership estimate (90% confidence level), a $6 fare, and a proposed TIFIA loan of up to $139 million. BART issued a Request for Qualification/Proposal to interested parties for a Design-Build ("DB") construction and startup project followed by a 20-year Operations and Maintenance ("O&M") contract in May 2009. Four proposals were received in October 2009. On December 10, 2009, the Board authorized the award of the DB contract for $361 million to Flatiron/Parsons JV and the 20-year O&M contract to Doppelmayr Cable Car Inc. subject to the FTA allocation of its funding. In February 2010, the FTA rescinded the allocation of $70 million in ARRA funds. Flatiron/Parsons JV extended their bid while the District worked with the funding partners to identify the funding necessary to award the contract. On September 16, 2010, the Board reaffirmed the general managers' authority to award the OAC contract. In October 2010, the OAC contract was awarded with a notice to proceed on November 1, 2010. BART will fund approximately $110 million of the cost of this project with proceeds of the 2012 Series B Bonds. The OAC project is projected to begin revenue service in May 2014.

Warm Springs Extension. This $890 million extension will extend 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. 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 the $299 million design-build Line, Track, Station and Systems ("LTSS") contract which was begun in October 2011. The Subway contract is expected to be substantially completed by December 2012. The LTSS contract is in the final design stage prior to the onset of major construction activities. Revenue service to the Warm Springs/South Fremont station is expected late in 2015.

Silicon Valley Rapid Transit Project. This project will extend the BART System to the cities of Milpitas, San Jose and Santa Clara in the County of Santa Clara. It will extend the system 16 miles along the existing Union Pacific Railroad corridor south of the Warm Springs Station in Fremont, currently under construction. The extension is financed and being constructed by the Santa Clara Valley Transportation Authority ("VTA"). On November 19, 2001, BART and VTA entered into a Comprehensive Agreement, which outlines the responsibilities of each entity concerning the construction, management, financing, operation and ongoing maintenance of this extension. This Comprehensive Agreement is being used to guide the District and VTA as they continue to work together to design and construct the 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. The Freight Railroad Relocation/Grade Separations Project ("FRR") spans approximately eight miles of railroad from Fremont to Milpitas and includes eight creek crossings plus multiple road intersections. The purpose of the FRR project is to relocate existing freight rail tracks to a parallel location within the railroad right-of-way and to facilitate key maintenance activities. This project helped secure vital space for BART tracks to be built alongside the existing railroad tracks.

The FRR works include relocation of underground utilities and creek culverts that were identified to be in conflict with the relocation of freight tracks off the BART corridor onto the remaining UPRR corridor, and grade separation of both Kato Road and Warren Avenue both of which will pass under the UPRR and BART alignments. These works are either complete or in construction.

When completed, the train service will be completely isolated from automobile traffic. The new line will include: six stations—one in Milpitas, four in San Jose and one in 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 project is planned to be constructed in two segments. The first segment is under construction and comprises a 10 mile extension of BART service with two stations—one in Milpitas and one at Berryessa. Along with the first segment, there will be provisions for a revenue vehicle primary maintenance facility at BART's Hayward Yard, and an addition of 60 cars to the revenue vehicle fleet. This first segment was granted a FTA Full Funding Grant Agreement in March of 2012. In April 2012, a design/build contractor was given full Notice-to-Proceed by VTA for a Line, Track, Stations and Systems contract. This phase of the work is in design with initial construction scheduled for the third quarter of 2012. Revenue service is planned to start in 2018. The second segment with the remaining four stations will be constructed following completion of the first segment and as soon as funding is available. The estimated capital cost of the first segment, the two station extension, is $2.108 billion in 2009 dollars and for the entire six station extension the cost is estimated at $5.211 billion.

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 this $369 million project is being funded by VTA and is currently under construction.

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 and a terminus station at Hillcrest Avenue in Antioch. The eBART Project is estimated to cost approximately $462 million (in 2012 dollars). Environmental review was completed and approved by the Board in April 2009. Final design is underway in cooperation with Caltrans and the Contra Costa Transportation Authority. There are currently two construction contracts underway to implement this project. Future contracts will be underway in the next couple of years dependent on the State Route 4 widening schedule.

The project is targeting a revenue service date of late 2016. The project funding plan includes substantial contributions from Contra Costa County 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 project-level environmental review. Study funding is expected to come from the Alameda County Transportation Commission and the Metropolitan Transportation Commission. The proposed project would provide an alternative to traffic congestion on Interstate 580, and improve transit connectivity in the Tri-Valley area (the Dublin, Livermore and Pleasanton area). The Board had previously adopted a Program Environmental Impact Report in July 2010. A funding plan for the proposed investment will be developed as part of the project-level environmental study.

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, 2010 and 2011." 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 control 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 has responded to the finding by implementing a corrective plan, which includes additional training, supervisory oversight, tighter controls on user authorization, and hiring specialists to support the system and end users. The District expects its corrective plan to be completed by the end of fiscal year 2012-13.

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, 2008 through June 30 2012. This summary for the Fiscal Years ending June 30, 2008 through June 30, 2011 is derived from BART audited financial statements for the Fiscal Years indicated therein (excluding certain non-cash items and after certain other adjustments, as summarized in the footnotes to the table) and are qualified in their entirety by reference to such statements, including the notes thereto. The summary for the Fiscal Year ending June 30, 2012 is derived from unaudited financial statements for Fiscal Year ending June 30, 2012. 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)				
	2008	2009	2010	2011	2012[1]
Annual Passengers	107,488	106,874	101,004	103,714	110,777
Operating Revenues					
Passenger Revenues	$309,457	$318,094	$332,018	$343,472	$367,342
Investment Income[2]	4,581	1,069	297	228	123
Other	27,751	30,144	36,374	33,273	34,512
Total Operating Revenues	$341,789	$349,307	$368,688	$376,973	$401,977
Financial Assistance:					
Sales Tax Revenues	$202,632	$184,286	$166,520	$180,819	$195,214
Property Tax Revenues[3]	28,955	30,356	30,114	29,515	29,694
Other[4] [9]	57,617	34,068	59,428	28,134	49,894
Total Financial Assistance	$289,204	$248,710	$256,062	$238,469	274,802
Total Operating Revenues and Financial Assistance	$630,993	$598,017	$624,750	$615,441	676,779
Operating Expenses:					
Labor	$381,906	$386,847	$366,666	$358,249	$380,692
Electrical Power	34,636	36,784	35,332	35,297	35,062
Express Feeder Bus	0	833[5]	8,307	223	132
Other Non-Labor	102,739	105,151	101,949	97,639	113,730
Total Operating Expenses[6]	$519,281	$529,615	$512,254	$491,408	$529,616
Net Revenues	$111,712	$68,402	$112,496	$124,033	$147,163
Bond Debt Service[7]	$61,263	$65,312	$68,389	$68,074	$62,273
Rail Car Replacement Funding Exchange [8]	$ 22,681	$ 22,682	$22,683	–	$25,940
Excess Revenues/(Deficit)	$27,768	$(19,592)	$21,424	$55,959	$58,949
Operating Ratio[9]	66%	66%	72%	77%	76%
Farebox Ratio[10]	60%	60%	65%	70%	69%

(1) Unaudited.

(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. Amounts reported in audited financial statements as "Other income (expenses)" under "Nonoperating revenues (expenses)" are also excluded from the above presentation because they pertain only to extraordinary transactions or those transactions associated with Other District Funds - i.e. debt issue and debt service costs.

(3) Excludes property tax revenue earmarked for the debt service of the general obligation bonds issued in 2005.

(4) The decrease in Fiscal Year 2008-09 compared to Fiscal Year 2007-08 was caused primarily by the significant reduction in the STA funds received. In Fiscal Year 2007-08 , the District recognized revenue of $ 23.1 million from STA funds.

(5) Relates to District's share of expenses paid to local operators associated with providing passenger access to BART not covered by STA funds. There was no Feeder Bus Expense prior to Fiscal Year 2008-09 due to availability of STA funds.

(6) Amount reported is higher in audited financial statements because such amounts in the financial statements include depreciation expense.

(Footnotes continued on next page.)

(7) "Bond Debt Service" reported above represents actual amount remitted to cover debt service (for principal and interest payments on debt paid from General Operating Fund, which excludes general obligation bonds), paid from revenues (sales tax, premium fare and financial assistance) recognized in the General Operating Fund. The amount reported includes remittances to the Trustee for Sales Tax Revenue Bonds, Airport Premium Fare Bonds and payment of Construction Loan from MTC relating to the San Francisco Airport Extension Project. Amount in audited financial statements under "Interest Expense" represents interest expenses for all District debts, net of capitalizable interest expense. For a complete discussion of BART's long term debt, see Note 7 to the audited financial statements of the San Francisco Bay Area Rapid Transit District included as Appendix B to this Official Statement.

(8) Rail Car Replacement Funding Exchange 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 is shown as part of Financial Assistance – Other.

(9) Operating Ratio is defined as the total operating revenues divided by the total operating expenses.

(10) 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, 2012, the District saw improved ridership, operating revenues and sales tax revenues, while managing increases in operating expenses to a corresponding level. Total passenger ridership increased to over 110.8 million, a 6.8% increase from the prior fiscal year. Total operating revenues increased 10% to $677 million due to increased ridership and improving sales tax revenues. BART's parking program generated $14.8 million for Fiscal Year 2011-12 and advertising and telecommunication programs generated $7.1 million and $6.2 million, respectively, in Fiscal Year 2011-12.

Sales Tax Revenues increased by 8% from the prior fiscal year and are budgeted for the current fiscal year to meet pre-recession levels of over $200 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 provide stability to the local economy compared to the general State economy.

Other operating assistance received by BART includes State Transit Assistance (STA), with $18.3 million received in Fiscal Year 2011-12. 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, continuing State budget problems could result in reduced STA. Additional revenue comes from BART's portion of the one percent general property tax levy that amounts to almost $30 million annually.

Operating expenses increased by $38 million (7.8%) in Fiscal Year 2011-12 due to both planned budget initiatives and unexpected spending increases. Planned increases to expenses included strategic increases in the number of employees to fulfill budget initiatives, with both operating and capital components, that improved car cleanliness, train noise levels and escalator reliability - all areas which declined slightly in the 2010 Customer Satisfaction Survey. In addition, other initiatives addressed important infrastructure needs of the system, added staffing in certain areas impacted by budget cuts in past years, and other investments critical to providing safe, reliable and convenient transportation to the San Francisco Bay Area. Unexpected expenses include increased overtime costs required to keep the system operational; and increases to software licensing and professional fees, worker's compensation, and pension costs.

The Fiscal Year 2011-12 operating expenses were about the same as the fiscal year expenses incurred at the beginning of the financial downturn. The District's labor force was increased by 71 positions in 2012, mainly to address targeted priority areas, such as escalator maintenance, car cleanliness, and seat replacement. Under existing labor agreements, labor costs have been stable, reflecting management's prudent additions to the workforce and the lack of contractual wage increases in the current labor agreements. Employee benefit costs increased in Fiscal Year 2011-12 due in part to an $8.9 million worker's compensation reserve expense. District electrical supply costs have been kept constant due to existing power supply contracts.

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 2011-12 was 76%, slightly above the budgeted goal of 75%.

The District implemented a new business system in 2011 and has faced some difficulties with customary budgeting and operating procedures resulting in decreased cash flow for the District. These difficulties account for most of the unexpected increases in software licensing and professional fees. The processing difficulties are being addressed, but the District expects to experience further cash flow constraints until all functions of the new system can be corrected.

The District proceeded with major capital projects in Fiscal Year 2011-12, including the Warm Springs Extension, the Oakland Airport Connector project and the Rail Vehicle Replacement Program. See *"—Capital Programs."*

Adopted Budget for Fiscal Year 2012-13

On June 14, 2012, BART's nine-member Board of Directors adopted a $672 million, balanced budget for the Fiscal Year 2012-13. Growing ridership and sales tax revenues, combined with control of cost increases, enabled BART to fund its core system capital infrastructure needs. The Fiscal Year 2012-13 budget included a limited number of operating initiatives to address staffing levels and other area impacted by past budget reductions. Although the operating financial outlook has improved, sources of capital funding continue to be constrained, with capital needs far exceeding funding sources.

The Fiscal Year 2012-13 operating budget included a $45.6 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 execute the contract for the transit vehicle procurement in May 2012, and will allow for the District to secure new rail vehicles needed to maintain reliability and carry growing ridership.

The budget also allocated $23.9 million to other State of Good Repair needs, including continuing a program to replace seats and floors in the current fleet, computer security hardware, and 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 are on top of $57.1 million in debt service payment mainly due to bond issues for prior year capital rehabilitation programs. The 1.4% fare increase implemented on July 1, 2012 is estimated to generate $4.8 million in Fiscal Year 2012-13.

In addition to the Rail Car Sinking Fund and seat and floor replacement budget initiatives, the Fiscal Year 2012-13 operating budget included $9.6 million and 57 positions in operating initiatives to address a number of essential operating needs, including staffing additions in Transportation, technology improvements, compliance efforts, and other smaller needs. The budget also proposed increasing service by extending the Richmond/Daly City line by one hour during the weekday evening peak period. Many of these initiatives were driven by the cumulative impacts of years of budget and staffing reductions, while others were recommended to keep the District functioning effectively. Along with the 57 positions in the budget initiatives, 5 elevator escalator maintenance positions were also added in Fiscal Year 2011-12 to address escalator and elevator reliability issues

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 $50 million per occurrence for certain leased rail cars, $65 million per occurrence for equipment in the operations control center and $50 million per occurrence for 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.

Pursuant to a recent evaluation of District liabilities for workers compensation, outstanding losses as of June 30, 2012, are projected to total $36,870,000, undiscounted. The required reserves discounted 3% are $32,379,000. Ultimate District losses are limited to $7,500,000 per occurrence for the forecast periods and are estimated at $11,990,000 for Fiscal Year 2012-13 and $12,420,000 for Fiscal Year 2013-14, assuming a 2.0% increase in exposure over Fiscal Year 2012-13 levels. Outstanding losses for automobile and general liability are projected to be $4,621,000.

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.

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 July 31, 2012.

INVESTMENT DISTRIBUTION
as of July 31, 2012

Certificates of Deposit	$ 652,735
Cash on Hand	99,068,700
Total	$99,721,435

As of July 31, 2012, the average duration of the District's investments (average days to maturity) was 365 days.

All amounts deposited in the Project Fund established in connection with the general obligation bonds will be 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 respective trustees for the Sales Tax Revenue Bonds and the Premium Fare Bonds in the funds and accounts established under the indentures 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 an agent multiple-employer public sector employee defined-benefit retirement plan that acts as a common investment and administrative agent for approximately 2,626 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. 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.

Annual Actuarial Valuation Reports. CalPERS prepares an Annual Actuarial Valuation Report ("CalPERS Actuarial Report") for its members. The District receives the 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 2011, which were based on financial data available from the District and from various CalPERS databases as of June 30, 2010. These Reports established the District's required employer contribution rates for Fiscal Year 2012-13, which are 11.736% of covered payroll for the Miscellaneous Plan and 41.566% of covered payroll for the Safety Plan. 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.

The District's employer required contribution rates for Fiscal Year 2011-12 were determined by an actuarial valuation of the Plans as of June 30, 2010. The employer required contribution rates for Fiscal Year 2011-12 are 11.986% of covered payroll for the Miscellaneous Plan and 38.001% 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, and for the valuation year ended June 30, 2010, the average remaining amortization period is 13 years for the Miscellaneous Plan and 22 years for the Safety Plan. 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 Fiscal Year ended June 30, 2012 to cover normal cost and to amortize the unfunded actuarial accrued liability are 11.986% (9.446% in 2011) and 38.001% (32.321% in 2011) of covered payroll for the Miscellaneous Plan and the Safety Plan, respectively. In accordance with agreements with the labor organizations representing District employees and District policy applicable to non-represented employees, the District also pays the employee portion of the normal contributions, which are 7% of covered payroll for Miscellaneous Plan employees and 9% of covered payroll for Safety Plan personnel. Total covered payroll and all payroll of the District are shown below.

	Fiscal Year 2010-11	**Fiscal Year 2009-10**
Covered Payroll	$236,701,000	$236,436,000
All Payroll	273,069,000	275,151,000

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 will 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 will 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, including the actuarial practice of smoothing losses and gains over multiple years (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.

In calculating the UAAL in an actuarial valuation, the CalPERS actuary smooths gains and losses over multiple years (currently 30) using a smoothing technique that generally only recognizes a portion of the gain or loss realized in a given fiscal year. In each actuarial valuation, the CalPERS actuary calculates what was the expected actuarial value of the assets (the "Expected Value") of the CalPERS Plans at the end of the fiscal year (which assumes, among other things, that the real rate of return during that fiscal year equaled the assumed rate of return of 7.50%).

For complete updated inflation and actuarial assumptions, please contact CalPERS at the above-referenced address.

The cost for the District's employer portion of the contributions for Fiscal Year 2011-12 was $26,354,839 and $6,949,513 for Miscellaneous Plan employees and Safety Plan employees, respectively. The significant actuarial economic assumptions that CalPERS used in determining the Fiscal Year 2011-12 District employer portion contributions included: an assumed rate of return on investment assets of 7.75% (since reduced to 7.5%), annual payroll increases of 3.25%, of which 3.00% is attributable to inflation growth, an annual production growth of 0.25%, merit increases that vary by length of service, and no postretirement benefit increases.

Schedule of Funding Progress. The funding status applicable to the District's Plans at June 30, 2010 (the most current available for the Fund) is summarized as follows:

Funded Status of the Miscellaneous Plan
(in thousands of dollars)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a Percentage of Payroll
6/30/06	$1,227,056	$1,162,531	$64,524	94.7%	$211,146	30.6%
6/30/07	1,307,372	1,263,851	43,521	96.7	210,109	20.7
6/30/08	1,391,792	1,349,563	42,229	97.0	218,889	19.3
6/30/09	1,520,140	1,405,192	114,948	92.4	222,864	51.6
6/30/10	1,575,249	1,462,840	112,409	92.9	219,269	51.3

Source: CalPERS Annual Valuation Report as of June 30, 2010.

