NEW ISSUE — BOOK-ENTRY ONLY **RATINGS:** S&P: AAA
Moody's: Aa1
Fitch: AAA
See "Ratings" herein.

In the opinion of Orrick, Herrington & Sutcliffe LLP and of Lofton & Jennings, Co-Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 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 Co-Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Co-Bond Counsel observe that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Co-Bond Counsel express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

$400,000,000
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
GENERAL OBLIGATION BONDS
(ELECTION OF 2004), 2007 SERIES B

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

The San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2004), 2007 Series B (the "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 Bonds will be made in principal amounts of $5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of Bonds will not receive bonds representing their beneficial ownership in the Bonds but will receive a credit balance on the books of their respective DTC Direct Participants or DTC Indirect Participants. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein.

Interest on the Bonds, which is payable on February 1 and August 1 of each year, commencing February 1, 2008, and principal on the Bonds is payable by The Bank of New York Trust Company, N. A., as paying agent (the "Paying Agent"), to Cede & Co., and such interest and principal payments are to be disbursed to the beneficial owners of the Bonds through their respective DTC Direct Participants or DTC Indirect Participants.

The 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 Bonds.

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

The Bonds are being sold to the ABAG Finance Authority for Nonprofit Corporations (the "Authority") and will be simultaneously resold to the underwriters identified below.

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
$135,550,000 SERIAL BONDS

Maturity Date August 1	Principal Amount	Interest Rate	Yield	CUSIP[1]	Maturity Date August 1	Principal Amount	Interest Rate	Yield	CUSIP[1]
2009	$15,230,000	3.600%	3.600%	797661RF4	2020	$ 6,350,000	5.000%	4.260%[2]	797661RU1
2009	5,260,000	4.000	3.600	797661RG2	2021	170,000	4.375	4.400	797661RV9
2010	5,240,000	4.000	3.650	797661RH0	2021	7,440,000	5.000	4.280[2]	797661RW7
2011	405,000	3.700	3.700	797661RJ6	2022	200,000	4.400	4.450	797661RX5
2012	900,000	3.750	3.750	797661RK3	2022	8,445,000	5.000	4.300[2]	797661RY3
2013	1,435,000	4.000	3.830	797661RL1	2023	250,000	4.450	4.480	797661RZ0
2014	2,010,000	4.000	3.920	797661RM9	2023	9,505,000	5.000	4.330[2]	797661SA4
2015	2,640,000	4.000	3.980	797661RN7	2024	250,000	4.500	4.500	797661SB2
2016	3,315,000	4.000	4.070	797661RP2	2024	10,700,000	5.000	4.340[2]	797661SC0
2017	4,050,000	4.100	4.130	797661RQ0	2025	12,230,000	5.000	4.360[2]	797661SD8
2018	4,840,000	4.125	4.200	797661RR8	2026	13,610,000	5.000	4.380[2]	797661SE6
2019	5,690,000	4.250	4.290	797661RS6	2027	15,085,000	5.000	4.400[2]	797661SF3
2020	300,000	4.250	4.350	797661RT4					

$101,520,000 5.000% Term Bonds due August 1, 2032 to Yield 4.460%[2] CUSIP[1]: 797661SG1
$86,500,000 5.000% Term Bonds due August 1, 2035 to Yield 4.490%[2] CUSIP[1]: 797661SH9
$76,430,000 4.750% Term Bonds due August 1, 2037 to Yield 4.750% CUSIP[1]: 797661SJ5

