NEW ISSUE – BOOK ENTRY ONLY

RATINGS: Moody's: Aaa
S&P: AAA
See "Ratings" herein.

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2013C Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the 2013C Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2013C Bonds. See "Tax Matters" herein.

$240,000,000
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
GENERAL OBLIGATION BONDS
(ELECTION OF 2004), 2013 SERIES C

Dated: Date of Delivery **Due:** August 1, as shown below

The San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2004), 2013 Series C (the "2013C Bonds") are deliverable in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the 2013C Bonds will be made in principal amounts of $5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of the 2013C Bonds will not receive bonds representing their beneficial ownership in the 2013C Bonds but will receive a credit balance on the books of their respective DTC Direct Participants or DTC Indirect Participants. The 2013C Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein.

Interest on the 2013C Bonds, which is payable on February 1 and August 1 of each year, commencing February 1, 2014, and principal on the 2013C Bonds is payable by The Bank of New York Mellon Trust Company, N.A., as paying agent, to Cede & Co., and such interest and principal payments are to be disbursed to the beneficial owners of the 2013C Bonds through their respective DTC Direct Participants or DTC Indirect Participants.

The 2013C Bonds are general obligations of the San Francisco Bay Area Rapid Transit District (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, as more fully described herein. No other revenues of the District are pledged to the payment of the 2013C Bonds.

The 2013C Bonds are subject to optional and mandatory redemption prior to maturity as described 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.

MATURITY SCHEDULE
$219,875,000 Serial Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP (Base: 797661)†	Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP (Base: 797661)†
2014	$14,455,000	2.00%	0.14%	TP0	2023	$8,900,000	5.00%	2.61%	UQ6
2017	11,815,000	3.00	0.72%	TQ8	2024	1,305,000	4.00	2.85%[C]	TX3
2017	8,000,000	5.00	0.72%	UJ2	2024	9,335,000	5.00	2.80%[C]	UR4
2018	10,050,000	3.00	1.03%	TR6	2025	2,480,000	3.00	3.11%	TY1
2018	8,000,000	5.00	1.03%	UK9	2025	7,940,000	5.00	2.96%[C]	US2
2019	10,100,000	4.00	1.44%	TS4	2026	10,125,000	5.00	3.11%[C]	TZ8
2019	8,000,000	5.00	1.44%	UL7	2027	9,840,000	5.00	3.24%[C]	UA1
2020	10,185,000	4.00	1.81%	TT2	2028	9,500,000	5.00	3.39%[C]	UB9
2020	8,000,000	5.00	1.81%	UM5	2029	9,115,000	5.00	3.53%[C]	UC7
2021	9,010,000	4.00	2.16%	TU9	2030	8,675,000	5.00	3.66%[C]	UD5
2021	9,355,000	5.00	2.16%	UN3	2031	8,175,000	5.00	3.75%[C]	UE3
2022	2,985,000	4.00	2.38%	TV7	2032	7,615,000	5.00	3.84%[C]	UF0
2022	8,000,000	5.00	2.38%	UP8	2033	1,155,000	4.00	4.10%	UG8
2023	1,925,000	4.00	2.61%	TW5	2033	5,835,000	5.00	3.90%[C]	UT0

$20,125,000 5.00% Term Bonds due August 1, 2037 to Yield 4.07%[C] CUSIP†: 797661UH6

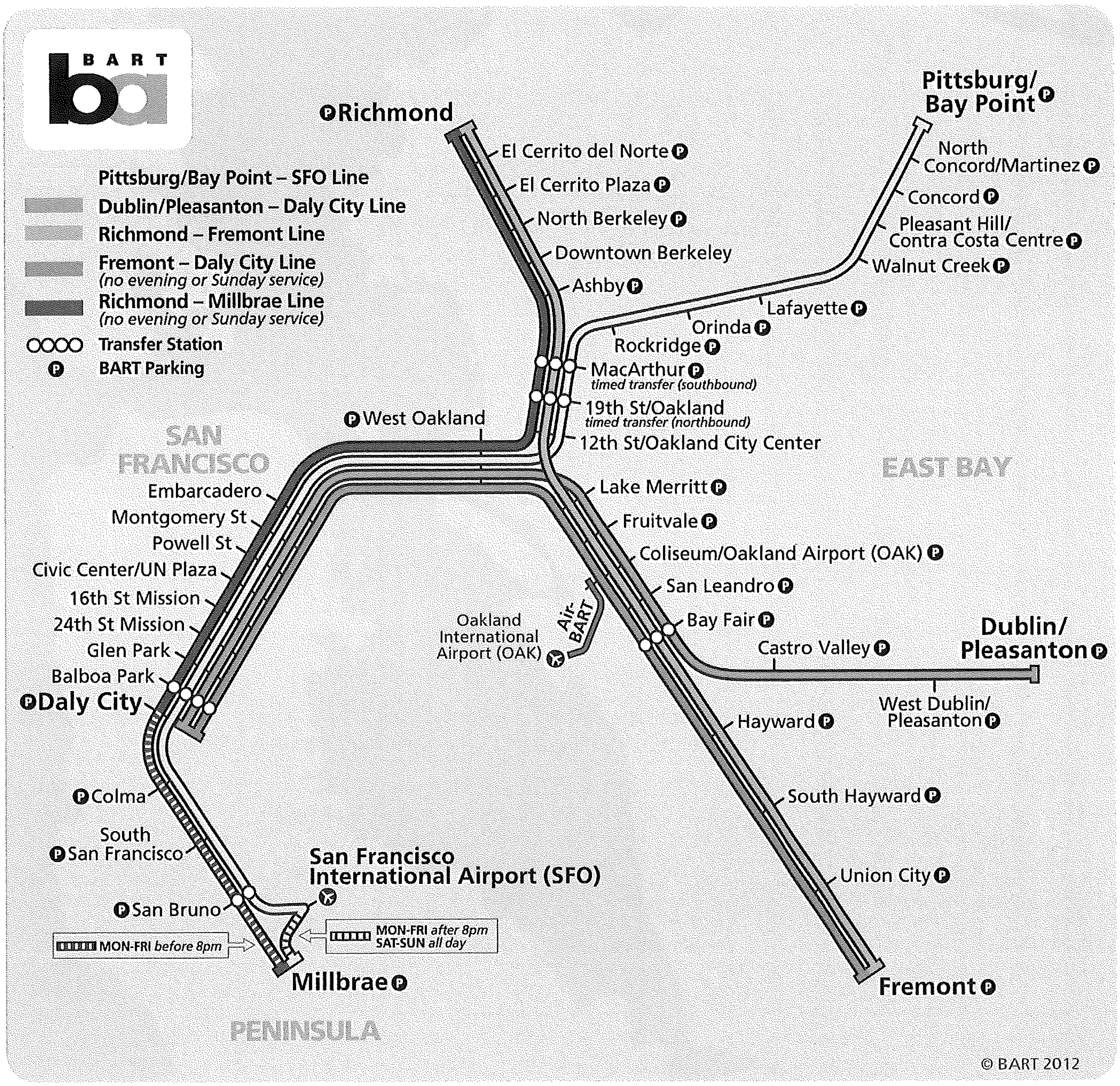
The 2013C Bonds are offered when, as and if issued and received by the Underwriters, subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond and Disclosure Counsel to the District, and certain other matters. Certain legal matters will be passed upon for the Underwriters by their counsel, Curls Bartling P.C., and for the District by its General Counsel. The 2013C Bonds are expected to be delivered through DTC on or about November 21, 2013.

J.P. Morgan **Cabrera Capital Markets, LLC**

Dated: November 5, 2013.

[C] Yield computed to first optional redemption date of August 1, 2023 at 100%.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ, a business line of McGraw Hill Financial, Inc. CUSIP numbers are provided for convenience only and none of the District, the Authority or the Underwriters takes any responsibility for the accuracy thereof.


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/
Contra Costa Centre
Walnut Creek
Lafayette
Orinda
Rockridge
MacArthur
timed transfer (southbound)
19th St/Oakland
timed transfer (northbound)
12th St/Oakland City Center
West Oakland
SAN
FRANCISCO
EAST BAY
Embarcadero
Montgomery St
Powell St
Civic Center/UN Plaza
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 8pm
MON-FRI after 8pm
SAT-SUN all day
PENINSULA
Lake Merritt
Fruitvale
Coliseum/Oakland Airport (OAK)
San Leandro
Bay Fair
Oakland
International
Airport (OAK)
Air-
BART
Castro Valley
Dublin/
Pleasanton
West Dublin/
Pleasanton
Hayward
South Hayward
Union City
Fremont
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SUPPLEMENT DATED NOVEMBER 18, 2013 TO
OFFICIAL STATEMENT DATED NOVEMBER 5, 2013

$240,000,000
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
GENERAL OBLIGATION BONDS
(ELECTION OF 2004), 2013 SERIES C

This Supplement (the "Supplement") supplements and amends the discussion of labor negotiations appearing on page A-4 and A-5 of Appendix A under the heading "San Francisco Bay Area Rapid Transit District – Employees and Labor Relations" within the above-referenced Official Statement (the "Official Statement"). Capitalized terms used but not defined in this Supplement shall have the meanings given to such terms in the Official Statement.

A new four-year labor contract was ratified on November 1, 2013, by the members of ATU and SEIU (the "2013 Agreement"). During the week of November 4, 2013, staff of the District identified what the District believes is a discrepancy in the terms of the 2013 Agreement, in the course of undertaking a review of materials in preparation for an upcoming meeting of the Board of Directors (the "Board") of the San Francisco Bay Area Rapid Transit District (the "District"), at which meeting the Board was expected to ratify the 2013 Agreement. The Family Medical Leave Act ("FMLA") permits workers to take up to 12 weeks of leave annually, to which workers were required to apply available paid sick and vacation time. The 2013 Agreement, as presented to the District, includes a provision ("Section 4.8") that would require the District to provide paid leave for up to six of those 12 weeks, without first applying vacation and sick days to such paid leave. The District has taken the position that Section 4.8 was inadvertently included in the 2013 Agreement due to a clerical error and should not have been included.

On Friday, November 15, 2013, the Board met in a closed session to discuss the issue and potential liability that could result from the adoption of Section 4.8, and directed the General Manager of the District to reopen discussions with union officials in an effort to resolve the matter. In addition, the Board announced that chief negotiator Tom Hock is no longer associated with the District, and a new chief negotiator is expected to be named shortly. The District estimates that approximately 7.4% of its ATU and SEIU employees take leave under FMLA averaging 4.3 weeks per year. The District has estimated that implementation of Section 4.8 would create an additional cost to the District of approximately $5.8 million over the four-year term of the 2013 Agreement, assuming a relatively constant level of FMLA time, or up to $44.2 million over the four years, if approximately one-third of eligible employees were to take advantage of the maximum six weeks of paid leave permitted by the Section 4.8 provisions. If agreement on Section 4.8 is not reached, it is possible that the unions may strike or initiate some other work stoppage. Once agreement is reached, the 2013 Agreement, if revised, would need to be resubmitted to the ATU and SEIU for ratification, and then presented to the Board for approval.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

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

BOARD OF DIRECTORS

Tom Radulovich *President*	Joel Keller *Vice President*
Thomas M. Blalock James Fang Zakhary Mallett John McPartland	Gail Murray Robert Raburn Rebecca Saltzman

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.

PAYING AGENT
The Bank of New York Mellon Trust Company, N.A.

BOND AND DISCLOSURE COUNSEL
Orrick, Herrington & Sutcliffe LLP

FINANCIAL ADVISOR
First Southwest Company

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 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 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.

This Official Statement does not constitute an offer to sell the 2013C 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 2013C 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 2013C 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 matters described herein since the date hereof.

This Official Statement is not to be construed as a contract with the purchasers of the 2013C Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. All summaries of statutes and documents are made subject to the provisions of such statutes and documents, respectively, and do not purport to be complete statements of any or all of such provisions.

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

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

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

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

The 2013C 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.

OFFICIAL STATEMENT
$240,000,000
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
GENERAL OBLIGATION BONDS
(ELECTION OF 2004), 2013 SERIES C

INTRODUCTION

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 $240,000,000 aggregate principal amount of San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2004), 2013 Series C (the "2013C Bonds").

The District was created in 1957 pursuant to the laws of the State of California 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 (herein referred to as the "Three BART Counties") and owns additional property in and extends service to the County of San Mateo. 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."

The 2013C Bonds represent general obligations of the District and will be payable solely from a levy of *ad valorem* taxes without limitation as to rate or amount upon all property subject to taxation within the Three BART Counties (except certain property which is taxable at limited rates) for the payment of principal of and interest on the 2013C Bonds. The aggregate assessed value of property in the District for the fiscal year ending June 30, 2014 ("Fiscal Year 2013-14") has been recorded as $525,641,605,041.

As provided in the ballot measure authorizing the issuance of the total authorized amount of $980 million of general obligation bonds of the District, of which the 2013C Bonds constitute a portion, the District has established an independent citizens' oversight committee to review and report to the public on the expenditure of the proceeds of such bonds, including the 2013C Bonds.

The Bank of New York Mellon Trust Company, N.A., will serve as paying agent (the "Paying Agent") for the 2013C Bonds pursuant to a Paying Agent Agreement, dated as of May 1, 2005, as supplemented by the First Supplemental Paying Agent Agreement, dated as of July 1, 2007, and a Second Supplemental Paying Agent Agreement, dated as of October 1, 2013 (as so supplemented, the "Paying Agent Agreement"), each between the District and the Paying Agent. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Paying Agent Agreement.

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. Copies of the Paying Agent Agreement are available upon request to the Controller/Treasurer of the District. The offering of the 2013C Bonds is made only by means of this entire Official Statement and is subject in all respects to the information contained herein.

THE 2013C BONDS

Purpose and Application of Proceeds

The 2013C Bonds are being issued to finance earthquake safety improvements to BART facilities in the Three BART Counties, including strengthening tunnels, bridges, overhead tracks, the underwater Transbay Tube and the Berkeley Hills Tunnel (the "Project"). See Appendix A – "San Francisco Bay Area Rapid Transit District Financial and Operating Information – Capital Programs – Earthquake Safety Program." Proceeds will be applied to finance the Project, to pay a portion of interest on the 2013C Bonds through October 2016 and to pay costs of issuance of the 2013C Bonds. See "Estimated Sources and Uses of Funds."

Authority for Issuance

The 2013C Bonds constitute a portion of the total authorized amount of $980 million 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 (collectively, the "Bonds"). The 2013C Bonds constitute the third issue of general obligation bonds being issued pursuant to the Measure AA authorization: $500 million have been issued (of which $408,275,000 remain outstanding) and $480 million remain to be issued (not taking into account the 2013C Bonds). The 2013C Bonds are being issued pursuant to the provisions of Part 2 of Division 10 of the Public Utilities Code of the State of California, commencing with Section 28500, and other applicable law, and according to the terms and in the manner set forth in the Paying Agent Agreement, as authorized by Resolution No. 5221 adopted by the Board of Directors of the District on September 26, 2013.

Description of the 2013C Bonds

The 2013C Bonds will be dated their date of delivery and will mature at the times and in the principal amounts as set forth on the cover page of the Official Statement. Interest on the 2013C Bonds shall be payable on February 1 and August 1 of each year, commencing February 1, 2014. Interest on the 2013C Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

The 2013C 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 2013C Bonds. Beneficial ownership interests in the 2013C Bonds may be purchased by or through a DTC Direct Participant (as such term is defined in Appendix E – "DTC and the Book-Entry-Only System") in book-entry form only in denominations of $5,000 or any integral multiple thereof. See Appendix E – "DTC and the Book-Entry-Only System."

Book-Entry-Only System

DTC will act as securities depository for the 2013C Bonds. See Appendix E – "DTC and the Book-Entry-Only System." Payments of interest on, principal of and premium, if any, on the 2013C Bonds will be made by the Paying Agent to DTC or its nominee, Cede & Co., as registered owner of the 2013C Bonds. Each such payment to DTC or its nominee will be valid and effective to fully discharge all liability of the District or the Paying Agent with respect to the principal or redemption price of or interest on the 2013C Bonds to the extent of the sum or sums so paid.

The District and the Paying Agent cannot and do not give any assurances that DTC's Direct Participants or Indirect Participants (as such terms are defined in Appendix E – "DTC and the Book-

Entry-Only System") will distribute to beneficial owners (i) payments of interest and principal with respect to the 2013C Bonds, (ii) confirmation of ownership interests in the 2013C Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as registered owner of the 2013C Bonds, or that DTC's Direct Participants or Indirect Participants will do so on a timely basis.

So long as the 2013C Bonds are held in the book-entry only system of DTC, the registered owner, the Owner of the 2013C Bonds will be DTC, and not the beneficial owner.

Redemption Provisions

Optional Redemption. The 2013C Bonds maturing on or before August 1, 2023 are not subject to redemption prior to their respective stated maturity dates. The 2013C Bonds maturing on and after August 1, 2024 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 August 1, 2023, at the principal amount of such 2013C Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium. If less than all of the 2013C Bonds are called for redemption, the 2013C Bonds shall be redeemed in inverse order of maturities (or as otherwise directed by the District), and if less than all of the 2013C Bonds of any given maturity are called for redemption, the portions of 2013C Bonds of a given maturity to be redeemed shall be determined by lot.

Mandatory Redemption. The 2013C Bonds maturing on August 1, 2037, are also subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption.

Mandatory Sinking Fund Payment Date (August 1)	Mandatory Sinking Fund Payment Amount
2034	$6,280,000
2035	5,500,000
2036	4,645,000
2037*	3,700,000

* Final Maturity

The principal amount of each mandatory sinking fund payment of any maturity shall be reduced as specified by the District, in $5,000 increments, by the amount of any 2013C Bonds of that maturity optionally redeemed prior to the mandatory sinking fund payment date.

Notice and Effect of Redemption. Notice of any redemption of 2013C Bonds will be given by the Paying Agent upon written request of the District by first class mail to the registered owners of any 2013C Bonds designated for redemption at least 30 but not more than 60 days prior to the redemption date. Each notice of redemption shall contain all of the following information: (i) the date of such notice; (ii) the name of the 2013C Bonds and the date of issue of the 2013C Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity of the 2013C Bonds to be redeemed; (vi) (if less than all of the 2013C Bonds of any maturity are to be redeemed) the distinctive numbers of the 2013C Bonds of each maturity to be redeemed; (vii) (in the case of 2013C Bonds redeemed in part only) the respective portions of the principal amount of the 2013C Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of 2013C Bonds to be redeemed; (ix) a statement that such 2013C Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; and (x) notice that further interest on such 2013C Bonds will not accrue after the designated redemption date. A certificate of the Paying Agent or the District that notice of call and redemption has been given to Owners and to the appropriate securities depositories and as may be further required in the applicable Continuing Disclosure Agreement shall be conclusive as against all parties. The actual receipt by the Owner of any Bond or by any securities depository or any other party of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such 2013C Bonds or the cessation of interest on the date fixed for redemption. When notice of redemption has been given substantially as provided for in the Paying Agent Agreement, and when the redemption price of the 2013C Bonds called for redemption is set aside as provided in the Paying Agent Agreement, the 2013C Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such 2013C Bonds at the place specified in the notice of redemption, such 2013C Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such 2013C Bonds so called for redemption after such redemption date shall look for the payment of such 2013C Bonds and the redemption premium thereon, if any, only to the interest and sinking fund (the "Interest and Sinking Fund") or the escrow fund established for such purpose. All 2013C Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

Right to Rescind Notice of Redemption. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for optional redemption by causing written notice of the rescission to be given to the registered owners of the 2013C Bonds so called for redemption. In addition, any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund established pursuant to the Paying Agent Agreement or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the 2013C Bonds called for redemption. Any notice of rescission shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the registered owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Defeasance

If at any time the District shall pay or cause to be paid or there shall otherwise be paid to the registered owners of all outstanding 2013C Bonds all of the principal, interest and premium, if any, represented by 2013C Bonds at the times and in the manner provided in the Paying Agent Agreement and in the 2013C Bonds, or as provided pursuant to the provisions of the Paying Agent Agreement described in the following paragraph, or as otherwise provided by law consistent with the Paying Agent Agreement, then such registered owners shall cease to be entitled to the obligation of the District to levy taxes for payment of the 2013C Bonds as described in the Paying Agent Agreement, and such obligation and all agreements and covenants of the District to such registered owners under the Paying Agent Agreement and under the 2013C Bonds shall thereupon be satisfied and discharged and shall terminate, except only that the District shall remain liable for payment of all principal, interest and premium, if any, represented by the 2013C Bonds, but only out of monies on deposit in the Interest and Sinking Fund or otherwise held in trust for such payment.

Pursuant to the Paying Agent Agreement, the District may pay and discharge any or all of the 2013C Bonds by depositing in trust with the Paying Agent (or an escrow agent) at or before maturity, cash or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which, together with the interest to accrue thereon and available monies then on deposit in the Interest and Sinking Fund of the District, will be fully sufficient to pay and discharge the indebtedness on such 2013C Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

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

The book-entry system for registration of the ownership of the 2013C Bonds in book-entry form may be discontinued at any time if: (1) DTC resigns as securities depository for the 2013C Bonds; or (2) 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 the District appoints a successor securities depository), the 2013C 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 Paying Agent for the accuracy of such designation. Whenever DTC requests the District and the Paying Agent to do so, the District and the Paying Agent 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 2013C Bonds. Thereafter, all Bonds are transferable or exchangeable as described in the Paying Agent Agreement.

In the event that the book-entry-only system is no longer used with respect to the 2013C Bonds, payment of interest on the 2013C Bonds will be made on each interest payment date to the person whose name appears on the bond registration books of the Paying Agent as the registered owner of the 2013C Bonds as of the close of business on the fifteenth day of the month prior to such interest payment date, whether or not such day is a Business Day (the "Record Date"). Payment of the interest on any 2013C Bond will be made by check or draft mailed by first class mail to the registered owner of such 2013C Bond at such owner's address as it appears on the bond registration books of the Paying Agent or at such address as such owner may have filed with the Paying Agent for that purpose; or, upon the written request of the registered owner of 2013C Bonds aggregating not less than $1,000,000 in principal amount, given no later than the Record Date preceding the applicable interest payment date, by wire transfer in immediately available funds to an account maintained in the United States at such wire address as such owner shall specify in its written notice. Principal of, and premium, if any, and interest on the 2013C Bonds will be payable at the principal corporate trust office of the Paying Agent or at such other location as the Paying Agent may designate. The 2013C Bonds will be in the form of fully registered Bonds and will be issued in denominations of $5,000 or any integral multiple thereof.

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ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the sale of the 2013C Bonds are expected to be applied as follows:

Principal Amount of 2013C Bonds	$240,000,000.00
Net Original Issue Premium	30,840,347.00
Total Sources	$270,840,347.00
Project Fund	$240,000,000.00
Costs of Issuance[1]	663,345.37
Capitalized Interest[2]	30,177,001.63
Total Uses	$270,840,347.00

(1) Includes underwriters' discount, rating agency fees, printing, legal and other expenses.

(2) To be applied to pay interest due on the 2013C Bonds through October 2016.