Funded Status of the Safety Plan
(in thousands of dollars)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a Percentage of Payroll
6/30/06	$140,160	$108,568	$31,592	77.5%	$15,155	208.5%
6/30/07	151,616	120,493	31,123	79.5	16,172	192.4
6/30/08	164,993	131,846	33,147	79.9	17,721	187.0
6/30/09	183,177	140,580	42,597	76.7	18,373	231.8
6/30/10	197,342	148,970	48,372	75.5	17,601	274.8

Source: CalPERS Annual Valuation Report as of June 30 2010.

Money Purchase Pension Plan

Most District employees participate in the Money Purchase Pension Plan, 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. Pursuant to its collective bargaining agreements and District policy, the District contributes an amount equal to 6.65% of eligible employee's annual compensation (up to $29,700 after deducting the first $133 paid during each month) up to a maximum annual contribution of $1,868. Up through December 31, 2009, the District contributed an additional 1.627% of payroll for non-represented employees, subject to the Internal Revenue Code Section 401(a)(17) limits on compensation which may be taken into account.

The District, as the result of labor contract negotiations in 2009 and budgetary restrictions, has suspended the 1.627% contributions for all employees through June 30, 2013. In Fiscal Years ending June 30, 2014 through 2034, the District's obligation to make these payments is contingent on the accuracy of the projected Annual Required Contribution (ARC) for retiree medical benefits that is contained in the current collective bargaining agreements. In addition, again as the result of labor contract negotiations, the District has suspended the "6.65%" contributions on behalf of employees represented by the BART Police Managers Association from January 1, 2010 through June 30, 2013 and will suspend the "6.65%" contributions on behalf of employees represented by the BART Police Officers Association from July 1, 2010 through June 30, 2013.

The District's total expense and funded contribution for this Plan for Fiscal Year 2011-12 was $4,888,311 and for the Fiscal Year 2010-11 was $5,705,996. The Money Purchase Pension Plan assets at June 30, 2012 and 2011 (excluded from the financial statements in Appendix B), as shown in the Plan administrator's unaudited report, were $249,514,823 and $260,388,390, respectively. At December 31, 2011, there were approximately 637 participants receiving benefits 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.

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. Pursuant to a Keenan Associates report dated June 6, 2012 entitled "Post-Employment Benefit Valuation Report, under GASB 43/45 as of June 30, 2011" (the "Keenan Report"), 1,661 retirees and surviving spouses are provided this benefit. The District made payments on a pay-as-you-go basis, net of retirees' and surviving spouses' share, medical insurance premiums totaling

$14,499,000 in Fiscal Year 2011-12 and $13,257,000 in Fiscal Year 2010-11, and life insurance premiums amounting to $70,000 in Fiscal Year 2011-12 and $66,000 in Fiscal Year 2010-11.

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 requires 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 of 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, 2012, 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 a fair market value of approximately $138,933,254.

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, 2012 is estimated at approximately $398 million. The report also contained projected per capita claims cost updates based on Calendar Years 2011 and 2012 CalPERS premiums, resulting in no material changes to the AAL. Changes to actuarial assumptions including lowered inflation rates, payroll increase rates and trend rates marginally decreased the AAL. Inclusion of the most recent CalPERS demographic assumptions and a slight decrease in the participation assumption increased AAL by approximately 5%.

Following is the summary of results of the valuation:

	Retiree Medical Plan	Additional OPEB Plan	Total
	(in $ Millions)		
June 30, 2011 Valuation Results			
Actuarial Accrued Liability	$376	$26	$402
Actuarial Value of Assets	120	0	120
Unfunded Actuarial Accrued Liability	256	26	282
Results for Fiscal Year 2011-12			
ARC (Percentage of Pay)	11.72%	0.73%	12.45%
ARC (Dollar Amount)	$27.985	1.743	$29.728
BART Payments			
Benefit Payments from General Assets	$14.499	$.070	$14.569
Contributions to Trust	10.516	–	10.576
Total	$25.015	.070%	$25.085

Source: Keenan Report dated June 6, 2012 and the District.

APPENDIX B

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
REPORT ON AUDITS OF FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2011

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SAN FRANCISCO BAY AREA
RAPID TRANSIT DISTRICT

Independent Auditor's Report,
Management's Discussion and Analysis,
and Basic Financial Statements

For the Years Ended June 30, 2011 and 2010

MGO Certified Public Accountants.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

For the Years Ended June 30, 2011 and 2010

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

INDEPENDENT AUDITORS' REPORT

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, 2011 and 2010, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise fund and retiree health benefit trust fund of the District as of June 30, 2011 and 2010, and the respective changes in its financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 59, *Financial Instruments Omnibus*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 part of the basic financial statements is required by the Governmental Accounting Standards Board, 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 inquires 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 audit 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.

Macias Gini & O'Connell LLP

Walnut Creek, California
January 23, 2012

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, 2011 and 2010. 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, 43-station system serving the four counties of Alameda, Contra Costa, San Francisco and San Mateo. The government 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 Assets* reports assets, liabilities and the difference as *net assets*. The entire equity section is combined to report total *net assets* and is displayed in three components - *invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.*

The net asset component *invested in capital assets, net of related debt*, 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 assets 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 assets consist of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt. This net assets component includes net assets that have 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 Assets* 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 Assets
A summary of the District's *Statements of Revenues, Expenses and Changes in Net Assets* for fiscal years 2011, 2010 and 2009 is as follows (dollar amounts in thousands):

	2011	2010	2009
Operating revenues	$ 376,744	$ 368,586	$ 348,238
Operating expenses, net	(630,226)	(647,839)	(666,379)
Operating loss	(253,482)	(279,253)	(318,141)
Nonoperating revenues, net	222,777	232,380	239,111
Capital contributions	331,912	252,515	190,513
Special item: loss on termination of capital project	(53,194)	-	-
Change in net assets	248,013	205,642	111,483
Net assets, beginning of year	4,814,465	4,608,823	4,497,340
Net assets, end of year	$ 5,062,478	$ 4,814,465	$ 4,608,823

Operating Revenues
In fiscal year 2011, operating revenues increased by $8,158,000 which is primarily due to (1) an increase of $10,671,000 in passenger revenue due to a 3% increase in weekday average ridership from 335,000 in fiscal year 2010 to 345,000 in fiscal year 2011; (2) an increase of $2,185,000 in parking revenue coming mostly from daily non-reserve parking and from limited parking agreements; (3) an increase of $1,448,000 from other revenue sources mainly advertising, telecommunication services, traffic fines and ground leases; and offset by (4) a decrease of $6,441,000 in one-time revenues received in the prior year, none in the current year, such as revenues from the settlement of a land swap transaction and insurance proceeds discussed below.

In fiscal year 2010, operating revenues increased by $20,348,000 which is primarily due to (1) an increase of $13,924,000 in passenger revenue due to a 6.1% CPI-based increase on the general fare and a fixed amount increase on the SFO Premium Fare starting July 1, 2009; (2) revenue received from a land swap transaction amounting to $4,112,000; and (3) additional insurance proceeds of $2,435,000 from the Hayward Yard fire.

Operating Expenses, Net

In fiscal year 2011, operating expenses, net, decreased by $17,613,000 which is primarily due to (1) a decrease of $8,307,000 in feeder bus expense (Metropolitan Transportation Commission (MTC) uses the State Transit Assistance (STA) funds to fulfill the funding obligation to the bus operators. In fiscal year 2011, MTC had sufficient STA funds to cover the obligation, hence, it did not require the District to pay with its own funds for the feeder bus operators. In fiscal year 2010, MTC did not have sufficient STA funds, hence, the District was required to use its own funds of $2,500,000 and the additional grant of $5,800,000 received by the District from MTC, to contribute to MTC for the STA shortfall); (2) a decrease in the actuarially calculated annual required contribution rates for other post employment benefits from 14.96% to 12.57% which amounted to $7,505,000; (3) a decrease of $6,687,000 attributed to an increase in reimbursements for employee salaries and benefits received by operations from the District's capital projects; offset by (4) an increase in medical health insurance premiums amounting to $3,012,000 and (5) an increase of $3,234,000 in depreciation expense.

In fiscal year 2010, operating expenses, net, decreased by $18,540,000 which is primarily due to (1) a decrease of $5,715,000 in the employees' regular and premium pay and $3,258,000 in overtime pay due to the elimination through attrition of a total of 210 positions throughout the year; (2) a decrease in the annual required contribution rates for other postemployment benefits from 17.70% to 14.96% which amounted to $5,312,000; (3) a decrease of $790,000 in the CalPERS annual required contribution primarily due to a reduction in the contribution rate for the miscellaneous employees from 9.741%, first to 9.311% and then to 9.680%; (4) a decrease of $1,087,000 in medical health insurance premium due to a plan change effective January 1, 2010 which limited the District's medical contribution to the highest Bay Area HMO rate under CalPERS; (5) a decrease of $2,175,000 in employees' sick leave retirement buyback expense due to a program change effective October 19, 2009 which provides that an employee's unused sick leave hours at the time of retirement would be converted to CalPERS service credit instead of being cashed out at 50%; (6) a decrease of $4,241,000 in system and traction electrical expenses for supplies and repairs and maintenance; and offset by (7) an increase of $7,475,000 in feeder bus service expense, of which $5,900,000 was paid to MTC as the District's contribution to MTC for lost STA funds it allocates to feeder bus operations.

Nonoperating Revenues, Net

In fiscal year 2011, nonoperating revenues, net, decreased by $9,603,000. The decrease is mainly due to (1) a decrease of $14,661,000 in property tax revenues earmarked for the payment of the General Obligation Bonds which equals the decrease in the scheduled debt service payments of the bonds in 2011; (2) a decrease of $13,440,000 investment income due to a combination of lesser funds available for investment as funds are used to pay for capital expenditures and the general decline in the fair value of investments; (3) a decrease of $31,394,000 in operating financial assistance mainly from (a) the loss in 2011 of the one-time federal American Reinvestment and Recovery Act stimulus operating grants amounting to $22,356,000, (b) the decrease in allocations received from Federal Section 5307 grants which fund the District's preventative maintenance program amounting to $29,939,000; offset by (c) an increase in the STA funds received for the District's operation of $19,956,000; (4) in 2010, the District made payments of $22,683,000 to MTC which were deposited by MTC in a restricted account established to fund the future funding needs of the District for its car replacement program; there were no such payments in 2011; offset by (5) an increase in the sales tax revenues of $14,299,000 due to the improving economy, and (6) a decrease in interest expense totaling $10,065,000 related to the sales tax revenue bonds and the lease/leaseback obligation.

In fiscal year 2010, nonoperating revenues, net, decreased by $6,731,000. The decrease is mainly due to (1) a decrease of $17,766,000 in sales tax revenues because of the continuing decline in the Bay Area economy; (2) a decrease of $14,727,000 in property tax revenues mainly due to a decrease of $14,485,000 in property tax revenues earmarked for the payment of the General Obligation Bonds which follows the decrease in the scheduled debt service payments of the bonds in 2010; (3) a decrease of $9,679,000 in investment income due to lesser funds available for investment as funds are used to pay for capital expenditures; (4) a net decrease of $3,520,000 in the interest and other expenses related to the lease/leaseback obligation due to the early termination in September 2009 of the Key Equipment Finance portion of the obligation; (5) offset by a settlement income of $5,175,000 for the early termination of the contract with the systems integration consultant of the District's Business Advancement Plan; and (6) an increase of $25,363,000 in federal financial assistance which consists of $22,356,000 from the American Reinvestment and Recovery Act stimulus funds used to fund a portion of the District's preventive maintenance expenses and $3,007,000 grant used to fund the ADA paratransit expenses.

Capital Contributions

The revenues from capital contributions relate to grants and other financial assistance received by the District from the federal, state and local agencies to fund capital projects. The District receives mostly reimbursement-type grants on 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 2011, the revenues from capital contributions increased by $79,397,000. The increase can be mostly credited to revenues earned during fiscal year 2011 from MTC's Regional Measure 2 (RM2) grants which totaled to about $95,000,000. The major capital projects funded by the RM2 grants are the transbay tube construction, Oakland Airport Connector, Pleasant Hill crossover, eBART extension and Clipper ticket vending machine projects and also, as local match to various capital federal grants.

In fiscal year 2010, revenues from capital contributions increased by $62,002,000. The increase can be mainly attributed to revenues earned from (1) the Federal Highway Administration grants for $46,507,000 used to fund the District's seismic retrofit project and (2) MTC's Regional Measure 2 and Alameda County Transportation Improvement Authority grants for the Warm Springs Extensions Project for $67,440,000; and (3) a decrease of $49,648,000 for revenues received from donated assets in fiscal year 2009, none, in fiscal year 2010.

The major additions in fiscal years 2011 and 2010 to capital projects are detailed on pages 8 and 9.

Special Item

The special item of $53,194,000 in fiscal year 2011 refers to the net loss related to the write off of the Advanced Automatic Train Control Project due to the termination of a capital project. (Note 17)

Statements of Net Assets

A comparison of the District's *Statements of Net Assets* as of June 30, 2011, 2010 and 2009 is as follows (dollar amounts in thousands):

	2011	2010	2009
Current Assets	$ 955,259	$ 669,894	$ 661,320
Noncurrent assets - capital assets, net	5,726,847	5,505,992	5,283,987
Noncurrent assets - other	134,081	431,738	554,761
Total Assets	6,816,187	6,607,624	6,500,068
Current liabilities	306,837	306,162	325,406
Noncurrent liabilities	1,446,872	1,486,997	1,565,839
Total liabilities	1,753,709	1,793,159	1,891,245
Net Assets			
Invested in capital assets, net of related debt	4,765,595	4,561,307	4,324,423
Restricted net assets	133,389	98,380	139,939
Unrestricted net assets	163,494	154,778	144,461
Total net assets	$ 5,062,478	$ 4,814,465	$ 4,608,823

Current Assets

In fiscal year 2011, current assets increased by $285,365,000. The increase is accounted for as follows: (1) cash equivalents and investments showed an increase of $234,315,000 which is mainly due to the transfer of long term investments to terms due within a year or less to maintain better cash liquidity; and (2) receivables from funding agencies for reimbursements of capital project expenditures increased by $52,450,000.

In fiscal year 2010, current assets showed an increase of $8,574,000 which is mainly due to (1) an increase in capital grants receivable from funding agencies totaling $81,767,000; which was offset by (2) a decrease of $58,857,000 in cash, cash equivalents and investments used to pay operating, debt service and capital expenses; (3) a decrease of $3,071,000 in the use of materials and supplies for system repairs and maintenance; and (4) decreases in the following receivables: receipt of insurance receivable from the Hayward fire of $5,425,000, the full collection of the City of Dublin loan with a principal amount of $2,486,000, advances to contractors for $2,149,000, capital lease receivable of $1,577,000 and ticket sales receivables from offsite vendors for $1,069,000.

Noncurrent Assets - Other

Noncurrent assets - other in fiscal year 2011 showed a decrease of $297,657,000 which is principally due to (1) a decrease of $234,315,000 due to change in investment focus during the year from long term to short term investments for better cash liquidity since there is practically no financial advantage in terms of higher interest earnings between long term and short term investments; and (2) the use of restricted cash and investments to pay capital expenditures and debt service payments estimated at $57,246,000.

Noncurrent assets - other in fiscal year 2010 showed a decrease of $123,023,000 which is principally due to (1) a decrease of $61,410,000 in restricted investments which were used for debt service payments; (2) a decrease of $54,393,000 related to the full payment of the lease/leaseback receivable due to the early termination of the portion of the lease/leaseback obligation associated with Key Equipment Finance, Inc.; and (3) decreases in the following receivables and other assets: $2,295,000 on interest receivable, $2,554,000 on property tax receivable designated for the debt service payments of the General Obligation Bonds, $1,577,000 on capital lease receivable, and $1,479,000 for the net amortization of bond issue costs.

Current Liabilities

Current liabilities showed a small increase of $675,000 in fiscal year 2011, which is primarily due to the following: (1) an increase in payables to vendors and contractors of $18,852,000 due to the timing of receiving and paying their invoices; (2) a decrease of $5,878,000 in that portion of the advance receipts of capital from funding agencies that is estimated to be spent within a year; (3) a decrease of $10,072,000 in the scheduled principal payments of long-term debt due in one year, mainly of the 2007 GO Bonds and the lease/leaseback obligation; and (4) a decrease of $1,577,000 in the capital lease liability which was fully paid in fiscal year 2011.

In fiscal year 2010, current liabilities showed a decrease of $19,244,000, which is the net result of the following changes: (1) an increase of $4,588,000 in payables to vendors and contractors due to the timing of receiving and paying their invoices; (2) a decrease of $3,459,000 in accruals for employee salaries and benefits mainly because of the reclassification to noncurrent liabilities of the portion of the Other Post Employment Benefit actuarially determined annual required contribution that will not be funded within the next fiscal year; (3) an increase of $10,909,000 in advance receipt of capital funds from funding agencies mainly from the State of California Proposition 1B grants; and (4) a net decrease of $30,865,000 in the scheduled principal payments of long-term debt due in one year, mainly derived from the 2007 General Obligation Bonds and lease/leaseback obligation.

Noncurrent Liabilities

In fiscal year 2011, noncurrent liabilities decreased by $40,125,000 which is largely attributed to (1) a net decrease of $28,581,000 in long-term debt because of (a) principal payments and amortization amounting to $42,663,000, offset by (b) a decrease of $10,072,000 in the current portion of long-term debt, (c) an increase in the lease/leaseback obligation of $1,132,000 due to accretion, and (d) a decrease of $2,878,000 in deferred interest related to defeased bonds; (2) a decrease of $19,368,000 in the noncurrent portion of the advances received from grantors due to the use of the funds for capital expenditures; (3) an increase of $1,062,000 in the accrued reserves for employee compensated absences; (4) an increase of $5,311,000 in the unfunded other post employment benefits liability; and (5) an increase of $820,000 in the self-insurance reserves for general liability and worker's compensation.