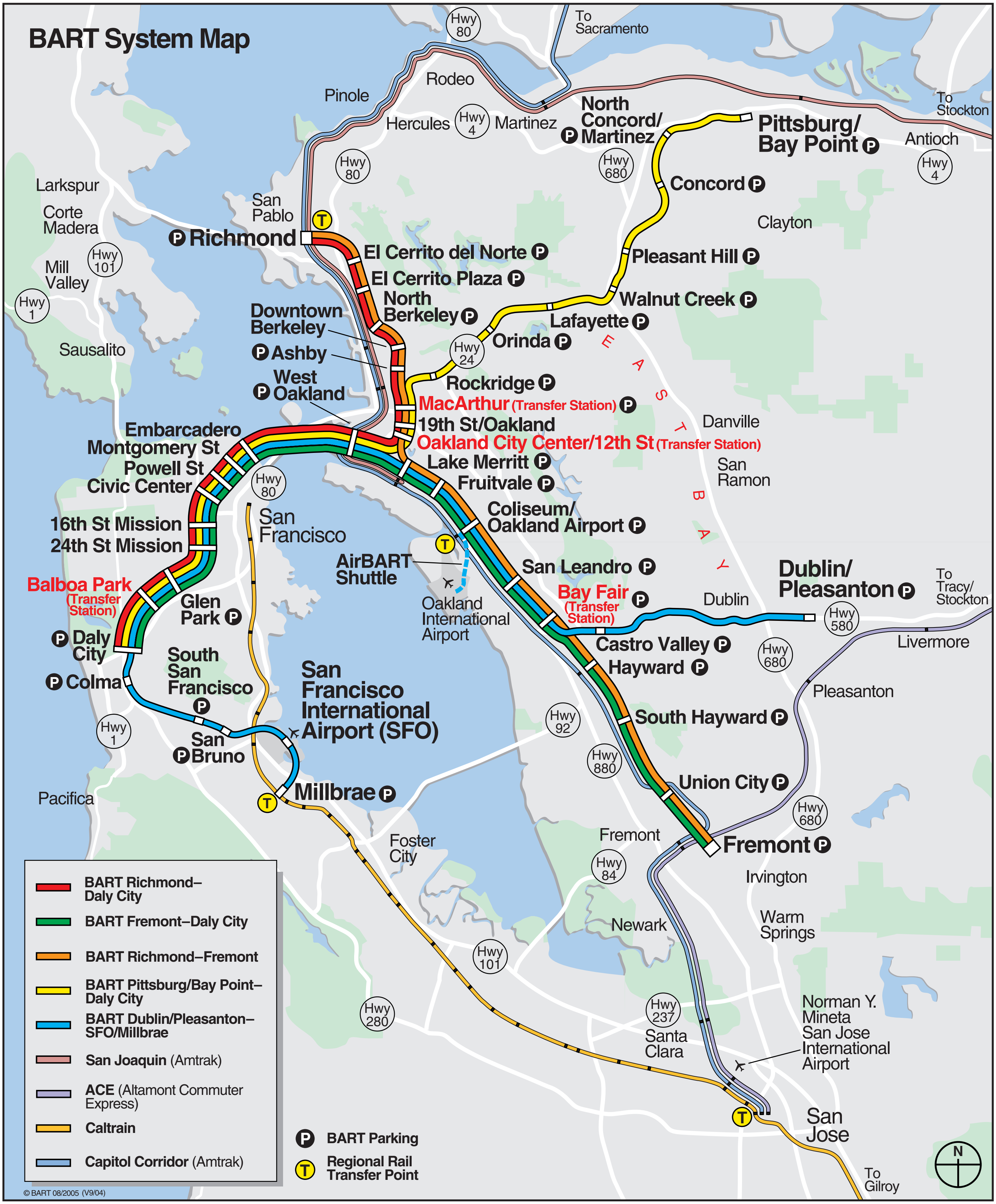
The Bonds are offered when, as and if issued and received by the Underwriters, subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, and Lofton & Jennings, San Francisco, California, Co-Bond Counsel to the District. Certain legal matters will be passed upon for the Underwriters by Nixon Peabody LLP; for the District by its General Counsel; by Squire, Sanders & Dempsey L.L.P., San Francisco, California, and Alexis S. M. Chiu, Esq., San Francisco, California, Co-Disclosure Counsel to the District; and for the Authority by Jones Hall, A Professional Law Corporation. The Bonds are expected to be delivered through DTC on or about August 2, 2007.

UBS INVESTMENT BANK **MORGAN STANLEY**

Backstrom McCarley Berry & Co., LLC **Jackson Securities** **Siebert Brandford Shank & Co., LLC**

The date of this Official Statement is July 25, 2007.

[1] Copyright 2007, American Bankers Association. CUSIP numbers are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. and are set forth for convenience only. Neither the District, nor the Authority nor the Underwriters take any responsibility for the accuracy of such CUSIP numbers.
[2] Yield calculated to first optional redemption date of August 1, 2017 at 100% of the principal amount, plus accrued interest thereon, without premium.



BART System Map
To Sacramento
Hwy 80
Rodeo
Pinole
Hercules
Hwy 4
Martinez
North Concord/ Martinez
Pittsburg/ Bay Point
To Stockton
Antioch
Hwy 4
Hwy 680
Concord
Hwy 80
Larkspur
San Pablo
Clayton
Corte Madera
Richmond
El Cerrito del Norte
Pleasant Hill
Mill Valley
Hwy 101
El Cerrito Plaza
Hwy 1
Walnut Creek
North Berkeley
Downtown Berkeley
Lafayette
Sausalito
Ashby
Orinda
Hwy 24
EAST BAY
West Oakland
Rockridge
MacArthur (Transfer Station)
19th St/Oakland
Danville
Embarcadero
Oakland City Center/12th St (Transfer Station)
Montgomery St
Lake Merritt
San Ramon
Powell St
Fruitvale
Civic Center
Hwy 80
San Francisco
Coliseum/ Oakland Airport
16th St Mission
24th St Mission
AirBART Shuttle
San Leandro
Dublin/ Pleasanton
To Tracy/ Stockton
Balboa Park (Transfer Station)
Glen Park
Oakland International Airport
Bay Fair (Transfer Station)
Dublin
Hwy 580
Daly City
Castro Valley
Hwy 680
Livermore
Colma
South San Francisco
San Francisco International Airport (SFO)
Hayward
Pleasanton
Hwy 1
San Bruno
Hwy 92
South Hayward
Hwy 880
Millbrae
Union City
Pacifica
Hwy 680
Foster City
Fremont
Fremont
Hwy 84
Irvington
Newark
Warm Springs
Hwy 101
Norman Y. Mineta San Jose International Airport
Hwy 280
Hwy 237
Santa Clara
San Jose
To Gilroy
N
BART Richmond–Daly City
BART Fremont–Daly City
BART Richmond–Fremont
BART Pittsburg/Bay Point–Daly City
BART Dublin/Pleasanton–SFO/Millbrae
San Joaquin (Amtrak)
ACE (Altamont Commuter Express)
Caltrain
Capitol Corridor (Amtrak)
BART Parking
Regional Rail Transfer Point
© BART 08/2005 (V9/04)

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

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

BOARD OF DIRECTORS

Lynette Sweet *President*	Gail Murray *Vice President*
Thomas M. Blalock	Zoyd Luce
James Fang	Tom Radulovich
Bob Franklin	Carole Ward Allen
Joel Keller	

OFFICERS
Dorothy W. Dugger – Interim General Manager
Scott L. Schroeder – Controller/Treasurer
Kenneth A. Duron – District Secretary

GENERAL COUNSEL
Sherwood G. Wakeman, Esq.