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DEBT SERVICE SCHEDULE

The following table sets forth annual debt service on the 2013C Bonds together with the annual debt service of the prior series of bonds issued pursuant to Measure AA:

Year Ending August 1	Outstanding 2005A and 2007B Bonds Debt Service	2013C Bonds Principal	2013C Bonds Interest[1]	Total 2013C Bonds Debt Service	Aggregate Debt Service
2014	$ 22,936,278	$14,455,000	$7,439,444	$21,894,444	$44,830,722
2015	23,484,338	-	10,423,700	10,423,700	33,908,037
2016	24,054,888	-	10,423,700	10,423,700	34,478,587
2017	24,656,413	19,815,000	10,423,700	30,238,700	54,895,112
2018	25,280,163	18,050,000	9,669,250	27,719,250	52,999,412
2019	25,928,513	18,100,000	8,967,750	27,067,750	52,996,262
2020	26,650,688	18,185,000	8,163,750	26,348,750	52,999,437
2021	27,276,188	18,365,000	7,356,350	25,721,350	52,997,537
2022	27,934,500	10,985,000	6,528,200	17,513,200	45,447,700
2023	28,612,700	10,825,000	6,008,800	16,833,800	45,446,500
2024	29,322,075	10,640,000	5,486,800	16,126,800	45,448,875
2025	30,057,825	10,420,000	4,967,850	15,387,850	45,445,675
2026	30,824,325	10,125,000	4,496,450	14,621,450	45,445,775
2027	31,617,825	9,840,000	3,990,200	13,830,200	45,448,025
2028	32,447,350	9,500,000	3,498,200	12,998,200	45,445,550
2029	33,309,025	9,115,000	3,023,200	12,138,200	45,447,225
2030	34,202,125	8,675,000	2,567,450	11,242,450	45,444,575
2031	35,135,675	8,175,000	2,133,700	10,308,700	45,444,375
2032	36,107,175	7,615,000	1,724,950	9,339,950	45,447,125
2033	37,114,425	6,990,000	1,344,200	8,334,200	45,448,625
2034	38,160,175	6,280,000	1,006,250	7,286,250	45,446,425
2035	39,251,675	5,500,000	692,250	6,192,250	45,443,925
2036	40,385,425	4,645,000	417,250	5,062,250	45,447,675
2037	41,559,563	3,700,000	185,000	3,885,000	45,444,562
Total[2]	**$746,309,328**	**$240,000,000**	**$120,938,394**	**$360,938,394**	**$1,107,247,722**

(1) Includes interest to be paid from a portion of the proceeds of the 2013C Bonds through October 2016. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

(2) Totals may reflect rounding.

SECURITY AND SOURCE OF PAYMENT FOR THE 2013C BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the 2013C Bonds, the District is empowered and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to all other taxes levied upon property within the District. Such taxes, when collected and received by the District, will be placed in the Interest and Sinking Fund for the bonds authorized by Measure AA, including the 2013C Bonds.

Property Taxation System

Local property taxation is the responsibility of the District and various officers of each of the Three BART Counties. In each county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding Bonds in each year, the District computes the rate of tax necessary to pay such debt service in each county and transmits that information to each county treasurer-tax collector. Each county treasurer-tax collector prepares the tax rolls, and presents those rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. Each county treasurer- tax collector prepares and mails bills to taxpayers and collects the taxes. The treasurer-tax collectors of Alameda and Contra Costa County transmit the tax revenues collected to pay the District's outstanding general obligation bonds directly to the Paying Agent, while the City and County of San Francisco transmit the tax revenues collected to pay the District's outstanding general obligation bonds to the District, who then forwards them to the Paying Agent. The State Board of Equalization also assesses certain special classes of property, as described later in this section.

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in a district. The District levies taxes through the combination of its own actions and the actions of county officers as described above for payment of voter –approved bonds. The District also receives property taxes for general operating purposes which constitute a part of each County's general 1% levy. These taxes are deposited in the District's General Fund and are used by the District for operations. The proceeds of the bond tax levy and the operating tax levy are not at any time commingled.

Assessed Valuation of Property Within the District

As required by the law of the State of California (the "State"), the District utilizes the services of each of the Three BART Counties for the assessment and collection of ad valorem taxes on property, as discussed above. Such District taxes are collected at the same time and on the same tax rolls as are county, school district, and other special district taxes. The Three BART Counties have each adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (each, a "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code, as described under "Tax Rates, Collections and Delinquencies" and "Teeter Plans" below.

Under Proposition 13, an amendment to the California Constitution adopted in 1978, the county assessor's valuation of real property is established as shown on the Fiscal Year 1975-76 tax bill, or, thereafter, as the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. Assessed value of property may be increased annually to reflect inflation at a rate not to exceed 2% per year, or reduced to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or in the event of declining property value caused by substantial damage, destruction, market forces or other factors. As a result of these rules, real property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than that of similar properties more recently sold, and that may be lower than its own market value. Likewise, changes in ownership of property and reassessment of such property to market value commonly will lead to increases in aggregate assessed value even when the rate of inflation or consumer price index would not permit the full 2% increase on any property that has not changed ownership.

Proposition 13 has had the effect of stabilizing assessed valuation such that it does not fluctuate as significantly as the market value of property, but instead gradually changes as longer owned residential properties are transferred and reassessed upon such transfer. Residences newly constructed or acquired, and specifically those acquired recently prior to the downturn in the housing market, may upon transfer substantially decrease in assessed value. Other factors which may affect the value of property and cause it to decline are substantial damage, destruction, or inflation. Proposition 13 allows that the full cash value base may reflect from year to year the inflationary rate, but it is not to exceed 2 percent for such increase in value. See "Constitutional Limitations" and "Investment Considerations" below.

State law provides exemptions from ad valorem property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. State law also exempts from taxation $7,000 of the full cash value of an owner-occupied dwelling provided that the owner files for such exemption. This exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

For assessment and tax collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll." State law requires that the assessment roll be finalized by August 20 of each year. Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as "utility" property.

The greater the assessed value of taxable property in the District, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the Bonds.

For Fiscal Year 2013-14, the District's total secured and unsecured assessed valuation is $525,641,605,041. The following table shows a recent history of the assessed valuation of property in the District ("Fiscal Year" refers to fiscal years of July 1 through the following June 30 of the years indicated).

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San Francisco Bay Area Rapid Transit District
Assessed Valuations
(Fiscal Years Ending June 30)

City and County of San Francisco Portion

Fiscal Year	Local Secured	Non-Unitary Utility	Unsecured	Total
2006-07	$110,979,784,808	$124,473,509	$ 7,477,880,437	$118,582,138,754
2007-08	120,790,890,780	145,235,265	7,721,465,207	128,657,591,252
2008-09	130,824,730,768	79,163,963	9,061,373,546	139,965,268,277
2009-10	139,453,860,923	50,879,439	10,405,985,652	149,910,726,014
2010-11	146,680,168,492	43,565,042	9,446,789,960	156,170,523,494
2011-12	147,612,367,616	41,527,475	9,249,419,572	156,903,314,663
2012-13	153,348,031,902	46,515,990	9,764,668,943	163,159,216,835
2013-14	160,650,767,471	35,943,747	9,867,122,786	170,553,834,004

Alameda County Portion

Fiscal Year	Local Secured	Non-Unitary Utility	Unsecured	Total
2006-07	$167,868,240,571	$157,443,348	$10,103,970,074	$178,129,653,993
2007-08	181,740,424,095	98,093,459	10,462,574,321	192,301,091,875
2008-09	190,471,878,466	94,381,821	10,984,359,699	201,550,619,986
2009-10	184,783,512,536	98,948,510	11,426,546,149	196,309,007,195
2010-11	181,685,580,407	97,581,171	11,448,265,391	193,231,426,969
2011-12	181,858,450,818	71,523,308	11,273,954,399	193,203,928,525
2012-13	185,782,114,251	261,640,769	11,629,397,550	197,673,152,570
2013-14	195,515,528,517	969,629,855	11,531,178,412	208,016,336,784

Contra Costa County Portion

Fiscal Year	Local Secured	Non-Unitary Utility	Unsecured	Total
2006-07	$139,284,484,420	$657,680,011	$4,524,187,080	$144,466,351,511
2007-08	152,007,562,168	558,065,472	4,608,828,033	157,174,455,673
2008-09	151,955,031,630	576,695,232	4,997,996,781	157,529,723,643
2009-10	140,354,485,948	557,056,345	5,288,096,603	146,199,638,896
2010-11	135,669,128,300	560,296,728	5,037,631,621	141,267,056,649
2011-12	134,765,284,339	539,960,865	5,240,695,911	140,545,941,115
2012-13	135,755,672,418	590,750,775	5,454,953,657	141,801,376,850
2013-14	140,680,879,833	986,316,033	5,404,238,387	147,071,434,253

Total

Fiscal Year	Local Secured	Non-Unitary Utility	Unsecured	Total
2006-07	$418,132,509,799	$ 939,596,868	$22,106,037,591	$441,178,144,258
2007-08	454,538,877,043	801,394,196	22,792,867,561	478,133,138,800
2008-09	473,251,640,864	750,241,016	25,043,730,026	499,045,611,906
2009-10	464,591,859,407	706,884,294	27,120,628,404	492,419,372,105
2010-11	464,034,877,199	701,442,941	25,932,686,972	490,669,007,112
2011-12	464,236,102,773	653,011,648	25,764,069,882	490,653,184,303
2012-13	474,885,818,571	898,907,534	26,849,020,150	502,633,746,255
2013-14	496,847,175,821	1,991,889,635	26,802,539,585	525,641,605,041

Source: California Municipal Statistics, Inc.

Based upon information provided by the office of the Auditor-Controller for Contra Costa County, and by the Office of the Auditor-Controller for Alameda County and by the Controller's office in the City and County of San Francisco, the assessed value of taxable property within the District was approximately $490.67 billion in Fiscal Year 2010-11. Assessed value decreased slightly in Fiscal Year 2011-12 by approximately $15.82 million, or 0.003%. Assessed value increased in Fiscal Year 2012-13 by approximately $11.98 billion, or 2.4% and in Fiscal Year 2013-14 by $23.0 billion, or 4.6% over the prior Fiscal Year, respectively. Assessed values could be reduced, including by taxpayer appeal, and tax payment delinquency rates could rise by general economic conditions and other factors beyond the District's control, including a decline in property values, or due to an earthquake or other natural or manmade disasters. See "Constitutional Limitations" and "Investment Considerations," below, and Appendix D – "The Economy of the Three BART Counties."

The following table shows the local secured assessed valuation and number of parcels by land use category for property in the District for Fiscal Year 2013-14.

San Francisco Bay Area Rapid Transit District
Assessed Valuation and Parcels by Land Use

	Fiscal Year 2013-14 Assessed Valuation [1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$ 3,494,455,163	0.70%	7,348	0.72%
Commercial/Office	80,155,092,941	16.07	28,652	2.81
Vacant Commercial	1,326,567,657	0.27	2,003	0.20
Industrial	32,733,328,715	6.56	11,032	1.08
Vacant Industrial	1,734,700,460	0.35	1,857	0.18
Power Plants/Utility Roll	1,991,889,635	0.40	102	0.01
Recreational	1,197,685,066	0.24	1,370	0.13
Government/Social/Institutional	1,685,837,062	0.34	23,448	2.30
Miscellaneous	862,491,921	0.17	2,276	0.22
Subtotal Non-Residential	$125,182,048,620	25.09%	78,088	7.65%
Residential:				
Single Family Residence	$260,056,249,682	52.13%	677,761	66.40%
Condominium/Townhouse	50,295,755,880	10.08	141,690	13.88
Mobile Home	139,299,149	0.03	4,020	0.39
2-4 Residential Units	24,182,203,310	4.85	55,326	5.42
5+ Residential Units/Apartments	34,529,131,552	6.92	22,562	2.21
Timeshare Units	24,479,298	0.00	6,742	0.66
Vacant Residential	2,673,025,101	0.54	29,177	2.86
Subtotal Residential	$371,900,143,972	74.55%	937,278	91.83%
Unclassified Vacant Parcels	$1,756,872,864	0.35%	5,290	0.52%
Total	$498,839,065,456	100.00%	1,020,656	100.00%

Source: California Municipal Statistics, Inc.
[1] Total Secured Assessed Valuation, excluding tax-exempt property.

Tax Rates, Collections and Delinquencies

Ad valorem taxes are levied for each Fiscal Year on taxable real and personal property on the tax rolls as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change occurs or the construction is completed and the current year's tax rate is applied to the reassessed value for the remainder of the tax year. The annual tax rate is limited to 1% of the full cash value, plus the amount necessary to pay all obligations legally payable from *ad valorem* taxes in the current year, including the 2013C Bonds. The rate of tax necessary to pay fixed debt service on the 2013C Bonds in a given year will depend on the assessed value of taxable property in that year. Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the 2013C Bonds.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and real property secured by a lien which is sufficient, in the opinion of the applicable County Assessor if relating to property in Alameda County or Contra Costa County, or in the opinion of the Assessor-Recorder if relating to property in the City and County of San Francisco, to secure payment of the taxes. All other taxable property is assessed on the "unsecured roll" which generally comprises all property not attached to land, such as personal property or business equipment not otherwise exempt from taxation.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each Fiscal Year, and become delinquent on December 10 and April 10, respectively. A penalty of ten percent (10%) attaches immediately to all delinquent payments. Properties on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the Fiscal Year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five (5) years or more, the property is deeded to the State and then may be sold at public auction by the applicable County Treasurer-Tax Collector if relating to property in Alameda County or Contra Costa County and by the Assessor-Recorder if relating to property in the City and County of San Francisco.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent on August 31. A ten percent (10%) penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of 1.5% attaches on the first day of each month until paid. Each of the Three BART Counties has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment, such judgment to be filed in the office of the County Clerk-Recorder if relating to property in Alameda County or Contra Costa County, and to be filed in the office of the Assessor-Recorder if relating to property in the City and County of San Francisco, specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) recording a certificate of delinquency in the office of the County Clerk-Recorder if relating to property in Alameda County or Contra Costa County, and to be filed in the office of the Assessor-Recorder in the City and County of San Francisco if relating to property in the City and County of San Francisco in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

The following table shows recent history of real property tax collections and delinquencies in the District.

San Francisco Bay Area Rapid Transit District
Secured Tax Charges and Delinquencies

	Secured Tax Charge[1]	Amount Delinquent June 30	% Delinquent June 30
	San Francisco City and County		
2002-03	$ 966,480,061	$15,014,606	1.55%
2003-04	1,014,187,774	12,035,254	1.19
2004-05	1,118,631,818	12,316,296	1.10
2005-06	1,203,593,476	14,372,179	1.19
2006-07	1,294,459,918	18,333,929	1.42
2007-08	1,412,410,299	29,135,871	2.06
2008-09	1,593,133,350	36,662,160	2.30
2009-10	1,691,156,025	38,793,839	2.29
2010-11	1,768,368,141	29,102,564	1.65
2011-12	1,810,103,262	25,476,315	1.41
	Alameda County		
2002-03	$1,674,358,082	$ 25,594,994	1.53%
2003-04	1,804,240,112	23,893,105	1.32
2004-05	1,937,855,615	40,724,841	2.10
2005-06	1,734,767,562	39,068,965	2.25
2006-07	2,346,314,207	84,055,651	3.58
2007-08	2,527,889,927	114,724,877	4.54
2008-09	2,678,200,557	120,458,280	4.50
2009-10	2,672,803,086	87,299,945	3.27
2010-11	2,622,091,573	66,671,453	2.54
2011-12	2,677,341,749	57,514,916	2.15
	Contra Costa County		
2002-03	$1,236,857,630	$21,441,920	1.73%
2003-04	1,354,342,797	23,867,875	1.76
2004-05	1,473,409,825	17,693,917	1.20
2005-06	1,639,434,103	34,908,785	2.13
2006-07	1,843,116,959	60,661,461	3.29
2007-08	2,007,908,928	95,281,163	4.75
2008-09	2,023,534,994	81,981,494	4.05
2009-10	1,942,410,318	53,621,790	2.76
2010-11	1,871,495,451	34,561,134	1.85
2011-12	1,914,539,235	54,091,753	2.83
	Total San Francisco City and County, Alameda County and Contra Costa County		
2002-03	$3,877,695,773	$ 62,051,520	1.60%
2003-04	4,172,770,683	59,796,234	1.43
2004-05	4,529,897,258	70,735,054	1.56
2005-06	4,577,795,141	88,349,929	1.93
2006-07	5,483,891,084	163,051,041	2.97
2007-08	5,948,209,154	239,141,911	4.02
2008-09	6,294,868,901	239,101,934	3.80
2009-10	6,306,369,429	179,715,574	2.85
2010-11	6,261,955,165	130,335,151	2.08
2011-12	6,401,984,246	137,082,984	2.14

Source: California Municipal Statistics, Inc.
[1] All taxes collected by the respective county. *Source*: State Controller's Office.

Teeter Plans

The City and County of San Francisco, the County of Alameda and the County of Contra Costa adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (a "Teeter Plan"), as provided for in Section 4701 et. seq. of the California Revenue and Taxation Code. Under each Teeter Plan, each participating local agency levying property taxes is credited the amount of uncollected taxes in the same manner as if the amount credited had been collected. In return, the City and County of San Francisco and the County of Contra Costa receive and retain delinquent payments, penalties and interest as collected, that otherwise would have been due to the local agency. Taxes to pay the 2013C Bonds collected in the City and County of San Francisco and the County of Contra Costa are included in the Teeter Plan.

Each Teeter Plan is to remain in effect unless the Board of Supervisors of the applicable County orders its discontinuance or unless, prior to the commencement of a County's fiscal year (which commences on July 1), the Board of Supervisors of such County receives a petition for its discontinuance joined in by resolutions duly adopted by the governing boards of at least two-thirds of the participating revenue districts in such County. The applicable Board of Supervisors may, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency in such County if the rate of secured tax delinquency in that agency in any year exceeds three percent (3%) of the total of all taxes and assessments levied on the secured rolls in that agency. The County of Alameda has adopted a Teeter Plan. The County of Alameda does not apply its Teeter Plan to collections for general obligation bonds, including the 2013C Bonds.

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Largest Taxpayers in the District

The following table shows the largest secured taxpayers in the District.

San Francisco Bay Area Rapid Transit District
Largest Local Secured Taxpayers
Fiscal Year 2013-14

	Property Owner	Primary Land Use	2013-14 Assessed Valuation	% of Total (1)
1.	Chevron USA Inc.	Industrial – Refinery	$ 3,244,168,590	0.65%
2.	Equilon Enterprises LLC	Industrial – Refinery	1,883,865,745	0.38
3.	Tosco Corporation	Industrial – Refinery	1,381,126,707	0.28
4.	Tesoro Refining & Marketing Co.	Industrial – Refinery	1,339,602,259	0.27
5.	HWA 555 Owners LLC	Office Building	1,159,155,025	0.23
6.	Teachers Insurance & Annuity Association of America	Office Building	809,939,610	0.16
7.	Paramount Group Real Estate Fund	Office Building	804,572,165	0.16
8.	Russell City Energy Company LLC	Power Plant	668,100,000	0.13
9.	Kilroy Realty LP / Kilroy Realty 303 LLC	Office Building	660,862,173	0.13
10.	Shapell Industries Inc.	Residential Properties	589,399,640	0.12
11.	Emporium Mall LLC	Shopping Center/Mall	571,667,957	0.11
12.	GenOn Marsh Landing LLC	Power Plant	544,800,000	0.11
13.	SHR St. Francis LLC	Hotel	478,582,891	0.10
14.	CIM Oakland	Office Building	462,774,553	0.09
15.	Metropolitan Life Insurance Co.	Office Building	447,828,303	0.09
16.	Post-Montgomery Associates	Office Building	441,556,801	0.09
17.	SPF China Basin Holdings LLC	Office Building	423,273,410	0.08
18.	Rreef America REIT II Corp.	Office Building	413,706,257	0.08
19.	Apple Computer Inc.	Industrial	411,561,741	0.08
20.	SHC Embarcadero LLC	Office Building	398,607,869	0.08
			$17,135,151,696	3.44%

Source: California Municipal Statistics, Inc.
(1) 2013-14 Total Secured Assessed Valuation: $498,839,065,456.

Taxation of State-Assessed Utility Property

Under the Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived.

The District is unable to predict future transfers of State-assessed property in the District and the Three BART Counties, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

Direct and Overlapping Debt Report

Contained within the District's boundaries are numerous overlapping local agencies. Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics Inc. and dated September 19, 2013. The Debt Report speaks only as of its date and is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations are not payable from revenues of the District nor are they necessarily obligations secured by land within the District. The Debt Report does not include any information concerning any obligations authorized but not yet issued by any public agencies whose boundaries overlap the boundaries of the District in whole or in part.

The Debt Report does not include any information concerning sales tax revenue bonds issued by the District or obligations of the District, other than general obligation bonds, issued for the benefit of the District. For information concerning such sales tax revenue bonds and other obligations of the District, see Appendix A – "San Francisco Bay Area Rapid Transit District – Financial and Operating Information – Financing the BART System."

The first column in the table set forth on the following page names each public agency which has outstanding debt as of the date of the Debt Report and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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San Francisco Bay Area Rapid Transit District
Schedule of Direct and Overlapping Bonded Debt

2013-14 Assessed Valuation: $525,641,605,041

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable (1)	Debt 9/1/13	
Bay Area Rapid Transit District	**100 %**	**$ 408,275,000**	(2)
City and County of San Francisco	100.	1,863,360,000	
Community College Districts	0.348-100.	1,714,673,514	
Oakland Unified School District	100.	722,680,000	
San Francisco Unified School District	100.	647,360,000	
West Contra Costa Unified School District	100.	775,367,930	
Other Unified School Districts	1.794-100.	2,913,060,689	
Union High School Districts	100.	213,911,665	
Elementary School Districts	100.	139,996,800	
City of Oakland	100.	235,981,916	
Other Cities	99.987-100.	179,189,184	
East Bay Municipal Utility District Special District No. 1	100.	18,555,000	
East Bay Regional Park District	100.	209,350,000	
Healthcare Districts	100.	114,355,000	
Pleasant Hill Recreation and Park District	100.	27,120,000	
Community Facilities Districts	100.	369,086,570	
1915 Act Bonds and Parcel Tax Obligations	100.	423,710,884	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$10,976,034,152	

OVERLAPPING GENERAL FUND DEBT:	% Applicable (1)	Debt 9/1/13	
Alameda County General Fund and Pension Obligations	99.990%	$ 748,162,778	
Contra Costa County General Fund and Pension Obligations	100.	592,492,006	
City and County of San Francisco General Fund and Judgment Obligations	100.	1,064,165,751	
Community College District General Fund and Pension Obligations	100.	159,334,090	
Unified School District General Fund Obligations	8.156-100.	191,096,086	
School District Certificates of Participation	100.	2,161,198	
City of Fremont Certificates of Participation	99.987	133,397,656	
City of Oakland General Fund and Pension Obligations	100.	644,063,504	
City of Richmond General Fund and Pension Obligations	100.	233,375,133	
Other City General Fund Obligations	99.933-100.	431,686,201	
Contra Costa Fire Protection District Pension Obligations	100.	99,945,000	
Special District General Fund Obligations	22.565-100.	43,634,354	
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$4,343,513,757	
Less: Supported obligations		152,997,039	
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$4,190,516,718	
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$2,021,437,865	
GROSS COMBINED TOTAL DEBT		$17,340,985,774	(3)
NET COMBINED TOTAL DEBT		$17,187,988,735	

(1) Based on 2012-13 ratios.

(2) Excludes issue to be sold.