In fiscal year 2010, noncurrent liabilities decreased by $78,842,000 which is mainly attributed to (1) the early termination and full payment of the portion of the lease/leaseback obligation related to Key Equipment Finance, Inc. amounting to $54,393,000; (2) increase of $30,865,000 in the current portion of long-term debt; (3) decrease of $4,246,000 due to the regular annual amortizations of deferred revenues; (4) decrease of $2,617,000 in the self-insurance reserves for general liability and worker's compensation; (5) decrease of $2,196,000 in the accrued reserves for employee compensated absences; (6) decrease of $1,577,000 in the capital lease payable as amounts were reclassified to current liabilities; and (7) an increase of $17,911,000 in unfunded OPEB contribution.

Capital Assets

Details of the capital assets, net of accumulated depreciation, as of June 30, 2011, 2010 and 2009 are as follows (dollar amounts in thousands):

	2011	2010	2009
Land	$ 544,874	$ 545,162	$ 540,004
Stations, track, structures and improvements	3,015,489	2,979,381	2,997,464
Buildings	8,604	8,776	5,609
Revenue transit vehicles	313,147	359,829	401,102
Other	370,275	368,722	371,014
Construction in progress	1,474,458	1,244,122	968,794
Total capital assets	$ 5,726,847	$ 5,505,992	$ 5,283,987

The District has entered into contracts for the construction of various facilities and equipment totaling approximately $992,195,000 at June 30, 2011 and $1,036,766,000 at June 30, 2010.

The District's capital assets, before accumulated depreciation and net of retirements, showed a net increase of $373,759,000 in 2011 and $355,648,000 in 2010. The retirements in fiscal year 2011, include the termination of the Advanced Automatic Train Control Project with a net amount of $86,434,000 due to obsolete technology (Note 17). The major additions, including construction in progress, during the years included capital expenditures for the acquisition and/or major improvements on the following assets:

- core system and extensions amounting to $375,352,000 in 2011 and $312,975,000 in 2010;
- train control equipment totaling $13,699,000 in 2011 and $17,731,000 in 2010;
- revenue transit vehicles in the amount of $23,465,000 in 2011 and $10,916,000 in 2010;
- automatic fare collection and other equipment amounting to $19,184,000 in 2011 and $13,532,000 in 2010; and
- Business Advancement Plan (BAP) which is a project to replace the information technology systems supporting the District's administrative business totaling $11,196,000 in 2011 and $7,382,000 in 2010.

Long-Term Debt

The outstanding balance of total long-term debt (including current portion but excluding unamortized balance of bond premium/discounts) showed a decrease of $41,531,000 in fiscal year 2011 and $130,191,000 in fiscal year 2010. Below is a summary of total long-term debt as of June 30, 2011, 2010 and 2009 (dollar amounts in thousands):

	2011	2010	2009
Bonds payable from and collateralized by a pledge of sales tax revenues	$ 650,210	$ 672,750	$ 708,345
Construction loans payable from the net operating surplus of the SFO Extension	88,500	88,500	88,500
Construction loan for temporary cash flow requirements of the SFO Extension	21,000	29,000	37,000
Lease/leaseback obligation, including accumulated accretion, for rail traffic control equipment	57,294	61,355	125,876
Bonds payable from the premium fare imposed on the passengers who board on or depart from the San Francisco International Airport Station	53,445	54,240	54,955
General obligation bonds	413,865	420,000	441,360
Total long-term debt	$ 1,284,314	$ 1,325,845	$ 1,456,036

The decrease of $41,531,000 in long-term debt in 2011 is mainly due to the decrease in the scheduled principal payments and amortization.

There were no additions to long-term debt in fiscal year 2011.

The decrease of $35,595,000 in the Sales Tax Revenue Bonds in fiscal year 2010 is due to the scheduled debt service payments of $21,365,000 and $14,230,000 net decrease in principal due to defeasance described as follows:

> In 2010, the District issued Sales Tax Revenue Refunding Bonds (2010 Refunding Bonds) with a principal amount of $129,595,000 collateralized by the District's sales tax revenues. The proceeds from the 2010 Refunding Bonds were used to refund a portion of the 1998 Bonds with a total principal amount of $143,825,000.

In 2010, the District terminated and paid in full, the lease/leaseback obligation related to Key Equipment Finance, Inc., in the amount of $54,393,000.

Statements of Cash Flows/Cash, Cash Equivalents and Investments

A comparative presentation of the major sources and uses of cash for fiscal years 2011, 2010 and 2009 is as follows (dollar amounts in thousands):

	2011	2010	2009
Net cash used in operating activities	$ (109,803)	$ (122,175)	$ (178,659)
Net cash provided by noncapital financing activities	183,568	201,096	190,827
Net cash used in capital and related financing activities	(143,283)	(235,463)	(149,270)
Net cash provided by (used in) investing activities	328,186	206,117	(217,112)
Net change in cash and cash equivalents	258,668	49,575	(354,214)
Cash and cash equivalents, beginning of year	253,005	203,430	557,644
Cash and cash equivalents, end of year	511,673	253,005	203,430
Investments, end of year	243,631	560,545	730,388
Cash, cash equivalents and investments, end of year	$ 755,304	$ 813,550	$ 933,818

Cash, Cash Equivalents and Investments
In fiscal year 2011, cash, cash equivalents and investments decreased by $58,246,000 which is primarily due to (1) the use of District-owned funds, mainly from the proceeds of the general obligation bonds, amounting to $44,808,000 to pay for the seismic retrofit project expenditures; (2) the use of cash received in advance from grantors for expenditures amounting to $37,322,000 related to various capital projects such as the station modernization, Oakland Airport Connector and the eBART Extension projects, which was offset by new cash advances totaling $12,076,000 received from grantors in fiscal year 2011; (3) a decrease in investment income received of $24,516,000; and offset by (4) the receipts of net cash of $33,240,000 from the legal settlement of the Advanced Automatic Train Control project.

In fiscal year 2010, cash, cash equivalents and investment showed a decrease of $120,268,000 from $933,818,000 to $813,550,000. The decrease is mainly due to the expenditures amounting to $349,911,000 for the acquisition and/or construction of property and system improvements during the fiscal year. Of the total capital expenditures of $349,911,000, approximately $104,326,000 was funded from District-owned funds with the balance coming from grants received from funding agencies. The major projects in fiscal year 2010 include the three extension projects in the Counties of Contra Costa and Alameda, the seismic retrofit project and various improvements on the core system.

Economic Factors and Next Year's Budgets

On June 9, 2011, the District's Board of Directors approved a balanced operating budget of $617,497,000 and a capital budget of $739,980,000 for fiscal year 2012.

The economic outlook for fiscal year 2012 remains somewhat cautious, with moderate growth of approximately 2% over fiscal year 2011 estimates for both ridership and sales tax. Overall, although the economy is expected to continue to recover, the pace is generally expected to be slow, and characterized by the absence of new jobs. With ridership and sales tax growth the primary factors, the fiscal year 2012 operating budget projections show revenues exceeding expenses allowing the District an opportunity to fund core system capital infrastructure needs and key service attributes that were negatively impacted during the recession. The main reason the operating picture is improved is not due to explosive revenue growth, but instead due to the foundation laid by actions the District took at the start of the recession to control costs and increase revenues, including several years of budget cuts, contract negotiations resulting in savings in employee benefit costs and work rule efficiencies, and fee changes resulting in increased passenger and parking revenues. Because of continued economic uncertainty regarding the speed of the recovery, as well as the full receipt of the budgeted STA funding, the District has taken a cautious approach in adding new, ongoing operating expenses, by putting the majority of available funding into one-time allocation for projects such as the downtown San Francisco escalator rehabilitation, three-year seat replacement program, Title VI of the Civil Rights Act of 1964 compliance, transition support for District's Business Advancement Program and other projects.

While the operating outlook is improved compared to the last several years, the capital funding picture continues to be constrained, with capital needs far in excess of funding sources. Though the capital budget is primarily funded through capital grants, District-allocated funds are essential for required local match, equipment and inventory needs, and important state-of-good-repair-focused expenditures which do not qualify for grants, including stations and facilities renovation. The largest program areas for capital expenditures in fiscal year 2012 will be the system expansion and system renovation, the latter of which comprises a program of essential reinvestment, primarily in the areas of station modernization, train control, traction power, rail replacement and trackway renovation and other critical projects. Work will also continue on security upgrades, life safety improvements, system accessibility improvements, the East Contra Costa eBART, Oakland Airport Connector and Warm Springs/Silicon Valley extension programs, and continuing studies and analysis on options for the Livermore/I-580 corridor.

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 Assets
June 30, 2011 and 2010
(dollar amounts in thousands)

	2011	2010
Assets		
Current assets		
Unrestricted assets		
Cash and cash equivalents	$ 118,320	$ 88,847
Investments	69,115	136,518
Capital grants receivable	218,967	166,517
Receivables and other assets	21,414	19,713
Current portion of capital lease receivable	-	1,577
Materials and supplies	27,007	28,531
Total unrestricted current assets	454,823	441,703
Restricted assets		
Cash and cash equivalents	393,353	164,158
Investments	107,083	64,033
Total restricted current assets	500,436	228,191
Total current assets	955,259	669,894
Noncurrent assets		
Capital assets		
Nondepreciable	2,019,332	1,789,283
Depreciable, net of accumulated depreciation	3,707,515	3,716,709
Unrestricted assets		
Investments	22,620	-
Receivables and other assets	12,038	11,195
Restricted assets		
Investments	44,813	359,994
Receivables and other assets	30,045	30,791
Deposits for sublease obligation	24,565	29,758
Total noncurrent assets	5,860,928	5,937,730
Total assets	6,816,187	6,607,624
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable and other liabilities	220,055	201,203
Current portion of long-term debt	34,212	44,284
Self-insurance liabilities	12,735	11,333
Deferred revenue	39,835	47,765
Current portion of capital lease liability	-	1,577
Total current liabilities	306,837	306,162
Noncurrent liabilities		
Accounts payable and other liabilities	68,891	60,281
Long-term debt, net of current portion	1,265,351	1,293,932
Self-insurance liabilities	17,132	16,312
Deferred revenue	95,498	116,472
Total noncurrent liabilities	1,446,872	1,486,997
Total liabilities	1,753,709	1,793,159
Net assets		
Invested in capital assets, net of related debt	4,765,595	4,561,307
Restricted net assets for debt service and other liabilities	133,389	98,380
Unrestricted net assets	163,494	154,778
Total net assets	$ 5,062,478	$ 4,814,465

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Revenues, Expenses and Changes in Net Assets
For the years ended June 30, 2011 and 2010
(dollar amounts in thousands)

	2011	2010
Operating revenues		
Fares	$ 343,472	$ 332,018
Other	33,272	36,568
Total operating revenues	376,744	368,586
Operating expenses		
Transportation	160,535	167,023
Maintenance	197,215	195,746
Police services	47,691	47,233
Construction and engineering	19,856	19,939
General and administrative	121,433	130,949
Depreciation	138,819	135,585
Total operating expenses	685,549	696,475
Less - capitalized costs	(55,323)	(48,636)
Net operating expenses	630,226	647,839
Operating loss	(253,482)	(279,253)
Nonoperating revenues (expenses)		
Transactions and use tax - sales tax	180,819	166,520
Property tax	46,109	61,369
Operating financial assistance	28,134	59,428
Contribution for BART car replacement funding exchange program	-	(22,683)
Investment income	11,695	25,196
Interest expense	(45,503)	(57,849)
Other income (expense), net	1,523	399
Total nonoperating revenues, net	222,777	232,380
Change in net assets before capital contributions and special item	(30,705)	(46,873)
Capital contributions	331,912	252,515
Special item: loss on termination of a capital project	(53,194)	-
Change in net assets	248,013	205,642
Net assets, beginning of year	4,814,465	4,608,823
Net assets, end of year	$ 5,062,478	$ 4,814,465

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, 2011 and 2010
(dollar amounts in thousands)

	2011	2010
Cash flows from operating activities		
Receipts from customers	$ 341,985	$ 335,632
Payments to suppliers	(135,053)	(142,692)
Payments to employees	(348,087)	(350,798)
Other operating cash receipts	31,352	35,683
Net cash used in operating activities	(109,803)	(122,175)
Cash flows from noncapital financing activities		
Transactions and use tax (sales tax) received	125,106	110,675
Property tax received	30,508	31,767
Financial assistance received	27,954	58,654
Net cash provided by noncapital financing activities	183,568	201,096
Cash flows from capital and related financing activities		
Transactions and use tax (sales tax) received	55,713	55,845
Property tax received	16,502	32,618
Capital grants received	256,127	176,021
Expenditures for facilities, property and equipment	(427,099)	(349,911)
Principal paid on long-term debt	(37,470)	(68,535)
Payments of long-term debt issuance and service costs	(67)	(375)
Interest paid on long-term debt	(40,807)	(62,007)
Principal payments received from notes receivable	78	2,577
Settlement received from early termination of contract	-	5,175
Deposit - Lodi Power Plant	500	-
Legal settlement fees	(6,760)	-
Proceeds from legal settlement	40,000	-
Contribution for BART car replacement funding exchange program	-	(22,683)
Guarantee advertising deposit received	-	1,300
Loss from early termination of lease/leaseback obligation	-	(5,488)
Net cash used in capital and related financing activities	(143,283)	(235,463)
Cash flows from investing activities		
Proceeds from sale and maturity of investments	886,575	662,443
Purchase of investments	(569,661)	(492,114)
Investment income	11,272	35,788
Net cash provided by investing activities	328,186	206,117
Net change in cash and cash equivalents	258,668	49,575
Cash and cash equivalents, beginning of year	253,005	203,430
Cash and cash equivalents, end of year	$ 511,673	$ 253,005
Reconciliation of cash and cash equivalents to the Statements of Net Assets		
Current, unrestricted assets - cash and cash equivalents	$ 118,320	$ 88,847
Current, restricted assets - cash and cash equivalents	393,353	164,158
Total cash and cash equivalents	$ 511,673	$ 253,005

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, 2011 and 2010
(dollar amounts in thousands)

	2011	2010
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (253,482)	$ (279,253)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	138,819	135,585
Amortization of deferred settlement costs	316	321
Net effect of changes in		
Receivables and other assets	(4,839)	6,049
Materials and supplies	1,524	3,071
Accounts payable and other liabilities	7,861	14,907
Self-insurance liabilities	2,221	(1,725)
Deferred revenue	(2,223)	(1,130)
Net cash used in operating activities	$ (109,803)	$ (122,175)
Noncash transactions		
Capital assets acquired with a liability at year-end	$ 85,105	$ 63,269
Net proceeds from the issuance of the 2010 Sales Tax Revenue Refunding Bonds placed in escrow to defease bonds	-	144,974
Reclassification from construction in progress to accumulated depreciation	14,513	-
Special item: termination of a capital project	46,434	-
Lease/leaseback obligation additions	2,038	5,096
Lease/leaseback obligation amortization	7,751	44,547
Reduction in capital lease receivable and liability	1,577	3,155
Increase (decrease) in fair value of investments	(1,898)	3,948
Amortization of long-term debt premium, discount and issue costs	(1,361)	(521)
Amortization of deferred interest on early debt retirement	1,410	1,362
Amortization of deferred gain on lease/leaseback transaction	1,537	1,482
Amortization of deferred ground lease	558	589

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 Assets

June 30, 2011 and 2010

(dollar amounts in thousands)

	2011	2010
Assets		
Cash and cash equivalents	$ 169	$ 125
Receivables and other assets	803	393
Pending trades receivable	956	79
Investments		
Domestic common stocks	46,090	41,722
U.S. Treasury obligations	37,252	18,951
Money market mutual funds	9,438	9,900
Mutual funds - equity	29,965	11,691
Corporate obligations	9,931	7,731
Miscellaneous obligation	130	-
Foreign stocks	848	957
Foreign obligations	86	252
Total investments	133,740	91,204
Total assets	135,668	91,801
Liabilities		
Accounts payable	82	81
Pending trades payable	15,481	3,264
Total liabilities	15,563	3,345
Net assets held in trust for retiree health benefits	$ 120,105	$ 88,456

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 Assets
For the years ended June 30, 2011 and 2010
(dollar amounts in thousands)

	2011	2010
Additions		
Employer contributions		
Cash contributions	$ 11,291	$ 11,532
Pay-as-you-go contributions	13,272	11,534
Total employer contributions	24,563	23,066
Investment income (expense)		
Interest income	2,254	1,833
Realized gain	6,939	3,894
Net appreciation in fair value of investments	11,463	3,419
Investment expense	(247)	(262)
Net investment expense	20,409	8,884
Total additions	44,972	31,950
Deductions		
Pay-as-you-go benefit payments	13,272	11,534
Legal fees	10	8
Audit fees	17	16
Insurance expense	24	23
Total deductions	13,323	11,581
Increase in trust net assets	31,649	20,369
Net assets held in trust for retiree health benefits:		
Beginning of year	88,456	68,087
End of year	$ 120,105	$ 88,456

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

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.

The District has defined its financial reporting entity in accordance with the Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, which states that the financial reporting entity should consist of (a) the primary government, (b) the organizations for which the primary government is financially accountable, and (c) the other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on this definition, and the fact that the Transit Financing Authority (the "Authority") provides services almost entirely to the District, the primary government, the Authority's financial information is presented as a blended component unit of the District's financial statements in fiscal year 2010. In fiscal year 2011, the Authority was terminated and the District absorbed in its financial statements the assets and liabilities of the Authority upon termination date (Note 15).

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 District applies all applicable GASB pronouncements as well as Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions and Accounting Research Bulletins ("ARBs") of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, not to apply FASB Statements and Interpretations issued after November 30, 1989, due to the nature of the District's operations.

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 assets because their use is subject to externally imposed stipulations, either by certain bond covenants, laws or regulations or provisions of debt agreements.

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 9 and 10).

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 Issuance Costs, Discounts, Premiums and Deferred Amounts on Refundings
The bond issuance costs, discounts, premiums and deferred amounts 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 deferred bond issuance costs, which are classified as part of receivables and other assets, are presented as a reduction of the face amount of bonds payable.

Capital Assets
Capital assets are stated at cost 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 $12,776,000 in fiscal year 2011 and $5,555,000 in fiscal year 2010.