PAYING AGENT
The Bank of New York Trust Company, N. A.
San Francisco, California

CO-BOND COUNSEL
Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Lofton & Jennings
San Francisco, California

CO-DISCLOSURE COUNSEL
Squire, Sanders & Dempsey L.L.P.
San Francisco, California

Alexis S. M. Chiu, Esq.
San Francisco, California

FINANCIAL ADVISOR
Public Financial Management, Inc.
San Francisco, California

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Appendix A - San Francisco Bay Area Rapid Transit District Financial and Operating Information

Appendix B - San Francisco Bay Area Rapid Transit District Report on Audits of Financial Statements For the Years Ended June 30, 2006 and 2005

Appendix C - San Francisco Bay Area Rapid Transit District Statement of Investment Policy

Appendix D - The Economy of the Three BART Counties

Appendix E - Book-Entry Only System

Appendix F - Form of Continuing Disclosure Agreement

Appendix G - Proposed Form of Final Opinions of Co-Bond Counsel

This Official Statement does not constitute an offer to sell the 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 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 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.

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 is not to be construed as a contract with the purchasers of the 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 Advisors.

This Official Statement, including its Appendices, 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 and changes, 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 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

$400,000,000
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
GENERAL OBLIGATION BONDS
(ELECTION OF 2004), 2007 SERIES B

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 $400,000,000 aggregate principal amount of San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2004), 2007 Series B (the "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 and extends service in 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 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 Bonds.

In connection with the issuance of the Bonds, as provided in the ballot measure authorizing the issuance of the Bonds, the District has established an independent citizens' oversight committee to review and report to the public on the expenditure of the proceeds of the Bonds.

The Bonds are being issued for sale to the ABAG Finance Authority for Nonprofit Corporations (the "Authority") pursuant to Section 6589 of the Marks-Roos Local Bond Pooling Act of 1985 and will be simultaneously resold to UBS Securities LLC, Morgan Stanley & Co. Incorporated, Backstrom McCarley Berry & Co., LLC, Jackson Securities and Siebert Brandford Shank & Co., LLC (collectively, the "Underwriters").

The Bank of New York Trust Company, N. A., will serve as paying agent (the "Paying Agent") for the 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 (as so supplemented, the "Paying Agent Agreement"), each between the District and the Paying Agent.

The District has applied to several bond insurance companies to insure the Bonds. In connection with the pricing of the Bonds, the District will make a decision whether to insure any of the Bonds.

All defined 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 Bonds is made only by means of this entire Official Statement and is subject in all respects to the information contained herein.

THE BONDS

Purpose and Application of Proceeds

The Bonds are being 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 "Project"). See Appendix A – "San Francisco Bay Area Rapid Transit District Financial and Operating Information – Earthquake Safety Program." Proceeds will be applied to finance the Project, to pay a portion of the interest due on the Bonds on February 1, 2008 and to pay costs of issuance of the Bonds. See "Estimated Sources and Uses of Funds."

Authority for Issuance

The 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 (the "General Obligation Bonds"). The Bonds constitute the second issue of the General Obligation Bonds being issued pursuant to the Measure AA authorization. The first issue of the General Obligation Bonds were issued in May 2005 (the "2005 Bonds") in an aggregate principal amount of $100,000,000, of which $67,320,000 will be outstanding after August 1, 2007 when BART makes a scheduled principal payment thereon. The 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. 5019 adopted by the Board of Directors of the District on June 28, 2007.

Description of the Bonds

The 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 Bonds shall be payable on February 1 and August 1 of each year, commencing February 1, 2008. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds will be delivered only in book-entry only 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"). DTC will act as securities depository for the Bonds. Beneficial ownership interests in the Bonds may be purchased by or through a DTC Direct Participant (as defined in Appendix E – "Book-Entry Only System") in book-entry form only in denominations of $5,000 or any integral multiple thereof. See "—Book-Entry Only System."

Book-Entry Only System

The Bonds will be delivered in book-entry only form registered in the name of Cede & Co. Beneficial Owners (as defined in Appendix E) of the Bonds will not receive or have the right to receive physical delivery of certificates representing their ownership interests in the Bonds. For so long as any purchaser is the Beneficial Owner of a Bond, such purchaser must maintain an account with a broker or dealer who is or acts through a Direct Participant (as defined in Appendix E) to receive payment of the principal or interest on the Bonds.

Payments of interest on, principal of and premium, if any, on the Bonds will be made by the Paying Agent to DTC or its nominee, Cede & Co., as registered owner of the 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 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 will distribute to Beneficial Owners (i) payments of interest and principal with respect to the Bonds, (ii) confirmation of ownership interests in the Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as registered owner of the Bonds, or that DTC's Direct Participants or Indirect Participants will do so on a timely basis.

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

Redemption Provisions

Optional Redemption. The Bonds maturing on or before August 1, 2017 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after August 1, 2018 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, 2017, at the principal amount of Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium. If less than all of the Bonds are called for redemption, the Bonds shall be redeemed in inverse order of maturities (or as otherwise directed by the District), and if less than all of the Bonds of any given maturity are called for redemption, the portions of Bonds of a given maturity to be redeemed shall be determined by lot.