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

(CONTINUES ON FOLLOWING PAGE)

Ratios to 2013-14 Assessed Valuation:	
Direct Debt ($408,275,000)	**0.08%**
Total Direct and Overlapping Tax and Assessment Debt	2.09%
Gross Combined Total Debt	3.30%
Net Combined Total Debt	3.27%
Ratio to Redevelopment Incremental Valuation ($59,325,811,897):	
Total Overlapping Tax Increment Debt	3.41%

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL LIMITATIONS

Limitations on Revenues

Article XIIIA of the California Constitution. Article XIIIA of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIIIA limits the maximum ad valorem tax on real property to one percent of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the one-percent limitation does not apply to ad valorem taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. The tax for payment of the District's general obligation bonds including the 2013C Bonds under the 2004 election falls within the exception for bonds approved by two-thirds vote.

Section 2 of Article XIIIA of the California Constitution defines "full cash value" to mean the county assessor's valuation of real property as shown on the Fiscal Year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than two percent, depending on the assessor's measure of the restoration of value of the damaged property. The California courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except the 1% base tax levied by each county and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIIIA.

Article XIIIC and Article XIIID of the California Constitution. On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges. Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes); prohibits special purpose government agencies such as the District from levying general taxes; and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Article XIIIC also provides that no tax may be assessed on property other than ad valorem property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. However, the laws of the State impose a duty on the county treasurer-tax collector to levy a property tax sufficient to pay debt service on the District's bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes or to otherwise interfere with performance of the duty of the county with respect to such taxes. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. Developer fees imposed by the District are restricted as to use and are neither pledged nor available to pay the Bonds.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Expenditures and Appropriations

Article XIIIB of the California Constitution. In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and local governments are subject to an annual "appropriations limit" or "Gann Limit" imposed by Article XIIIB of the State Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIIIB, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" exclude tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds.

Article XIIIB also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The District has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services.

Proposition 111 requires that each agency's actual appropriations be tested over consecutive two-year periods. If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

For the Fiscal Year ended June 30, 2013, the District had an appropriations limit of $489,231,864. Capital and operating expenditures subject to the limit were $387,017,319, creating a margin of $102,214,545. For the Fiscal Year ending June 30, 2014, the District has determined that its appropriations limit is $507,268,979. Pursuant to the Fiscal Year 2014 budget, capital and operating expenditures subject to the limit are $416,032,531, creating a margin of $91,236,448.

Prohibitions on Diverting Local Revenues for State Purposes

Beginning in Fiscal Year 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund ("ERAF") in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22".

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment is to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert \$1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted fiscal year 2009-10 State budget of \$1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved. Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years—such as reducing State spending or increasing State taxes.

Dissolution of Redevelopment Agencies

Under California law, a city or county could, and did, prior to California legislation dissolving redevelopment agencies as described below, create a redevelopment agency. Upon formation of a "project area" of a redevelopment agency, most property tax revenues attributable to the growth in assessed value of taxable property within the project area (known as "tax increment") belong to the redevelopment agency, causing a loss of general fund tax revenues (relating to the 1% countywide general fund levy) to other local taxing agencies, including the District, from that time forward. However, special ad valorem property taxes (in excess of the 1% general fund levy) collected for payment of debt service on the District's bonds are based on assessed valuation before reduction for redevelopment increment and such special ad valorem property taxes are not affected or diverted by the operation of a redevelopment agency project area.

The adopted State budget for fiscal year 2011-12, as signed by the Governor on June 30, 2011, included trailer bill Assembly Bill No. 26 (First Extraordinary Session) ("AB1X 26"), which the Governor signed on June 29, 2011. AB1X 26 suspended most redevelopment agency activities and prohibited redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011. AB1X 26 dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. Assembly Bill No. AB 1484 ("AB1X 1484"), signed into law by the Governor on June 27, 2012, modified certain provisions enacted under AB1X 26, and together with AB1X 26, form the procedural framework for the dissolution of the redevelopment agencies.

Commencing February 1, 2012, property taxes that would have been allocated to each redevelopment agency if the agencies had not been dissolved were instead deposited in a "redevelopment property tax trust fund" created for each former redevelopment agency by the related county auditor-controller and held and administered by the related county auditor-controller as provided in Part 1.85 (commencing with Section 34170) of Division 24 of the State Health and Safety Code (the "Health and Safety Code"). The Health and Safety Code generally requires each county auditor-controller, on May 16, 2012 and June 1, 2012 and each January 2 and June 1 thereafter, to apply amounts in a related redevelopment property tax trust fund, after deduction of the county auditor-controller's administrative costs, in the following order of priority:

- To pay pass-through payments to affected taxing entities in the amounts that would have been owed had the former redevelopment agency not been dissolved; provided, however, that if a successor agency determines that insufficient funds will be available to make payments on its recognized obligation payment schedule and the county auditor-controller verify such determination, pass-through payments that had previously been subordinated to debt service may be reduced;

- To the former redevelopment agency's successor agency for payments listed on the successor agency's recognized obligation payment schedule for the ensuing six-month period;

- To the former redevelopment agency's successor agency for payment of administrative costs; and

- Any remaining balance to local taxing agencies.

It is possible that there will be additional legislation proposed and/or enacted to "clean up" various inconsistencies contained in AB1X 26 and AB 1484 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of the dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26 and AB 1484.

No assurances can be given as to the effect of any such future legislation on the District's finances or the 2013C Bonds. In addition, general economic conditions can affect assessed values and tax payment delinquency rates.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, as well as Propositions 98 and 111, were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues.

INVESTMENT OF 2013C BOND PROCEEDS

Proceeds of the 2013C Bonds deposited into the 2013C Project Account and other funds held by the Paying Agent will be invested by the Paying Agent at the direction of the District in Investment Securities as such term is defined in the Paying Agent Agreement. Such proceeds are not security for the payment of the 2013C Bonds. Investment Securities include:

(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 and including interest strips of bonds issued by the Resolution Funding Corporation and held in book-entry form by the Federal Reserve Bank of New York;

(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 Fannie Mae Corporation, the Government National Mortgage Association, Farm Credit System Financial Corporation, Federal Home Loan Banks 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 such obligations are rated in the highest Rating Category by Moody's Investors Service ("Moody's") and Standard & Poor's Rating Services, a Division of The McGraw Hill Companies ("Standard & Poor's");

(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 Paying Agent 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) or (ii) 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, (c) as to which the principal of and interest on the bonds and obligations of the character described above in clause (i) or (ii) 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, and (d) which are rated in the highest long-term Rating Category by Moody's and Standard & Poor's;

(vii) 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 Paying Agent or any of its affiliates) or by a state licensed branch of any foreign bank, provided that such certificates of deposit shall be purchased directly from such a bank, trust company, national banking association or branch 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 Paying Agent or third-party agent, as custodian, by the bank, trust company, national banking association or branch issuing such certificates of deposit, and the bank, trust company, national banking association or branch issuing each such certificate of deposit required to be so secured shall furnish the Paying Agent 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 Paying Agent shall be entitled to rely on each such undertaking;

(viii) taxable commercial paper or tax-exempt commercial paper rated in the highest Rating Category by Moody's and Standard & Poor's which matures not more than 270 calendar days after the date of purchase;

(ix) variable rate obligations required to be redeemed or purchased by the obligor or its agent or designee upon demand of the holder 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 holder thereof) thereof by an unconditional credit facility of a corporation, provided that the variable rate obligations themselves are rated in the highest short-term Rating Category, if any, and in the highest long-term Rating Category, if any, by Moody's and Standard & Poor's, and that the corporations providing the liquidity agreement and credit facility have, at the date of acquisition of the variable rate obligations by the Paying Agent, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations rated in the highest long-term Rating Category by Moody's and Standard & Poor's;

(x) any repurchase agreement approved by the Board of Directors of the District which does not cause the rating on the Bonds to be reduced or withdrawn, or entered into with a financial institution or insurance company which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated (or the parent company of which is rated) in the highest long-term Rating Category by Moody's and Standard & Poor's, 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 weekly) at least equal to one hundred three percent (103%) of the principal amount of such investment and shall be lodged with the Paying Agent or other fiduciary, as custodian, by the provider executing such repurchase agreement, and the provider executing each such repurchase agreement required to be so secured shall furnish the Paying Agent with an undertaking satisfactory to the Paying Agent that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least weekly) will be an amount equal to one hundred three percent (103%) of the principal amount of each such repurchase agreement and the Paying Agent shall be entitled to rely on each such undertaking;

(xi) any cash sweep or similar account arrangement of or available to the Paying Agent, the investments of which are limited to investments described in clauses (i), (ii), (iii), (iv), (v) and (x) of this definition of Investment Securities and any money market fund including money market funds from which the Paying Agent or its affiliates derive a fee for investment advisory or other services to the fund, the entire investments of which are limited to investments described in clauses (i), (ii), (iii), (iv), (v) and (x) of this definition of Investment Securities; provided that as used in this clause (xi) and clause (xii) investments will be deemed to satisfy the requirements of clause (x) if they meet the requirements set forth in clause (x) ending with the words "clauses (i), (ii), (iii) or (iv) above" and without regard to the remainder of such clause (x);

(xii) any investment agreement with, or the obligations under which are guaranteed by, a financial institution or insurance company or domestic or foreign bank, which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated (or the parent company of which is rated) in the highest long-term Rating Category by Moody's and Standard & Poor's, approved by the Board of Directors of the District and which does not cause the rating on the Bonds to be reduced or withdrawn;

(xiii) the Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to the Paying Agent Agreement; and

(xiv) any other investment approved by the Board of Directors of the District which does not cause the rating on the Bonds to be reduced or withdrawn.

INVESTMENT CONSIDERATIONS

Economy of the Three BART Counties and the State

The economy of the Three BART Counties is recovering from a recession as evidenced by increased sales tax revenues in recent fiscal years and increases in assessed values of property.

The domestic and international recession and financial crisis has had, and is expected to continue to have, significant 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.

For information relating to current economic conditions within the Three BART Counties and the State see Appendix D – "The Economy of the Three BART Counties."

Limitation on Remedies

The opinion of Bond Counsel notes that the rights and obligations under the 2013C Bonds and their enforceability are 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 like the District. BART cannot be forced into bankruptcy by an involuntary bankruptcy petition being filed against BART but, 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 under certain circumstances. Chapter 9 specifies that it 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 the ad valorem taxes levied for BART's general obligation bonds must be used for no other purpose than the payment of principal of and interest on the Bonds. BART believes that this law would be respected in any bankruptcy proceeding so that the 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.

Possible adverse effects of a bankruptcy of BART include delays or reductions in payments on the Bonds or other losses to the holders of the Bonds. Regardless of any specific adverse determinations in a bankruptcy proceeding, the fact of a bankruptcy of BART could have an adverse effect on the liquidity and value of the Bonds.

Appeals of Assessed Values

State law affords an appeal procedure to taxpayers who disagree with the assessed value of their taxable property. Taxpayers may informally request a reduction in assessment directly from the County Assessor (the "Assessor"), who may grant or refuse the request, and may appeal an assessment directly to the County Board of Equalization, which rules on appealed assessments whether or not settled by the Assessor. The Assessor is also authorized to reduce the assessed value of any taxable property upon a determination that the market value has declined below the then-current assessment, whether or not appealed by the taxpayer.

The District can make no predictions as to the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding bonds) may be paid. Any refund of paid taxes triggered by a successful assessment appeal will be debited by the county treasurer against all taxing agencies who received tax revenues, including the District.

Section 2 of Article XIIIA of the California Constitution defines "full cash value" to mean the county assessor's valuation of real property as shown on the Fiscal Year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than two percent, depending on the assessor's measure of the restoration of value of the damaged property. The California courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except the 1% base tax levied by each county and taxes to pay debt service on indebtedness approved by the voters as described above.

Risk of Earthquake

The District is located in a seismically active region. Active earthquake faults underlie both the District and the surrounding Bay Area, most notably the Hayward Fault and the San Andreas Fault (both located within the District). The Loma Prieta earthquake, the most recent significant seismic event in the District, occurred in 1989 and was centered about 70 miles south of Oakland on the San Andreas Fault. It registered 6.9 on the Richter scale of earthquake intensity, and caused fires and collapse of and structural damage to buildings, highways and bridges in the Bay Area.

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

Other Force Majeure Events

Operation of the BART System 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.

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."

Potential Labor Disruptions

BART employees are represented by employee bargaining units that under state law are permitted to strike during negotiations for a contract. During strikes, the District does not operate service, which results in lost operating revenues. Recently, the District suffered strikes during contract negotiations. See Appendix A – "San Francisco Bay Area Rapid Transit District Financial and Operating Information – San Francisco Bay Area Rapid Transit District – Employees and Labor Relations." The District cannot predict the potential impact of future labor disruptions on the financial condition of the District.

No Acceleration Provision

The Paying Agent Agreement does not contain a provision allowing for the acceleration of the 2013C Bonds in the event of a default in the payment of principal and interest on the 2013C Bonds when due. In the event of a default by the District, each Series 2013C Bondholder will have the rights to exercise the remedies, subject to the limitations thereon, set forth in the Paying Agent Agreement.

CITIZENS' OVERSIGHT COMMITTEE

Measure AA required that a BART Earthquake Safety Program Citizens' Oversight Committee (the "Oversight Committee") be created by the District to review that proceeds of the General Obligation Bonds are spent on seismic upgrades to BART structures as required by Measure AA and to review scheduling and budgeting of the projects to be funded. The current members and alternates of the Oversight Committee were selected by the Board of Directors of the District in January 2013 and will serve until the end of calendar year 2015. Measure AA requires that members of this Committee have expertise in certain specific subjects and reside within the District. Since its formation, the Oversight Committee has held 19 meetings and the chairman of the Oversight Committee has presented reports to the District Board, in which the Committee stated its consensus opinion that bond proceeds are being spent properly and in accordance with Measure AA.

LEGAL MATTERS

The validity of the 2013C Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. A complete copy of the proposed form of the opinion to be delivered by Bond Counsel is attached hereto as Appendix G. Bond Counsel takes no 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 its General Counsel, and for the Underwriters by Curls Bartling P.C., neither of which undertakes any responsibility for the accuracy, completeness or fairness of this Official Statement.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District ("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 2013C Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the 2013C Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix G hereto.

To the extent the issue price of any maturity of the 2013C Bonds is less than the amount to be paid at maturity of such 2013C Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2013C 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 2013C 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 2013C Bonds is the first price at which a substantial amount of such maturity of the 2013C 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 2013C Bonds accrues daily over the term to maturity of such 2013C 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 2013C Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2013C Bonds. Beneficial Owners of the 2013C Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2013C Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2013C Bonds in the original offering to the public at the first price at which a substantial amount of such 2013C Bonds is sold to the public.

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 purchaser'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 2013C Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2013C 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 2013C Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2013C Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2013C Bonds may adversely affect the value of, or the tax status of interest on, the 2013C Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2013C 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 2013C Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2013C Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2013C Bonds. Prospective purchasers of the 2013C Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2013C Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2013C Bonds ends with the issuance of the 2013C Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the 2013C Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and their appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2013C 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 2013C Bonds, and may cause the District or the beneficial owners to incur significant expense.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the 2013C Bonds, the District will certify that 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 2013C Bonds, the application of the proceeds thereof in accordance with the Paying Agent Agreement, or the levy, collection or application of the *ad valorem* taxes, or in any way contesting or affecting the validity or enforceability of the 2013C Bonds or the Paying Agent Agreement or in any way contesting the completeness or accuracy of this Official Statement with respect to the 2013C Bonds.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Service, a Standard & Poor's Financial Services LLC business ("S&P") (Moody's and S&P each a "rating agency") have assigned their municipal bond ratings of "Aaa" and "AAA," respectively, to the 2013C Bonds. Any explanation of the significance of such rating may only be obtained from the rating agency furnishing such rating. Certain information and materials not included in this Official Statement were furnished to each of the rating agencies concerning the 2013C Bonds. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions by such rating agencies. There is no assurance that any credit rating assigned to the 2013C Bonds by any rating agency will be maintained for any period of time or that the rating assigned may not be lowered or withdrawn entirely by a rating agency, if, in its judgment, circumstances so warrant. The District has not undertaken any responsibility to oppose any downward revision or withdrawal of any rating. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the 2013C Bonds.

FINANCIAL ADVISOR

First Southwest Company serves as Financial Advisor to the District with respect to the sale of the 2013C 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. Because of its limited participation, the Financial Advisor has not independently verified any of the data contained herein and has no responsibility for the accuracy or completeness thereof.

CONTINUING DISCLOSURE

To enable the Underwriters to comply with the requirements of Rule 15c2-12 promulgated by the Securities Exchange Commission (the "Rule"), the District will enter into a Continuing Disclosure Agreement with the Paying Agent for the benefit of the Beneficial Owners (as such term is defined in such Continuing Disclosure Agreement) from time to time of the 2013C Bonds. A copy of the form of Continuing Disclosure Agreement is set forth in Appendix F hereto. The District has always been current in respect of its required annual report filings under the Rule; however, the District did not promptly file a number of notices relating to rating changes in 2008 and 2009 for issues caused by the sequential downgrades of the bond insurers of such issues or the withdrawal of ratings of such insured issues. The District recently filed notices providing the rating history with respect to the affected bonds to confirm compliance with the District's continuing disclosure obligations. The District has engaged BLX Group and has implemented procedures to ensure timely filing of all future notices of material events. Other than as described above, the District believes it has conformed in all material respects to its continuing disclosure undertakings during the last five years.

UNDERWRITING

The 2013C Bonds are being purchased by the Underwriters identified on the cover page of this Official Statement (the "Underwriters") pursuant to a bond purchase agreement, dated the date of sale of the 2013C Bonds (the "Bond Purchase Agreement"), between the District and the Underwriters. The 2013C Bond Purchase Agreement provides that the Underwriters will purchase all of the 2013C Bonds, if any are purchased, at a purchase price of $270,652,001.63 (representing the principal amount of the 2013C Bonds, plus net original issue premium of $30,840,347.00 and less an underwriters' discount of $188,345.37). The initial public offering prices of the 2013C Bonds may be changed from time to time by the Underwriters. The 2013C Bond Purchase Agreement provides that the obligation to make such purchase is subject to certain terms and conditions set forth in the 2013C Bond Purchase Agreement including, among others, the approval of certain legal matters by counsel.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the 2013C Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase 2013C Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2013C Bonds that such firm sells.

FINANCIAL STATEMENTS

The financial statements of the District included in Appendix B to this Official Statement have been examined by Macias, Gini & O'Connell LLP (the "Auditor"), whose report thereon appears in such Appendix. The Auditor was not requested to consent to the inclusion of its report in Appendix B, nor has the Auditor undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the District and the purchasers, holders or beneficial owners of any of the 2013C Bonds. All of the preceding summaries of the 2013C Bonds, the Paying Agent Agreement, applicable legislation and other agreements and documents are made subject to the provisions of the 2013C 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 Controller/Treasurer of 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 2013C 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 2013C 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

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 2013C 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 2013C 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: ______________________________
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.

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

Powers of the District

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

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

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

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

Administration

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

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

The District Directors are:

Director	City of Residence	Term Expiration (December)
Tom Radulovich	San Francisco	2016
President		
Joel Keller	Brentwood	2014
Vice President		
Thomas M. Blalock	Fremont	2014
James Fang	San Francisco	2014
John McPartland	Castro Valley	2016
Zakhary Mallett	El Sobrante	2016
Gail Murray	Walnut Creek	2016
Robert Raburn	Oakland	2014
Rebecca Saltzman	Oakland	2016

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

The five statutory officers are:

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

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

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 the professional staff with the Southern California Rapid Transit District. Mr. Duron holds a Bachelor of Science degree in Public Administration from the University of Southern California, Center for Public Affairs.

Mark P. Smith, Independent Police Auditor

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

Principal executive management staff appointed by the General Manager include:

Marcia deVaughn, Deputy General Manager

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

Paul Oversier, Assistant General Manager, Operations

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

Employees and Labor Relations

As of July 1, 2013, the District had 3,260 employees, of which 3,147 were full-time and 113 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, 2013, the average BART employee had been with the District 12.83 years and earned an annualized salary of $76,038.18.

Contracts with BART employees expired on June 30, 2013 and labor negotiations for all five unions are currently in progress. BART employees called for a strike on July 1, 2013 and were on strike for 4 days. The unions agreed to return to work under the terms of the expired contract for a thirty day period while negotiations continued. During the strike, major traffic delays occurred, especially in congested cross bay traffic corridors. On August 11, 2013, at the request of the Governor of the State, a judge ordered a 60 day cooling off period, during which time the employees were precluded from striking. The period ended on October 10, 2013.

District and union officials continued to negotiate, but were unable to reach an agreement and two of the District's unions proceeded to strike on Friday, October 18, 2013. On Monday, October 21, 2013, a tentative agreement was reached among the negotiators and the union workers represented by two unions, SEIU and ATU, returned to work on Tuesday, October 22, 2013. Principal areas of discussion included wages, pension and medical contributions and work force rules.

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

On November 1, 2013, the members of ATU and SEIU voted to ratify the contract, with 85 percent and 88 percent approval by voting members, respectively. The contract is also subject to approval by the District's Board of Directors, which is expected to occur in the coming month. As of the time of the strike, the District estimated that the strike would result in a net loss in revenues of approximately $4 million due to ongoing expenses, less savings due to the reduced labor costs and other expenses. The District does not expect the new contract to have a material impact on its FY 2013-14 budget, although a budget revision will be necessary to reflect the new contract.

A fatal accident involving one BART employee and a contractor who were both struck by an out-of-service BART train occurred on the afternoon of October 19, 2013. At the time of the accident, the workers were performing track inspections between the Walnut Creek and Pleasant Hill stations, approximately one mile north of the Walnut Creek Station, in response to a report. The accident is currently under investigation by the National Transportation Safety Board and the investigation is in its preliminary stages.

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 (Election of 2004), 2005 Series A (the "2005 A Bonds") in an aggregate principal amount of $100,000,000. On July 25, 2007, the District issued the General Obligation Bonds (Elections 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.

As of August 1, 2013, the following issues of the General Obligation Bonds are outstanding:

Issue	Original Principal Amount	Amount Outstanding	Final Maturity	Interest Rates
2005 A Bonds	$100,000,000	$ 36,745,000	2035	3.00-5.00%
2007 B Bonds	400,000,000	371,530,000	2037	3.70-5.00%

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, not taking into account the issuance of the 2013 C Bonds.

Sales Tax Revenue Bonds

Commencing in 1970, the District has issued from time to time bonds payable from and collateralized by a pledge of sales tax revenues (the "Sales Tax Revenue Bonds"), comprised of seventy-five percent (75%) of the amounts derived from a one-half of one percent (0.5%) transactions and use tax imposed by the District within the Three BART Counties pursuant to Section 29140 of the California Public Utilities Code. The Sales Tax Revenue Bonds are special obligations of the District issued in order to finance or refinance the costs of constructing, improving and equipping the BART System. The following issues of sales tax revenue bonds are outstanding in the amounts and at the rates indicated in the table below as of August 1, 2013:

Issue	Original Principal Amount	Amount Outstanding(1)	Final Maturity	Interest Rates
Series 2005A Bonds	$352,095,000	$259,825,000	2034	3.625-5.00%
Series 2006 Bonds	64,915,000	1,300,000	2016	4.00-5.00%
Series 2006A Bonds	108,110,000	99,055,000	2036	4.00-5.00%
Series 2010 Refunding Bonds	129,595,000	124,265,000	2028	3.00-5.00%
Series 2012A Bonds	130,475,000	127,145,000	2036	2.00-5.00%
Series 2012B (Taxable)	111,085,000	107,305,000	2042	.46-4.287%

(1) As of August 1, 2013.