Deferred Revenue
Deferred revenue consists of (1) the cash gain received by the District from the lease/leaseback of certain rail traffic control equipment in 2002 (Note 7) and from the sale/leaseback of 25 C-2 rail cars in 1995 (Note 4); (2) 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; (3) estimated passenger tickets sold but unused; (4) advances received from grant agreements; and (5) prepayments of ground lease revenues (Note 16).

Compensated Absences
Compensated absences are reported and accrued as a liability in the period incurred. Compensated absences has a total balance of $57,665,000 as of June 30, 2011 and $58,383,000 in June 30, 2010 and is shown in the statements of net assets in accounts payable and other liabilities as follows (dollar amounts in thousands):

	2011	2010
Current liabilities	$ 18,888	$ 20,667
Noncurrent liabilities	38,777	37,716
Total	$ 57,665	$ 58,383

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 material remediation obligations that the District is currently or potentially involved in.

Net Assets
Net assets invested in capital assets, net of related debt include capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Net assets are 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 assets are 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 assets are 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 and equity reserves. 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 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.

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 and 2007 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 1, 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 1 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 9 and 10).

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 assets as a reduction of operating expenses. The amounts of $55,323,000 and $48,636,000 were capitalized during the years ended June 30, 2011 and 2010, 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.

Recent Accounting Pronouncements That Have Been Adopted
In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. This statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The adoption of GASB 59 did not have a material impact on the District's 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 December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Agreements*. This statement addresses how to account for and report service concession agreements (SCAs). SCAs represent a type of public-private or public-public partnership that state and local governments enter into. As used in the statement, a SCA is an arrangement between a transferor (a government) and an operator (government or nongovernment) in which the following conditions are met:

- The transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration.
- The operator collects and is compensated by fees from third parties.

This statement also provides authoritative guidance on whether the transferor or the operator should report the capital asset in its financial statements; when to recognize up-front payments from an operator as revenue; and how to record any obligation of the transferor to the operator. Application of this statement is effective for the District's fiscal year ending June 30, 2013.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance found in the following pronouncements issued on or before November 30, 1989:

- Financial Accounting Standards Board (FASB) Statements and Interpretations
- The Accounting Principals Board Opinions, and
- The Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure.

Application of this statement is effective for the District's fiscal year ending June 30, 2013.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This statement provides a new report format that will require all deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. The residual measure in the statement of financial position will be referred to as net position rather than net assets. Application of this statement is effective for the District's fiscal year ending June 30, 2013.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53.* This statement provides clarification of the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. Application of this statement is effective for the District's fiscal year ending June 30, 2012.

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):

	2011			2010		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Current assets						
Cash and cash equivalents	$ 118,320	$ 393,353	$ 511,673	$ 88,847	$ 164,158	$ 253,005
Investments	69,115	107,083	176,198	136,518	64,033	200,551
Noncurrent assets						
Investments	22,620	44,813	67,433	-	359,994	359,994
Total	$ 210,055	$ 545,249	$ 755,304	$ 225,365	$ 588,185	$ 813,550

Investment Policy
The California Public Utilities Code, Section 29100, and the California Government Code, 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 District's investment policy, which is more restrictive than required by law, only allows investments in the following:

- Repurchase agreements,
- Reverse repurchase agreements,
- Collateralized time deposits,
- Money market mutual funds,
- California Local Agency Investment Fund, and
- Securities of the U.S. Government and its agencies.

The District's investments include amounts invested in the State of California Local Agency Investment Fund ("LAIF"). The total amount invested by all public agencies in LAIF is $24.0 billion and $23.3 billion at June 30, 2011 and 2010, respectively. LAIF is part of the State of California Pooled Money Investment Account ("PMIA"), whose balance at June 30, 2011 and 2010 was $66.5 billion and $69.4 billion, respectively. Of these amounts, 5.01% and 5.42% were invested in structured notes and asset-backed securities and the remaining balance was invested in non-derivative instruments as of June 30, 2011 and 2010, respectively. PMIA is not SEC-registered, but is required to invest according to the California Government Code. The average maturity of PMIA investments was 237 days and 203 days as of June 30, 2011 and 2010, respectively. The Local Investment Advisory Board ("Board") has oversight responsibility for LAIF. The Board consists of five members as designated by state statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the pooled treasury's portion in the pool. Withdrawals from LAIF are made on a dollar to dollar basis.

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. A summary of investments by type of investments and by segmented time distribution as of June 30, 2011 and 2010 is as follows (dollar amounts in thousands):

	2011	Investment Maturities (in Years)		
	Fair Value	Less Than 1	1 - 5	6 - 10
Money market mutual funds	$ 292,202	$ 292,202	$ -	$ -
U.S. government agencies	27,514	151	5,048	22,315
Repurchase agreements	36,822	-	36,822	-
U.S. Treasury bills	188,695	188,695	-	-
Local Agency Investment Fund	20,000	20,000	-	-
Total investments	565,233	$ 501,048	$ 41,870	$ 22,315
Deposits with banks	186,982			
Certificates of deposit	600			
Imprest funds	2,489			
Total cash and investments	$ 755,304			

	2010	Investment Maturities (in Years)		
	Fair Value	Less Than 1	1 - 5	6 - 10
Money market mutual funds	$ 124,845	$ 124,845	$ -	$ -
U.S. government agencies	32,477	9,233	602	22,642
Repurchase agreements	327,517	327,517	-	-
U.S. Treasury bills	199,942	199,942	-	-
Local Agency Investment Fund	20,000	20,000	-	-
Total investments	704,781	$ 681,537	$ 602	$ 22,642
Deposits with banks	105,674			
Certificates of deposit	609			
Imprest funds	2,486			
Total cash and investments	$ 813,550			

Credit Risk

The District's credit rating risk is governed by Section 53601 of the California Government Code 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), money market mutual funds, and in LAIF. 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 (Standard and Poor's subsequently downgraded U.S. and U.S. Government Securities, see Note 19), Fitch Ratings and/or Moody's as of June 30, 2011 and 2010 (dollar amounts in thousands):

	2011	Credit Ratings			
	Fair Value	AAA	AA	A	Not Rated
Money market mutual funds	$ 292,202	$ 234,679	$ 57,523	$ -	$ -
U.S. Government agencies	27,514	4,618	-	448	22,448
Repurchase agreements	36,822	-	-	36,822	-
U.S. Treasury bills	188,695	188,695	-	-	-
Local Agency Investment Fund	20,000	-	-	-	20,000
Total investments	565,233	$ 427,992	$ 57,523	$ 37,270	$ 42,448
Deposits with banks	186,982				
Certificates of deposit	600				
Imprest funds	2,489				
Total cash and investments	$ 755,304				

	2010	Credit Ratings				
	Fair Value	AAA	AA	A	BB	Not Rated
Money market mutual funds	$ 124,845	$ 33,259	$ 91,586	$ -	$ -	$ -
U.S. Government agencies	32,477	8,998	-	460	-	23,019
Repurchase agreements	327,517	163,700	-	-	163,817	-
U.S. Treasury bills	199,942	199,942	-	-	-	-
Local Agency Investment Fund	20,000	-	-	-	-	20,000
Total investments	704,781	$ 405,899	$ 91,586	$ 460	$ 163,817	$ 43,019
Deposits with banks	105,674					
Certificates of deposit	609					
Imprest funds	2,486					
Total cash and investments	$ 813,550					

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 California Government Code Section 53601.7 generally recommends that investments in one issuer do not exceed 5% of the entity's total portfolio, 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. The following investments exceeded 5% of the District's total investment portfolio (dollar amounts in thousands):

	2011		2010	
	Amount	Percentage of Total Investment Portfolio (%)	Amount	Percentage of Total Investment Portfolio (%)
MBIA Repurchase Agreement	$ -	-	$ 163,817	23%
FSA Cap Repurchase Agreement	-	-	163,700	23%
Bayersche Landesbank Investment Repurchase Agreement	36,822	7%	-	-

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 California Government Code 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;
- 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%

A summary of investments by type of investments and by segmented time distribution as of June 30, 2011 and 2010 is as follows (dollar amounts in thousands):

	2011	Investment Maturities (in Years)			
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Treasury obligations	$ 37,252	$ 9,184	$ 7,109	$ 5,423	$ 15,536
Money market mutual funds	9,438	9,438	-	-	-
Corporate obligations	9,931	-	4,263	3,447	2,221
Miscellaneous obligation	130	-	-	130	-
Foreign obligations	86	-	86	-	-
Investments subject to interest rate risk	56,837	$ 18,622	$ 11,458	$ 9,000	$ 17,757
Domestic common stocks	46,090				
Mutual funds- equity	29,965				
Foreign stocks	848				
Total investments	$ 133,740				

	2010	Investment Maturities (in Years)			
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Treasury obligations	$ 18,951	$ 1,075	$ 11,078	$ 4,877	$ 1,921
Money market mutual funds	9,900	9,900	-	-	-
Corporate obligations	7,731	37	2,433	3,123	2,138
Foreign obligations	252	-	-	137	115
Investments subject to interest rate risk	36,834	$ 11,012	$ 13,511	$ 8,137	$ 4,174
Domestic common stocks	41,722				
Mutual funds- equity	11,691				
Foreign stocks	957				
Total investments	$ 91,204				

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 (Standard and Poor's subsequently downgraded U.S. and U.S. Government Securities, see Note 19) and/or Moody's as of June 30, 2011 and 2010 (dollar amounts in thousands):

	2011	Credit Ratings			
	Fair Value	AAA	AA	A	BBB
U.S. Treasury obligations	$ 37,252	$ 37,252	$ -	$ -	$ -
Money market mutual funds	9,438	9,438	-	-	-
Corporate obligations	9,931	2,879	1,150	4,392	1,510
Miscellaneous obligation	130	130	-	-	-
Foreign obligations	86	-	-	86	-
Investments subject to credit risk	56,837	$ 49,699	$ 1,150	$ 4,478	$ 1,510
Domestic common stocks	46,090				
Mutual funds - equity	29,965				
Foreign stocks	848				
Total investments	$ 133,740				

	2010	Credit Ratings				
	Fair Value	AAA	AA	A	BBB	CCC
U.S. Treasury obligations	$ 18,951	$ 18,951	$ -	$ -	$ -	$ -
Money market mutual funds	9,900	9,900	-	-	-	-
Corporate obligations	7,731	2,245	551	3,709	1,196	30
Foreign obligations	252	-	137	115	-	-
Investments subject to credit risk	36,834	$ 31,096	$ 688	$ 3,824	$ 1,196	$ 30
Domestic common stocks	41,722					
Mutual funds - equity	11,691					
Foreign stocks	957					
Total investments	$ 91,204					

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 assets as of June 30, 2011 and 2010 (dollar amounts in thousands):

	2011	2010
Interest receivable - trust for sublease obligation	$ 18,888	$ 17,174
Interest receivable - other investments	411	2,310
Unamortized issuance costs	10,609	11,283
Deferred charges	585	674
Deposit for power supply	11,419	11,340
Off-site ticket vendor receivable	3,435	3,764
Notes receivable	1,468	1,546
Capitol Corridor Joint Powers Authority receivable (Note 16)	6,125	8,071
Property tax receivable	291	1,191
Prepaid expenses	5,737	1,596
Imprest deposits for self-insurance liabilities	659	490
Other	4,188	2,525
Allowance for doubtful accounts	(318)	(265)
Total receivables and other assets	$ 63,497	$ 61,699
Current, unrestricted portion	$ 21,414	$ 19,713
Noncurrent, unrestricted portion	12,038	11,195
Noncurrent, restricted portion	30,045	30,791
Total receivables and other assets, as presented in the basic financial statements	$ 63,497	$ 61,699

4. Capital Lease Receivable and Liability (Sale/Leaseback – Revenue Transit Vehicles)

On March 30, 1995, the District entered into an agreement with a Swedish corporation to sell 25 newly manufactured C-2 rail cars for $50,383,000 and simultaneously entered into an agreement to lease them back. The lease agreement was effective on the closing date of September 15, 1995, and continues through January 15, 2011.

The District recorded a gain on the sale of approximately $2,015,000, which is equal to the amount of cash received on the sale. The gain was deferred and is being amortized over 30 years. In addition, the District recorded a receivable of $48,368,000 and a capital lease obligation of the same amount. The receivable and the liability will be reduced by a corresponding amount over the term of the lease. At June 30, 2011 and 2010, the balance of the deferred gain was $778,000 and $833,000, respectively. The balance of both the receivable and the liability was zero as of June 30, 2011 and $1,577,000 on June 30, 2010, and is reflected in the statements of net assets as a capital lease receivable and capital lease liability, respectively. Other than the cash received upon the sale, no cash will be exchanged between the parties in settlement of the receivable and liability.

On January 9, 2011 the lessor, GE Credit Finans AB, executed the Bill of Sale and Assignment of Rights and Remedies which transferred the title to and interest in the 25 C-2 rail cars covered by the 1995 Lease Agreement to the District, and effectively ended the Lease Agreement.

At June 30, 2011 and 2010 the balances of the capital lease receivable and of the capital lease liability related to the sale/leaseback are summarized as follows (dollar amounts in thousands):

	2011	2010
Amounts at beginning of year	$ 1,577	$ 4,732
Amortization during the year	(1,577)	(3,155)
Balance at end of year	-	1,577
Less - current portion	-	(1,577)
Net noncurrent portion	$ -	$ -

Accumulated depreciation related to the C-2 rail cars covered by the sale/leaseback agreement totaled $29,791,000 and $27,938,000 as of June 30, 2011 and 2010, respectively.

5. Capital Assets

Changes to capital assets during the year ended June 30, 2011 were as follows (dollar amounts in thousands):

	Lives (Years)	2010	Additions and Transfers	Retirements and Transfers	2011
Capital assets, not being depreciated					
Land	N/A	$ 545,162	$ -	$ (288) *	$ 544,874
Construction in progress	N/A	1,244,121	465,078	(234,741) **	1,474,458
Total capital assets, not being depreciated		1,789,283	465,078	(235,029)	2,019,332
Capital assets, being depreciated					
Tangible Asset					
Stations, track, structures and improvements	80	3,801,511	100,883	-	3,902,394
Buildings	80	10,732	-	-	10,732
System-wide operation and control	20	580,708	6,595	-	587,303
Revenue transit vehicles	30	1,047,964	-	-	1,047,964
Revenue transit vehicles under capital lease	30	55,593	-	-	55,593
Service and miscellaneous equipment	3-20	213,510	1,425	(428)	214,507
Capitalized construction and start-up costs	30	98,305	-	-	98,305
Repairable property items	30	37,890	10,854	-	48,744
Intangible Asset					
Information System	20	14,407	24,381	-	38,788
Total capital assets, being depreciated		5,860,620	144,138	(428)	6,004,330
Less accumulated depreciation		(2,143,911)	(153,332)	428	(2,296,815)
Total capital assets, being depreciated, net		3,716,709	(9,194)	-	3,707,515
Total capital assets, net		$ 5,505,992	$ 455,884	$ (235,029)	$ 5,726,847

* The reduction of $288,000 in land refers to the sale of land at the Fruitvale BART station (Note 18).
** Includes $86,434,000 due to the termination of a capital project (Note 17).

Changes to capital assets during the year ended June 30, 2010 were as follows (dollar amounts in thousands):

	Lives (Years)	2009	Additions and Transfers	Retirements and Transfers	2010
Capital assets, not being depreciated					
Land	N/A	$ 540,004	$ 8,716	$ (3,558)	$ 545,162
Construction in progress	N/A	968,794	356,840	(81,513)	1,244,121
Total capital assets, not being depreciated		1,508,798	365,556	(85,071)	1,789,283
Capital assets, being depreciated					
Tangible Asset					
Stations, track, structures and improvements	80	3,769,766	32,450	(705)	3,801,511
Buildings	80	7,472	3,260	-	10,732
System-wide operation and control	20	572,558	8,160	(10)	580,708
Revenue transit vehicles	30	1,042,346	5,618	-	1,047,964
Revenue transit vehicles under capital lease	30	55,593	-	-	55,593
Service and miscellaneous equipment	3-20	202,044	13,562	(2,096)	213,510
Capitalized construction and start-up costs	30	98,305	-	-	98,305
Repairable property items	30	22,966	14,988	(64)	37,890
Intangible Asset					
Information System	20	14,407	-	-	14,407
Total capital assets, being depreciated		5,785,457	78,038	(2,875)	5,860,620
Less accumulated depreciation		(2,010,268)	(135,585)	1,942	(2,143,911)
Total capital assets, being depreciated, net		3,775,189	(57,547)	(933)	3,716,709
Total capital assets, net		$ 5,283,987	$ 308,009	$ (86,004)	$ 5,505,992

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 is expected to be in revenue operation in 2013, the WSX Extension in 2014 and the eBART Extension in 2015.

The District has entered into contracts for the construction of various facilities and equipment totaling approximately $992,195,000 at June 30, 2011, and $1,036,766,000 in 2010.

6. Accounts Payable and Other Liabilities

The District reports the following aggregated payables as accounts payable and other liabilities in the statements of net assets as of June 30, 2011 and 2010 (dollar amounts in thousands):

	2011	2010
Payable to vendors and contractors	$ 125,785	$ 105,292
Employee salaries and benefits	135,520	126,694
Accrued interest payable	27,641	29,498
Liabilities at the end of year	288,946	261,484
Less noncurrent portion	(68,891)	(60,281)
Net current portion	$ 220,055	$ 201,203

7. Long-Term Debt

Long-term debt activity for the year ended June 30, 2011 is summarized as follows (dollar amounts in thousands):

	2010	Additions/ Accretion	Payments/ Amortization	2011
1990 Sales Tax Revenue Refunding Bonds	$ 28,775	$ -	$ (13,870)	$ 14,905
1998 Sales Tax Revenue Bonds	1,625	-	(1,625)	-
2001 Sales Tax Revenue Bonds	43,765	-	-	43,765
2005 Sales Tax Revenue Refunding Bonds	296,530	-	(6,840)	289,690
2006 Sales Tax Revenue Bonds	64,915	-	-	64,915
2006 Sales Tax Revenue Refunding Bonds	107,545	-	(205)	107,340
2010 Sales Tax Revenue Refunding Bonds	129,595	-	-	129,595
Construction Loans	117,500	-	(8,000)	109,500
Lease/Leaseback Obligation	49,568	-	(5,193)	44,375
2002 SFO Extension Premium Fare Bonds	54,240	-	(795)	53,445
2005 General Obligation Bonds	40,490	-	(895)	39,595
2007 General Obligation Bonds	379,510	-	(5,240)	374,270
	1,314,058	-	(42,663)	1,271,395
Add (less):				
Accumulated Accretion on Lease/Leaseback Obligation	11,787	4,054	(2,922)	12,919
Debt related items*	12,371	3,502 **	(624)	15,249
Long-term debt net of accumulated accretion and debt related items	1,338,216	$ 7,556	$ (46,209)	1,299,563
Less: current portion of long-term debt	(44,284)			(34,212)
Net long-term debt	$ 1,293,932			$ 1,265,351

* Debt related items consist of deferred amounts on refundings, discounts and premiums.