Mandatory Redemption. The Bonds maturing on August 1, 2032, 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**
2028	$16,670,000
2029	18,365,000
2030	20,175,000
2031	22,115,000
2032*	24,195,000

* Final Maturity

The Bonds maturing on August 1, 2035, 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**
2033	$26,410,000
2034	28,780,000
2035*	31,310,000

* Final Maturity

The 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**
2036	$36,755,000
2037*	39,675,000

* 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 Bonds of that maturity optionally redeemed prior to the mandatory sinking fund payment date.

Notice and Effect of Redemption. Notice of any redemption of Bonds will be given by the Paying Agent upon written request of the District by first class mail to the registered owners of any 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 Bonds and the date of issue of the Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity of the Bonds to be redeemed; (vi) (if less than all of the Bonds of any maturity are to be redeemed) the distinctive numbers of the Bonds of each maturity to be redeemed; (vii) (in the case of Bonds redeemed in part only) the respective portions of the principal amount of the Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Bonds to be redeemed; (ix) a statement that such 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 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 registered 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 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 Bonds called for redemption is set aside as provided in the Paying Agent Agreement, the 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 Bonds at the place specified in the notice of redemption, such Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Bonds so called for redemption after such redemption date shall look for the payment of such 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 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 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 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 Bonds all of the principal, interest and premium, if any, represented by Bonds at the times and in the manner provided in the Paying Agent Agreement and in the 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 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 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 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 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 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 only system for registration of the ownership of the Bonds in book-entry form may be discontinued at any time if: (1) DTC resigns as securities depository for the 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 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 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 Bonds, payment of interest on the 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 owner of the 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 Bond will be made by check or draft mailed by first class mail to the registered owner of such 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 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, on the 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 Bonds will be in the form of fully-registered Bonds and will be issued in denominations of $5,000 or any integral multiple thereof.

ESTIMATED SOURCES AND USES OF FUNDS

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

Principal Amount of Bonds	$400,000,000.00
Net Original Issue Premium	12,335,604.40
Total Sources	$412,335,604.40
Project Costs	$400,000,000.00
Costs of Issuance[1]	1,490,325.78
Capitalized Interest[2]	10,845,278.62
Total Uses	$412,335,604.40

[1] Includes underwriters' discount, rating agency fees, printing, legal and other expenses.

[2] Will be applied to pay all of the interest due on the Bonds on February 1, 2008 and a portion of the interest due on the Bonds on August 1, 2008.

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DEBT SERVICE SCHEDULE

The following table sets forth annual debt service on the District's General Obligation Bonds:

Year Ending August 1,	Outstanding 2005 Bonds Debt Service	Bonds		Total Bonds Debt Service	Aggregate Debt Service
		Principal	Interest		
2007	$23,493,085[1]	-	-	-	$23,493,085
2008	28,743,960	-	$19,198,101[2]	$19,198,101	47,942,061
2009	2,750,010	$20,490,000	19,251,578	39,741,578	42,491,588
2010	2,748,910	5,240,000	18,492,898	23,732,898	26,481,808
2011	2,747,060	405,000	18,283,298	18,688,298	21,435,358
2012	2,748,310	900,000	18,268,313	19,168,313	21,916,623
2013	2,747,435	1,435,000	18,234,563	19,669,563	22,416,998
2014	2,749,115	2,010,000	18,177,163	20,187,163	22,936,278
2015	2,747,575	2,640,000	18,096,763	20,736,763	23,484,338
2016	2,748,725	3,315,000	17,991,163	21,306,163	24,054,888
2017	2,747,850	4,050,000	17,858,563	21,908,563	24,656,413
2018	2,747,650	4,840,000	17,692,513	22,532,513	25,280,163
2019	2,745,650	5,690,000	17,492,863	23,182,863	25,928,513
2020	2,749,650	6,650,000	17,251,038	23,901,038	26,650,688
2021	2,745,400	7,610,000	16,920,788	24,530,788	27,276,188
2022	2,748,150	8,645,000	16,541,350	25,186,350	27,934,500
2023	2,747,400	9,755,000	16,110,300	25,865,300	28,612,700
2024	2,748,150	10,950,000	15,623,925	26,573,925	29,322,075
2025	2,750,150	12,230,000	15,077,675	27,307,675	30,057,825
2026	2,748,150	13,610,000	14,466,175	28,076,175	30,824,325
2027	2,747,150	15,085,000	13,785,675	28,870,675	31,617,825
2028	2,745,925	16,670,000	13,031,425	29,701,425	32,447,350
2029	2,746,100	18,365,000	12,197,925	30,562,925	33,309,025
2030	2,747,450	20,175,000	11,279,675	31,454,675	34,202,125
2031	2,749,750	22,115,000	10,270,925	32,385,925	35,135,675
2032	2,747,000	24,195,000	9,165,175	33,360,175	36,107,175
2033	2,749,000	26,410,000	7,955,425	34,365,425	37,114,425
2034	2,745,250	28,780,000	6,634,925	35,414,925	38,160,175
2035	2,745,750	31,310,000	5,195,925	36,505,925	39,251,675
2036	-	36,755,000	3,630,425	40,385,425	40,385,425
2037	-	39,675,000	1,884,563	41,559,563	41,559,563
Total	**$126,425,760**	**$400,000,000**	**$426,061,086[3]**	**$826,061,086[3]**	**$952,486,846[3]**

(1) Sufficient funds are currently on deposit with the Paying Agent to make the payment due on the 2005 Bonds on August 1, 2007.