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, 2012 and 2011. (Note #6)." 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.

On June 27, 2013, the District terminated the remaining two tranches of the Network Lease Transaction and acquired back full interest of the equipment under the head lease.

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 $1.5 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 Federal Transit Administration ("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, 2013, the outstanding balance of the loan was $5,000,000.

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 were limited obligations of ABAG payable solely from and collateralized solely by amounts received from the District pursuant to a pledge of the premium fare (currently $4.06) 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. All outstanding 2002 Airport Premium Fare Bonds were refunded in October 2012 from the proceeds of the District's sales tax revenue bonds.

Vehicle Replacement Program

This program consists of the 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 $23,979,594 in Fiscal Year 2012-13 to fund the District's preventative maintenance expenses and has budgeted $72 million in Fiscal Year 2013-14 for such purpose. Accordingly, the District remitted or will remit to MTC the equivalent amount of its own funds, which is 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 $129,104,927 as of August 31, 2013. 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 five of which are located in San Mateo County on the San Francisco Peninsula. BART is powered by an electric third rail at 1,000 volts AC. The rail right-of-way is fully protected and has no grade crossings. Automatic fare collection equipment is located in each station to vend and process passenger tickets. As of June 30, 2012, the District owned 669 rail cars. Trains are from three to ten cars in length and contain one control-equipped vehicle (an A-car or C-car) at each end with mid-train vehicles (B-cars or C-cars) making up the remainder of each train. Control-equipped C-cars can be used as lead, mid-train, or trail vehicles. All station platforms are constructed to accommodate trains of up to ten cars. Trains are operated from the lead A-car or C-car. Computers located along the right-of-way automatically control train movements. BART System train supervision is provided by the BART train control computer located at the BART Operations Control Center 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.

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

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 August 1, 2013, 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 fare 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 trips between Millbrae and SFO Station and for trips made by SFO-badged employees to or from SFO station. Effective July 1, 2013, SFO will pay BART the $1.50 SFO Premium Fare instead of SFO-badged employees, under an agreement between SFO and BART with a term of nine years. A capital surcharge equal to $0.12 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.

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. On February 28, 2013, the BART Board approved extending the productivity-adjusted Consumer Price Index-based fare increase program so that fares will increase in January of 2014, 2016, 2018, and 2020. The first increase of the extended program to take effect on January 1, 2014 is valued at 5.2%. The incremental fare revenue generated by the future fare increases is intended to be set aside to fund capital projects.

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Average District Fare Increases

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

* 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 change in fares or any substantial reduction in service is made. Such change is made only after proper consideration has been given to the views and comments expressed by the public, including those who are minority, low-income, or have limited English proficiency, in public meetings and at public hearings and after consideration has been given to the effects on energy conservation and the economic, environmental and social impact of such change.

Ridership

Average weekday passenger trips for the Fiscal Year 2007-08 through Fiscal Year 2012-13 are set forth below.

Trip Locations:	2008	2009	2010	2011	2012	2013
East Bay	82,840	82,872	75,742	78,713	83,377	87,787
West Bay	106,482	107,089	96,523	97,126	102,603	108,726
Transbay	168,452	166,751	162,719	169,417	180,585	195,780
Average Total Weekday Trips	357,775	356,712	334,984	345,256	366,565	392,293
Percentage Annual Change	5.4%	-0.3%	-6.1%	3.1%	6.2%	7.0%

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 recovering from the effect of the recession, BART is carrying more riders than ever, peaking in October 2012 with 416, 932 average weekday trips. Ridership has been particularly strong on the SFO Extension, with annual passengers at the San Francisco International Airport Station exceeding 4.2 million trips in Fiscal Year 2012-13. The single highest day of BART ridership, 568,061, occurred on October 31, 2012 in conjunction with the San Francisco Giants World Series Victory Parade held in downtown San Francisco.

Parking Programs

The District provides a variety of options for passengers who drive to BART stations. As of August 1, 2013, 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 (unaudited) for Fiscal Year 2012-13 was $15.7 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 its power supply.

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

CAPITAL PROGRAMS

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

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

Rail Vehicle Replacement Program.

On May 10, 2012, 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.

The District awarded the base contract for 260 vehicles in May 30, 2012, and exercised Option 1 to procure an additional 150 vehicles on June 25, 2012.

The total project cost for the 410 base contract and Option 1 vehicles will be approximately $1.348 billion, and will be paid from funding sources including funds from the MTC, 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, but it is not anticipated that the successor agreement will alter the cost allocation for the 60 cars attributable to VTA.

BART anticipates funding its portion of the contract from the accumulated funds in the Rail Car Sinking Fund and from annual operating funds of approximately $45 million for twelve years ending in Fiscal Year 2024-25. For Fiscal Year 2013-2014 BART budgeted $63.935 million for this contract. No debt is planned for the funding of the rail vehicle replacement program.

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

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

The District is considering executing its remaining options in order to purchase a total of 775 vehicles at a total cost of $2.56 billion with payments made through Fiscal Year 2026-27 utilizing similar funding sources.

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 has been reduced and its scope has been increased due to current and projected cost savings from favorable construction bids on project components. The current budgeted value of the Earthquake Safety Program is $1.22 billion.

System Expansion Program

Planned or proposed extensions of the BART System include:

Oakland Airport Connector. The Oakland Airport Connector ("OAC") project will provide an improved transit link between the Oakland International Airport ("OAK") and the

BART System. The 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, BART financing was 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) and a $6 fare. BART issued a Request for Qualification/Proposal to interested parties for a Design-Build construction and startup project followed by a 20-year Operations and Maintenance contract in May 2009. On November 1, 2010, Flatiron/Parsons JV was awarded with a notice to proceed with a design-build contract for $361 million along with a 20-year operations and maintenance contract to Doppelmayr Cable Car Inc. The Flatiron/Parsons JV has proposed an automated driverless, cable-propelled people mover manufactured by Doppelmayr Cable car that will travel between BART and the airport in about eight minutes, primarily on an elevated guideway structure along the median of Hegenberger Road. BART will fund approximately $105 million of the cost of this project with proceeds of the 2012 Series B Sales Tax Revenue Bonds. The OAC project is projected to begin revenue service in September 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 has achieved substantial completion on schedule. The LTSS (design build) contract is nearly through the final design stage and major construction activities have begun. Revenue service to the Warm Springs/South Fremont station is expected late in 2015.

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

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

The planned 16-mile extension 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 capital cost for the six station extension is estimated at $6.81 billion in Year-Of-Expenditure (YOE) dollars. The extension is planned to be constructed in phases.

The first phase, The Berryessa Extension Project, 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 phase, 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. The first phase, with an estimated capital cost of $2.42 billion in YOE dollars, was granted a FTA Full Funding Grant Agreement in March of 2012.

To date, the BART corridor for the Berryessa Extension Project, from the recently completed grade separation at Kato Road, in the City of Fremont, excluding the portion of the corridor in the vicinity of the UP Industrial Lead Bridge in the City of Milpitas, has been cleared of UPRR tracks and prepared for the BART extension. The relocation of UPRR facilities north of Kato Road, including the grade separation of Warren Avenue and widening of Mission Boulevard (State Route 262), both in the City of Fremont, is underway with the BART corridor north of Kato Road forecast to be available for construction activities in the third quarter of 2014. Acquisition of real estate and relocation of utility for the first phase is underway, with most of the utilities along the corridor relocated. In April 2012, a design/build contractor was given full Notice-to-proceed by VTA for a Line, Track, Stations and Systems (LTSS) Contract. The LTSS contractor has made progress in the design and is anticipated to substantially complete design by the third quarter of 2014. Following a Groundbreaking Ceremony in April 2012, the LTSS contractor initiated construction activities and is currently focusing on relocation of utilities that cross the corridor, construction of aerial structures at Berryessa, and construction of trench in the vicinity and across Hostetter Road and Montague Expressway. Revenue services are forecasted to begin in the last quarter of 2017.

Planning and environmental studies for the second phase have begun with the Federal Record of Decision anticipated in winter of 2015. Preparation for entry into the Federal New Starts Program is planned for the first quarter of 2014 with the Federal Transit Administration's approval of VTA's request anticipated in the third quarter of 2014.

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 $405 million project is being funded by VTA and is projected to be under construction in 2014.

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 $487 million. 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 over the next year dependent on the State Route 4 widening schedule. The project is targeting a revenue service date of late 2017. The project funding plan includes substantial contributions from Contra Costa County 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 needs to be developed as part of the project-level environmental study.

System Reinvestment Program

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

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

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

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

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

Security Enhancement Program

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

Service and Capacity Enhancement Program

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

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

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

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

Transit-Oriented Development. During 2004, a policy review panel, comprised of representatives of the Board of Directors, ABAG, MTC, the Bay Area Air Quality Management District and the Center for Transit-Oriented Development, a national organization formed to address transit-oriented development issues, conducted a comprehensive review of BART development activity in order to revise existing BART policies regarding real estate development. On July 14, 2005, the Board of Directors adopted the revised "Transit-Oriented

Development Policy" (the "TOD Policy"), which resulted from this review. The TOD Policy is intended to guide development on BART land, to provide for interface with private development adjacent to BART stations, and to assure that access to BART stations will be accommodated by all development around BART stations.

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

Funding Developments

MTC Plan Bay Area. 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 Plan Bay Area. Under Plan Bay Area the District has a 28 year capital asset renovation and rehabilitation need of $16.5 billion. MTC and participating counties fund these from a combination of Federal formula funds, "STP/CMAQ" and State Transportation Improvement Program ("STIP") funds. For the District, this means approximately 63% of the District's 28-year capital asset renovation and rehabilitation needs are projected to be funded in FY2013-2040. The remaining 37% of the District's reinvestment needs in this period, constituting $6 billion., remain unfunded These Project needs will have to be met with funding sources yet to be identified by the District.

Pension Reform and Grant Funding. In October 2013, the Governor of the State of California signed legislation temporarily exempting certain transit workers from the State's Public Employee's Pension Reform Act of 2013 ("PEPRA"). The legislation was in response to the refusal by the United States Department of Labor ("USDOL") to certify that transit employees rights to collective bargaining were not infringed by PEPRA. The certification is required for the Federal Transit Administration to pay grants, and without the certification transit agencies in California were not receiving planned federal aid. The State has filed a lawsuit against the USDOL to clarify that PEPRA does not violate the collective bargaining rights protected by federal law. The State legislation resolves the temporary interference with the receipt of grant funds and provides that if the court upholds the position of the USDOL, the transit employees will continue to be exempt for PEPRA. Without the resolution provided by the legislation, the District, which through MTC and agreements with VTA and other transit partners receives substantial capital funding from the FTA, potentially could have had its capital program adversely affected by the dispute.

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 funds of $17,305,464 in Fiscal Year 2012-2013 and $18,244,671 in Fiscal Year 2011-12.

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, 2012 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's corrective plan was substantially implemented 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, 2009 through June 30, 2013. This summary for the Fiscal Years ending June 30, 2009 through June 30, 2012 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 data presented for the year ended June 30, 2013 are unaudited. 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)				
	2009	2010	2011	2012	2013[1]
Annual Passengers (thousands)	106,874	101,004	103,714	110,777	117,815
Operating Revenues					
Passenger Revenues	$318,094	$332,018	$343,472	$367,342	$406,890
Investment Income[2]	1,069	297	228	123	23
Other	30,144	36,374	33,273	34,512	36,383
Total Operating Revenues	$349,307	$368,688	$376,973	$401,977	$443,296
Financial Assistance:					
Sales Tax Revenues	$184,286	$166,520	$180,819	$195,214	$208,561
Property Tax Revenues[3]	30,356	30,114	29,515	29,694	31,686
Other	34,068	59,428	28,134	49,894	$47,728
Total Financial Assistance	$248,710	$256,062	$238,469	$274,802	$287,975
Total Operating Revenues and Financial Assistance	$598,017	$624,750	$615,441	$676,779	$731,271
Operating Expenses:					
Labor	$386,847	$366,666	$358,249	$380,692	$407,076
Electrical Power	36,784	35,332	35,297	35,062	37,306
Express Feeder Bus	833[4]	8,307	223	132	220
Other Non-Labor	105,151	101,949	97,639	113,730	122,410
Total Operating Expenses[5]	$529,615	$512,254	$491,408	$529,616	$567,012
Net Revenues	$68,402	$112,496	$124,033	$147,163	$164,259
Bond Debt Service[6]	$65,312	$68,389	$68,074	$62,273	$62,442
Rail Car Replacement Funding Exchange[7]	$ 22,682	$22,683	-	$25,940	$23,980
Excess Revenues/(Deficit)	$(19,592)	$21,424	$55,959	$58,949	$77,837
Operating Ratio[8]	66%	72%	77%	76%	78%
Farebox Ratio[9]	60%	65%	70%	69%	72%

(1) Unaudited for the year ended June 30, 2013.
(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.
(4) 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.

(Footnotes continued on following page)

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

(6) "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.

(7) 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.

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

(9) 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, 2013, the District saw continued growth in ridership, operating revenues and sales tax revenues, while managing increases in operating expenses to a corresponding level. Total passenger ridership increased to over 117.8 million, a 6.4% increase from the prior fiscal year. Total operating revenues increased 8% to $731 million due to increased ridership and improving sales tax revenues. In Fiscal Year 2012-13, BART's parking program generated $15.7 million and advertising and telecommunication programs generated $7.8 million and $6.6 million, respectively.

Sales Tax Revenues increased $209 million, growing by 6.8% from the prior fiscal year and exceeding the pre-recession peak of $203 million. The economy appears to be more vibrant due to the location of many technology companies in the area and the increase of tourism to San Francisco and the Bay Area. The large number of education, healthcare, government and research facilities located in the area also provides stability to the local economy compared to the general State economy.

Other operating assistance received by BART includes State Transit Assistance (STA), with $17.3 million received in Fiscal Year 2012-13. 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, future State budget problems could result in reduced STA. Additional revenue comes from BART's portion of the one percent general property tax levy that amounts to nearly $32 million in Fiscal Year 2012-13, up 7% from the prior fiscal year.

Operating expenses increased by $37 million (7%) in Fiscal Year 2012-13 due to both planned budget initiatives and unexpected spending increases. Planned increases to expenses included investments related to the rising ridership such as increasing front line operations staff, which also was aimed at addressing absences and reduce overtime; investments in information technology and federally mandated compliance programs; increased funding for important infrastructure needs of the system, added staffing in certain areas impacted by budget cuts in past years as well as 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 material costs related to maintaining the rail fleet.

The District's labor force was increased by 57 positions in Fiscal Year 2012-13, mainly to address targeted priority areas such as front line service and compliance areas. Under the prior 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. 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 2012-13 was 78.2%, slightly above the budgeted goal of 77.9%.

The District implemented a new business system in 2011 and initially faced difficulties with customary budgeting and operating procedures resulting in decreased cash flow for the District and a material weakness noted by the District's auditor in connection with the Fiscal Year 2011-12 audit. These processing difficulties were addressed in the 2012-13 Fiscal Year and the District does not expect to experience further cash flow constraints from the operation of its business systems.

The District proceeded with major capital projects in Fiscal Year 2012-2013, including the Warm Springs Extension, the Oakland Airport Connector project and the Rail Vehicle Replacement Program. See *"—Capital Programs."*

Adopted Budget for Fiscal Year 2013-14

On June 13, 2013, BART's nine-member Board of Directors adopted a $797 million, balanced budget for the Fiscal Year 2013-14. The budget will be revised once labor negotiations have concluded and new labor contracts have been approved. After persevering through the most severe economic downturn in its history, BART is carrying more riders than ever while maintaining 95% passenger on-time performance. This trend in ridership growth is expected to continue. In order to address both the increased ridership and its impact on system capacity and the need to ensure that critical infrastructure rehabilitation projects advance, there are three areas requiring focus: Infrastructure, Stations, and Sustainability. System reinvestment needs are significantly underfunded.

The Fiscal Year 2013-14 operating budget included a $46.0 million allocation to the Rail Car Sinking Fund, which makes up a part of the District's initial $298 million commitment for its share of the Phase 1 purchase of 410 new rail cars. This funding, combined with previously "banked" funding and future funding commitments, enabled BART to award the base contract and Option 1 of the new vehicle contract, totaling 410 cars, in May and June, 2012, respectively, and will allow for the District to secure new rail vehicles needed to maintain reliability and meet current and future capacity demands.

The budget also allocated $32.8 million to other State of Good Repair needs, including continuing multi-year rehabilitation programs to replace seats and floors in the current fleet, and C-1 car propulsion and heating/air conditioning units, 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 $53.0 million in debt service payment mainly due to bond issues for prior year capital rehabilitation programs. The 5.2% fare increase scheduled to take effect on January 1, 2014 is estimated to generate $7.5 million in Fiscal Year 2013-14. The additional fare revenue is dedicated to capital projects, specifically to three priority programs: the new rail cars, the Hayward Maintenance Complex, and the replacement of the District's automated train control system.

In addition to the Rail Car Sinking Fund and seat and floor replacement budget initiatives, the Fiscal Year 2013-14 operating budget included $12.6 million and 44 positions in operating initiatives to address a number of essential operating needs, including Station Initiatives, technology improvements, compliance efforts, and other smaller needs. Most of these initiatives were recommended to keep the District functioning effectively.

Risk Management and Insurance

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

Pursuant to a recent evaluation of District liabilities for workers compensation, outstanding losses as of June 30, 2013 are projected to total $50,387,738 (undiscounted). The required reserves discounted 3% are $43,844,989. Ultimate District workers compensation losses are limited to $4,000,000 per occurrence for the forecast periods and are estimated at $12,431,000 for Fiscal Year 2012-13 and $13,053,400 for Fiscal Year 2013-14. Outstanding losses for automobile and general liability are projected to be $5,163,671 (undiscounted). The required reserves discounted 3% are $4,917,945.

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 September 30, 2013.

INVESTMENT DISTRIBUTION
as of September 30, 2013

Certificates of Deposit	$ 854,060
Cash on Hand and in Bank	196,914,079
Total	$197,768,139

Source: District.

As of June 30, 2013, 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 trustee for the Sales Tax Revenue Bonds in the funds and accounts established under the indenture pursuant to which such obligations were issued are invested at the direction of the District, subject to certain limitations contained in the applicable indenture.

Employee Retirement Benefits

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

Plan Description. All eligible employees may participate in the Public Employees' Retirement Fund (the "Fund") administered by CalPERS under the Miscellaneous Plan and the Safety Plan of the District. The Safety Plan covers all sworn police officers of the District; all other District employees are covered by the Miscellaneous Plan. The Fund is an agent multiple-employer public sector employee defined-benefit retirement plan that acts as a common investment and administrative agent for approximately 3,064 local public agencies and school districts within the State of California, including the District. The Fund provides retirement, disability and death benefits based on the employee's years of service, age and compensation. New employees hired on or after January 1, 2013 whose benefits are limited by Assembly Bill (AB) 340, California Public Employees' Pension Reform Act ("PEPRA") under the Miscellaneous Plan, vest after five years of service and may receive retirement benefits starting at age 52. Under PEPRA, employees hired prior to January 1, 2013, also referred to as "classic" employees, and employees under the Safety Plan, vest after five years of service and may receive retirement benefits starting at age 50. These benefit provisions and all other requirements are established by State statute and District contractual agreements. Legislation was enacted in the State which exempts most District employees from the provisions of pension reform, at least as an interim measure pending the resolution of a suit to be brought in Federal court. See "CAPITAL PROGRAMS – Funding Developments – Pension Reform and Grant Funding," above.

Annual Actuarial Valuation Reports. CalPERS prepares an Annual Actuarial Valuation Report ("CalPERS Actuarial Report") for its members. The District receives 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 2013, which were based on financial data available from the District and from various CalPERS databases as of June 30, 2012. These Reports established the District's required minimum employer contribution rates for Fiscal Year 2014-15, which are 13.303% of covered payroll for the Miscellaneous Plan for employees and 47.789% of covered payroll for the Safety Plan for employees, before any cost sharing. The Reports also included for District's Miscellaneous and Safety Plans the latest Schedule of Funding Progress, which shows a five-year history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of unfunded actuarial accrued liability to payroll, as discussed herein below. CalPERS issued letters on December 19, 2012 indicating the employer contribution rates for new PEPRA employees will be the same rates as classic employees. The impact of most of the PEPRA changes will first appear in the rates and benefit provision listings of the June 30, 2013 valuation for the Fiscal Year 2015-16 rates.

The District's employer required contribution rates for Fiscal Years 2012-13 and 2013-14 were determined by actuarial valuations of the Plans as of June 30, 2010 and 2011, respectively.

The employer required contribution rates for Fiscal Year 2012-2013 were 11.736% of covered payroll for the Miscellaneous Plan and 41.566% of covered payroll for the Safety Plan, and the employer required contribution rates for Fiscal Year 2013-2014 are 12.269% of covered payroll for the Miscellaneous Plan and 42.885% 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, 2012, the average remaining amortization period is 16 years for the Miscellaneous Plan and 21 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 Miscellaneous Plan to cover normal cost and to amortize the unfunded actuarial accrued liability, as a percentage of covered payroll, were 11.736% for Fiscal Year 2012-13, 11.986% for Fiscal Year 2011-12 and 9.446% for Fiscal Year 2010-2011, respectively. District payment for the employer portion of the contributions for the Safety Plan to cover normal cost and to amortize the unfunded actuarial accrued liability, as a percentage of covered payroll, were 41.566% for Fiscal Year 2012-13, 38.001% for Fiscal Year 2011-12 and 32.321% for Fiscal Year 2010-11, 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. Effective January 1, 2013, under PEPRA, non-represented employees hired on or after January 1, 2013 started contributing half of the total normal cost and starting on July 1, 2013, under PEPRA, bargaining unit employees hired on or after January 1, 2013 started contributing half of the total normal cost.

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 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%). CalPERS has recently acted to change certain of its actuarial assumptions, and is considering additional changes intended to amortize the unfunded liability more quickly. Beginning with the June 30, 2013 valuations that will set the Fiscal Year 2015-16 rates, CalPERS will no longer use an actuarial value of assets and will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a five-year period. For complete updated inflation, actuarial and other assumptions, please contact CalPERS at the above-referenced address.

Schedule of Funding Progress. The funding status applicable to the District's Plans at June 30, 2012 (the most current available for the Fund) is summarized as follows:

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

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status (Actuarial Value)	Funded Status (Market Value)	Annual Covered Payroll	UAAL as a Percentage of Payroll
6/30/08	$1,391,792	$1,349,563	$42,229	97.0%	98.8%	$218,889	19.3%
6/30/09	1,520,140	1,405,192	114,948	92.4	67.4	222,864	51.6
6/30/10	1,575,249	1,462,840	112,409	92.9	72.5	219,269	51.3
6/30/11	1,661,566	1,530,454	131,112	92.1	81.5	219,833	59.6
6/30/12	1,728,926	1,581,046	147,880	91.4	76.2	226,128	65.4

Source: CalPERS Annual Valuation Report as of June 30, 2012.
(1) Numbers reflect rounding.

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

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status (Actuarial Value)	Funded Status (Market Value)	Annual Covered Payroll	UAAL as a Percentage of Payroll
6/30/08	$164,993	$131,846	$33,147	79.9%	81.1%	$17,721	187.0%
6/30/09	183,177	140,580	42,597	76.7	56.2	18,373	231.8
6/30/10	197,342	148,970	48,372	75.5	59.5	17,601	274.8
6/30/11	213,592	157,704	55,888	73.8	66.1	18,864	296.3
6/30/12	225,612	166,268	59,343	73.7	61.9	17,406	340.9

Source: CalPERS Annual Valuation Report as of June 30, 2012.
[1] Numbers reflect rounding.