** Represents excess deferred interest refunded by the fiscal agent related to the 2010 Sales Tax Revenue Refunding Bonds.

Long-term debt activity for the year ended June 30, 2010 is summarized as follows (dollar amounts in thousands):

	2009	Additions/ Accretion	Payments/ Amortization	2010
1990 Sales Tax Revenue Refunding Bonds	$ 28,775	$ -	$ -	$ 28,775
1998 Sales Tax Revenue Bonds	151,655	-	(150,030)	1,625
2001 Sales Tax Revenue Bonds	43,765	-	-	43,765
2005 Sales Tax Revenue Refunding Bonds	311,495	-	(14,965)	296,530
2006 Sales Tax Revenue Bonds	64,915	-	-	64,915
2006 Sales Tax Revenue Refunding Bonds	107,740	-	(195)	107,545
2010 Sales Tax Revenue Refunding Bonds	-	129,595	-	129,595
Construction Loans	125,500	-	(8,000)	117,500
Lease/Leaseback Obligation	102,931	-	(53,363)	49,568
2002 SFO Extension Premium Fare Bonds	54,955	-	(715)	54,240
2005 General Obligation Bonds	41,360	-	(870)	40,490
2007 General Obligation Bonds	400,000	-	(20,490)	379,510
	1,433,091	129,595	(248,628)	1,314,058
Add (less):				
Accumulated Accretion on Lease/Leaseback Obligation	22,945	5,096	(16,254)	11,787
Debt related items*	1,161	11,098	112	12,371
Long-term debt net of accumulated accretion and debt related items	1,457,197	$ 145,789	$ (264,770)	1,338,216
Less: current portion of long-term debt	(75,149)			(44,284)
Net long-term debt	$ 1,382,048			$ 1,293,932

* Debt related items consist of deferred amounts on refundings, discounts and premiums.

1990 Sales Tax Revenue Refunding Bonds (the 1990 Refunding Bonds)
In July 1990, the District issued sales tax revenue refunding bonds totaling $158,478,000 to refund and defease $141,045,000 outstanding principal amount of the District's Sales Tax Revenue Bonds, Series 1985. The 1990 Refunding Bonds are special obligations of the District payable from and collateralized by a pledge of the sales tax revenues. At June 30, 2011, the 1990 Bonds consist of $14,905,000 in current interest serial bonds due in 2011 with an interest rate of 6.75%.

1998 Sales Tax Revenue Bonds (the 1998 Bonds)
In March 1998, the District issued sales tax revenue bonds totaling $348,510,000 to provide funds for certain capital improvements, including rehabilitation of the District's vehicles and facilities, to repay obligations of approximately $49,645,000 related to a lease of certain telecommunications equipment, and to refund certain outstanding bonds with principal amounts of $155,115,000 to achieve debt service savings. The 1998 Bonds are special obligations of the District payable from and collateralized by a pledge of sales tax revenues. In August 2005, a portion of the 1998 Bonds with an aggregate principal amount of $155,650,000 were refunded from the proceeds of the 2005 Bonds. In May 2010, 1998 Bonds with an aggregate principal amount of $143,825,000 were refunded from the proceeds of the 2010 Refunding Bonds. At June 30, 2011, the 1998 Bonds had been fully paid.

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. At June 30, 2011, the 2001 Bonds consist of $15,310,000 in serial bonds due from 2012 to 2021 with interest rates ranging from 4.375% to 5.250%, a $7,225,000 term bond due July 1, 2026 with an interest rate of 5%, a $9,275,000 term bond due July 1, 2031 with an interest rate of 5%, and a $11,955,000 term bond due July 1, 2036 with an interest rate of 5.125%. The District is required to make sinking fund payments on the term bond due July 1, 2026 beginning on July 1, 2022, on the term bond due July 1, 2031 beginning July 1, 2027, and on the term bond due on July 1, 2036 beginning on July 1, 2032. In addition, the 2001 Bonds maturing on or after July 1, 2012 may be redeemed prior to their respective stated maturities, at the option of the District, as a whole or in part, on any date on or after July 1, 2011, at the principal amount called for redemption plus interest accrued thereon to the date fixed for redemption without premium.

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, 2011, the 2005 Refunding Bonds consist of $200,570,000 in serial bonds due from 2011 to 2026 with interest rates ranging from 3.50% to 5.00%, two 5.00% term bonds in the amounts of $55,685,000 and $31,785,000 due in 2030 and 2034, respectively, and one 4.50% term bond for $1,650,000 due in 2030.

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. At June 30, 2011, the 2006 Bonds outstanding consist of $20,110,000 in serial bonds due from 2014 to 2026 with interest rates ranging from 4.0% to 4.625%, $17,995,000 in term bonds due July 1, 2031 with 5.0% interest rate and $26,810,000 in term bonds due July 1, 2036 at 5.0% interest rate. The term bonds are subject to mandatory sinking account payments beginning in 2027 for the term bonds due in 2031 and 2032 for the term bonds due in 2036.

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, 2011, the 2006 Refunding Bonds consist of serial bonds amounting to $52,770,000 due from 2011 to 2027 with interest rates ranging from 4.0% to 5.0%, and term bonds totaling $54,570,000 of various maturity dates from 2029 to 2036 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, 2011, the 2010 Refunding Bonds consist of serial bonds amounting to $129,595,000 with interest rates ranging from 3.0% to 5.0%, with various maturity dates from 2011 to 2028.

The net proceeds from the refunding, which include premium of $16,065,000 and residual cash balance of $2,353,000 provided by the old debt and after paying costs of issuance of $686,000, amounted to $147,327,000. The net proceeds of $147,327,000 was placed in an irrevocable trust with an escrow agent to provide for the redemption of the refunded bonds. At June 30, 2011, the defeased bonds had been fully paid.

Although the refunding resulted in the accounting recognition of a deferred loss of $4,936,000 for the year ended June 30, 2010, the District in effect reduced its aggregate debt service payments by $22,638,000 and generated net economic savings through the refunding (difference between the present values of the old and new debt service payments) of $15,756,000.

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, 2011, the 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 $21,000,000 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. MTC's loan for the project's temporary cash requirements of $21,000,000 is repaid from the District's general funds amortized over a three-year period ending in June 2014, with a 3% simple interest rate.

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 is being amortized over a period of 15.75 years through January 2, 2018. The unamortized balance of the deferred gain at June 30, 2011 was $9,644,000 and $11,128,000 at June 30, 2010. In accordance with generally accepted accounting principles in the United States of America, the District has reflected this transaction as a financing transaction. The District has recorded the payment to the Payment Undertaker as a deposit for sublease obligation and the deposit to the trust account as investments, and the net present value of the future sublease payments and exercise price of the purchase option as long-term debt.

Under the terms of the agreement, if the credit rating of the Payment Undertaker falls below Baa1 for Moody's Investor or BBB+ for Standard & Poor's, the District will be required to replace the Payment Undertaker with a AAA Moody's Investor and Standard & Poor's rated entity. Failure to replace the Payment Undertaker will result in a default penalty. As of June 30, 2011, the Payment Undertaker's credit rating was Baa1 for Moody's Investor and A- for Standard & Poor's. Under this transaction, the District maintains the right to continued use and control of the Network through the end of the sublease term.

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.

The District recognized a loss of $5,489,000 related to this early termination, which is the net result of investments plus accreted interest income totaling $30,559,000 used to liquidate the net Lease/Leaseback obligation of $25,070,000 identified to the portion of the head lease and sublease interest of Key Equipment Finance. The net lease/leaseback obligation of $25,070,000 that was bought back by the District consists of the difference between (1) the sublease payable of $54,394,000 consisting of a principal amount of $42,887,000 and accrued interest of $11,507,000 and (2) the head lease receivable amount of $29,324,000 made up of a principal amount of $27,529,000 and accrued interest of $1,795,000. The details of the lease/leaseback obligation, including the accretion of interest, are as follows (dollar amounts in thousands):

	2011	2010
Long-term debt at beginning of year	$ 61,355	$ 125,876
Interest expense incurred during the year	4,054	5,096
Payment/Amortization of principal	(5,193)	(53,363)
Amortization of accumulated accretion	(2,922)	(16,254)
Total long-term debt at end of year	57,294	61,355
Lease amortization in one year	(257)	(6,814)
Net long-term debt at end of year	$ 57,037	$ 54,541

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. At June 30, 2011, the 2002 Airport Premium Fare Bonds consist of $18,245,000 in serial bonds due from 2011 to 2022 with interest rates ranging from 3.50% to 5.00%, a $11,230,000 term bond due August 1, 2026 with an interest rate of 5.00%, and a $23,970,000 term bond due August 1, 2032 with an interest rate of 5.00%. The District is required to make sinking fund payments on the term bond due August 1, 2026 beginning on August 1, 2023 and on the term bond due August 1, 2032 beginning on August 1, 2027.

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, 2011, the 2005 GO Bonds consist of $19,980,000 in serial bonds due from 2011 to 2026 with interest ranging from 3.125% to 5.00%, a $7,720,000 term bond at 4.50% due in 2030 and a $11,895,000 term bond at 5.00% due in 2035. The District is required to make sinking fund payments on the term bond due in 2030 beginning in 2027 and on the term bond due in 2035 beginning in 2031.

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, 2011, the 2007 GO Bonds consist of $109,820,000 in serial bonds due from 2011 to 2027 with interest rates ranging from 3.70% to 5.0%, and three term bonds totaling $264,450,000 due in 2032, 2035 and 2037 with interest rates ranging from 4.75% to 5.0%. The bonds maturing in 2032, 2035 and 2037 are subject to mandatory sinking fund redemptions starting in 2028, 2033 and 2036, respectively.

After the issuance of the 2005 and the 2007 GO Bonds, the remaining General Obligation Bonds that can be issued by the District as authorized under Measure AA is $480,000,000.

Defeased Bonds

On various dates, the District issued bonds to refund certain outstanding sales tax revenue bonds previously issued by the District. In August 2005, the District refunded $349,925,000 aggregate principal amount of bonds outstanding from the proceeds of the 2005 Refunding Bonds. The bonds refunded in August 2005, consisted of $45,275,000 of the 1995 Bonds, $155,650,000 of the 1998 Bonds, $129,360,000 of the 1999 Bonds and $19,640,000 of the 2001 Bonds. In November 2006, a portion of the 2001 Bonds with an aggregate principal amount of $102,560,000 was advanced refunded from the proceeds of the 2006 Refunding Bonds. The most recent refunding occurred in May 2010 when a portion of the 1998 Bonds with an aggregate principal amount of $143,825,000 were refunded from the proceeds of the 2010 Refunding Bonds.

On all 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.

The outstanding principal balance of the defeased bonds as of June 30, 2011 and 2010 is $122,200,000 and $266,025,000, respectively and consists of (dollar amounts in thousands):

	2011	2010
August 2005 defeasance	$ 19,640	$ 19,640
November 2006 defeasance	102,560	102,560
May 2010 defeasance	-	143,825
	$ 122,200	$ 266,025

The District deferred, and amortized as a component of interest, the difference between the reacquisition price and the net carrying amount of the old debts and amortized over the life of the defeased bonds. The unamortized balance of deferred loss on early debt retirement is $26,958,000 on June 30, 2011 and $31,871,000 at June 30, 2010. Amortization expense on these deferred charges was $1,410,000 in fiscal year 2011 and $1,362,000 in fiscal year 2010. In addition, the District received a refund of $3,502,000 in July 2011 on amounts previously paid to the fiscal agent for refunded debt, which reduced the deferred loss on early debt retirement.

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, 2011, the District has recorded an estimated arbitrage liability amounting to $2,535,000 and $2,520,000 in 2010, which is included in accounts payable and other liabilities in the statements of net assets.

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, 2011 consist of the 1990 Refunding Bonds, the 2001 Bonds, the 2005 Refunding Bonds, the 2006 Bonds, the 2006 Refunding Bonds, and the 2010 Refunding 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 2036. The total principal and interest remaining on these sales tax revenue bonds is $1,036,804,000 as of June 30, 2011 ($1,091,274,000 as of June 30, 2010) which is 16% in 2011 (21% in 2010) of the total projected sales tax revenues of $6,349,000,000 as of June 30, 2011 ($5,223,971,000 as of June 30, 2010). The pledged sales tax revenues recognized in fiscal year 2011 was $180,819,000 ($166,520,000 in fiscal year 2010) as against a total debt service payment of $54,470,000 in fiscal year 2011 ($54,639,000 in fiscal year 2010).

Premium Fare Bonds

The SFO Airport premium fare bonds were issued in 2002 to provide financing for a portion of the construction costs of the SFO Extension project, which was completed and started revenue operations in 2004. The premium fare bonds are payable from and secured by a pledge of premium fares generated by BART's SFO station. Interests on the premium fare bonds are payable on February 1 and August 1 of each year, and the principal on August 1 of the scheduled year until 2032. The total principal and interest remaining on the premium fare bonds as of June 30, 2011 is $89,646,000 ($93,088,000 on June 30, 2010) which is 13% (27% in 2010) of the total projected SFO station premium fare revenues of $685,648,000. The pledged SFO station premium fare revenues recognized in fiscal year 2011 was $15,094,000 ($14,373,000 in fiscal year 2010) as against a total debt service payment of $3,342,000 in fiscal year 2011 ($3,387,000 in fiscal year 2010).

Debt Repayments

The following is a schedule of long-term debt principal and interest payments required as of June 30, 2011 (dollar amounts in thousands):

Sales Tax Revenue Bonds

Year ending June 30:	1990 Bonds Principal	1990 Bonds Interest	2001 Bonds Principal	2001 Bonds Interest	2005 Bonds Principal	2005 Bonds Interest
2012	$ 14,905	$ 1,006	$ -	$ 2,200	$ 8,225	$ 13,593
2013	-	-	2,020	2,111	9,010	13,242
2014	-	-	2,120	2,005	12,630	12,651
2015	-	-	2,230	1,892	13,445	12,006
2016	-	-	2,340	1,771	15,130	11,298
2017-2021	-	-	5,360	8,065	69,285	45,517
2022-2026	-	-	6,870	6,502	52,585	34,150
2027-2031	-	-	8,825	4,501	77,595	13,621
2032-2036	-	-	11,360	1,900	31,785	2,481
Thereafter	-	-	2,640	-	-	-
	$ 14,905	$ 1,006	$ 43,765	$ 30,947	$ 289,690	$ 158,559

Year ending June 30:	2006 Bonds Principal	2006 Bonds Interest	2006 Refunding Bonds Principal	2006 Refunding Bonds Interest	2010 Refunding Bonds Principal	2010 Refunding Bonds Interest
2012	$ -	$ 3,131	$ 210	$ 4,619	$ 415	$ 6,222
2013	-	3,131	5,885	4,324	3,385	6,120
2014	-	3,131	2,190	4,215	1,530	6,074
2015	145	3,125	2,070	4,111	1,580	6,027
2016	435	3,108	1,145	4,054	1,620	5,962
2017-2021	6,125	14,848	11,130	19,136	30,645	26,758
2022-2026	10,645	12,884	20,600	15,443	67,385	10,922
2027-2031	2,760	9,552	25,470	10,468	23,035	1,189
2032-2036	17,995	4,225	31,500	4,309	-	-
Thereafter	26,810	-	7,140	-	-	-
	$ 64,915	$ 57,135	$ 107,340	$ 70,679	$ 129,595	$ 69,274

Year ending June 30:	Construction Loans Principal	Construction Loans Interest	Lease/ Leaseback Obligation Principal	Lease/ Leaseback Obligation Interest
2012	$ 8,000	$ 630	$ -	$ 3,987
2013	8,000	390	-	4,244
2014	5,000	150	-	4,536
2015	-	-	-	4,834
2016	-	-	-	5,160
2017-2021	-	-	44,375	9,971
Thereafter	88,500	-	-	-
	$ 109,500	$ 1,170	$ 44,375	$ 32,732

Year ending June 30:	2002 SFO Extension Premium Fare Bonds Principal	2002 SFO Extension Premium Fare Bonds Interest	2005 General Obligation Bonds Principal	2005 General Obligation Bonds Interest	2007 General Obligation Bonds Principal	2007 General Obligation Bonds Interest	Total Principal	Total Interest
2012	$ 875	$ 2,617	$ 920	$ 1,801	$ 405	$ 18,270	$ 33,955	$ 58,074
2013	965	2,583	950	1,770	900	18,237	31,115	56,153
2014	1,055	2,532	980	1,737	1,435	18,182	26,940	55,213
2015	1,165	2,474	1,015	1,701	2,010	18,103	23,660	54,273
2016	1,285	2,410	1,050	1,662	2,640	18,000	25,645	53,425
2017-2021	8,435	10,866	5,900	7,603	24,545	87,305	205,800	230,068
2022-2026	12,575	8,177	7,445	5,953	49,190	78,024	227,295	172,056
2027-2031	18,010	4,270	9,440	3,897	83,905	60,915	249,040	108,414
2032-2036	9,080	272	11,895	1,297	132,810	33,135	246,425	47,619
Thereafter	-	-	-	-	76,430	2,187	201,520	2,187
	$ 53,445	$ 36,201	$ 39,595	$ 27,421	$ 374,270	$ 352,358	$ 1,271,395	$ 837,482

8. 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 $7,500,000 for any one occurrence. Claims in excess of self-insured retentions are covered up to a total of $95,000,000 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 March 31 and are subject to periodic adjustments as conditions warrant.