(2) To be paid in part from a portion of the proceeds of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

(3) Does not total correctly due to rounding.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the 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 Bonds.

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. 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 City and County of San Francisco and the County of Contra Costa have 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, Levies, Collections and Delinquencies" and "Teeter Plans" below. The County of Alameda also has adopted the Teeter Plan, but does not apply the Teeter Plan to collections for general obligation bonds, including the Bonds.

For Fiscal Year 2006-07, the District's total secured and unsecured assessed valuation is $441,178,144,258. The following table shows a recent history of the assessed valuation of property in the District.

San Francisco Bay Area Rapid Transit District
Assessed Valuations

Fiscal Year	Local Secured [1]	Non-Unitary Utility	Unsecured	Total	% Change
			Total for District		
1997-98	$193,732,265,923	$304,511,413	$15,649,622,434	$209,686,399,770	3.03%
1998-99	207,231,008,438	319,015,519	17,138,997,130	224,689,021,087	7.15
1999-00	224,846,345,516	265,692,894	18,103,006,761	243,215,045,171	8.25
2000-01	247,887,854,056	239,680,916	19,276,491,886	267,404,026,858	9.95
2001-02	275,330,316,694	258,212,443	22,361,028,060	297,949,557,197	11.42
2002-03	297,963,385,441	250,578,104	22,456,014,884	320,669,978,429	7.63
2003-04	320,447,358,728	1,446,522,402	21,299,088,509	343,192,969,639	7.02
2004-05	346,842,471,097	1,147,297,176	20,802,561,268	368,792,329,541	7.46
2005-06	379,021,384,844	1,033,371,249	21,567,438,893	401,622,194,986	8.90
2006-07	418,132,509,799	939,596,868	22,106,037,591	441,178,144,258	9.85
			City and County of San Francisco Portion		
1997-98	$52,063,357,721	$52,510,762	$4,942,175,509	$57,058,043,992	3.26%
1998-99	56,484,149,805	49,670,940	5,806,678,540	62,340,499,285	9.26
1999-00	61,950,848,483	31,475,327	6,680,582,506	68,662,906,316	10.14
2000-01	68,907,023,273	28,686,212	7,009,929,019	75,945,638,504	10.61
2001-02	77,606,342,628	29,739,578	7,884,548,763	85,520,630,969	12.61
2002-03	83,987,530,273	34,234,707	7,718,159,459	91,739,924,439	7.27
2003-04	89,163,914,400	148,725,879	7,245,553,604	96,558,193,883	5.25
2004-05	95,997,829,593	104,855,647	6,973,610,316	103,076,295,556	6.75
2005-06	102,890,058,219	82,869,066	7,084,700,846	110,057,628,131	6.77
2006-07	110,979,784,808	124,473,509	7,477,880,437	118,582,138,754	7.75
			Alameda County Portion		
1997-98	$77,119,732,345	$178,583,146	$7,819,244,630	$85,117,560,121	4.30%
1998-99	83,137,747,660	175,800,448	8,385,079,757	91,698,627,865	7.73
1999-00	90,583,853,818	146,388,494	8,422,595,426	99,152,837,738	8.13
2000-01	99,989,552,204	146,304,130	8,842,468,486	108,978,324,820	9.91
2001-02	110,720,114,799	140,360,525	10,231,003,777	121,091,479,101	11.12
2002-03	119,939,009,811	130,917,787	10,201,802,198	130,271,729,796	7.58
2003-04	129,689,202,427	137,152,845	9,934,762,946	139,761,118,218	7.28
2004-05	139,166,077,229	177,691,751	9,606,740,594	148,950,509,574	6.58
2005-06	152,231,171,772	172,493,794	10,122,928,732	162,526,594,298	9.11
2006-07	167,868,240,571	157,443,348	10,103,970,074	178,129,653,993	9.60

Contra Costa County Portion

1997-98	$64,549,175,857	$73,417,505	$2,888,202,295	$67,510,795,657	1.28%
1998-99	67,609,110,973	93,544,131	2,947,238,833	70,649,893,937	4.65
1999-00	72,311,643,215	87,829,073	2,999,828,829	75,399,301,117	6.72
2000-01	78,991,278,579	64,690,574	3,424,094,381	82,480,063,534	9.39
2001-02	87,003,859,267	88,112,340	4,245,475,520	91,337,447,127	10.74
2002-03	94,036,845,357	85,425,610	4,536,053,227	98,658,324,194	8.02
2003-04	101,594,241,901	1,160,643,678	4,118,771,959	106,873,657,538	8.33
2004-05	111,678,564,275	864,749,778	4,222,210,358	116,765,524,411	9.26
2005-06	123,900,154,853	778,008,389	4,359,809,315	129,037,972,557	10.51
2006-07	139,284,484,420	657,680,011	4,524,187,080	144,466,351,511	11.96

Source: California Municipal Statistics, Inc.
(1) Local Secured Assessed Valuation, excluding tax-exempt property.