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. As a result of labor contract negotiations over the 2009-2013 collective bargaining agreements, the District suspended the "6.65%" contributions on behalf of employees represented by the BART Police Managers Association, effective January 1, 2010 and BART Police Officers Association from July 1, 2010 through FY 2013 during the term of the 2009-2013 agreements. These contributions remain suspended during negotiations over the successor agreements.

In addition, the District contributes an additional 1.627% of payroll for eligible represented (sworn represented are excluded) and eligible non-represented employees, subject to the Internal Revenue Code Section 401(a)(17) limits on compensation which may be taken into account.

The District suspended the 1.627% contributions for all eligible employees through June 30, 2013. The 2009-2013 collective bargaining agreements provide that in Fiscal Years ending June 30, 2014 through 2034, the District's obligation with respect to the 1.627% contribution to the MPPP is contingent on the relationship of the projected Annual Required Contribution (ARC) for retiree medical benefits to that which is set forth in the current collective bargaining agreements. Under those terms, contributions would resume for FY 2014. However, this is an open issue in the ongoing current negotiations over the successor agreements. 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 June 30, 2013, there were approximately 238 (242 in 2012 and 295 in 2011) 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.

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 April 30, 2013 entitled "Post-Employment Benefit Valuation Report, under GASB 43/45 as of June 30, 2012" (the "Keenan Report"), 1,797 retirees and surviving spouses are provided this benefit. Pursuant to the Retiree Health Benefit Trust Independent Auditor's Report for the Years Ended June 30, 2012 and 2011, the District made payments on a pay-as-you-go basis, net of retirees' and surviving spouses' share, medical insurance premiums totaling $14,516,000 in Fiscal Year 2011-12 and $13,272,000 in Fiscal Year 2010-11, and life insurance premiums amounting to $70,000 in Fiscal Year 2011-12 and $81,000 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 $329 million. The report also contained projected per capita claims cost updates based on Calendar Years 2012 and 2013 CalPERS premiums. The combination of premium rate and enrollment changes resulted in a large reduction in the AAL. This is primarily due to a 10% reduction in Medicare premiums. A comprehensive analysis of retirement and turnover rates was conducted by Milliman, who recommended alternative assumptions. These new assumptions reduced the AAL, but had an uneven impact on the components of the ARC.

Following is the summary of results of the valuation:

	(in $ Millions)		
	Retiree Medical Plan	Additional OPEB Plan	Total
June 30, 2012 Valuation Results			
Actuarial Accrued Liability	$329	$33	$362
Actuarial Value of Assets	139	0	139
Unfunded Actuarial Accrued Liability	190	33	223
Results for Fiscal Year 2011-12			
ARC (Percentage of Pay)	11.52%	0.72%	12.24%
ARC (Dollar Amount)	$28.002	$1.813	$29.815
BART Payments			
Benefit Payments from General Assets	$14.516	$.070	$14.586
Contributions to Trust	10.100	–	10.100
Total	$24.616	$.070	$24.686

Source: Keenan Report dated April 30, 2013 and the District.

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APPENDIX B

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
REPORT ON AUDITS OF FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

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SAN FRANCISCO BAY AREA
RAPID TRANSIT DISTRICT

Annual Financial Report

For the Years Ended June 30, 2012 and 2011

MGO Certified Public Accountants.

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SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
ANNUAL FINANCIAL REPORT
For the Years Ended June 30, 2012 and 2011

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MGO Certified Public Accountants.

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

Sacramento

Walnut Creek

LA/Century City

Newport Beach

San Diego

Seattle

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, 2012 and 2011, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously 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, 2012 and 2011, and the respective changes in 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 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 for the year ended June 30, 2012. 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Macias Gini & O'Connell LLP

Oakland, California
December 28, 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, 2012 and 2011. This discussion was prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The District is an independent agency created in 1957 by the legislature of the State of California for the purpose of providing an adequate, modern, interurban mass rapid transit system in the various portions of the metropolitan area surrounding the San Francisco Bay. The District started its revenue operations in September 1972. It presently owns a 104-mile, 44-station system serving the four counties of Alameda, Contra Costa, San Francisco and San Mateo. The 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 2012, 2011 and 2010 is as follows (dollar amounts in thousands):

	2012	2011	2010
Operating revenues	$ 401,855	$ 376,744	$ 368,586
Operating expenses, net	(667,628)	(630,226)	(647,839)
Operating loss	(265,773)	(253,482)	(279,253)
Nonoperating revenues, net	237,875	222,777	232,380
Capital contributions	355,462	331,912	252,515
Special item: loss on termination of capital project	-	(53,194)	-
Change in net assets	327,564	248,013	205,642
Net assets, beginning of year	5,062,478	4,814,465	4,608,823
Net assets, end of year	$ 5,390,042	$ 5,062,478	$ 4,814,465

Operating Revenues

In fiscal year 2012, operating revenues increased by $25,111,000, which is primarily due to (1) an increase of $23,785,000 in passenger fares largely due to a 6.38% increase in average weekly ridership from 345,000 in fiscal year 2011 to 367,000 in fiscal year 2012; and (2) an increase of $1,269,000 in parking revenues mainly coming from the nonreserved daily parking users.

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 nonreserve 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 fiscal year 2010, none in fiscal year 2011, such as revenues from the settlement of a land swap transaction and insurance proceeds.

Operating Expenses, Net

In fiscal year 2012, operating expenses, net, increased by $37,402,000, which is primarily due to (1) an increase of $14,536,000 in employees' salaries and benefits coming from overtime pay for increased operational needs ($4,241,000), increase in medical health insurance expense primarily due to increase of about 9% in medical insurance premiums ($4,085,000) and PERS contributions due to increases in employer contribution rates ($6,210,000); (2) an increase of $6,910,000 in self-insurance reserves, mostly for workers' compensation due to increase in claim frequency as well as increase in the number of claims over $100,000; (3) an increase of $4,768,000 in services and materials used to keep the system in a good state of repairs; (4) an increase in Clipper fees of $3,722,000 due to the continuing increase among the rail passengers on the use of Clipper tickets; and (5) an increase of $5,913,000 in professional and technical fees most of which were related to the post-implementation services needed for the new financial reporting system.

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 postemployment benefits from 14.96% to 12.57%, which amounted to $7,505,000; (3) a $6,687,000 increase in capitalized employee salaries and benefits related to 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.

Nonoperating Revenues, Net

Nonoperating revenues, net, increased by $15,098,000 in fiscal year 2012, which is largely due to (1) an increase in the sales tax revenues of $14,395,000 due to the improving economy in the Bay Area; (2) an increase of $3,765,000 in property tax revenues earmarked for the payment of the General Obligation Bonds, which equals the increase in the scheduled 2012 bond debt service payment; and offset by (3) a net decrease comprised of an increase of $21,760,000 in operating financial assistance offset by a $25,940,000 contribution for the BART car replacement funding program, which results in a net decrease of $4,180,000 primarily related to debt service contributions from the local District funding partners on the Dublin/Pleasanton Extension project.

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 preventive 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.

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 2012, the revenues from capital contributions increased by $23,550,000 most of it coming from an increase of $23,044,000 in the local funding received from the Alameda County Transportation Improvement Authority to fund the construction of the Warm Springs Extension and the Oakland Airport Connector projects.

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.

The major additions in fiscal years 2012 and 2011 to capital projects are detailed on page 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 16). There is no special item in fiscal year 2012.

Statements of Net Assets

A comparison of the District's *Statements of Net Assets* as of June 30, 2012, 2011 and 2010 is as follows (dollar amounts in thousands):

	2012	2011	2010
Current Assets	$ 1,000,432	$ 955,259	$ 669,894
Noncurrent assets - capital assets, net	6,077,309	5,726,847	5,505,992
Noncurrent assets - other	132,918	134,081	431,738
Total Assets	7,210,659	6,816,187	6,607,624
Current liabilities	385,592	306,837	306,162
Noncurrent liabilities	1,435,025	1,446,872	1,486,997
Total liabilities	1,820,617	1,753,709	1,793,159
Net Assets			
Invested in capital assets, net of related debt	5,067,636	4,765,595	4,561,307
Restricted net assets	169,128	133,389	98,380
Unrestricted net assets	153,278	163,494	154,778
Total net assets	$ 5,390,042	$ 5,062,478	$ 4,814,465

Current Assets

In fiscal year 2012, current assets increased by $45,173,000 mainly due to (1) an increase of $137,887,000 on the receivables from funding agencies for reimbursements of paid and accrued capital project expenditures due to increased project activity and timing in submission of invoices; offset by (2) a decrease of $95,277,000 in cash, cash equivalents and investments. Please refer to page 10 for further discussions about cash, cash equivalents and investments.

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 primarily due to timing in submission of invoices.

Noncurrent Assets - Other

In fiscal year 2012, noncurrent assets – other showed a small decrease of $1,163,000, which is mainly due to the advance payment in fiscal year 2013 of the full principal amount ($1,363,000) of the notes receivable from real estate installment sales. Because of this advance payment, the notes receivable was shown as current assets – other in fiscal year 2012.

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.

Current Liabilities

In fiscal year 2012, current liabilities showed an increase of $78,755,000, which is primarily due to the following: (1) an increase in payables to vendors and contractors of $43,657,000 due to the timing of receiving and paying their invoices; (2) an increase of $4,903,000 in the current portion of long-term debt; (3) an increase of $37,283,000 in the current portion of advances from grantors due to new advances received in fiscal year 2012 from Proposition 1B PTMISEA allocations; and offset by (4) a decrease of $8,221,000 in payables to employees for salaries and benefits due to the timing of remitting the payroll taxes and deferred compensation withheld from employees' salaries and a decrease in temporary overdraft in the payroll direct deposit bank account.

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.

Noncurrent Liabilities

In fiscal year 2012, noncurrent liabilities decreased by $11,847,000, which is principally attributed to (1) a net decrease of $27,753,000 in long-term debt because of (a) principal payments amounting to $25,955,000, (b) an increase of $4,903,000 in the current portion of long-term debt, (c) a decrease of $625,000 in debt related items; offset by (d) an increase in the lease/leaseback obligation of $3,730,000 due to accretion; (2) an increase of $11,045,000 in the noncurrent portion of the advances received from grantors due to new advances received in fiscal year 2012; (3) an increase of $6,272,000 in the self-insurance reserve for workers' compensation to align the reserve to the amount recommended by the actuarial report; (4) a decrease of $1,484,000 in the noncurrent portion of the deferred gain on the lease/leaseback obligation; and (5) increase of $3,466,000 in postemployment benefits.

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 postemployment benefits liability; and (5) an increase of $820,000 in the self-insurance reserves for general liability and workers' compensation.

Capital Assets

Details of the capital assets, net of accumulated depreciation, as of June 30, 2012, 2011 and 2010 are as follows (dollar amounts in thousands):

	2012	2011	2010
Land	$ 544,874	$ 544,874	$ 545,162
Stations, track, structures and improvements	3,069,628	3,015,489	2,979,381
Buildings	8,470	8,604	8,776
Revenue transit vehicles	266,561	313,147	359,829
Other	353,679	370,275	368,722
Construction in progress	1,834,097	1,474,458	1,244,122
Total capital assets	$ 6,077,309	$ 5,726,847	$ 5,505,992

The District has entered into contracts for the construction of various facilities and equipment totaling approximately $1,149,567,000 at June 30, 2012 and $992,195,000 at June 30, 2011.

The District's capital assets, before accumulated depreciation and net of retirements, showed a net increase of $486,537,000 in 2012 and $373,759,000 in 2011. 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 16). 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 $436,933,000 in 2012 and $375,352,000 in 2011;
- train control equipment totaling $9,095,000 in 2012 and $13,699,000 in 2011;
- revenue transit vehicles in the amount of $14,657,000 in 2012 and $23,465,000 in 2011;
- automatic fare collection and other equipment amounting to $21,635,000 in 2012 and $19,184,000 in 2011; and
- Business Advancement Plan (BAP) which is a project to replace the information technology systems supporting the District's administrative business totaling $1,952,000 in 2012 and $11,196,000 in 2011.

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 $22,225,000 in fiscal year 2012 and $41,531,000 in fiscal year 2011. Below is a summary of total long-term debt as of June 30, 2012, 2011 and 2010 (dollar amounts in thousands):

	2012	2011	2010
Bonds payable from and collateralized by a pledge of sales tax revenues	$ 626,455	$ 650,210	$ 672,750
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	21,000	29,000
Lease/leaseback obligation, including accumulated accretion, for rail traffic control equipment	61,024	57,294	61,355
Bonds payable from the premium fare imposed on the passengers who board on or depart from the San Francisco International Airport Station	52,570	53,445	54,240
General obligation bonds	412,540	413,865	420,000
Total long-term debt	$ 1,262,089	$ 1,284,314	$ 1,325,845

There were no additions to long-term debt in fiscal year 2012.

The decrease of $22,225,000 in long-term debt in 2012 and $41,531,000 in 2011, is mainly due to the decrease in the scheduled principal payments and amortization.

On January 19, 2012, Fitch Ratings (Fitch) downgraded the District's sales tax revenue bonds to "AA" from "AA+" and downgraded the District's general obligation bonds to "AA+" from "AAA".

Statements of Cash Flows/Cash, Cash Equivalents and Investments

A comparative presentation of the major sources and uses of cash for fiscal years 2012, 2011 and 2010 is as follows (dollar amounts in thousands):

	2012	2011	2010
Net cash used in operating activities	$ (102,418)	$ (109,803)	$ (122,175)
Net cash provided by noncapital financing activities	220,260	183,568	201,096
Net cash used in capital and related financing activities	(217,760)	(143,283)	(235,463)
Net cash provided by investing activities	180,187	328,186	206,117
Net change in cash and cash equivalents	80,269	258,668	49,575
Cash and cash equivalents, beginning of year	511,673	253,005	203,430
Cash and cash equivalents, end of year	591,942	511,673	253,005
Investments, end of year	67,560	243,631	560,545
Cash, cash equivalents and investments, end of year	$ 659,502	$ 755,304	$ 813,550

Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments decreased by $95,802,000 in fiscal year 2012. The decrease is mainly attributed to (1) the use of the proceeds from the general obligation bonds amounting to $79,055,000 to pay for the costs of the seismic retrofit project; (2) increase in grants receivables from the District's funding partners for the reimbursement of capital expenditures, which the District had paid amounting to $114,614,000; offset by (3) an increase of $46,643,000 in cash received as advances from grantors mostly from Proposition 1B PTMISEA allocations; (4) increases from net earnings earmarked for capital projects ($37,479,000) and for operating reserves ($5,766,000); and (5) for the self-insurance reserves for general liability and workers' compensation ($7,525,000).

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.

Economic Factors and Next Year's Budgets

On June 14, 2012, the District's Board of Directors approved a balanced operating budget of $672,058,000 and a capital budget of $869,236,000 for fiscal year 2013.

The District has seen growth in ridership and sales tax revenues over the past two years as the Bay Area recovered from the recession. Because of the revenue growth combined with control of cost increases, the District has an opportunity to invest in the future to fund core system capital infrastructure needs. Although the operating outlook has improved, the capital funding picture continues to be constrained, with capital needs far exceeding funding sources. As it is, a considerable challenge remains to fund the District's capital program.

The fiscal year 2013 operating budget includes a total of $45,600,000 directed to the Rail Car Sinking Fund, which will make up a part of the District's initial commitment of $298,000,000 for its share of the Phase 1 purchase of 410 new rail cars. The budget also funds state of good repair needs, including continuing the program to replace seats and floors in the current fleet, computer security hardware, funding for local match on capital grants, stations and facilities renovation, equipment and other funding requirements not typically eligible for grants.

While the capital budget is largely funded through federal and other capital grants, District-allocated funds are essential for required local match, equipment and inventory needs, and state of good repair expenditures which do not qualify for grants, including stations and facilities renovation. The largest program areas for capital expenditure next year will be system expansion and system renovation which include the rail car replacement program, station modernization, train control, traction power, trackway renovation and other capital projects. System expansion projects include the eBART, Oakland Airport Connector, Warm Springs and the Silicon Valley extension programs, and continuing studies and analysis on options for the Livermore/I-580 corridor. Work will also continue on essential security upgrades, life safety improvements, and ADA/system accessibility improvements.

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, 2012 and 2011
(dollar amounts in thousands)

	2012	2011
Assets		
Current assets		
Unrestricted assets		
Cash and cash equivalents	$ 89,106	$ 118,320
Investments	386	69,115
Capital grants receivable	356,854	218,967
Receivables and other assets	24,152	21,414
Materials and supplies	26,832	27,007
Total unrestricted current assets	497,330	454,823
Restricted assets		
Cash and cash equivalents	502,836	393,353
Investments	266	107,083
Total restricted current assets	503,102	500,436
Total current assets	1,000,432	955,259
Noncurrent assets		
Capital assets		
Nondepreciable	2,378,971	2,019,332
Depreciable, net of accumulated depreciation	3,698,338	3,707,515
Unrestricted assets		
Investments	22,620	22,620
Receivables and other assets	10,103	12,038
Restricted assets		
Investments	44,288	44,813
Receivables and other assets	31,342	30,045
Deposits for sublease obligation	24,565	24,565
Total noncurrent assets	6,210,227	5,860,928
Total assets	7,210,659	6,816,187
Liabilities		
Current liabilities		
Accounts payable and other liabilities	255,371	220,055
Current portion of long-term debt	39,115	34,212
Self-insurance liabilities	13,988	12,735
Deferred revenue	77,118	39,835
Total current liabilities	385,592	306,837
Noncurrent liabilities		
Accounts payable and other liabilities	69,447	68,891
Long-term debt, net of current portion	1,237,598	1,265,351
Self-insurance liabilities, net of current portion	23,404	17,132
Deferred revenue	104,576	95,498
Total noncurrent liabilities	1,435,025	1,446,872
Total liabilities	1,820,617	1,753,709
Net assets		
Invested in capital assets, net of related debt	5,067,636	4,765,595
Restricted net assets		
for debt service and other liabilities	169,128	133,389
Unrestricted net assets	153,278	163,494
Total net assets	$ 5,390,042	$ 5,062,478

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, 2012 and 2011
(dollar amounts in thousands)

	2012	2011
Operating revenues		
Fares	$ 367,342	$ 343,472
Other	34,513	33,272
Total operating revenues	401,855	376,744
Operating expenses		
Transportation	167,742	160,535
Maintenance	214,196	197,215
Police services	50,365	47,691
Construction and engineering	17,821	19,856
General and administrative	134,472	121,433
Depreciation	138,010	138,819
Total operating expenses	722,606	685,549
Less - capitalized costs	(54,978)	(55,323)
Net operating expenses	667,628	630,226
Operating loss	(265,773)	(253,482)
Nonoperating revenues (expenses)		
Transactions and use tax - sales tax	195,214	180,819
Property tax	49,874	46,109
Operating financial assistance	49,894	28,134
Contribution for BART car replacement funding exchange program	(25,940)	-
Investment income	11,023	11,695
Interest expense	(43,247)	(45,503)
Other income, net	1,057	1,523
Total nonoperating revenues, net	237,875	222,777
Change in net assets before capital contributions and special item	(27,898)	(30,705)
Capital contributions	355,462	331,912
Special item: loss on termination of a capital project	-	(53,194)
Change in net assets	327,564	248,013
Net assets, beginning of year	5,062,478	4,814,465
Net assets, end of year	$ 5,390,042	$ 5,062,478

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, 2012 and 2011
(dollar amounts in thousands)

	2012	2011
Cash flows from operating activities		
Receipts from customers	$ 361,881	$ 341,985
Payments to suppliers	(116,237)	(135,053)
Payments to employees	(379,343)	(348,087)
Other operating cash receipts	31,281	31,352
Net cash used in operating activities	(102,418)	(109,803)
Cash flows from noncapital financing activities		
Transactions and use tax (sales tax) received	145,134	125,106
Property tax received	28,702	30,508
Financial assistance received	46,424	27,954
Net cash provided by noncapital financing activities	220,260	183,568
Cash flows from capital and related financing activities		
Transactions and use tax (sales tax) received	50,080	55,713
Property tax received	19,908	16,502
Capital grants received	276,785	256,127
Expenditures for facilities, property and equipment	(499,425)	(427,099)
Principal paid on long-term debt	(25,955)	(37,470)
Payments of long-term debt issuance and service costs	(19)	(67)
Interest paid on long-term debt	(40,261)	(40,807)
Principal payments received from notes receivable	128	78
Deposit refunded Lodi Power Plant	999	500
Legal settlement fees	-	(6,760)
Proceeds from legal settlement	-	40,000
Net cash used in capital and related financing activities	(217,760)	(143,283)
Cash flows from investing activities		
Proceeds from sale and maturity of investments	179,073	886,575
Purchase of investments	(3,002)	(569,661)
Investment income	4,116	11,272
Net cash provided by investing activities	180,187	328,186
Net change in cash and cash equivalents	80,269	258,668
Cash and cash equivalents, beginning of year	511,673	253,005
Cash and cash equivalents, end of year	$ 591,942	$ 511,673
Reconciliation of cash and cash equivalents to the Statements of Net Assets		
Current, unrestricted assets - cash and cash equivalents	$ 89,106	$ 118,320
Current, restricted assets - cash and cash equivalents	502,836	393,353
Total cash and cash equivalents	$ 591,942	$ 511,673

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, 2012 and 2011

(dollar amounts in thousands)

	2012	2011
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (265,773)	$ (253,482)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	138,010	138,819
Amortization of deferred settlement costs	144	316
Net effect of changes in		
Receivables and other assets	(905).	(4,839)
Materials and supplies	175	1,524
Accounts payable and other liabilities	18,498	7,861
Self-insurance liabilities	7,525	2,221
Deferred revenue	(92)	(2,223)
Net cash used in operating activities	$ (102,418)	$ (109,803)
Noncash transactions		
Capital assets acquired with a liability at year-end	$ 74,941	$ 85,105
Adjustment to correct understatement of construction in progress and accumulated depreciation	-	14,513
Special item: termination of a capital project	-	46,434
Lease/leaseback obligation additions	1,855	2,038
Lease/leaseback obligation amortization	-	7,751
Reduction in capital lease receivable and liability	-	1,577
Decrease in fair value of investments	(2,563)	(1,898)
Amortization of long-term debt premium, discount and issue costs	(1,573)	(1,361)
Amortization of deferred loss on early debt retirement	1,410	1,410
Amortization of deferred gain on lease/leaseback transaction	1,537	1,537
Amortization of deferred ground lease	534	558

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, 2012 and 2011
(dollar amounts in thousands)

	2012	2011
Assets		
Cash and cash equivalents	$ 857	$ 169
Receivables and other assets	481	803
Pending trades receivable	4,178	956
Investments		
Domestic common stocks	52,756	46,090
U.S. Treasury obligations	22,880	37,252
Money market mutual funds	7,969	9,438
Mutual funds - equity	34,694	29,965
Corporate obligations	20,737	9,931
Miscellaneous obligations	-	130
Foreign stocks	785	848
Foreign obligations	1,381	86
Total investments	141,202	133,740
Total assets	146,718	135,668
Liabilities		
Accounts payable	75	82
Pending trades payable	7,710	15,481
Total liabilities	7,785	15,563
Net assets held in trust for retiree health benefits	$ 138,933	$ 120,105

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, 2012 and 2011
(dollar amounts in thousands)

	2012	2011
Additions		
Employer contributions		
Cash contributions	$ 10,100	$ 11,291
Pay-as-you-go contributions	14,516	13,272
Total employer contributions	24,616	24,563
Investment income (expense)		
Interest income	2,880	2,254
Realized gain	3,298	6,939
Net appreciation in fair value of investments	2,835	11,463
Investment expense	(238)	(247)
Net investment income	8,775	20,409
Total additions	33,391	44,972
Deductions		
Pay-as-you-go benefit payments	14,516	13,272
Legal fees	6	10
Audit fees	18	17
Insurance expense	23	24
Total deductions	14,563	13,323
Increase in trust net assets	18,828	31,649
Net assets held in trust for retiree health benefits		
Beginning of year	120,105	88,456
End of year	$ 138,933	$ 120,105

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, when the Transit Financing Authority (the "Authority") was still in operation and providing services almost entirely to the District, the primary government, the Authority's financial information was presented as a blended component unit of the District's financial statements. In fiscal year 2011, when the Authority was terminated, the District absorbed in its financial statements the assets and liabilities of the Authority (Note 14).