The estimated liability for insurance claims at June 30, 2011 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, 2011 and 2010, the estimated amounts of these liabilities were $29,867,000 and $27,645,000, respectively. Changes in the reported liabilities since the beginning of the respective fiscal years are as follows (dollar amounts in thousands):

	2011	2010
Liabilities at beginning of year	$ 27,645	$ 29,370
Current year claims and changes in estimates	12,206	11,872
Payments of claims	(9,984)	(13,597)
Liabilities at the end of year	29,867	27,645
Less current portion	(12,735)	(11,333)
Net noncurrent portion	$ 17,132	$ 16,312

9. 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, 2011 and 2010 are summarized as follows (dollar amounts in thousands):

	2011	2010
Total approved project costs	$ 4,090,843	$ 2,716,542
Cumulative amounts of project costs incurred and earned	$ 1,450,320	$ 1,356,936
Less: approved federal allocations received	(1,379,147)	(1,293,344)
Capital grants receivable - Federal	$ 71,173	$ 63,592

The District's fleet replacement program consisting of construction for the A, B, C1 and C2 fleet replacement is scheduled to begin in 2013. To set aside funding for this future need, 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 Grants for $22,683,000 in fiscal year 2010 and zero in fiscal year 2011 to fund the District's preventive maintenance expenses. Accordingly, the District remitted to MTC the equivalent amount of its own funds, which was 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.

The restricted account 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, of $94,298,000 as of June 30, 2011 and $93,890,000 as of June 30, 2010.

10. 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 2011 or 2010. The District received a TDA capital allocation of $2,438,000 in fiscal year 2011 (zero in 2010) of which $119,000 was earned during fiscal year 2011. 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 $19,634,000 in fiscal year 2011 and zero in fiscal year 2010. The District also received STA capital allocations amounting to $1,170,000 awarded in fiscal year 2004 and $971,000 awarded in fiscal year 2011 of which $36,000 was earned during fiscal year 2011 and $176,000 was earned during fiscal year 2010.

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 Improvement Authority ("ACTIA") is the administrator of Measure B funds. In fiscal year 2011, the District's revenues that relate to the Measure B funds were $1,529,000 ($1,311,000 in fiscal year 2010) for the annual assistance for paratransit operating funds and zero ($44,000 in fiscal year 2010) for a new rider care specialist position in the paratransit broker's office to address complex rider problems, initiate education and outreach programs, improve new rider orientation and improve service planning and $27,000 ($13,000 in fiscal year 2010) for consulting services for the Learn BART Project and zero ($58,000 in fiscal year 2010) 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 new 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. As of June 30, 2011, the balance of the reserve account is as follows (dollar amounts in thousands):

	2011	2010
Reserve account at beginning of year	$ 3,281	$ 2,009
Received/Accrued	6,225	9,095
Add interest earnings	16	7
Total	9,522	11,111
Less: amount used to cover SFO Extension operating shortfall	(2,066)	(7,830)
Reserve account at end of year	$ 7,456	$ 3,281

In accordance with the Tri-Party Financial Agreement, the District recognized contributions in fiscal year 2011 of $5,191,000 from SamTrans ($4,176,000 in fiscal year 2010) and $1,034,000 from MTC ($4,919,000 in fiscal year 2010)

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 $102,062,000 in PTMISEA grant funds to fund various BART capital projects. The grants received are in the form of cash for $96,547,000 and reimbursement grants for $5,515,000.

The following schedules show the changes in activities related to the PTMISEA grant funds during the fiscal years 2011 and 2010 (dollar amounts in thousands):

2011	Grant Fund Balance at Beginning of Year	Grants Received	Project Costs Incurred	Grant Fund Balance at End of Year
eBART Extension	$ 1,938	$ -	$ 1,895	$ 43
Ashby Elevator	475	-	145	330
Station Modernization	44,107	(4,073) **	15,735	24,299
Seismic Retrofit	210	-	(29)	239
Oakland Airport Connector	10,942	5,400 **	14,081	2,261
Warm Springs Extentsion	1,336	-	-	1,336
Balboa West Side Entrance	1,154	-	336	818
Station Signage***	4,886	-	318	4,568
	$ 65,048	$ 1,327	$ 32,481	$ 33,894

2010	Grant Fund Balance at Beginning of Year	Grants Received	Project Costs Incurred	Grant Fund Balance at End of Year
eBART Extension	$ 233	$ 6,000	$ 4,295	$ 1,938
Ashby Elevator	1,879	-	1,404	475
Station Modernization	30,566	21,532	7,991	44,107
Seismic Retrofit	17,671	(12,801) *	4,660	210
Oakland Airport Connector	-	12,801 *	1,859	10,942
Warm Springs Extentsion	-	1,336	-	1,336
Balboa West Side Entrance	-	1,154	-	1,154
Station Signage***	679	4,800	593	4,886
	$ 51,028	$ 34,822	$ 20,802	$ 65,048

* These grants were re-programmed during fiscal year ended June 30, 2010.

** Consists of $5,400,000 grants re-programmed from the Station Modernization project to the Oakland Airport Connector project and a new grant of $1,327,000 received in fiscal year 2011 for the Station Modernization project.

*** This grant is on a reimbursement basis.

As of June 30, 2011 and 2010, the unused portion of grant funds received in cash are shown on the statements of net assets as a component of deferred revenues as follows (dollar amounts in thousands):

	2011	2010
Cash available, end of year	$ 29,326	$ 60,162
Less noncurrent portion	(5,597)	(29,240)
Net current portion	$ 23,729	$ 30,922

At the end of fiscal year 2011, the PTMISEA funds had earned interest income of $1,122,000 from inception, of which $110,000 was earned in fiscal year 2011 and $182,000 in fiscal year 2010.

11. 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 3,103 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. 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.

The District's covered payroll for employees participating in the Fund for the years ended June 30, 2011 and 2010 was $236,701,000 and $236,436,000, respectively. The District's 2011 and 2010 payroll for all employees was $273,069,000 and $275,151,000, respectively. The District, in compliance with the collective bargaining agreements, also reimburses the employees for their contributions, which are 9% for public safety personnel and 7% for miscellaneous covered employees.

The annual required contributions for fiscal year 2011 and 2010 were determined by an actuarial valuation of the Plans as of June 30, 2008 and 2007, respectively. The contribution rates in fiscal year 2011 were 9.446% for the Miscellaneous Plan and 32.321% for the Safety Plan. The contribution rates in fiscal year 2010 for the Miscellaneous Plan were 9.311% from July 1, 2009 to October 18, 2009, increased to 9.680% effective October 19, 2009 to June 30, 2010. For the Safety Plan, the contribution rates in fiscal year 2010 were 33.448% from July 1, 2009 to October 18, 2009 and increased to 33.971%

from October 19, 2009 to June 30, 2010. The increases in the contribution rates within fiscal year 2010 are due to the Plan amendment which provides that an employee's unused sick leave hours at the time of retirement would be converted to CalPERS service credit. The amendments to the Plans were a result of the 2009 collective bargaining agreements with the labor unions.

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, 2009	$ 21,663	100%	-
	June 30, 2010	20,854	100%	-
	June 30, 2011	20,522	100%	-
Safety Plan:	June 30, 2009	6,052	100%	-
	June 30, 2010	6,071	100%	-
	June 30, 2011	5,894	100%	-

Funded Status and Funding Progress of the Miscellaneous Plan

As of June 30, 2010, based on CalPERS most recent actuarial report, the Miscellaneous Plan is 92.9% funded. The actuarial accrued liability for benefits was $1,575,249,000, and the actuarial value of assets was $1,462,840,000, resulting in an unfunded actuarial accrued liability (UAAL) of $112,409,000. The covered payroll (annual payroll of active miscellaneous employees covered by the plan) was $219,269,000, and the ratio of the UAAL to the covered payroll was 51.3%.

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, 2010, based on CalPERS most recent actuarial report, the Safety Plan is 75.5% funded. The actuarial accrued liability for benefits was $197,342,000, and the actuarial value of assets was $148,970,000, resulting in an unfunded actuarial accrued liability (UAAL) of $48,372,000. The covered payroll (annual payroll of active safety employees covered by the plan) was $17,601,000, and the ratio of the UAAL to the covered payroll was 274.8%.

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.

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, 2010	June 30, 2009	June 30, 2008
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; 17 years as of the valuation date for Miscellaneous Plan; and 22 years for the Safety Plan	Closed; 18 years as of the valuation date for Miscellaneous Plan; and 22 years for the Safety Plan	Closed; 13 years as of the valuation date for Miscellaneous Plan; and 22 years for the Safety Plan
Asset valuation method	15 year smoothed market	15 year smoothed market	15 year smoothed market
Investment rate of return	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected salary increases	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	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	3.25% to 14.45% depending on age, service and type of employment for the Miscellaneous Plan; and 3.25% to 13.15% for the Safety Plan
Inflation	3.00%	3.00%	3.00%
Payroll growth	3.25%	3.25%	3.25%
Individual salary growth	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%	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%	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%

12. Money Purchase Pension Plan

Most District employees participate in the Money Purchase Pension Plan, 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. The non-represented employees receive an additional contribution equal to 1.627% of their annual compensation which was suspended starting January 2010 as one of the cost-saving measures implemented by the District in fiscal year 2010. 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, 2011 and 2010 were \$5,706,000 and \$6,019,000, respectively. The Money Purchase Pension Plan assets at June 30, 2011 and 2010 (excluded from the accompanying financial statements) per the plan administrator's unaudited report were \$260,388,000 and \$233,847,000, respectively. At June 30, 2011, there were approximately 295 (279 in 2010) 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.

13. Other Postemployment Benefits

In addition to the retirement benefits described in Notes 11 and 12, 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.

In compliance with GASB requirements, the District accounts for OPEB on an accrual basis and created the Trust, an irrevocable 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 health medical benefits and the survivors benefits provided to widows and widowers of retirees. It does not fund the "additional OPEB" which include the retiree life insurance premiums and the survivors dental and vision benefits and the medical liability from survivors of active employees. 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 2007 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.

Beginning fiscal year 2013, the District shall, at minimum, contribute to the Trust each pay period an amount equal to the full GASB compliant ARC. The CBAs further state that no retiree health insurance premiums will be paid from the Trust prior to July 1, 2013 and that effective July 1, 2013, the District shall direct the Trustee of the Trust to pay the premiums from the Trust.

Funding Policy The actuarially calculated ARC for fiscal year 2011, as a percent of covered payroll for the year, are 11.77% (14.01% in fiscal year 2010) for retiree medical benefits and 0.80% (0.95% in fiscal year 2010) for additional OPEB, which amounted to $28,135,000 and $1,894,000, respectively ($35,276,000 and $2,258,000 in fiscal year 2010). In fiscal year 2011, the District contributed cash to the Trust amounting to $11,291,000 for the retiree medical benefits and zero for the additional OPEB to partially fund the OPEB cost for the year. In fiscal year 2010, the District contributed cash to the Trust amounting to $11,532,000 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 2011 on a pay-as-you-go basis, net of retirees' and surviving spouses' share, medical insurance premiums totaling $13,272,000 for 1,641 retirees and surviving spouses ($11,534,000 for 1,558 retirees and surviving spouses in fiscal year 2010) and life insurance premiums amounting to $81,000 ($61,000 in fiscal year 2010). The District does not charge any administration cost to the Trust. Currently, the retiree pays $86.95 per month and the survivor $15.00 per month for their share of the health care premium; 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 2011 and 2010 (dollar amounts in thousands):

Retiree Medical Benefits

	2011	2010
Annual Required Contribution (ARC)	$ 28,135	$ 35,276
Interest on net OPEB obligation	2,316	1,492
Adjustments to ARC	(2,316)	(1,492)
Annual OPEB Cost	28,135	35,276
Contributions made	(24,563)	(23,066)
Increase in Net OPEB obligation	3,572	12,210
Net OPEB obligation, beginning of year	34,309	22,099
Net OPEB obligation, end of year	$ 37,881	$ 34,309

Additional OPEB

	2011	2010
Annual Required Contribution (ARC)	$ 1,894	$ 2,258
Interest on net OPEB obligation	279	186
Adjustments to ARC	(279)	(186)
Annual OPEB Cost	1,894	2,258
Contributions made	(81)	(60)
Increase in Net OPEB obligation	1,813	2,198
Net OPEB obligation, beginning of year	6,564	4,366
Net OPEB obligation, end of year	$ 8,377	$ 6,564

The total net OPEB obligations of $46,258,000 in fiscal year 2011 and $40,873,000 in fiscal year 2010 are shown on the statements of net assets 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	OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
Retiree Medical Benefits	June 30, 2009	$ 40,741	92%	$ 22,099
	June 30, 2010	35,276	65%	34,309
	June 30, 2011	28,135	87%	37,882
Additional OPEB	June 30, 2009	2,106	7%	4,366
	June 30, 2010	2,258	3%	6,564
	June 30, 2011	1,894	4%	8,377

At June 30, 2011, assets held in the Trust included investment in money market mutual funds, U.S. Treasury obligations, corporate obligations, miscellaneous obligations, foreign obligations, foreign stocks, equity mutual funds and domestic common stocks with an aggregate fair value of $133,740,000 ($91,204,000 in 2010). These investments are included in the District's financial statements and are restricted to use for payment of retiree medical benefits

Funded Status and Funding Progress of the Retiree Medical Plan. As of June 30, 2010, based on Keenan and Associates (Keenan)'s most recent actuarial report, the Retiree Medical Plan is 25.5% funded. The actuarial accrued liability for benefits was $347,058,000, and the actuarial value of assets was $88,456,000, resulting in an unfunded actuarial accrued liability (UAAL) of $258,602,000. The covered payroll (annual payroll of active miscellaneous and safety employees covered by the plan) was $236,436,000, and the ratio of the UAAL to the covered payroll was 109.4%.

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, 2010, based on Keenan's most recent actuarial report, the Additional OPEB Plan is zero percent funded. The actuarial accrued liability for benefits was $25,305,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $25,305,000. The covered payroll (annual payroll of active miscellaneous and safety employees covered by the plan) was $236,436,000, and the ratio of the UAAL to the covered payroll was 10.7%.

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 Assumptions and Methods

The latest OPEB actuarial valuation was performed by Keenan in March 2011 using District data as of June 30, 2010. The actuarial valuation for June 30, 2009 was also performed by Keenan. The actuarial valuation for June 30, 2008 was done by another actuarial company, Mercer. A summary of principal assumptions and methods used by Keenan/Mercer to determine the District's annual required contributions to the OPEB plans is shown below:

Valuation Date	June 30, 2010	June 30, 2009	June 30, 2008
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	24 years	25 years	26 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	3.00%	3.00%	3.00%
Payroll growth rate	0% through 2012-2013; then 3.25% per year	3.25%	3.75%
Health care cost trend rate for the first year	7.50%	8.00%	10.50%
Ultimate trend rate	4.00%	4.00%	5.00%
Year that rate reaches the ultimate rate	2019	2019	2024

14. Board of Directors' Expenses

Total Directors' expenses, consisting of travel and other business related expenses for the years ended June 30, 2011 and 2010 amounted to $36,000 and $29,000, respectively.

15. Transit Financing Authority

The Joint Exercise of Powers Agreement (the "Agreement"), dated August 1, 1991, between the District and MTC provided for the creation of the Transit Financing Authority (the "Authority"), a public instrumentality of the State of California. The initial term of the Agreement was for ten years, unless extended or earlier terminated. On May 1, 1998, the term of the Agreement was extended to August 1, 2010 and was not renewed. The Authority was formed for the purpose of providing financing and contracting for public transit improvements, including the refinancing of prior indebtedness and acquiring, selling and financing public capital improvements, working capital, liability and other insurance needs, and for the specific purpose of assisting in financing the District's East-Bay and West-Bay extensions. The Authority's financial information, before it was terminated, was presented as a blended component unit of the District's financial statements because the Authority provides services almost exclusively to the District.

The governing board of the Authority consists of two members each from the District and MTC. Neither the District nor MTC is responsible for any debt, liabilities or obligations of the Authority.

On the termination of the Agreement effective August 2, 2010, the Authority has an asset in the form of a receivable from the District for $45,573,000, and a liability in the form of a debt to MTC for $45,573,000, resulting in a zero net asset. Both the Authority's asset and liability relate to the balance of the loans extended by MTC to the Authority for use by the District for the construction of the San Francisco International Airport Extension. Both asset and liability were absorbed by the District effective upon the termination of the Agreement.

The Agreement also stated that at the end of the term or upon the earlier termination of the Agreement, all assets of the Authority shall be distributed to the two participants, and any surplus money on hand shall be returned to these participants in proportion to their respective contributions to the Authority. Upon termination, the Authority did not have any surplus money that needed to be returned to the participants.

The Authority issues an annual audited financial report that includes financial statements and required supplementary information. This report may be obtained by contacting the District's Controller-Treasurer at 300 Lakeside Drive, P.O. Box 12688, Oakland, California 94604.

16. 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 $4,285,000 for marketing and administrative services during 2011 and $3,368,000 during 2010. 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 assets. Unreimbursed expenses and capital project costs from Capitol Corridor amount to $6,125,000 and $8,071,000 as of June 30, 2011 and 2010, respectively. All unreimbursed expenses are included as current receivables and other assets in the statements of net assets. 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 it provides to Capitol Corridor.

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 10). 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"). The Pleasant Hill Authority was created as a means of accomplishing the cooperation and coordination among the three agencies to provide for the development of a transit center located in BART's Pleasant Hill station which will include 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 – one of each from the County and the Agency and two from the District.

17. Special Item – Termination of the Technology Reinvestment Project

In 1994, The District and the joint venture of Hughes Transportation Control Systems, Inc. (Hughes), and Morrison Knudsen Train Control, Inc. (HMK) entered into a memorandum of understanding (MOU) to form an alliance (Alliance) to develop a cost-effective, highly reliable and safe train control system for passenger and freight-carrying trains. The project is more commonly known as the Advanced Automatic Train Control (AATC) project. During fiscal year 1998, the Alliance was reorganized. Hughes and HMK withdrew and were replaced by Harmon Industries, Inc. (Harmon). In August 1998, a MOU was executed between the District and Harmon which replaced the 1994 MOU between the District and the joint venture of Hughes and HMK. In February 1998, Harmon and the District executed Contract no. 49GB-110 and the document incorporated the MOU that was later amended in August 1998 to reflect the replacement of HMK by Harmon. In 2000, Harmon was purchased by GE Transportation Systems, and Harmon became known as GE Transportation Systems, Global Signaling.