Based upon information provided by the office of the Auditor-Controller for Contra Costa County and for Alameda County and by the Controller's office in the City and County of San Francisco, the District's total assessed valuation for fiscal year 2007-2008 is $478,133,138,800, and the Contra Costa County portion thereof is $157,174,455,673, the Alameda County portion thereof is $192,301,091,875 (preliminary) and the City and County of San Francisco portion thereof is $128,657,591,252 (preliminary).

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 2006-07.

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

	2006-07 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$1,830,345,138	0.44%	4,143	0.42%
Commercial/Office Building	66,974,459,695	16.02	28,440	2.88
Vacant Commercial	1,179,695,033	0.28	4,237	0.43
Industrial	40,447,949,474	9.67	14,900	1.51
Vacant Industrial	1,444,999,671	0.35	3,534	0.36
Recreational/Golf Course	1,131,805,995	0.27	2,253	0.23
Government/Social/Institutional	2,008,915,690	0.48	15,643	1.58
Miscellaneous	616,034,221	0.15	1,986	0.20
Subtotal Non-Residential	$115,634,204,917	27.65%	75,136	7.61%
Residential:				
Single Family Residence	$212,408,528,734	50.80%	655,448	66.34%
Condominium/Townhouse	38,023,163,274	9.09	128,930	13.04
Rural Residential	482,914,853	0.12	1,289	0.13
Mobile Home	111,892,325	0.03	2,793	0.28
Mobile Home Park	157,921,544	0.04	89	0.01
2-4 Residential Units	18,700,414,633	4.47	57,081	5.78
5+ Residential Units/Apartments	27,328,621,212	6.54	23,477	2.38
Timeshare	56,704,085	0.01	6,736	0.68
Vacant Residential	4,375,824,434	1.05	31,051	3.14
Subtotal Residential	$301,645,985,094	72.14%	906,894	91.78%
Unclassified Vacant	$852,319,788	0.20%	6,040	0.61%
Total	$418,132,509,799	100.00%	988,070	100.00%

Source: California Municipal Statistics, Inc.
(1)Local Secured Assessed Valuation, excluding tax-exempt property.

Tax Rates, Levies, 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 Bonds. The rate of tax necessary to pay fixed debt service on the 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 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) filing a certificate of delinquency for record 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

Tax Year	Secured Tax Charge (1) (2)	Amt. Delinquent June 30	% Delinquent June 30
2000-01	$3,253,419,983	$59,201,200	1.82%
2001-02	3,578,181,589	55,954,812	1.56
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

Source: California Municipal Statistics, Inc.
(1) For Alameda County and San Francisco City and County, includes all taxes collected by such counties. Source: State Controller's Office.
(2) For Alameda County, includes 1% General Fund levy, debt service levies and special assessments. Source: Alameda County Auditor-Controller's Office.

Teeter Plans

The City and County of San Francisco and the County of Contra Costa 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 and following 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 the local agency. Taxes to pay the 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. However, the County of Alameda does not apply its Teeter Plan to collections for general obligation bonds, including the Bonds.

Largest Taxpayers in the District

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

San Francisco Bay Area Rapid Transit District
Largest Local Secured Taxpayers
Fiscal Year 2006-07

	Property Owner	Primary Land Use	2006-07 Assessed Valuation	% of Total (1)
1.	Chevron USA Inc.	Refinery/Office Building	$3,150,732,510	0.75%
2.	Equilon Enterprises LLC	Industrial/Refinery	1,830,329,407	0.44
3.	Embarcadero Center Venture	Office Buildings/Commercial	1,257,661,299	0.30
4.	New United Motor Manufacturing Inc.	Industrial-Automotive Assembly	987,625,078	0.24
5.	Tesoro Refining & Marketing Co.	Industrial/Refinery	981,922,501	0.23
6.	Tosco Corporation	Industrial/Refinery	854,862,935	0.20
7.	555 California Owners LLC	Office Building	812,062,465	0.19
8.	Teachers Insurance & Annuity Association	Office Building	549,479,268	0.13
9.	Shapell Industries Inc.	Residential Properties	510,951,506	0.12
10.	Emporium Development LLC	Shopping Center/Mall	456,054,681	0.11
11.	Wells Fargo Bank	Office Building/Regional Mall	454,557,038	0.11
12.	EOP-One Market LLC	Office Building	443,810,552	0.11
13.	Post-Montgomery Associates	Office Building	397,898,938	0.10
14.	USS Posco Industries	Industrial	389,812,488	0.09
15.	China Basin Ballpark LLC	Ballpark/Stadium	383,007,000	0.09
16.	Sun Microsystems Inc.	Industrial	350,639,174	0.08
17.	Sunset Building Company LLC/ Sunset Land Company LLC	Office Building	333,784,514	0.08
18.	SHC Embarcadero LLC/ SHC Park San Francisco LLC	Hotels	323,438,912	0.08
19.	101 California Venture	Office Building	287,721,160	0.07
20.	BRE-St. Francis LLC	Hotel	268,263,374	0.06
		Total	$15,024,614,800	3.59%

Source: California Municipal Statistics, Inc.
(1) 2006-07 Local Secured Assessed Valuation: $418,132,509,799

Taxation of State-Assessed Utility Property

A portion of property tax revenue of the District is derived from utility property subject to assessment by the State Board of Equalization (the "SBOE"). State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other state-assessed property is allocated to each of the Three BART Counties by the SBOE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Ongoing changes in the California electric utility industry structure and in the way in which components of the industry are regulated and owned, including the sale of electric generation assets to largely unregulated, nonutility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets or the State's methods of assessing utility property and allocating tax revenues 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 July 6, 2007. 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