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 8 and 9).

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 $13,197,000 in fiscal year 2012 and $12,776,000 in fiscal year 2011.

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 6); (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 15).

Compensated Absences

Compensated absences are reported and accrued as a liability in the period incurred. Compensated absences have a total balance of $57,867,000 as of June 30, 2012 and $57,665,000 as of June 30, 2011 and is shown in the statements of net assets in accounts payable and other liabilities as follows (dollar amounts in thousands):

	2012	2011
Current liabilities	$ 19,171	$ 18,888
Noncurrent liabilities	38,696	38,777
Total	$ 57,867	$ 57,665

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. The remaining 25% is allocated by the Metropolitan Transportation Commission ("MTC") to the District, the City and County of San Francisco, and the Alameda-Contra Costa Transit District for transit services. The District records the total transactions and use taxes earned (including amounts paid to the trustees) as nonoperating revenue.

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

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 8 and 9).

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

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

Capitalized Costs
The District initially charges employee salaries, wages and benefits to operating expenses by functional expense category. Labor costs included in those amounts that are associated with capital projects are subsequently adjusted to be included in the cost of the related capital asset. This adjustment is reflected in the statement of revenues, expenses and changes in net assets as a reduction of operating expenses. The amounts of $54,978,000 and $55,323,000 were capitalized during the years ended June 30, 2012 and 2011, 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 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 November 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 March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards for certain items that were previously reported as assets and liabilities. These items will be reclassified as deferred outflows of resources or deferred inflows of resources. This statement also amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in GASB Concepts Statement 4. Application of this statement is effective for the District's fiscal year ending June 30, 2014.

In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012 - An Amendment of GASB Statements No. 10 and No. 62*. The portion of the statement, which may have applicability to the District, enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This statement modifies the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. Application of this statement is effective for the District's fiscal year ending June 30, 2014.

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

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

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

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):

	2012			2011		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Current assets						
Cash and cash equivalents	$ 89,106	$ 502,836	$ 591,942	$ 118,320	$ 393,353	$ 511,673
Investments	386	266	652	69,115	107,083	176,198
Noncurrent assets						
Investments	22,620	44,288	66,908	22,620	44,813	67,433
Total	$ 112,112	$ 547,390	$ 659,502	$ 210,055	$ 545,249	$ 755,304

Investment Policy

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

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

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

Investments Authorized by Debt Agreements

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

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

The District does not have any amounts invested in the State of California Local Agency Investment Fund ("LAIF") in fiscal year 2012. In fiscal year 2011, the District's investments included $20,000,000 investment in LAIF. The total amount invested by all public agencies in LAIF is $24.0 billion at June 30, 2011. LAIF is part of the State of California Pooled Money Investment Account ("PMIA"), whose balance at June 30, 2011 was $66.5 billion. Of this amount, 5.01% was invested in structured notes and asset-backed securities and the remaining balance was invested in non-derivative instruments as of June 30, 2011. 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 as of June 30, 2011. 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, except as outlined in the California Government Code. A summary of investments by type of investments and by segmented time distribution as of June 30, 2012 and 2011 is as follows (dollar amounts in thousands):

	2012	Investment Maturities (in Years)		
	Fair Value	Less Than 1	1 - 5	6 - 10
Money market mutual funds	$ 309,308	$ 309,308	$ -	$ -
U.S. government agencies	30,087	4,403	421	25,263
Repurchase agreements	36,822	-	36,822	-
Total investments	376,217	$ 313,711	$ 37,243	$ 25,263
Deposits with banks	279,897			
Certificates of deposit	652			
Imprest funds	2,736			
Total cash and investments	$ 659,502			

	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			

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, Fitch Ratings and/or Moody's as of June 30, 2012 and 2011 (dollar amounts in thousands):

	2012	Credit Ratings			
	Fair Value	AAA	AA	A	Not Rated
Money market mutual funds	$ 309,308	$ 255,495	$ 53,813	$ -	$ -
U.S. Government agencies	30,087	-	4,403	511	25,173
Repurchase agreements	36,822	-	-	36,822	-
Total investments	376,217	$ 255,495	$ 58,216	$ 37,333	$ 25,173
Deposits with banks	279,897				
Certificates of deposit	652				
Imprest funds	2,736				
Total cash and investments	$ 659,502				

	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				

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 requires 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. At June 30, 2012 and 2011, the investments with Bayerische Landesbank Investment Repurchase Agreement amounted to $36,822,000, which exceeded 5% of the District's total investment portfolio at 9.8% and 6.5%, respectively.

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%

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

A summary of investments by type of investments and by segmented time distribution as of June 30, 2012 and 2011 is as follows (dollar amounts in thousands):

	2012	Investment Maturities (in Years)			
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Treasury obligations	$ 22,880	$ 29	$ 9,150	$ 5,149	$ 8,552
Money market mutual funds	7,969	7,969	-	-	-
Corporate obligations	20,737	316	9,278	7,798	3,345
Foreign obligations	1,381	-	786	595	-
Investments subject to interest rate risk	52,967	$ 8,314	$ 19,214	$ 13,542	$ 11,897
Domestic common stocks	52,756				
Mutual funds- equity	34,694				
Foreign stocks	785				
Total investments	$ 141,202				

	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 obligations	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				

Credit Risk

The Trust's credit risk policy is defined in its Statement of Investment Policy approved by the District's Board of Directors. The policy states that the Board recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Trust's objectives and that the Trust's investment managers are expected to make reasonable efforts to control risk. The investment policy requires that all of the Trust's assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Trust, with minimal impact on market prices. The investment policy also demands that no single investment shall exceed five percent of the total Trust assets, at market value, except obligations of the U.S. Government, short-term money market funds, index funds and other diversified commingled accounts; and for actively managed equity accounts, where, for issues that comprise more than 4% of the account's stated benchmark, the limit shall be 125% of the weight of the common stock benchmark. The following is a summary of the credit quality distribution for securities with credit exposure as rated by Standard & Poor's and/or Moody's as of June 30, 2012 and 2011 (dollar amounts in thousands):

	2012	Credit Ratings				
	Fair Value	AAA	AA	A	BBB	BB
U.S. Treasury obligations	$ 22,880	$ 199	$ 22,681	$ -	$ -	$ -
Money market mutual funds	7,969	7,969	-	-	-	-
Corporate obligations	20,737	6,398	1,984	7,314	3,769	1,272
Foreign obligations	1,381	-	433	948	-	-
Investments subject to credit risk	52,967	$ 14,566	$ 25,098	$ 8,262	$ 3,769	$ 1,272
Domestic common stocks	52,756					
Mutual funds - equity	34,694					
Foreign stocks	785					
Total investments	$ 141,202					

	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 obligations	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				

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, 2012 and 2011 (dollar amounts in thousands):

	2012	2011
Interest receivable - trust for sublease obligation	$ 22,653	$ 18,888
Interest receivable - other investments	369	411
Unamortized issuance costs	9,969	10,609
Deferred charges	678	585
Deposit for power supply	10,555	11,419
Off-site ticket vendor receivable	2,662	3,435
Notes receivable	1,340	1,468
Capitol Corridor Joint Powers Authority receivable (Note 15)	2,880	6,125
Property tax receivable	1,554	291
Prepaid expenses	8,316	5,737
Imprest deposits for self-insurance liabilities	984	659
Other	3,983	4,188
Allowance for doubtful accounts	(346)	(318)
Total receivables and other assets	$ 65,597	$ 63,497
Current, unrestricted portion	$ 24,152	$ 21,414
Noncurrent, unrestricted portion	10,103	12,038
Noncurrent, restricted portion	31,342	30,045
Total receivables and other assets, as presented in the basic financial statements	$ 65,597	$ 63,497

4. Capital Assets

Changes to capital assets during the year ended June 30, 2012 were as follows (dollar amounts in thousands):

	Lives (Years)	2011	Additions and Transfers	Retirements and Transfers	2012
Capital assets, not being depreciated					
Land	N/A	$ 544,874	$ -	$ -	$ 544,874
Construction in progress	N/A	1,474,458	488,700	(129,061)	1,834,097
Total capital assets, not being depreciated		2,019,332	488,700	(129,061)	2,378,971
Capital assets, being depreciated					
Tangible Asset					
Stations, track, structures and improvements	80	3,902,394	106,263	-	4,008,657
Buildings	80	10,732	-	-	10,732
System-wide operation and control	20	587,303	901	(68)	588,136
Revenue transit vehicles	30	1,103,557	-	-	1,103,557
Service and miscellaneous equipment	3-20	214,507	6,791	(2,083)	219,215
Capitalized construction and start-up costs	30	98,305	-	-	98,305
Repairable property items	30	48,744	12,602	(12)	61,334
Intangible Asset					
Information System	20	38,788	2,504	-	41,292
Total capital assets, being depreciated		6,004,330	129,061	(2,163)	6,131,228
Less accumulated depreciation		(2,296,815)	(138,010)	1,935	(2,432,890)
Total capital assets, being depreciated, net		3,707,515	(8,949)	(228)	3,698,338
Total capital assets, net		$ 5,726,847	$ 479,751	$ (129,289)	$ 6,077,309

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	1,103,557	-	-		1,103,557
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 17).
** Includes $86,434,000 due to the termination of a capital project (Note 16).

In 1995, the District entered into an agreement with a Swedish corporation to sell 25 newly manufactured C-2 rail cars and simultaneously entered into an agreement to lease them back. The lease agreement expired on January 15, 2011.

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 $1,149,567,000 at June 30, 2012, and $992,195,000 in 2011.

5. 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, 2012 and 2011 (dollar amounts in thousands):

	2012	2011
Payable to vendors and contractors	$ 169,144	$ 125,785
Employee salaries and benefits	130,684	135,520
Accrued interest payable	24,990	27,641
Liabilities at the end of year	324,818	288,946
Less noncurrent portion	(69,447)	(68,891)
Net current portion	$ 255,371	$ 220,055

6. Long-Term Debt

Long-term debt activity for the year ended June 30, 2012 is summarized as follows (dollar amounts in thousands):

	2011	Additions/ Accretion	Payments/ Amortization	2012
1990 Sales Tax Revenue Refunding Bonds	$ 14,905	$ -	$ (14,905)	$ -
2001 Sales Tax Revenue Bonds	43,765	-	-	43,765
2005 Sales Tax Revenue Refunding Bonds	289,690	-	(8,225)	281,465
2006 Sales Tax Revenue Bonds	64,915	-	-	64,915
2006 Sales Tax Revenue Refunding Bonds	107,340	-	(210)	107,130
2010 Sales Tax Revenue Refunding Bonds	129,595	-	(415)	129,180
Construction Loans	109,500	-	-	109,500
Lease/Leaseback Obligation	44,375	-	-	44,375
2002 SFO Extension Premium Fare Bonds	53,445	-	(875)	52,570
2005 General Obligation Bonds	39,595	-	(920)	38,675
2007 General Obligation Bonds	374,270	-	(405)	373,865
	1,271,395	-	(25,955)	1,245,440
Add (less):				
Accumulated Accretion on Lease/Leaseback Obligation	12,919	3,987	(257)	16,649
Debt related items*	15,249	-	(625)	14,624
Long-term debt net of accumulated accretion and debt related items	1,299,563	$ 3,987	$ (26,837)	1,276,713
Less: current portion of long-term debt	(34,212)			(39,115)
Net long-term debt	$ 1,265,351			$ 1,237,598

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

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.

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, 2012, the 1990 Refunding Bonds were fully paid.

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. 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, 2012, 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, 2012, the 2005 Refunding Bonds consist of $192,345,000 in serial bonds due from 2012 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, 2012, 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, 2012, the 2006 Refunding Bonds consist of serial bonds amounting to $52,560,000 due from 2012 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, 2012, the 2010 Refunding Bonds consist of serial bonds amounting to $129,180,000 with interest rates ranging from 3.0% to 5.0%, with various maturity dates from 2012 to 2028.

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, 2012, 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 two-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, 2012 was $8,160,000 and $9,644,000 at June 30, 2011. 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 Investors Service or BBB+ for Standard & Poor's, the District will be required to replace the Payment Undertaker with a AAA Moody's Investors Service and Standard & Poor's rated entity. Failure to replace the Payment Undertaker will result in a default penalty. As of June 30, 2012, the Payment Undertaker's credit rating was Baa1 for Moody's Investors Service 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 details of the lease/leaseback obligation, including the accretion of interest, are as follows (dollar amounts in thousands):

	2012	2011
Long-term debt at beginning of year	$ 57,294	$ 61,355
Interest expense incurred during the year	3,987	4,054
Payment/Amortization of principal	-	(5,193)
Amortization of accumulated accretion	(257)	(2,922)
Total long-term debt at end of year	61,024	57,294
Lease amortization in one year	(384)	(257)
Net long-term debt at end of year	$ 60,640	$ 57,037

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, 2012, the 2002 Airport Premium Fare Bonds consist of $17,370,000 in serial bonds due from 2012 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, 2012, the 2005 GO Bonds consist of $19,060,000 in serial bonds due from 2012 to 2026 with interest ranging from 3.25% 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, 2012, the 2007 GO Bonds consist of $109,415,000 in serial bonds due from 2012 to 2027 with interest rates ranging from 3.75% to 5.00%, and three term bonds totaling $264,450,000 due in 2032, 2035 and 2037 with interest rates ranging from 4.75% to 5.00%. 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. In May 2010, a portion of the 1998 Bonds with an aggregate principal amount of $143,825,000 was refunded from the proceeds of the 2010 Refunding Bonds.

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

In 2012, there are no outstanding principal balances of the defeased bonds. In 2011, the outstanding principal balances of the defeased bonds were $19,640,000 on the August 2005 defeasance and $102,560,000 on the November 2006 defeasance for a total of $122,200,000.

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 $25,548,000 on June 30, 2012 and $26,958,000 on June 30, 2011. Amortization expense on these deferred charges was $1,410,000 in fiscal years 2012 and 2011. 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, 2012, the District has recorded an estimated arbitrage liability amounting to $4,000 and $2,535,000 in 2011, 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, 2012 consist of 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 $983,287,000 as of June 30, 2012 ($1,031,810,000 as of June 30, 2011), which is 14% in 2012 (16% in 2011) of the total projected sales tax revenues of $7,031,535,000 as of June 30, 2012 ($6,349,000,000 as of June 30, 2011). The total projected sales tax revenues covers the period from fiscal year 2013 or fiscal year 2012 through fiscal year 2036, which is the last scheduled bond principal payment. The pledged sales tax revenues recognized in fiscal year 2012 was $195,214,000 ($180,819,000 in fiscal year 2011 as against a total debt service payment of $54,526,000 in fiscal year 2012 ($54,470,000 in fiscal year 2011).

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. Interest on the premium fare bonds is 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, 2012 is $86,155,000 ($89,646,000 on June 30, 2011) which is 15% (13% in 2011) of the total projected SFO station premium fare revenues of $566,113,000 in fiscal year 2012 ($685,648,000 in fiscal year 2011). The total projected SFO premium fare revenues covers the period from fiscal year 2013 or fiscal year 2012 through fiscal year 2036, which is the last scheduled bond principal payment. The pledged SFO station premium fare revenues recognized in fiscal year 2012 was $16,698,000 ($15,094,000 in fiscal year 2011) as against a total debt service payment of $3,492,000 in fiscal year 2012 ($3,342,000 in fiscal year 2011).

Debt Repayments

The following is a schedule of long-term debt principal and interest payments required as of June 30, 2012 (dollar amounts in thousands):

Sales Tax Revenue Bonds

Year ending June 30:	2001 Bonds Principal	2001 Bonds Interest	2005 Refunding Bonds Principal	2005 Refunding Bonds Interest	2006 Bonds Principal	2006 Bonds Interest
2013	$ 2,020	$ 2,111	$ 9,010	$ 13,242	$ -	$ 3,131
2014	2,120	2,005	12,630	12,651	-	3,131
2015	2,230	1,892	13,445	12,006	145	3,125
2016	2,340	1,771	15,130	11,298	435	3,108
2017	965	1,722	15,920	10,543	720	3,079
2018-2022	5,635	7,781	58,015	42,688	7,160	14,537
2023-2027	7,225	6,141	68,195	30,883	11,650	12,356
2028-2032	9,275	4,037	64,710	10,394	17,995	8,653
Thereafter	11,955	1,288	24,410	1,261	26,810	2,885
	$ 43,765	$ 28,748	$ 281,465	$ 144,966	$ 64,915	$ 54,005

Year ending June 30:	2006 Refunding Bonds Principal	2006 Refunding Bonds Interest	2010 Refunding Bonds Principal	2010 Refunding Bonds Interest
2013	$ 5,885	$ 4,324	$ 3,385	$ 6,120
2014	2,190	4,215	1,530	6,074
2015	2,070	4,111	1,580	6,027
2016	1,145	4,054	1,620	5,962
2017	1,390	3,985	2,925	5,845
2018-2022	13,520	18,586	44,785	24,580
2023-2027	21,490	14,535	57,625	8,041
2028-2032	26,575	9,339	15,730	403
Thereafter	32,865	2,912	-	-
	$ 107,130	$ 66,061	$ 129,180	$ 63,052

Year ending June 30:	Construction Loans Principal	Construction Loans Interest	Lease/ Leaseback Obligation Principal	Lease/ Leaseback Obligation Interest
2013	$ 16,000	$ 1,020	$ -	$ 4,244
2014	5,000	150	-	4,536
2015	-	-	-	4,834
2016	-	-	-	5,160
2017	-	-	-	5,512
2018-2022	-	-	44,375	4,459
Thereafter	88,500	-	-	-
	$ 109,500	$ 1,170	$ 44,375	$ 28,745

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
2013	$ 965	$ 2,583	$ 950	$ 1,770	$ 900	$ 18,237	$ 39,115	$ 56,783
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	1,410	2,340	1,090	1,621	3,315	17,870	27,735	52,517
2018-2022	9,170	10,411	6,155	7,320	28,840	86,008	217,655	216,370
2023-2027	13,550	7,504	7,820	5,564	55,190	75,293	242,745	160,317
2028-2032	19,280	3,311	9,875	3,444	92,410	56,330	255,850	95,910
2033-2037	4,690	20	9,740	801	147,450	25,908	257,920	35,073
Thereafter	-	-	-	-	39,675	157	128,175	157
	$ 52,570	$ 33,585	$ 38,675	$ 25,620	$ 373,865	$ 334,088	$ 1,245,440	$ 780,038

7. Risk Management

The District is partially self-insured for workers' compensation, public liability and property damage claims. The self-insured retention for workers' compensation is $4,000,000 per accident and the limit of liability is $10,000,000. The self-insured retention for public liability and property damage is $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, 2012 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, 2012 and 2011, the estimated amounts of these liabilities were $37,392,000 and $29,867,000, respectively. Changes in the reported liabilities since the beginning of the respective fiscal years are as follows (dollar amounts in thousands):

	2012	2011
Liabilities at beginning of year	$ 29,867	$ 27,645
Current year claims and changes in estimates	18,905	12,206
Payments of claims	(11,380)	(9,984)
Liabilities at the end of year	37,392	29,867
Less current portion	(13,988)	(12,735)
Net noncurrent portion	$ 23,404	$ 17,132

8. Federal Capital Contributions and Operating Financial Assistance

The U.S. Department of Transportation and other Federal agencies provide capital funding to the District for construction projects, planning and technical assistance. Cumulative information for grants which were active during the years ended June 30, 2012 and 2011 are summarized as follows (dollar amounts in thousands):

	2012	2011
Total approved project costs	$ 4,540,358	$ 4,090,843
Cumulative amounts of project costs incurred and earned	$ 1,476,041	$ 1,450,320
Less: approved federal allocations received	(1,377,349)	(1,379,147)
Capital grants receivable - Federal	$ 98,692	$ 71,173

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 $25,940,000 in fiscal year 2012 and zero in fiscal year 2011 to fund the District's preventive maintenance expenses. Accordingly, the District remitted to MTC on August 17, 2012, 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 fair value, of $94,504,000 as of June 30, 2012 and $94,298,000 as of June 30, 2011. On August 17, 2012, the District made an additional remittance of $25,940,000 to MTC for the fiscal year 2012 allocation.

9. State and Local Operating and Capital Financial Assistance

The District is eligible to receive local operating and capital assistance from the Transportation Development Act Funds ("TDA"). There was no TDA operating assistance received in fiscal years 2012 or 2011. The District received a TDA capital allocation of $2,438,000 in fiscal year 2011 (zero in 2012) of which $138,000 was earned during fiscal year 2012 and $119,000 in 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 $18,245,000 in fiscal year 2012 and $19,656,000 in fiscal year 2011. 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 $61,000 was earned during fiscal year 2012 and $36,000 was earned during fiscal year 2011.

The District receives Paratransit funds provided to cities and transit operators from Alameda County Measure B funds to be used for services aimed at improving mobility for seniors and persons with disabilities. The Alameda County Transportation Commission is the administrator of Measure B funds. In fiscal year 2012, the District's revenues that relate to the Measure B funds were $1,623,000 ($1,556,000 in fiscal year 2011) for the annual assistance for paratransit operating funds and $53,000 ($72,000 in fiscal year 2011) from the Contra Costa Transportation Authority Measure J funds for operating expenses.

On February 28, 2007, the District, SamTrans, and MTC entered into a Tri-Party Financial Agreement establishing the operational and financial arrangement regarding the BART San Francisco International Airport Extension. To fund the operating costs of the SFO Extension, the agreement provided that (1) the District will receive up-front funding of $24,000,000 from MTC and $32,000,000 from SamTrans from their shares of Proposition 1B funds; (2) the District will also receive 2% of the San Mateo County half cent sales tax, Measure A, which was reauthorized by the voters of San Mateo County in 2004, for 25 years beginning in fiscal year 2009; this amount is currently equal to approximately $1,200,000 per year; and (3) MTC shall allocate to the District additional STA revenue-based funds beginning in fiscal year 2009, which would otherwise be available for allocation to SamTrans as a result of the completion of the Traffic Congestion Relief Program projects, in an amount of $801,000 annually. The above funds will be used first to cover any operating deficit on the SFO Extension and then to complete SamTrans' funding commitment of $145,000,000 to the District's Warm Springs Extension Project. The upfront funding of $24,000,000 from MTC was allocated to the District in 2008 in the form of a capital grant funded by Regional Measure 2 (RM2) revenues. For the purpose of the Tri-Party Agreement, the District is required to make a deposit to the reserve account in an amount equal to the capital reimbursement received from MTC/RM2 revenues. As of June 30, 2012 and 2011, the balance of the reserve account is as follows (dollar amounts in thousands):

	2012	2011
Reserve account at beginning of year	$ 7,456	$ 3,281
Received/Accrued	13,477	6,225
Add interest earnings	38	16
Total	20,971	9,522
Less: amount used to cover SFO Extension operating shortfall	(1,602)	(2,066)
Reserve account at end of year	$ 19,369	$ 7,456

In accordance with the Tri-Party Financial Agreement, the District recognized contributions in fiscal year 2012 of $7,534,000 from SamTrans ($5,191,000 in fiscal year 2011) and $5,943,000 from MTC ($1,034,000 in fiscal year 2011).