The AATC project has three phases which are: Phase 1, the prototype phase, which demonstrates the feasibility of the technical concepts through a demonstration of the technology at BART's Hayward test track; Phase 2, the development phase, which implements the pilot system at two BART train stations and on ten control cars to demonstrate the safety of the system; and Phase 3, the implementation phase, which implements the AATC system on eight additional BART train stations and 289 control cars, including training of BART personnel, creation of manuals and supply of spare parts.

Phase 1 was completed in 1996, while work on Phase 2 and Phase 3 was in progress. Phase 1 and Phase 2 were partially funded by the Technology Reinvestment Project managed by the Advanced Research Projects Agency (ARPA). The Alliance handled the disbursements for project costs paid out of the ARPA grant. The District's participation in Phase 1 and Phase 2 include in-kind contributions, which consisted primarily of cost of vehicles and infrastructure use and labor and other direct costs, totaling $25,848,000, of which $948,000 was reimbursed by the Alliance. Additional funding for Phase 2 and Phase 3 came from the federal allocations of $66,844,000, State grants of $4,728,000, local agency contributions of $2,393,000 and the District's own funds of $41,973,000. The total project expenditures through June 30, 2011 for Phase 2 and Phase 3 amount to $93,120,000 ($92,886,000 in 2010). The total cost of $93,120,000 was funded by federal grants ($47,391,000), state grants ($4,728,000), MTC bridge toll allocations ($1,219,000) and the District's own funds ($39,782,000).

In June 2002, several issues that needed to be resolved to finish the project were discovered in the design. The contractor submitted notices of potential claim in April 2003. In June 2006, after over three years of unsuccessful negotiations on these claims, BART filed a Complaint with the United States District Court, Northern District of California for Rescission, Breach of Contract, Termination of Contract, Specific Performance and Declaratory Relief. Trial was set for August 2010, but taken off the calendar when the parties agreed to settle the matter following mediation by former California Supreme Court Justice Panelli.

In December 2010, a Settlement Agreement and Mutual Release was executed between the District and the contractor which terms included a full and final release of all claims the District and the contractor now have or in the future may have against each other and a payment of $40,000,000 by the contractor to the District.

The District had also determined that Phase 2 and Phase 3 of the AATC system being based on an obsolete technology cannot be used successfully in the train operations and had consequently decided to write off the cost of the asset amounting to $93,120,000, less a salvage value of $6,686,000 for a net write off amount of $86,434,000. The salvage value consists of the costs of some wayside-based equipment, office furniture and computer software and equipment. The net loss on termination of capital project amounted to $53,194,000 which has been classified as a special item in the Statement of Revenues, Expenses and Changes in Net Assets calculated as follows (in thousands):

Total cost of the asset	$ 93,120
Add (Less):	
Salvage value	(6,686)
Settlement payment received	(40,000)
Settlement legal expenses	6,760
Net loss from termination of a capital asset	$ 53,194

18. 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. The District has committed to a maximum capacity load of 83MW provided by Northern California Power Agency (NCPA) and 14MW provided by Western Area Power Administration (Western) through December 31, 2016.

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, 2011 are as follows (dollar amounts in thousands):

Year ending June 30:	Operating Leases
2012	$ 6,999
2013	10,754
2014	10,759
2015	10,714
2016	10,877
2017-2021	55,123
2022-2026	12,911
2027-2031	12,500
2032-2036	12,500
2037-2041	12,500
2042-2046	12,500
2047-2051	12,500
2052-2053	4,792
Total minimum rental payments	$ 185,429

Rent expenses under all operating leases were $11,121,000 and $11,093,000 for the years ended June 30, 2011 and 2010, 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 was planned to consist of approximately 250,000 square feet of commercial, community service and residential improvements. The lease agreement was effective December 9, 2003, the regular term date, which was also the opening date, 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 earns interest on the outstanding balance at simple interest based on the prime rate and can only be applied to satisfy the Base Rent.

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 $4,641,721, 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 from December 1, 2003 through June 30, 2011 was calculated at $875,622, which results in a remaining balance of $3,766,099 in the Replacement Parking Rent Credit as of June 30, 2011. The balance of the initial Rent Credit as of June 30, 2010, inclusive of all interest earnings and base rent offsets from inception through fiscal year 2010 was $9,073,000.

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.

Sale/Leaseback and Lease/Leaseback Obligations
The District has entered into two leaseback obligations relating to rail traffic control equipment and rail cars.

On March 30, 1995, the District entered into an agreement with a Swedish corporation to sell 25 newly manufactured C-2 rail cars for $50,383,000 and simultaneously entered into an agreement to lease them back. The lease agreement was effective on the closing date of September 15, 1995 and terminated on January 15, 2011. The District recorded a deferred gain on the sale of approximately $2,015,000, which is equal to the amount of cash received on the sale. As of June 30, 2011 and 2010, the deferred gain recorded by the District is $1,484,000 and $1,539,000 respectively.

On March 19, 2002, the District entered into a transaction to lease rail traffic control equipment (the "Network") to investors through March 19, 2042 and simultaneously sublease the Network back through January 2, 2018. The District received a head lease payment of $206,000,000 which is equivalent to the fair market value of the Network at closing. To fulfill its sublease obligations, the District paid approximately $146,000,000 to a payment undertaker and deposited $37,000,000 to a trust account. The District received cash from this lease/leaseback transaction amounting to approximately $23,000,000. As of June 30, 2011 and 2010, the remaining principal balance is $44,375,000 and $49,568,000 respectively.

19. Subsequent Event

In August 2011, Standard & Poor's lowered its long-term credit rating from AAA to AA+ on debt of the U.S. government, U.S. government-sponsored enterprises, and public debt issues that have credit enhancement guarantees by U.S. government sponsored enterprises. These credit downgrades relate to the credit risk associated with the District's investments in U.S. Treasury Notes and Government Securities Money Market Mutual Funds. However, Moody's and Fitch have both retained the credit ratings of Aaa and AAA, respectively.

Employees' Retirement Benefits
Schedules of Funding Progress
(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 (%)
6/30/08	$ 1,391,792	$ 1,349,563	$ 42,229	97.0	$ 218,889	19.3
6/30/09	1,520,140	1,405,192	114,948	92.4	222,864	51.6
6/30/10	1,575,249	1,462,840	112,409	92.9	219,269	51.3

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 (%)
6/30/08	$ 164,993	$ 131,846	$ 33,147	79.9	$ 17,721	187.0
6/30/09	183,177	140,580	42,597	76.7	18,373	231.8
6/30/10	197,342	148,970	48,372	75.5	17,601	274.8

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

Retiree Medical Benefits

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 (%)
6/30/08	$ 413,300	$ 48,500	$ 364,900	11.7	$ 238,800	152.8
6/30/09	335,118	68,087	267,031	20.3	242,071	110.3
6/30/10	347,058	88,456	258,602	25.5	236,436	109.4

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 (%)
6/30/08	$ 20,600	$ -	$ 20,600	0.0	$ 238,800	8.6
6/30/09	27,297	-	27,297	0.0	242,071	11.3
6/30/10	25,305	-	25,305	0.0	236,436	10.7

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 req. 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 First Supplemental Indenture, dated as of September 1, 2012 (the "First 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 Series 2012 Bonds, "Indenture" includes the First Supplemental Indenture, dated as of September 1, 2012.

"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.

"Series 2012 Costs of Issuance Fund" means the fund by that name established pursuant to the First Supplemental 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.

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 Series 2012 Bonds irrevocably grants to the District the option to purchase such Series 2012 Bonds, at any time such Series 2012 Bonds is subject to optional redemption as provided in the Indenture at a purchase price equal to the Redemption Price then applicable to such Series 2012 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 Series 2012 Bonds pursuant to this paragraph, the District shall pay the purchase price of such Series 2012 Bonds to the Trustee in immediately available funds and the Trustee shall pay the same to the Owners of Series 2012 Bonds being purchased against delivery thereof. Following such purchase, the Trustee shall register such Series 2012 Bonds in accordance with the written instructions of the District. No purchase of any Series 2012 Bonds pursuant to this paragraph shall operate to extinguish the indebtedness evidenced by such Series 2012 Bonds. No Owner may elect to retain a Series 2012 Bonds subject to mandatory purchase pursuant to this paragraph. Notwithstanding the foregoing, nothing contained herein is meant to prevent the District from purchasing Series 2012 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 Series 2012 Project Fund and the Series 2012 Costs of Issuance Fund is established pursuant to the First Supplemental Indenture.

For a description of the allocation of Sales Tax Revenues and the Interest Fund, Principal Fund, Bond Reserve Fund, Subordinate Obligations Fund and Expense Account see "SECURITY FOR THE 2012 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.

Establishment and Application of Series 2012 Project Fund. The District shall establish, maintain and hold in trust a separate account designated as the "Series 2012 Project Fund." The moneys deposited in the Series 2012 Project Fund from the proceeds of the Series 2012 Bonds shall be used and withdrawn by the District to pay the costs of the Oakland Airport Connector and other costs of the Project. All investment earnings on funds held in such separate account shall be deposited in the Series 2012 Project Fund unless transferred by the District to the Trustee to be deposited in the Rebate Fund.

When the District determines that the portion of the Oakland Airport Connector to be financed with the proceeds of the Series 2012 Bonds has been completed and funds are not needed for other costs of the Project, a Certificate of the District shall be delivered to the Trustee by the District stating (i) the fact and date of such completion, (ii) that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims which are subject to dispute and for which a retention in the Series 2012 Project Fund is to be maintained in the full amount of such claims until such dispute is resolved) and (iii) that the District will transfer the remaining balance in the Series 2012 Project Fund derived from the Series 2012 Bonds, less the amount of any such retention, to the Trustee for deposit in the Redemption Fund and the Trustee is to apply such funds to the purchase or redemption of maturities of Series 2012 Bonds designated by the District. Upon the receipt by the Trustee of such Certificate and any remaining balance in the Series 2012 Project Fund, less the amount of any such retention, the Trustee shall deposit such balance in the Redemption Fund to be used for the purchase or redemption of Series 2012 Bonds as soon as practicable in accordance with the foregoing Certificate and the terms and conditions of the Indenture.

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 amounts held in the 1990 Bond Reserve Fund are only security for the Bonds issued under the 1990 Indenture and are not available to pay the Series 2012 Bonds or any Additional Bonds issued under the Indenture. The 1990 Reserve Requirement is defined in the 1990 Indenture to mean as of any date of calculation, an amount equal to the lesser of (i) Maximum Annual Debt Service on all Bonds Outstanding under the 1990 Indenture; or (ii) 125% of average Annual Debt Service on all Bonds Outstanding under the 1990 Indenture; provided that with respect to a Series of Bonds consisting of Variable Rate Indebtedness, for which an Interest Rate Swap Agreement is not in place, the interest rate thereon for purposes of calculating the 1990 Reserve Requirement, shall be assumed to be equal to the highest interest rate published in The Bond Buyer "25 Bond Revenue Bond Index" most recently published preceding the date of sale of such Series of Bonds under the 1990 Indenture; and provided further that with respect to the issuance of a Series of Bonds under the 1990 Indenture if the 1990 Reserve Fund would have to be increased by an amount greater than ten percent (10%) of the stated principal amount of such Series of Bonds (or, if the Series has more than a de minimis amount of original issue discount or premium, of the issue price of such Series of Bonds) then the 1990 Reserve Requirement shall be such lesser amount as is determined by a deposit of such ten percent (10%).

The 1990 Reserve Fund contains cash and securities and Reserve Policies (as such term is defined in the 1990 Indenture). The Reserve Policies are issued by Ambac Assurance Corporation in the amount of $26,163,250, Financial Guaranty Insurance Company in the amount of $8,789,837.50 and Financial Security Assurance, Inc. (now know as Assured Guaranty Municipal Corp.) in the amount of $4,410,874.

The Series 2010 Bonds issued under the 1990 Indenture have a separate reserve account within the 1990 Reserve Fund (the "Series 2010 Reserve Account"). The Series 2010 Reserve Account is funded with cash in the amount of approximately $14,202,000. Additional cash and securities in the approximate amount of $13,385,000 are also held in the 1990 Reserve Fund. All other amounts and instruments on deposit in the 1990 Reserve Fund, including the Reserve Policies, are available for payments with respect to the Series 2010 Bonds. The Series 2010 Reserve Account will be available to pay only the principal of and interest on the Series 2010 Bonds until such time as the amount on deposit in the 1990 Reserve Fund, excluding any Reserve Policies held therein issued by insurance companies that are not rated in one of the two highest rating categories of Moody's or Standard & Poor's, is equal to the 1990 Reserve Requirement. At such time the Series 2010 Reserve Account will be combined with other cash deposits in the Reserve Fund and be available to pay principal of and interest on all Bonds issued under the 1990 Indenture as part of the 1990 Reserve Fund.

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 currently invested in money market securities and 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 Series 2012 Bonds.

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 non-member six counties, four to the north and two to the south, provide reciprocal economic support and 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 2012. Population in the Three BART Counties increased approximately 7.6% between 2000 and 2012 and 1.4% between 2010 and 2012.

Table 1
HISTORICAL POPULATION
Alameda and Contra Costa Counties and City and County of San Francisco
2000 and 2009 though 2012
(As of January 1)

	2000[1]	2009[2]	2010[1]	2011[2]	2012[2]	% Change 2011-2012
Alameda County						
Alameda	72,259	74,683	73,812	74,052	74,640	0.8%
Albany	16,444	16,884	18,539	18,345	18,488	0.8
Berkeley	102,743	107,178	112,580	113,925	114,821	0.8
Dublin	29,973	47,922	46,036	46,207	46,785	1.3
Emeryville	6,882	10,087	10,080	10,110	10,200	0.9
Fremont	203,413	215,636	214,089	215,391	217,700	1.1
Hayward	140,030	150,878	144,186	145,101	147,113	1.4
Livermore	73,345	84,409	80,968	81,547	82,400	1.0
Newark	42,471	44,035	42,573	42,700	43,041	0.8
Oakland	399,566	425,068	390,724	392,333	395,341	0.8
Piedmont	10,952	11,165	10,667	10,710	10,807	0.9
Pleasanton	63,654	70,097	70,285	70,537	71,269	1.0
San Leandro	79,452	82,472	84,950	85,364	86,053	0.8
Union City	66,869	73,977	69,516	69,746	70,646	1.3
Other Areas	135,688	142,166	141,266	141,688	142,833	0.8
	1,443,741	1,556,657	1,510,271	1,517,756	1,532,137	0.9
Contra Costa County						
Antioch	90,532	100,957	102,372	103,055	103,833	0.8
Brentwood	23,302	51,908	51,481	52,030	52,575	1.0
Clayton	10,762	10,864	10,897	10,942	10,996	0.5
Concord	121,782	124,599	122,067	122,599	123,206	0.5
Danville	41,715	43,043	42,039	42,217	42,450	0.6
El Cerrito	23,171	23,440	23,549	23,649	23,774	0.5
Hercules	19,488	24,480	24,060	24,153	24,272	0.5
Lafayette	23,908	24,087	23,893	24,024	24,159	0.6
Martinez	35,866	36,348	35,824	36,055	36,225	0.5
Moraga	16,290	16,204	16,016	16,076	16,152	0.5
Oakley[3]	25,619	34,468	35,432	35,998	36,532	1.5
Orinda	17,599	17,669	17,643	17,714	17,819	0.6
Pinole	19,039	19,383	18,390	18,461	18,560	0.5
Pittsburg	56,769	63,771	63,264	63,735	64,706	1.5
Pleasant Hill	32,837	33,547	33,152	33,280	33,440	0.5
Richmond	99,216	104,513	103,701	104,382	104,887	0.5
San Pablo	30,256	31,808	29,139	28,931	29,105	0.6
San Ramon	44,722	63,176	72,148	73,111	74,378	1.7
Walnut Creek	64,296	65,860	64,173	64,710	65,233	0.8
Other Areas	151,557	170,310	159,785	161,184	162,815	1.0
	948,816	1,060,435	1,049,025	1,056,306	1,065,117	0.8
City and County of San Francisco	776,733	845,559	805,235	808,768	812,538	0.5
Three BART Counties	3,169,488	3,462,651	3,364,531	3,382,830	3,409,792	0.8

(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 2011 and Table 2-B shows total nonagricultural employment for the Three BART Counties by industry sector in calendar years 2001 and 2011.

Table 2-A
NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SECTOR
Alameda and Contra Costa Counties and City and County of San Francisco
Calendar Year 2011

	Alameda County		Contra Costa County		City and County of San Francisco	
	Number	Percent	Number	Percent	Number	Percent
Mining and Construction	30,000	4.7%	17,400	5.6%	13,400	2.5%
Manufacturing	61,700	9.7	17,400	5.6	8,600	1.6
Transportation, Warehousing and Public Utilities	23,600	3.7	8,000	2.6	10,900	2.1
Wholesale Trade	34,100	5.4	7,900	2.5	10,500	2.0
Retail Trade	60,000	9.4	40,300	12.9	41,100	7.8
Finance, Insurance, and Real Estate	22,700	3.6	24,500	7.9	50,300	9.6
Information	13,700	2.2	9,000	2.9	20,900	4.0
Professional & Business Services	108,800	17.1	45,500	14.6	120,700	23.0
Educational & Health Services	88,300	13.9	49,200	15.8	59,000	11.2
Leisure & Hospitality	55,100	8.7	32,200	10.3	78,900	15.0
Other Services	23,500	3.7	12,500	4.0	21,900	4.2
Government	114,700	18.0	47,800	15.3	89,500	17.0
TOTAL NONAGRICULTURAL EMPLOYMENT[(1)]	636,100	100.0%	311,700	100.0%	525,600	100.0%

[(1)] Figures may not add due to independent rounding.
Source: California Employment Development Department, Labor Market Information Division.