2006-07 Assessed Valuation:	$441,178,144,258
Redevelopment Incremental Valuation:	46,874,186,795
Adjusted Assessed Valuation:	$394,303,957,463

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 7/1/07	
Bay Area Rapid Transit District	**100%**	**$87,185,000**	(1)
City and County of San Francisco	100	1,172,225,000	
Community College Districts	0.105-100	1,271,376,409	
Oakland Unified School District	100	571,456,867	
West Contra Costa Unified School District	100	536,503,520	
Other Unified School Districts	0.506-100	2,322,089,634	
Union High School Districts	100	177,981,053	
Elementary School Districts	100	182,005,472	
City of Oakland	100	233,559,363	
Other Cities	99.985-100	131,024,813	
East Bay Municipal Utility District and Special District No. 1	100	35,500,000	
East Bay Regional Park District	100	166,295,000	
Healthcare Districts	100	84,620,000	
Community Facilities Districts	100	556,216,923	
1915 Act Bonds and Parcel Tax Obligations	100	665,000,695	
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$8,193,039,749	
Less: Self-supporting obligations		1,095,000	
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$8,191,944,749	

OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
Alameda County General Fund and Pension Obligations	99.989%	$ 837,473,711	
Contra Costa County General Fund and Pension Obligations	100	811,415,000	
City and County of San Francisco General Fund and Judgment Obligations	100	859,220,065	
Community College District General Fund and Pension Obligations	99.981-100	179,123,854	
Unified School District General Fund Obligations	99.978-100	253,079,915	
Board of Education, High School and School District Certificates of Participation	99.989-100	7,489,946	
City of Fremont Certificates of Participation	99.985	130,255,459	
City of Oakland General Fund and Pension Obligations	100	828,824,842	
Other City General Fund Obligations	99.914-100	664,884,769	
Contra Costa Fire Protection District Pension Obligations	100	128,280,000	
Special District General Fund Obligations	100	38,670,000	
TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT		$4,738,717,561	
Less: Self-supporting obligations		3,953,175	
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT		$4,734,764,386	
GROSS COMBINED TOTAL DEBT		$12,931,757,310	(2)
NET COMBINED TOTAL DEBT		$12,926,709,135	

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2006-07 Assessed Valuation:
Direct Debt ($87,185,000)... 0.02%
Total Gross Direct and Overlapping Tax and Assessment Debt........................ 1.86%
Total Net Direct and Overlapping Tax and Assessment Debt........................... 1.86%

Ratios to Adjusted Assessed Valuation:
Gross Combined Total Debt 3.28%
Net Combined Total Debt.. 3.28%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06:$178,400

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL LIMITATIONS

Constitutional Amendments Affecting Limitations on Revenues

Article XIII A of the California Constitution. Article XIII A of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIII A 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 XIII A 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, such as the Bonds 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 such school district or community college district, but only if certain accountability measures are included in the proposition.

Section 2 of Article XIII A 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. Legislation enacted by the California Legislature to implement Article XIII A 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 XIII A 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 XIII A.

Article XIII C of the California Constitution. Article XIII C of the California Constitution was added in 1996. Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the local agency require a majority vote and taxes for specific purposes require a two-thirds vote. In addition, Article XIII C removed many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. As a result, voters of the local agency could approve initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the local agency's general fund.

Article XIII D of the California Constitution. Article XIII D of the California Constitution was also added in 1996. Article XIII D imposes requirements and limitations for "assessments" for governmental services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. Article XIII D limits "fees" and "charges," defined to mean "any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." Property related fees and charges (i) must not generate revenues exceeding the funds required to provide the property related service, (ii) must not be used for any purpose other than those for which the fees and charges are imposed, (iii) must not be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question, and (iv) must not be used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The local agency must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the local agency may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIII D, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

Constitutional Amendments Affecting Expenditures and Appropriations

Article XIII B of the California Constitution. In addition to the limits Article XIII A 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 XIII B of the State Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIII B, 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" excludes 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.

Article XIII B also does not limit appropriation of local revenues to pay debt service on obligations 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, 2006, the District had an appropriations limit of $404,991,909, and the District's capital and operating expenditures subject to this limit were $266,681,057, creating a margin of $138,310,852. For the Fiscal Year ended June 30, 2007, the District had an appropriations limit of $420,148,352, and the District's capital and operating expenditures subject to this limit were $283,352,776, creating a margin of $136,795,576. For the Fiscal Year ending June 30, 2008, the District has determined that its appropriations limit is $438,274,195. Pursuant to the District's Fiscal Year 2008 budget, the District's capital and operating expenditures subject to this limit are $347,778,543, creating a margin of $90,495,652.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D, 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 the revenues of the District or the District's ability to expend revenues.

INVESTMENT OF BOND PROCEEDS

Bond proceeds deposited in the 2007B 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 Bond proceeds deposited into the Project Fund are not security for the payment of the 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.

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 as required by Measure AA and to review scheduling and budgeting of the projects to be funded. The current Oversight Committee was selected by the Board of Directors of the District on February 9, 2006 and will serve until February 9, 2008. Measure AA requires that members of this Committee have expertise in certain subjects and reside within the District. The Oversight Committee has held three meetings to date. The chairman of the Oversight Committee presented its first report to the District Board on June 14, 2007, in which the Committee stated its consensus opinion that the 2005 Bond proceeds are being spent properly and in accordance with Measure AA.