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 $172,876,000 in PTMISEA grant funds to fund various BART capital projects. The grants received are in the form of cash for $167,361,000 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 2012 and 2011 (dollar amounts in thousands):

2012	**Beginning of Year**	**Received**	**Incurred**	**End of Year**
eBART Extension	$ 43	$ 28,257	$ 43	$ 28,257
Ashby Elevator	330	-	81	249
Station Modernization	24,299	6,745	9,963	21,081
Seismic Retrofit	239	-	87	152
Oakland Airport Connector	2,261	-	1,931	330
Warm Springs Extentsion	1,336	35,325	11,744	24,917
Balboa West Side Entrance	818	-	(89)	907
Access Improvements	-	487	-	487
Station Signage*	4,568	-	1,421	3,147
	$ 33,894	$ 70,814	$ 25,181	$ 79,527

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

* This grant is on a reimbursement basis.

** 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.

As of June 30, 2012 and 2011, the unused portion of PTMISEA 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):

	2012	2011
Cash available, end of year *	$ 76,615	$ 29,326
Less noncurrent portion	(21,489)	(5,597)
Net current portion	$ 55,126	$ 23,729

* includes cash held for retention payable to vendors of $235,000 in 2012, zero in 2011.

At the end of fiscal year 2012, the PTMISEA funds had earned interest income of $1,240,000 from inception, of which $118,000 was earned in fiscal year 2012 and $110,000 in fiscal year 2011.

10. Employees' Retirement Benefits

Plan Description

All eligible employees participate in the Public Employees' Retirement Fund (the "Fund") of the State of California's Public Employees' Retirement System ("CalPERS") under the Miscellaneous Plan and the Safety Plan of the San Francisco Bay Area Rapid Transit District. The Fund is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for 3,103 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, 2012 and 2011 was $238,781,000 and $236,701,000, respectively. The District's 2012 and 2011 payroll for all employees was $279,037,000 and $273,069,000, 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 years 2012 and 2011 were determined by an actuarial valuation of the Plans as of June 30, 2009 and 2008, respectively. The contribution rates in fiscal year 2012 were 11.986% for the Miscellaneous Plan and 38.001% for the Safety Plan. The contribution rates in fiscal year 2011 for the Miscellaneous Plan were 9.446% and 32.321% for the Safety Plan.

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

	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed (%)	Net Pension Obligation
Miscellaneous Plan:	June 30, 2010	$ 20,854	100%	-
	June 30, 2011	20,522	100%	-
	June 30, 2012	26,355	100%	
Safety Plan:	June 30, 2010	6,071	100%	-
	June 30, 2011	5,894	100%	-
	June 30, 2012	6,950	100%	

Funded Status and Funding Progress of the Miscellaneous Plan

As of June 30, 2011, based on CalPERS most recent actuarial report, the Miscellaneous Plan is 92.1% funded. The actuarial accrued liability for benefits was $1,661,566,000, and the actuarial value of assets was $1,530,454,000, resulting in an unfunded actuarial accrued liability (UAAL) of $131,112,000. The covered payroll (annual payroll of active miscellaneous employees covered by the plan) was $219,833,000, and the ratio of the UAAL to the covered payroll was 59.6%

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, 2011, based on CalPERS most recent actuarial report, the Safety Plan is 73.8% funded. The actuarial accrued liability for benefits was $213,592,000, and the actuarial value of assets was $157,704,000, resulting in an unfunded actuarial accrued liability (UAAL) of $55,888,000. The covered payroll (annual payroll of active safety employees covered by the plan) was $18,864,000, and the ratio of the UAAL to the covered payroll was 296.3%.

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, 2011	June 30, 2010	June 30, 2009
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; 20 years as of the valuation date for Miscellaneous Plan; and 24 years for the Safety Plan	Closed; 17 years as of the valuation date for Miscellaneous Plan; and 22 years for the Safety Plan	Closed; 18 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	7.50% (net of administrative expenses)	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected salary increases	3.30% to 14.20% depending on age, service and type of employment for the Miscellaneous Plan; and 3.30% to 10.90% 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	3.55% to 14.45% depending on age, service and type of employment for the Miscellaneous Plan; and 3.55% to 13.15% for the Safety Plan
Inflation	2.75%	3.00%	3.00%
Payroll growth	3.00%	3.25%	3.25%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 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%

The 2008 valuation assumptions were materially consistent with the 2009 valuation except for the average remaining period for the Miscellaneous Plan, which was 13 years.

11. 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, 2012 and 2011 were $4,888,000 and $5,706,000, respectively. The Money Purchase Pension Plan assets at June 30, 2012 and 2011 (excluded from the accompanying financial statements) per the plan administrator's unaudited reports were $249,371,000 and $260,388,000, respectively. At June 30, 2012, there were approximately 242 (295 in 2011) participants receiving payments under this plan.

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

12. Other Postemployment Benefits

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

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 2006 through 2013. The CBAs include the baseline "ramp-up" percentages, which is the minimum amount that the District is committed to contribute to the Trust during the "ramp-up" period. The District shall commission an actuarial study of the retiree medical insurance plan liabilities and funding needs, including the ARC, every year. The revised "ramp-up" percentage shall be the basis of the District's contribution to the Trust, except when it is less than the baseline "ramp-up" percentage. In addition, in fiscal year 2009 the District contributed into the Trust a lump sum make up payment reflecting the amounts it would have contributed for fiscal years 2006 and 2007, which was actuarially calculated at $14,629,000.

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 2012, as a percent of covered payroll for the year, are 11.52% (11.77% in fiscal year 2011) for retiree medical benefits and 0.72% (0.80% in fiscal year 2011) for additional OPEB, which amounted to $28,002,000 and $1,813,000, respectively ($28,135,000 and $1,894,000 in fiscal year 2011). In fiscal year 2012, the District contributed cash to the Trust amounting to $10,100,000 for the retiree medical benefits and zero for the additional OPEB to partially fund the OPEB cost for the year. 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 addition, the District made payments in fiscal year 2012 on a pay-as-you-go basis, net of retirees' and surviving spouses' share, medical insurance premiums totaling $14,516,000 for 1,812 retirees and surviving spouses ($13,272,000 for 1,641 retirees and surviving spouses in fiscal year 2011) and life insurance premiums amounting to $70,000 ($81,000 in fiscal year 2011). The District does not charge any administration cost to the Trust. Currently, the retiree pays $89.55 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 2012 and 2011 (dollar amounts in thousands):

Retiree Medical Benefits

	2012	2011
Annual Required Contribution (ARC)	$ 28,002	$ 28,135
Interest on net OPEB obligation	2,557	2,316
Adjustments to ARC	(2,557)	(2,316)
Annual OPEB Cost	28,002	28,135
Contributions made	(24,616)	(24,563)
Increase in Net OPEB obligation	3,386	3,572
Net OPEB obligation, beginning of year	37,881	34,309
Net OPEB obligation, end of year	$ 41,267	$ 37,881

Additional OPEB

	2012	2011
Annual Required Contribution (ARC)	$ 1,813	$ 1,894
Interest on net OPEB obligation	356	279
Adjustments to ARC	(356)	(279)
Annual OPEB Cost	1,813	1,894
Contributions made	(70)	(81)
Increase in Net OPEB obligation	1,743	1,813
Net OPEB obligation, beginning of year	8,377	6,564
Net OPEB obligation, end of year	$ 10,120	$ 8,377

The total net OPEB obligations of $51,387,000 in fiscal year 2012 and $46,258,000 in fiscal year 2011 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	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Retiree Medical Benefits	June 30, 2010	$ 35,276	65%	$ 34,309
	June 30, 2011	28,135	87%	37,881
	June 30, 2012	28,002	88%	41,267
Additional OPEB	June 30, 2010	2,258	3%	6,564
	June 30, 2011	1,894	4%	8,377
	June 30, 2012	1,813	4%	10,120

At June 30, 2012, assets held in the Trust included investments in money market mutual funds, U.S. Treasury obligations, corporate obligations, foreign obligations, foreign stocks, money market and equity mutual funds and domestic common stocks with an aggregate fair value of $141,202,000 ($133,740,000 in 2011). 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, 2011, based on Keenan and Associates (Keenan)'s most recent actuarial report, the Retiree Medical Plan is 31.9% funded. The actuarial accrued liability for benefits was $376,063,000, and the actuarial value of assets was $120,103,000, resulting in an unfunded actuarial accrued liability (UAAL) of $255,960,000. The covered payroll (annual payroll of active miscellaneous and safety employees covered by the plan) was $240,465,000, and the ratio of the UAAL to the covered payroll was 106.44%.

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, 2011, based on Keenan's most recent actuarial report, the Additional OPEB Plan is zero percent funded. The actuarial accrued liability for benefits was $25,919,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $25,919,000. The covered payroll (annual payroll of active miscellaneous and safety employees covered by the plan) was $240,465,000, and the ratio of the UAAL to the covered payroll was 10.78%.

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

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

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

Actuarial Assumptions and Methods
The latest OPEB actuarial valuation was performed by Keenan in June 2012 using District data as of June 30, 2011. A summary of principal assumptions and methods used by Keenan to determine the District's annual required contributions to the OPEB plans is shown below:

Valuation Date	June 30, 2011	June 30, 2010	June 30, 2009
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	22 years	24 years	25 years
Asset valuation method	Market value	Market value	Market value
Discount rate	6.75% for the retiree medical plan; 4.25% for the additional OPEB	6.75% for the retiree medical plan; 4.25% for the additional OPEB	6.75% for the retiree medical plan; 4.25% for the additional OPEB
Inflation rate	2.75%	3.00%	3.00%
Payroll growth rate	0% through 2012-2013; then 3.00% per year	0% through 2012-2013; then 3.25% per year	3.25%
Health care cost trend rate for the first year	7.00%	7.50%	8.00%
Ultimate trend rate	3.75%	4.00%	4.00%
Year that rate reaches the ultimate rate	2020	2019	2019

13. Board of Directors' Expenses

Total Directors' expenses, consisting of travel and other business related expenses for the years ended June 30, 2012 and 2011 amounted to $26,000 and $36,000, respectively.

14. 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, was extended to August 1, 2010 and was not renewed after its expiration on August 1, 2010. 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 provided services almost exclusively to the District.

On the termination of the Agreement effective August 2, 2010, the Authority had 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.

15. Related Organizations and Joint Venture Projects

Capitol Corridor Joint Powers Authority

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

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

The District charged Capitol Corridor a total of $4,112,000 for marketing and administrative services during 2012 and $4,285,000 during 2011. 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 $2,880,000 and $6,125,000 as of June 30, 2012 and 2011, 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 9). The District has no equity interest in the Consortium.

Pleasant Hill BART Station Leasing Authority
In July 2004, the District, the County of Contra Costa ("County") and the Contra Costa County Redevelopment Agency ("Agency") entered into a Joint Exercise of Powers Agreement ("JPA Agreement") to create the Pleasant Hill BART Station Leasing Authority ("Pleasant Hill Authority"). In 2012, the Agency was dissolved by California Assembly Bill ABx1 26. 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 – two from the County and the District.

16. 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 was 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 2000, Harmon was purchased by GE Transportation Systems, and Harmon became known as GE Transportation Systems, Global Signaling.

The AATC project had three phases which were: Phase 1, the prototype phase, which demonstrated the feasibility of the technical concepts, Phase 2, the development phase, which implemented 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 implemented 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 were not completed. 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 included 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 amounted to $93,120,000. 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. 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.

In fiscal year 2011, the District had 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 consisted 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 was classified as a special item in the fiscal year 2011 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

17. Commitments and Contingencies

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

Power Purchases
The District purchases electrical power for self-consumption at multiple points of delivery such as Traction Power, Passenger Station Power and Miscellaneous Power from the Northern California Power Agency (NCPA). Power purchase contracts with the NCPA are in place through December 31, 2016, with a total remaining contract value of $65,954,000 as of June 30, 2012.

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, 2012 are as follows (dollar amounts in thousands):

Year ending June 30:	Operating Leases
2013	$ 12,011
2014	11,962
2015	11,949
2016	12,082
2017	12,033
2018-2022	54,134
2023-2027	12,500
2028-2032	12,500
2033-2037	12,500
2038-2042	12,500
2043-2047	12,500
2048-2052	12,500
2053-2057	2,292
Total minimum rental payments	$ 191,463

Rent expenses under all operating leases were $11,314,000 and $11,121,000 for the years ended June 30, 2012 and 2011, 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 became effective December 9, 2003 and continues through January 31, 2077.

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

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

In October 2010, there was a second amendment to the ground lease agreement, which recalculated the initial Rent Credit available to FDC as related to the replacement parking. The amount of the Replacement Parking Rent Credit was revised to $4,642,000, after a payment of $5,500,000 coming from the proceeds of the sale of land at the Fruitvale BART Station to the City of Oakland Redevelopment

Agency. The second amendment also stated that no interest shall accrue on the revised Replacement Parking Rent Credit and that beginning on December 1, 2003 and continuing throughout the term of the ground lease, base rent shall be subtracted from the Replacement Parking Rent Credit balance, until there is no longer a positive Replacement Parking Rent Credit. The offset base rent for fiscal years 2012 and 2011 amounted to $158,000 each year. The remaining balance in the Replacement Parking Rent Credit was $3,608,000 as of June 30, 2012 ($3,766,000 as of June 30, 2011).

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 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 terminated on January 15, 2011.

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, 2012 and 2011, the remaining principal balance is $44,375,000.

18. Subsequent Event

On September 12, 2012, the Governor of California signed into law the "Public Employees' Pension Reform Act of 2013." This legislation applies to all public employers and pension plans on or after January 1, 2013, with the exception of the University of California as well as charter cities and charter counties that are not a member of a retirement system governed by State code. Key provisions of this legislation include changes in retirement benefits, member contributions, increasing the retirement age for both public safety and miscellaneous employees, eliminating the ability of any public employee to purchase nonqualified services or "airtime," establishing a cap on the annual salary that counts toward final compensation and pension benefits, and prohibiting a public employer from offering a replacement benefit plan for new members. All aspects of the legislation apply to new employees hired on or after January 1, 2013. A few provisions, such as cost sharing, the elimination of airtime and pension holidays, apply to current members in the system. This legislation does not have any impact on the District's existing unfunded liability and contribution rates for the fiscal year 2011-12. However, it will impact future contribution rates as the District hires new employees, resulting in lower contribution requirements over time. The District is evaluating the impact of the legislation and communication with CalPERS will require significant effort.

On October 3, 2012, the District issued the Sales Tax Revenue Bonds, 2012 Series A (the "2012 Series A Bonds") with a principal amount of $130,475,000 and the Sales Tax Revenue Bonds, 2012 Series B (Federally Taxable) (the "2012 Series B Bonds") with a principal amount of $111,085,000. The 2012 Series A Bonds and the 2012 Series B Bonds (together, the "2012 Bonds") are special obligations of the District, payable from and secured by a pledge of sales tax revenues. The 2012 Series A Bonds were issued to, along with other District funds, provide sufficient funds to (i) refund $51,605,000 principal amount of the 2002 Airport Premium Fare Bonds, (ii) refund $41,745,000 principal amount of the 2001 Bonds, (iii) refund $63,615,000 principal amount of the 2006 Bonds, and (iv) fund the costs of bond issuance. The 2012 Series B Bonds were issued to provide financing for the Oakland International Airport Connector Project and to fund the costs of bond issuance.

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 (%)
6/30/09	$ 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
6/30/11	1,661,566	1,530,454	131,112	92.1	219,833	59.6

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 (%)
6/30/09	$ 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
6/30/11	213,592	157,704	55,888	73.8	18,864	296.3

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 (%)
6/30/09	$ 335,118	$ 68,087	$ 267,031	20.3	$ 242,071	110.30
6/30/10	347,058	88,456	258,602	25.5	236,436	109.40
6/30/11	376,063	120,103	255,960	31.9	240,465	106.44

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 (%)
6/30/09	$ 27,297	$ -	$ 27,297	-	$ 242,071	11.30
6/30/10	25,305	-	25,305	-	236,436	10.70
6/30/11	25,919	-	25,919	-	240,465	10.78

APPENDIX C

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
STATEMENT OF INVESTMENT POLICY

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

1. Preservation of Capital

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

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX D

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 D 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 2013. Population in the Three BART Counties increased approximately 8.8% between 2000 and 2013 and 1.0% between 2012 and 2013.

Table 1
HISTORICAL POPULATION
Alameda and Contra Costa Counties and City and County of San Francisco
2000 and 2010 though 2013
(As of January 1)

	2000[1]	2010[1]	2011[2]	2012[2]	2013[2]	% Change 2012-2013
Alameda County						
Alameda	72,259	73,812	74,052	74,544	75,126	0.8
Albany	16,444	18,539	18,345	18,467	18,430	-0.2
Berkeley	102,743	112,580	113,925	114,688	115,716	0.9
Dublin	29,973	46,036	46,207	46,729	49,890	6.8
Emeryville	6,882	10,080	10,110	10,186	10,269	0.8
Fremont	203,413	214,089	215,391	217,416	219,926	1.2
Hayward	140,030	144,186	145,101	146,923	148,756	1.2
Livermore	73,345	80,968	81,547	82,293	83,325	1.3
Newark	42,471	42,573	42,700	42,985	43,342	0.8
Oakland	399,566	390,724	392,333	394,832	399,326	1.1
Piedmont	10,952	10,667	10,710	10,793	10,889	0.9
Pleasanton	63,654	70,285	70,537	71,176	71,871	1.0
San Leandro	79,452	84,950	85,364	85,941	86,666	0.8
Union City	66,869	69,516	69,746	70,554	71,329	1.1
Other Areas	135,688	141,266	141,688	142,649	143,820	0.8
	1,443,741	1,510,271	1,517,756	1,530,176	1,548,681	1.2
Contra Costa County						
Antioch	90,532	102,372	103,055	103,950	105,117	1.1
Brentwood	23,302	51,481	52,030	52,635	53,278	1.2
Clayton	10,762	10,897	10,942	11,008	11,093	0.8
Concord	121,782	122,067	122,599	123,345	123,812	0.4
Danville	41,715	42,039	42,217	42,498	42,720	0.5
El Cerrito	23,171	23,549	23,649	23,801	23,910	0.5
Hercules	19,488	24,060	24,153	24,299	24,403	0.4
Lafayette	23,908	23,893	24,024	24,186	24,312	0.5
Martinez	35,866	35,824	36,055	36,264	36,578	0.9
Moraga	16,290	16,016	16,076	16,168	16,238	0.4
Oakley[3]	25,619	35,432	35,998	36,573	37,252	1.9
Orinda	17,599	17,643	17,714	17,839	17,925	0.5
Pinole	19,039	18,390	18,461	18,581	18,664	0.4
Pittsburg	56,769	63,264	63,735	64,779	65,339	0.9
Pleasant Hill	32,837	33,152	33,280	33,477	33,633	0.5
Richmond	99,216	103,701	104,382	105,004	105,562	0.5
San Pablo	30,256	29,139	28,931	29,137	29,266	0.4
San Ramon	44,722	72,148	73,111	74,753	76,154	1.9
Walnut Creek	64,296	64,173	64,710	65,306	65,684	0.6
Other Areas	151,557	159,785	161,184	162,999	163,762	0.5
	948,816	1,049,025	1,056,306	1,066,602	1,074,702	
City and County of San Francisco	776,733	805,235	808,768	816,311	825,111	1.1
Three BART Counties	3,169,488	3,364,531	3,382,830	3,413,089	3,448,494	1.0

[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 2012 and Table 2-B shows total nonagricultural employment for the Three BART Counties by industry sector in calendar years 2002 and 2012.

Table 2-A
NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SECTOR
Alameda and Contra Costa Counties and City and County of San Francisco
Calendar Year 2012

	Alameda County		Contra Costa County		City and County of San Francisco	
	Number	Percent[(2)]	Number	Percent[(2)]	Number	Percent[(2)]
Total Nonagricultural Employment[(1)]	659,100	–	320,600	–	558,200	–
Major Classifications						
Manufacturing	62,900	9.5	17,400	5.4	9,300	1.7
Transportation, Warehousing and Public Utilities	24,800	3.7	8,000	2.5	10,800	1.9
Wholesale Trade	35,100	5.3	8,100	2.5	12,100	2.1
Retail Trade	61,900	9.4	41,000	12.8	42,100	7.5
Finance, Insurance, and Real Estate	23,200	3.5	25,200	7.9	51,500	9.2
Information	13,600	2.0	8,400	2.6	23,700	4.2
Professional & Business Services	116,900	17.7	48,100	15.0	138,900	24.9
Educational & Health Services	90,600	13.7	50,500	15.8	61,100	11.0
Leisure & Hospitality	58,300	8.9	33,700	10.5	82,700	14.8
Other Services	23,700	3.6	12,400	3.9	22,500	4.0
Government	114,800	17.4	48,000	15.0	88,900	16.0

(1) Totals may reflect rounding.
(2) Represents percentage of total nonagricultural employment; reflects rounding.
Source: California Employment Development Department, Labor Market Information Division.

Table 2-B
NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SECTOR
Total Three BART Counties
Calendar Years 2002 and 2012

	2002		2012	
	Number	Percent[(2)]	Number	Percent[(2)]
Total Nonagricultural Employment	1,574,800	–	1,537,900	–
Major Classifications				
Manufacturing	118,800	7.5	89,600	5.8
Transportation, Warehousing and Public Utilities	58,300	3.7	43,600	2.8
Wholesale Trade	65,900	4.2	55,300	3.6
Retail Trade	155,600	9.9	145,000	9.4
Finance, Insurance, and Real Estate	123,200	7.8	99,900	6.5
Information	58,900	3.7	45,700	3.0
Professional & Business Services	260,300	16.5	303,900	19.7
Educational & Health Services	169,000	10.7	202,200	13.1
Leisure & Hospitality	150,100	9.5	174,700	11.4
Other Services	60,400	3.8	58,600	3.8
Government	268,500	17.0	251,700	16.4

(1) Totals may reflect rounding.
(2) Represents percentage of total nonagricultural employment; reflects rounding.
Source: California Employment Development Department, Labor Market Information Division.

Total nonagricultural employment in the Three BART Counties decreased approximately 2.3% in 2012 compared to 2002.

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 7.3% between 2000 and 2013.

Alameda County has a diverse economic base. A large number of new jobs have been, and are expected to be, created by firms classified in the services industry. Many of these jobs will be highly skilled professional, technical, and managerial positions. The two largest employment sectors are professional and business services and government, which account for approximately 34% of total employment. The trade, transportation and utilities sector, which includes both retail and wholesale categories, averaged 121,900 jobs in 2012, comprising approximately 18.5% of total nonagricultural employment. The professional and business services industry averaged 116,900 jobs for 2012, comprising approximately 17.7% of total employment. Major employers in Alameda County include Kaiser Permanente, University of California at Berkeley, Alameda County, Lawrence Livermore National Laboratory, Oakland Unified School District, Alta Bates Summit Medical Center and Lawrence Berkeley National Laboratory, as shown in Table 4-A.