Table 2-B
CHANGES IN NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SECTOR
Total Three BART Counties
Calendar Years 2001 and 2011

	2001		2011	
	Number	Percent	Number	Percent
Mining and Construction	91,300	5.6%	60,800	4.1%
Manufacturing	131,100	8.0	87,700	6.0
Transportation, Warehousing and Public Utilities	60,300	3.7	42,500	2.9
Wholesale Trade	69,600	4.3	52,500	3.6
Retail Trade	159,200	9.8	141,400	9.6
Finance, Insurance, and Real Estate	127,900	7.8	97,500	6.6
Information	68,000	4.2	43,600	3.0
Professional & Business Services	284,400	17.4	275,000	18.7
Educational & Health Services	165,200	10.1	196,500	13.3
Leisure & Hospitality	150,800	9.3	166,200	11.3
Other Services	60,900	3.7	57,900	3.9
Government	261,100	16.0	252,000	17.1
TOTAL NONAGRICULTURAL EMPLOYMENT[(1)]	1,630,000	100.0%	1,473,400	100.0%

[(1)] Figures may not add due to independent rounding.
Sources: Counties: California Employment Development Department.

Nonagricultural employment in the Three BART Counties decreased approximately 9.6% between 2001 and 2011.

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, and professional and business services.

Alameda County. Alameda County accounts for approximately 45% of the population and approximately 43% of the nonagricultural employment of the Three BART Counties. Alameda County's population increased approximately 6.1% between 2000 and 2012.

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 35% of total employment. The trade sector, including both retail and wholesale, averaged 94,100 jobs in 2011, comprising approximately 14.8% of total employment. The professional and business services industry, averaging 108,800 jobs in 2011, comprising approximately 17.1% of total employment, is the largest employment sector. Major employers in Alameda County include Kaiser Permanente, University of California at Berkeley, Alameda County, Lawrence Livermore National Laboratory, New United Motor Manufacturing Inc., 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 21% of the nonagricultural employment of the Three BART Counties in 2011. Contra Costa County's population increased approximately 12% between 2000 and 2012.

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% of the employment base. Major employers in Contra Costa County include SBC Communications Inc., 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 36% 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 4.6% between 2000 and 2012.

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 2007 through June 2012.

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 2007 Through June 2012

Calendar Year	Alameda County	Contra Costa County	City and County of San Francisco	State of California	United States
2007	4.7%	4.7%	4.2%	5.4%	4.6.%
2008	6.2	6.2	5.2	7.2	5.8
2009	10.5	10.2	8.9	11.3	9.3
2010	11.3	11.1	9.6	12.4	9.6
2011	10.4	10.4	8.6	11.7	8.9
2012(1)	9.4	9.4	7.8	11.0	8.2

(1) Annual average up through June 2012.
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 2011

Employer	Number of Employees
University of California, Berkeley	21,139
Kaiser Permanente	16,587
State of California	9,586
Contra Costa County	9,500
Safeway Inc.	9,121
Alameda County	8,813
Chevron Corp.	7,025
U.S. Postal Service	6,399
John Muir Health	6,259
Wells Fargo Bank	5,911
Alta Bates Summit Medical Center	4,997
Oakland Unified School District	4,592
Lawrence Livermore National Laboratory	4,300
Lawrence Berkeley National Laboratory	3,600
PG&E Corp.	3,420
Fremont Unified School District	3,000
Children's Hospital & Research Center at Oakland	2,800
San Ramon Valley Unified School District	2,675
San Francisco Bay Area Rapid Transit (BART)	2,639
Comcast Corp.	2,264
Contra Costa Community College District	2,000
Bank of the West	1,898
California State University, East Bay	1,740
Bayer HealthCare Pharmaceuticals	1,730
Ross Stores Inc.	1,655

Source: San Francisco Business Times, *2012 Book of Lists*.

Table 4-B
MAJOR EMPLOYERS
City and County of San Francisco
As of 2011

Employer	Number of Employees
City and County of San Francisco	25,488
University of California, San Francisco	11,639
Wells Fargo & Co. Inc.	9,089
California Pacific Medical Center	6,600
State of California	5,465
United States Postal Service	4,369
PG&E Corp.	4,080
United States Postal Service	4,697
Gap Inc.	3,783
Kaiser Permanente	3,490
San Francisco State University	3,243
City College of San Francisco	3,200
Catholic Healthcare West	2,884
Charles Schwab & Co. Inc.	2,800
Salesforce.com Inc.	2,000
University of San Francisco	1,856
Safeway Inc.	1,834
Deloitte	1,485
Kimpton Hotel & Restaurant Group LLC	1,392
Hilton San Francisco	1,200
Levi Strauss & Co.	1,200
Golden Gate University	1,181
San Francisco Marriott	1,100
Blue Shield of California	1,075
Saint Francis Memorial Hospital	1,061
YMCA of San Francisco	1,054

Source: San Francisco Business Times, *2012 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 848,408 people between 2012 and 2035, with most of the growth occurring in Contra Costa and Alameda counties. Employment in the Three BART Counties is expected to increase by approximately 783,060 jobs between 2012 and 2035. 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	2012 (Actual)	2035 (Projected)	% Change 2012-2035
Alameda	1,532,137	1,966,300	28.3%
Contra Costa	1,065,117	1,322,900	24.2
San Francisco	812,538	969,000	19.3
Three BART Counties	3,409,792	4,258,200	24.9

Employment

County	2012[1]	2035 (Projected)	Percent Change 2012-2035
Alameda	698,400	1,039,680	48.9%
Contra Costa	480,400	555,650	15.7
San Francisco	440,300	806,830	83.2
Three BART Counties	1,619,100	2,402,160	48.4

[1] As of July 2012.
Source: 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 City, the County, the State and the nation for the calendar years 2007 through 2011 (the most recent annual data available). The County has 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 2007 through 2011

Year and Area	Personal Income (millions of dollars)	Per Capita Personal Income (dollars)
2011		
Alameda County	N/A	N/A
Contra Costa	N/A	N/A
San Francisco	N/A	N/A
State	1,676,565	44,481
United States	12,981,741	41,663
2010		
Alameda County	72,757	48,087
Contra Costa	58,383	55,465
San Francisco	53,831	70,190
State	1,587,403	42,514
United States	12,353,577	39,937
2009		
Alameda County	69,974	46,695
Contra Costa	56,221	54,169
San Francisco	53,830	67,127
State	1,526,531	41,301
United States	11,916,773	38,846
2008		
Alameda County	74,306	50,302
Contra Costa	59,914	58,547
San Francisco	58,108	73,448
State	1,610,698	44,003
United States	12,451,660	40,947
2007		
Alameda County	71,894	49,387
Contra Costa	58,044	57,518
San Francisco	56,307	72,311
State	1,566,400	43,211
United States	11,900,562	39,506

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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 2006 through 2010 (the most recent annual data available).

Table 7
HISTORICAL TAXABLE TRANSACTIONS
Alameda and Contra Costa Counties and City and County of San Francisco
Calendar Years 2006 Through 2010
($ in thousands)

Fiscal Year	Alameda County	Contra Costa County	San Francisco County	Total Three BART Counties	Percentage Change
2006	$25,223,384	$13,867,661	$13,892,188	$52,983,233	–
2007	25,831,140	14,086,295	14,614,736	54,532,171	2.9%
2008	23,862,957	13,307,681	14,837,689	52,008,327	(4.6)
2009	20,430,195	11,883,049	12,633,575	44,946,819	(13.6)
2010	21,541,741	11,953,846	13,443,121	46,938,708	4.4

Source: California State Board of Equalization, 2006-2010 Annual Reports.

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Table 8 shows taxable transactions by type of business for the Three BART Counties for the year ended December 31, 2010 (the most recent annual data available).

Table 8
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
Alameda and Contra Costa Counties and the City and County of San Francisco
For Calendar Year 2010
($ in thousands)

Type of Business	Alameda County	Contra Costa County	City and County of San Francisco	Total Three BART Counties	Percentage of Total[1]
Women's Apparel	$135,245	$98,131	$265,088	498,464	1.06%
Men's Apparel	26,005	21,813	33,995	81,813	0.17
Family Apparel	601,098	419,078	875,311	1,895,487	4.03
Shoes	103,688	63,469	126,670	293,827	0.63
Apparel Stores Group	**866,036**	**602,491**	**1,301,064**	**2,769,591**	**5.90**
General Merchandise Stores	1,710,291	1,406,756	700,755	3,817,802	8.13
Drug Stores	419,672	264,011	368,023	1,051,706	2.24
General Merchandise Group	**2,129,963**	**1,670,767**	**1,068,778**	**4,869,508**	**10.37**
Supermarkets	628,388	512,745	460,784	1,601,917	3.41
All Other Food Stores	89,178	72,673	50,502	212,353	0.45
Food Stores Group	**717,566**	**585,418**	**511,286**	**1,814,270**	**3.86**
Limited-Service restaurants	891,003	508,255	565,749	1,965,007	4.18
Full-Service Eating and Drinking Places	1,103,519	618,143	2,247,246	3,968,908	8.45
Eating and Drinking Group	**1,994,522**	**1,126,398**	**2,812,995**	**5,933,915**	**12.63**
Furniture Stores	272,359	104,679	173,962	551,000	1.17
Home Furnishings Stores	140,620	122,753	151,203	414,576	0.88
Furniture and Home Furnishings Stores Group	**412,979**	**227,432**	**325,165**	**965,576**	**2.06**
Building Materials Group	**1,017,464**	**634,928**	**330,800**	**1,983,192**	**4.22**
New Motor Vehicle Dealers	1,679,643	967,353	329,842	2,976,838	6.34
Used Motor Vehicle Dealers	197,034	88,822	13,401	299,257	0.64
Automotive Supplies and Parts	215,072	149,979	48,065	413,116	0.88
RV and All Other Vehicles	91,960	28,690	22,171	142,821	0.30
Automotive Group	**2,183,709**	**1,234,844**	**413,479**	**3,832,032**	**8.16**
Service Stations Group	**1,716,376**	**1,312,703**	**507,626**	**3,536,705**	**7.53**
Appliance, TV and Other Electronics	353,915	263,025	165,321	782,261	1.67
Gifts, Art Goods, and Novelties	48,887	26,548	121,801	197,236	0.42
Sporting Goods	172,168	115,737	125,342	413,247	0.88
Florists	16,665	7,770	28,023	52,458	0.11
Photographic Equipment and Supplies	5,674	3,769	26,805	36,248	0.08
Hobby, Toy, Musical Instruments	160,174	121,281	66,490	347,945	0.74
Book, Periodical and Music Stores	157,612	67,473	170,527	395,612	0.84
Office Supplies and Stationery	358,378	60,809	82,739	501,926	1.07
Jewelry, Luggage and Leather Goods	60,573	60,751	198,848	320,172	0.68
Computer and Software Stores	215,784	89,331	162,155	467,270	0.99
Packaged Liquor Stores	166,468	87,908	106,635	361,011	0.77
Second-Hand Merchandise	28,049	16,919	31,926	76,894	0.16
Farm and Garden Supply Stores	74,393	83,477	17,929	175,799	0.37
Miscellaneous Retail	448,060	270,001	356,463	1,074,524	2.29
Other Retail Stores Group	**2,266,800**	**1,274,799**	**1,661,004**	**5,202,603**	**11.07**
Nonstore Retailers	68,868	46,613	39,563	155,044	0.33
Retail Services Totals	**13,374,283**	**8,716,393**	**8,971,759**	**31,062,435**	**66.12**
All Other Outlets	8,167,458	3,237,454	4,471,363	15,876,275	33.79
TOTALS ALL OUTLETS	**$21,541,741**	**$11,953,846**	**$13,482,685**	**$46,978,272**	**100.00%**

[1] Numbers may not add due to independent rounding.
Source: California State Board of Equalization, 2010 Annual Report.

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 2006 through 2010 (the most recent annual data available).

Table 9
COMPARISON OF TAXABLE TRANSACTIONS TREND FOR MAJOR CALIFORNIA COUNTIES
Calendar Years 2006 Through 2010
($ in thousands)

	2006	2007	2008	2009	2010	% Change (2009-2010)
Three BART Northern Counties						
Alameda	$25,223,384	$25,831,140	$23,862,957	20,430,195	21,541,741	5.44%
Contra Costa	13,867,661	14,086,295	13,307,681	11,883,049	11,953,846	0.60
San Francisco	13,892,188	14,614,736	14,837,689	12,633,575	13,443,121	6.41
Total Three BART Counties	$52,983,233	$54,532,171	$52,008,327	$44,946,819	$46,938,708	4.43
Other Northern Counties						
Sacramento	$21,140,386	$20,560,510	$19,331,847	$16,563,853	$16,904,528	2.06
San Mateo	12,900,391	13,326,306	13,137,913	11,327,022	11,966,338	5.64
Santa Clara	32,273,238	33,663,448	32,274,306	27,427,709	30,523,322	11.29
Southern Counties						
Los Angeles	$136,162,552	$137,820,418	$131,881,744	$112,744,727	$116,942,334	3.72
Orange	57,202,747	57,293,471	53,606,829	45,712,784	47,667,179	4.28
Riverside	29,816,237	29,023,609	26,003,595	22,227,877	23,152,780	4.16
San Bernardino	31,309,905	30,450,731	27,777,703	23,652,433	24,687,862	4.38
San Diego	47,835,514	47,485,988	45,329,136	39,728,657	41,623,636	4.77
Ventura	12,316,912	12,230,207	11,322,410	9,883,853	10,225,488	3.46
Statewide	$433,941,115	$436,386,859	$412,673,810	$452,492,945	$477,347,986	5.49

Source: California State Board of Equalization.

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APPENDIX F

DTC AND THE BOOK-ENTRY-ONLY SYSTEM

The information in this Appendix 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 take responsibility for the accuracy thereof. Beneficial Owners (as such term is defined herein) should confirm the following information with DTC or the DTC Participants (as such term is defined herein). All defined terms used and not otherwise defined herein shall have the meanings assigned to such terms in the front portion of this Official Statement.

DTC will act as securities depository for the 2012 Bonds. The 2012 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 annual maturity of 2012 Bonds, each in the aggregate principal amount of such annual 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 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2012 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010 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 2012 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 2012 Bonds, except in the event that use of the book-entry-only system for the 2012 Bonds is discontinued.

To facilitate subsequent transfers, all 2012 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 2012 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 2012 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2012 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 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2012 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the documents. For example, Beneficial Owners of 2012 Bonds may wish to ascertain that the nominee holding the 2012 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 2012 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 2012 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 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2012 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 the 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 2012 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.

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APPENDIX G

CONTINUING DISCLOSURE AGREEMENT

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, successor by merger to U. S. Bank Trust National Association, as trustee (the "Trustee") and as dissemination agent (the "Dissemination Agent"), in connection with the issuance of $130,475,000 principal amount of San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2012 Series A (the "2012 Series A Bonds") and $111,085,000 principal amount of San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2012 Series B (Federally Taxable) (the "2012 Series B Bonds" and together with the 2012 Series A Bonds, the "2012 Bonds"). The 2012 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 together with the Master Indenture, the "Indenture"), 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 2012 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 2012 Bonds (including persons holding 2012 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 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 2012 Bonds required to comply with the Rule in connection with offering of the 2012 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, 2012, 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(f).

(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 Trustee is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Trustee 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 20, 2012, relating to the 2012 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 2012 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 2012 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 an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2012 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 Bonds or other material events affecting the tax status of the Bonds;

2. Modifications to rights of Bond holders;

3. Optional, unscheduled or contingent Bond calls;

4. Release, substitution, or sale of property securing repayment of the Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional 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 2012 Bonds pursuant to the Resolution.

SECTION 6. 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 2012 Bonds. If such termination occurs prior to the final maturity of the 2012 Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

SECTION 7. 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 8. 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 2012 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 2012 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 Trustee or the Owners of the 2012 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 2012 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 9. 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 10. 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 may (and, at the written request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding 2012 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 2012 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 11. 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 2012 Bonds.

SECTION 12. 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
Telephone: (415) 273-4540
Fax: (415) 273-4590

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 13. 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 2012 Bonds, and shall create no rights in any other person or entity.

SECTION 14. 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: _________ __, 2012.

SAN FRANCISCO BAY AREA RAPID
TRANSIT DISTRICT

By________________________________
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, 2012 Series A, and San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2012 Series B (Federally Taxable)
Date of Issuance of Bonds:	October 4, 2012

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 12.13 of the Indenture, dated as of September 1, 2012, as supplemented and amended by the First Supplemental Indenture, dated as of September 1, 2012, between the Issuer and U. S. Bank National Association, as trustee. [The Issuer anticipates that the Annual Report will be filed by _____________.]

Dated: October 4, 2012

U.S. BANK NATIONAL ASSOCIATION,
as trustee on behalf of the San Francisco Bay Area Rapid Transit District

cc: Issuer

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APPENDIX H

PROPOSED FORM OF OPINION OF CO-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
2012 Series A and 2012 Series B (Federally Taxable)
(Final Opinion)

Ladies and Gentlemen:

We have acted as co-bond counsel to the San Francisco Bay Area Rapid Transit District (the "District") in connection with the issuance by the District of $130,475,000 aggregate principal amount of San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2012 Series A (the "2012 Series A Bonds") and $111,085,000 aggregate principal amount of San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2012 Series B (Federally Taxable) (the "2012 Series B Bonds" and, together with the 2012 Series A Bonds, 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 (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 2012 Series A Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public transit districts in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, arbitration, judicial reference, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. 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.

3. Interest on the 2012 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the 2012 Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Co-Bond Counsel observe that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Interest on the Bonds is exempt from State of California personal income taxes. Interest on the 2012 Series B Bonds is not excluded from gross income for federal income tax purposes. We express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Circular 230 Disclaimer. To ensure compliance with requirements imposed by the Internal Revenue Service, we inform you that any tax advice contained in this communication was not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties that may be imposed under the Internal Revenue Code of 1986, or (ii) promoting, marketing or recommending to another party any tax-related matters addressed herein.

Faithfully yours,

per

BART

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