Contra Costa County. Contra Costa County, predominantly a low-density residential area, accounts for approximately 31% of the population and approximately 29.7% of employment of the Three BART Counties in 2012. Contra Costa County's population increased approximately 13.3% between 2000 and 2013.

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 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 27% 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 6.2% in 2013 compared to 2000.

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 2012

Employer	Number of Employees
Kaiser Permanente	21,789
University of California, Berkeley	21,341
Safeway, Inc.	13,661
Contra Costa County	9,800
State of California	9,207
Alameda County	8,800
Lawrence Livermore National Laboratory	6,700
Chevron Corp.	6,395
John Muir Health	6,248
City of Oakland	5,082
Alta Bates Summit Medical Center, Summit Campus	4,878
Oakland Unified School District	4,496
San Ramon Valley Unified School District	4,480
Lawrence Berkeley National Laboratory	4,000
Contra Costa Community College District	3,283
Fremont Unified School District	3,000
Comcast Corp.	2,891
Children's Hospital & Research Center Oakland	2,600
Antioch Unified School District	2,500
Bay Area Rapid Transit District (BART)	2,498
Southwest Airlines Co.	2,242
California State University, East Bay	1,850
Gilead Sciences Inc.	1,846
24 Hour Fitness USA Inc.	1,821
Bayer HealthCare LLC	1,686

Sources: San Francisco Business Times *2013 Book of Lists* and San Francisco Business Journal.

Table 4-B
MAJOR EMPLOYERS
City and County of San Francisco
As of 2012

Employer	Number of Employees
City and County of San Francisco	24,805
University of California, San Francisco	22,493
San Francisco Unified School District	9,157
Wells Fargo Bank	8,329
California Pacific Medical Center	6,200
Gap Inc.	6,000
San Francisco Municipal Transportation Agency	4,900
State of California	4,429
PG&E Corp.	4,340
San Francisco State University	3,554
Kaiser Permanente	3,537
United States Postal Service	3,140
City College of San Francisco	2,700
Charles Schwab & Co. Inc.	2,600
Salesforce.com Inc.[1]	2,500
Academy of Art University	2,291
Dignity Health	2,221
University of San Francisco	2,108
Safeway Inc.	1,834
Deloitte LLP	1,719
LucasArts Entertainment Co. LLC	1,700
Zynga Inc.	1,700
BlackRock	1,581
Williams-Sonoma Inc.	1,552
Levi-Strauss & Co.	1,500

Source: San Francisco Business Times, *2013 Book of Lists*.
(1) Includes San Mateo County.

Population and Employment Forecasts

Table 5 presents population and employment projections for the Three BART Counties prepared by the Association of Bay Area Governments ("ABAG"). ABAG projects the population of the Three BART Counties to increase by approximately 4,258,200 people by 2035, as compared to the actual population of 3,448,494 in 2013, with most of the growth occurring in Contra Costa and Alameda counties. Employment in the Three BART Counties is projected by ABAG to increase to 2,402,160 in 2035, as compared to the actual 1,675,300 employment level as of July 2013. 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	2013[1] (Actual)	2035 (Projected)	% Change 2013-2035 (Projected)
Alameda	1,548,681	1,966,300	27.0
Contra Costa	1,074,702	1,322,900	23.0
San Francisco	825,111	969,000	17.4
Three BART Counties	3,448,494	4,258,200	23.5

Employment

County	2013[2]	2035 (Projected)	Percent Change 2012-2035 (Projected)
Alameda	719,900	1,039,680	44.4
Contra Costa	497,300	555,650	11.7
San Francisco	457,400	806,830	76.4
Three BART Counties	1,674,600	2,402,160	43.4

(1) As of January 1, 2013.
(2) As of July 2013; not seasonally adjusted.
Sources: State of California Department of Finance; State of California Employment Development Department; Association of Bay Area Governments, *Jobs-Housing Connections Strategy*.

Personal Income

The United State Department of Commerce, Bureau of Economic Analysis (the "BEA") produces economic accounts statistics that enable government and business decision-makers, researchers, and the public to follow and understand the performance of the national economy.

The BEA defines "personal income" as income received by persons from all sources, including income received from participation in production as well as from government and business transfer payments. Personal income represents the sum of compensation of employees (received), supplements to wages and salaries, proprietors' income with inventory valuation adjustment and capital consumption adjustment (CCAdj), rental income of persons with CCAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance. Per capita personal income is calculated as the personal income divided by the resident population based upon the Census Bureau's annual midyear population estimates.

Table 6 below presents the latest available total income and per capita personal income for the City, the County, the State and the nation for the calendar years 2008 through 2012 (the most recent 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 2008 through 2012

Year and Area	Personal Income (millions of dollars)[1]	Per Capita Personal Income (dollars)
2012		
Alameda County	N/A	N/A
Contra Costa	N/A	N/A
San Francisco	N/A	N/A
State	1,711,110	44,980
United States	13,401,869	42,693
2011		
Alameda County	75,908	49,617
Contra Costa	60,779	57,011
San Francisco	60,433	74,349
State	1,645,138	43,647
United States	12,949,905	41,560
2010		
Alameda County	72,025	47,603
Contra Costa	57,700	54,817
San Francisco	55,851	69,351
State	1,579,148	42,297
United States	12,423,332	40,163
2009		
Alameda County	69,439	46,338
Contra Costa	55,782	53,745
San Francisco	53,470	66,677
State	1,536,430	41,569
United States	12,073,738	39,357
2008		
Alameda County	74,306	50,302
Contra Costa	59,914	58,547
San Francisco	58,108	73,448
State	1,596,282	43,609
United States	12,429,284	40,873

Source: U.S. Department of Commerce, Bureau of Economic Analysis (last accessed October 28, 2013).
[1] Numbers reflect rounding.

Table 7 shows the total dollar volume of sales and other taxable transactions (which correlate with sales tax receipts) in the Three BART Counties for calendar years 2007 through 2012 (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 2007 Through Second Quarter of 2012
($ in thousands)

Fiscal Year	Alameda County	Contra Costa County	San Francisco County	Total Three BART Counties	Percentage Change
2007	25,831,140	14,086,295	14,614,736	54,532,171	–
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
2011	23,430,799	12,799,857	14,890,527	51,121,183	8.9
2012(1)	18,649,646	6,795,607	7,537,845	32,983,098	N/A

Source: California State Board of Equalization, 2008-2012 Annual Reports.
(1) Reflects data through second calendar quarter of 2012; most current available.

Table 8 shows taxable transactions by type of business for the Three BART Counties for the year ended December 31, 2011 (the most recent annual data available).

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Table 8
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
Alameda and Contra Costa Counties and the City and County of San Francisco
For Calendar Year 2011
($ in thousands)

Type of business	ALAMEDA COUNTY	CONTRA COSTA COUNTY	CITY AND COUNTY OF SAN FRANCISCO
Retail and Food Services			
Motor Vehicle and Parts Dealers	**2,405,412**	**1,372,234**	**452,375**
New Car Dealers	1,920,212	1,088,598	363,902
Used Car Dealers	171,060	93,764	12,467
Other Motor Vehicle Dealers	87,008	31,825	26,266
Auto. Parts, Accessories and Tire Stores	227,131	158,047	49,740
Furniture and Home Furnishings Stores	**438,369**	**240,863**	**361,828**
Furniture Stores	297,202	115,444	175,562
Home Furnishings Stores	141,167	125,419	186,266
Electronics and Appliance Stores	**583,234**	**357,941**	**370,667**
Appliance, T.V., and Other Electronics Stores	352,515	255,299	175,083
Computer and Software Stores	225,699	98,390	168,234
Camera and Photographic Supplies Stores	5,020	4,252	27,350
Bldg. Matrl. and Garden Equip. and Supplies	**1,153,236**	**739,836**	**414,096**
Building Material and Supplies Dealers	1,074,964	655,705	395,402
Lawn and Garden Equip. and Supplies Stores	78,271	84,131	18,694
Food and Beverage Stores	**928,190**	**692,641**	**651,528**
Supermarkets and Other Grocery Stores	650,414	524,251	476,472
Convenience Stores	70,135	59,734	31,067
Specialty Food Stores	27,886	17,233	28,149
Beer, Wine, and Liquor Stores	179,755	91,422	115,839
Health and Personal Care Stores	**434,353**	**277,662**	**421,767**
Pharmacies and Drug Stores	287,696	202,082	-
Health and Personal Care Stores	146,657	75,579	421,767
Gasoline Stations	**2,135,182**	**1,522,725**	**626,887**
Clothing and Clothing Accessories Stores	**995,486**	**702,573**	**1,701,395**
Men's Clothing Stores	27,868	23,972	34,051
Women's Clothing Stores	138,871	99,604	286,338
Family Clothing Stores, Accessories, and Other Stores	650,297	444,479	991,558
Shoe Stores	117,275	67,078	141,625
Jewelry, Luggage, and Leather Goods Stores	61,175	67,441	247,824
Sporting Goods, Hobby, Book, and Music Stores	**484,909**	**303,397**	**365,751**
Sporting Goods Stores	183,093	123,155	142,596
Hobby, Toy and Musical Instrument Stores	160,312	120,207	70,086
Book, Periodical, and Music Stores	141,504	60,035	153,069
General Merchandise Stores	**1,810,195**	**1,443,317**	**768,818**
Miscellaneous Store Retailers	**955,440**	**396,831**	**634,994**
Florists	17,329	7,702	29,476
Office Supplies and Stationery Stores	376,818	59,794	78,336
Gift, Novelty, and Souvenir Stores	50,541	27,933	129,778
Used Merchandise Stores	29,656	17,517	35,637
Other Miscellaneous Store Retailers	481,096	283,885	361,766
Nonstore Retailers	**74,685**	**50,078**	**49,135**
Food Services and Drinking Places	**2,121,065**	**1,200,318**	**3,120,655**
Full-Service Restaurants	975,972	586,774	2,116,980
Limited-Service Eating Places	975,279	540,358	623,934
Special Food Services	100,230	28,762	233,768
Drinking Places (Alcoholic Beverages)	69,584	44,424	145,973
Total Retail and Food Services(1)	**14,519,756**	**9,300,418**	**9,939,895**
All Other Outlets(1)	**8,911,043**	**3,499,439**	**4,950,632**
Total All Outlets(1)	**23,430,799**	**12,799,857**	**14,890,527**

(1) Totals may reflect rounding.
Source: California State Board of Equalization.

Table 9 shows a comparison of taxable transactions among several large northern and southern California counties (including the Three BART Counties) and Statewide over the calendar years 2007 through 2011 (the most recent annual data available).

Table 9
COMPARISON OF TAXABLE TRANSACTIONS TRENDS
FOR MAJOR CALIFORNIA COUNTIES
Calendar Years 2007 Through 2011
($ in thousands)

	2007	2008	2009	2010	2011	% Change (2010-2011)
Three BART Northern Counties						
Alameda	$25,831,140	$23,862,957	$20,430,195	$21,541,741	$23,430,799	8.8
Contra Costa	14,086,295	13,307,681	11,883,049	11,953,846	12,799;857	7.1
San Francisco	14,614,736	14,837,689	12,633,575	13,443,121	14,890,527	10.8
Total Three BART Counties	$54,532,171	$52,008,327	$44,946,819	$46,938,708	$51,121,183	8.9
Other Northern Counties						
Sacramento	$20,560,510	$19,331,847	$16,563,853	$16,904,528	$18,003,765	6.5
San Mateo	13,326,306	13,137,913	11,327,022	11,966,338	13,020,643	8.8
Santa Clara	33,663,448	32,274,306	27,427,709	30,523,322	33,431,217	9.5
Southern Counties						
Los Angeles	$137,820,418	$131,881,744	$112,744,727	$116,942,334	$126,440,737	8.1
Orange	57,293,471	53,606,829	45,712,784	47,667,179	51,731,139	8.5
Riverside	29,023,609	26,003,595	22,227,877	23,152,780	25,641,497	10.7
San Bernardino	30,450,731	27,777,703	23,652,433	24,687,862	27,322,980	10.7
San Diego	47,485,988	45,329,136	39,728,657	41,623,636	45,090,382	8.3
Ventura	12,230,207	11,322,410	9,883,853	10,225,488	11,020,181	7.8
Statewide	$436,386,859	$412,673,810	$452,492,945	$477,347,986	$520,568,055	9.1

Source: California State Board of Equalization.

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APPENDIX E

DTC AND THE BOOK-ENTRY-ONLY SYSTEM

The information in this Appendix E concerning The Depository Trust Company ("DTC") and DTC's book-entry-only system has been obtained from sources that the San Francisco Bay Area Rapid Transit District (the "District") believes to be reliable, but neither the District nor the Underwriters takes any responsibility for the accuracy thereof. The District and the Underwriters cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (all as defined below): (a) payments of principal of, premium if any, and interest on ("Debt Service") the 2013C Bonds; (b) confirmations of ownership interest in the 2013C Bonds; or (c) notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2013C Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Direct Participants and Indirect Participants are on file with DTC.

None of the District, the Underwriters nor the Paying Agent will have any responsibility or obligations to DTC, the Direct Participants, the Indirect Participants of DTC or the Beneficial Owners with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participants or Indirect Participants of DTC; (2) the payment by DTC or any Direct Participants or Indirect Participants of DTC of any amount due to any Beneficial Owner in respect of the Debt Service on the 2013C Bonds; (3) the delivery by DTC or any Direct Participants or Indirect Participants of DTC of any notice to any Beneficial Owner that is required or permitted to be given to owners under the terms of the Paying Agent Agreement; or (4) any consent given or other action taken by DTC as registered owner of the 2013C Bonds.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2013C Bonds. The 2013C Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of 2013C Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2013C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2013C Bonds on DTC's records. The ownership interest of each actual purchaser of each 2013C 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 2013C 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 2013C Bonds, except in the event that use of the book-entry system for the 2013C Bonds is discontinued.

To facilitate subsequent transfers, all 2013C 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 2013C 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 2013C Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2013C 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 2013C Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2013C Bonds, such as redemptions, tenders, defaults, and proposed amendments to the documents. For example, Beneficial Owners of 2013C Bonds may wish to ascertain that the nominee holding the 2013C 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 2013C 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 2013C 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 Paying Agent 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 2013C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2013C 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 Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, 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 Paying Agent, 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 2013C Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

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

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the 2013C Bonds, the provisions of the Paying Agent Agreement relating to place of payment, transfer and exchange of the 2013C Bonds, regulations with respect to exchanges and transfers, bond register, Bonds mutilated, destroyed or stolen, and evidence of signatures of 2013C Bond Owners and ownership of 2013C Bonds will govern the payment, registration, transfer, exchange and replacement of the 2013C Bonds. Interested persons should contact the District for further information regarding such provisions of the Paying Agent Agreement.

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APPENDIX F

FORM OF 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 The Bank of New York Mellon Trust Company, N.A. (as successor to The Bank of New York Trust Company, N.A.), as paying agent (the "Paying Agent") and as dissemination agent (the "Dissemination Agent"), in connection with the issuance of $240,000,000 aggregate principal amount of San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2004), 2013 Series C (the "2013C Bonds"). The 2013C Bonds are being issued pursuant to Resolution No. 5221, adopted by the Board of Directors of the District on September 26, 2013, and according to the terms and in the manner set forth in the Paying Agent Agreement, dated as of May 1, 2005 (the "Master Paying Agent Agreement"), between the Issuer and the Paying Agent, as supplemented by the First Supplemental Paying Agent Agreement, dated as of July 1, 2007 (the "First Supplement") and by the Second Supplemental Paying Agent Agreement, dated as of October 1, 2013 (the "Second Supplement" and, together with the Master Paying Agent Agreement and the First Supplement, collectively, the "Paying Agent Agreement"), each between the Issuer and the Paying Agent. The Issuer, the Paying Agent and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer, the Paying Agent and the Dissemination Agent for the benefit of the Owners (as such term is defined in the Paying Agent Agreement) and the Beneficial Owners (as hereinafter defined) of the 2013C 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 Paying Agent Agreement, 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 Bonds (including persons holding 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 Paying Agent and the Dissemination Agent from time to time.

"Dissemination Agent" shall mean The Bank of New York Mellon Trust Company, N.A., acting in its capacity as Dissemination Agent under this Disclosure Agreement, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Paying Agent a written acceptance of such designation.

"Holder" shall mean the person in whose name any 2013C 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 2013C Bonds required to comply with the Rule in connection with offering of the 2013C 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.

"State" shall mean the State of California.

"SEC" shall mean the Securities and Exchange Commission or any successor agency thereto.

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, 2013, 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 Paying Agent 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 Paying Agent (if the Paying Agent 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 Paying Agent to determine if the Issuer is in compliance with the first sentence of this subsection (b).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice, in electronic format, to the MSRB, such notice to be in substantially the form attached as Exhibit A to this Disclosure Agreement.

(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 Paying Agent) the Paying Agent 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 November 5, 2013, relating to the 2013C Bonds (the "Official Statement"), and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An update (as of the most recently ended fiscal year of the Issuer) for the table set forth in the Official Statement under the caption "Debt Service Schedule" and an update for the tables entitled "San Francisco Bay Area Rapid Transit District Assessed Valuation" and "San Francisco Bay Area Rapid Transit District Secured Tax Charges and Delinquencies," each set forth in the Official Statement under the caption "Security and Source of Payment for the 2013C Bonds."

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. <u>Reporting of Significant Events</u>.

(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 2013C 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.

<u>Note</u>: 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 2013C 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 2013C Bonds or other material events affecting the tax status of the 2013C Bonds;

2. Modifications to rights of 2013C Bond holders;

3. Optional, unscheduled or contingent Bond calls;

4. Release, substitution, or sale of property securing repayment of the 2013C 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 the 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 2013C Bonds pursuant to the Resolution.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The obligations of the Issuer, the Paying Agent and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2013C Bonds. If such termination occurs prior to the final maturity of the 2013C Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

SECTION 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty (30) days written notice to the Issuer and the Paying Agent. The Dissemination Agent shall not be responsible in any manner for the form or 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 Paying Agent shall be the Dissemination Agent.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer, the Paying Agent and the Dissemination Agent may amend this Disclosure Agreement (and the Paying Agent and the Dissemination Agent shall agree to any amendment so requested by the Issuer, provided neither the Paying Agent 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 2013C 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 2013C 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 does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the 2013C Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(e), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Issuer, the Dissemination Agent or the Paying Agent to comply with any provision of this Disclosure Agreement, the Paying Agent may (and, at the written request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall) (but only to the extent funds in an amount satisfactory to the Paying Agent 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 Paying Agent whatsoever, including, without limitation, fees and expenses of its attorneys), or any Owner or Beneficial Owner of the 2013C 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 Paying Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not constitute a default on the 2013C Bonds or under any other document relating to the 2013C Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Paying Agent or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Paying Agent and Dissemination Agent. Article VII of the Paying Agent Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Paying Agent Agreement and the Paying Agent and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Paying Agent thereunder. The Dissemination Agent (if other than the Paying Agent or the Paying Agent in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in the Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent and the Paying Agent 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 under this Disclosure Agreement, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Paying Agent's or the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Issuer for its services provided under this Disclosure Agreement 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 under this Disclosure Agreement. The obligations of the Issuer under this Section shall survive resignation or removal of the Paying Agent or the Dissemination Agent and payment of the 2013C Bonds.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

(i) If to the Issuer:
San Francisco Bay Area Rapid Transit District
300 Lakeside Drive
Oakland, California 94612-3534
Attention: Controller/Treasurer
Telephone: (510) 464-6070
Fax: (510) 464-6011

(ii) If to the Paying Agent or the Dissemination Agent:
The Bank of New York Mellon Trust Company, N.A.
550 Kearny Street, Suite 600
San Francisco, California 94108
Attention: Corporate Trust Administration
Telephone: (415) 263-2416
Fax: (415) 399-1647

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent. Notices may also be given by electronic means.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Paying Agent, the Dissemination Agent, the Participating Underwriters, Owners and Beneficial Owners from time to time of the 2013C Bonds, and shall create no rights in any other person or entity.

SECTION 15. 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: November 21, 2013.

SAN FRANCISCO BAY AREA RAPID
TRANSIT DISTRICT

By______________________________
Controller/Treasurer

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N. A.,
as Paying Agent and Dissemination Agent

By______________________________
Authorized Officer

Exhibit A to the Continuing Disclosure Agreement

NOTICE TO MSRB OF
FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	San Francisco Bay Area Rapid Transit District
Name of 2013C Bond Issue:	San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2004), 2013 Series C
Date of Issuance of 2013C Bonds:	November 21, 2013

NOTICE IS HEREBY GIVEN that the San Francisco Bay Area Rapid Transit District (the "Issuer") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Agreement, dated November 21, 2013, between the Issuer and The Bank of New York Mellon Trust Company, N.A., as paying agent and dissemination agent. [The Issuer anticipates that the Annual Report will be filed by ____________.]

Dated:____________________

THE BANK OF NEW YORK MELLON TRUST COMPANY, N. A.,
as Paying Agent on behalf of the San Francisco Bay Area Rapid Transit District

cc: Issuer

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APPENDIX G

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Date of Closing]

San Francisco Bay Area
Rapid Transit District
Oakland, California

Re: San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2004), 2013 Series C

(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the San Francisco Bay Area Rapid Transit District (the "District") in connection with the issuance of $240,000,000 aggregate principal amount of bonds designated as "San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2004), 2013 Series C" (the "2013C Bonds"), representing part of an issue in the aggregate principal amount of $980,000,000, authorized at an election held in the District on November 2, 2004. The 2013C Bonds are issued under and pursuant to the provisions of Part 2 of Division 10 of the Public Utilities Code of the State of California, commencing with Section 28500 (the "Act") and other applicable law, and a resolution of the Board of Directors of the District adopted on September 26, 2013 (the "Resolution"), and in accordance with the terms of a Paying Agent Agreement, dated as of May 1, 2005, as supplemented by the First Supplemental Paying Agent Agreement, dated as of July 1, 2007, and by the Second Supplemental Paying Agent Agreement, dated as of October 1, 2013 (collectively, the "Paying Agent Agreement"), each between the District and The Bank of New York Mellon Trust Company, N.A. (successor to The Bank of New York Trust Company, N.A.), as paying agent (the "Paying Agent").

In such connection, we have reviewed the Resolution, the Paying Agent Agreement, the Tax Certificate of the District dated the date hereof (the "Tax Certificate"), opinions of counsel to the District and others, certificates of the District, the Paying Agent, 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. 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 Resolution, the Paying Agent Agreement 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 2013C 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 2013C Bonds, the Resolution, the Paying Agent Agreement 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, liquidated damages, penalty (including any remedy deemed to constitute a penalty), choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. 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, dated November 5, 2013, or other offering material relating to the 2013C 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 2013C Bonds constitute the valid and binding obligations of the District.

2. The Resolution has been duly and legally adopted and constitutes a valid and binding obligation of the District.

3. The Paying Agent Agreement has been duly authorized, executed and delivered by the District, and, assuming due authorization, execution and delivery by the other party thereto, constitutes a valid and binding obligation of the District.

4. The Board of Directors of the District has the power and is obligated to cause the levy of *ad valorem* taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the 2013C Bonds and the interest thereon.

5. Interest on the 2013C Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the 2013C Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2013C Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per