THE AUTHORITY

The Authority is a joint powers agency duly organized and existing under the laws of the State of California. The Authority was formed pursuant to the terms of a Joint Powers Agreement, dated as of April 1, 1990, as amended as of September 18, 1990 and June 9, 1992, and the Joint Exercise of Powers Act of the State (constituting Chapter 5, commencing with Section 6500, of Division 7 of Title 1 of the Government Code of the State of California), in order to assist nonprofit corporations and other entities to obtain financing for projects located within the several jurisdictions of Authority members with purposes serving the public interest. Pursuant to the provisions of the Mark-Roos Local Bond Pooling Act of 1985, the Authority is purchasing the Bonds issued by the District and is simultaneously reselling the Bonds to the Underwriters.

Neither the Authority, any member of the Authority, the Association of Bay Area Governments ("ABAG"), nor any member of the Authority, nor any member of ABAG (other than the District) has any obligation to pay the principal, premium, if any, or interest on the Bonds or any other costs incident thereto. The Bonds are not a debt of the Authority, any member of the Authority, ABAG or any member of ABAG (other than the District).

LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California and of Lofton & Jennings, San Francisco, California, Co-Bond Counsel to the District. A complete copy of the proposed form of the opinion to be delivered by each Co-Bond Counsel is attached hereto as Appendix G. Co-Bond Counsel take 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 Matthew Burrows, Esquire, its Acting General Counsel, and by Squire, Sanders & Dempsey L.L.P., San Francisco, California, and Alexis S. M. Chiu, Esq., San Francisco, California, Co-Disclosure Counsel to the District; for the Authority by Jones Hall, A Professional Law Corporation; and for the Underwriters by Nixon Peabody LLP, none of which undertakes any responsibility for the accuracy, completeness or fairness of this Official Statement.

Pursuant to the hereinafter defined Bond Purchase Agreement, the District will agree to indemnify the Authority.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP and of Lofton & Jennings, Co-Bond Counsel to the District ("Co-Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 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. Co-Bond Counsel are of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Co-Bond Counsel observe that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Co-Bond Counsel is set forth in Appendix G hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the 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 Bonds is the first price at which a substantial amount of such maturity of the 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 Bonds accrues daily over the term to maturity of such 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 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such 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 purchaser. 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 Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 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 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Co-Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Co-Bond Counsel have not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Co-Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Co-Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Co-Bond Counsel are of the opinion that interest on the 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 Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Co-Bond Counsel express no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, or clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. As one example, on May 21, 2007, the United States Supreme Court agreed to hear an appeal from a Kentucky state court which ruled that the United States Constitution prohibited the state from providing a tax exemption for interest on bonds issued by the state and its political subdivisions but taxing interest on obligations issued by other states and their political subdivisions. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Co-Bond Counsel express no opinion.

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

Co-Bond Counsels' engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Co-Bond Counsel are not obligated to defend the District or the beneficial owners regarding the tax-exempt status of the 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 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 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 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 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 Bonds or the Paying Agent Agreement or in any way contesting the completeness or accuracy of this Official Statement with respect to the Bonds.

RATINGS

Standard & Poor's, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service and Fitch Ratings, have assigned their municipal bond ratings of "AAA," "Aa1," and "AAA," respectively, to the 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 Bonds. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions by the rating agencies. There is no assurance that any credit rating assigned to the 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 Bonds.

FINANCIAL ADVISOR

Public Financial Management, Inc., San Francisco, California, serves as Financial Advisor to the District with respect to the sale of the 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 their 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

In order 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 Bonds. A copy of the form of Continuing Disclosure Agreement is set forth in Appendix F hereto. The District has never failed to comply with any undertaking under the Rule.

UNDERWRITING

The Bonds are being purchased from the District by the Authority for resale to the Underwriters pursuant to a bond purchase agreement, dated the date of sale of the Bonds (the "Bond Purchase Agreement"), among the District, the Authority and the Underwriters. The Underwriters expect to purchase the Bonds from the Authority at a purchase price of $411,445,278.62 (representing the principal amount of the Bonds, plus a net original issue premium of $12,335,604.40 and less an underwriters' discount of $890,325.78).The initial public offering prices of the Bonds may be changed from time to time by the Underwriters. The Bond Purchase Agreement provides that the Underwriters will purchase all the Bonds if any are purchased and that the obligations to make such purchases are subject to certain terms and conditions set forth in the Bond Purchase Agreement including, among others, the approval of certain legal matters by their counsel.

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 ("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.

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 Bonds. All of the preceding summaries of the Bonds, the Paying Agent Agreement, applicable legislation and other agreements and documents are made subject to the provisions of the 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 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 Bonds, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

By: /s/ Scott L. Schroeder
Controller/Treasurer

APPENDIX A

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
FINANCIAL AND OPERATING INFORMATION

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SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

This Appendix A is presented for background information only.
As described under "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" in the front portion of this Official Statement, the Bonds are general obligations of the District and are payable from, and secured only by, ad valorem taxes on property subject to taxation by the District. No other revenues of the District are pledged to the payment of the Bonds.

General Description of the District

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

All capitalized terms used and not otherwise defined in this Appendix A shall have the meanings assigned to such terms in the front portion of this Official Statement or, if not defined therein, in the Paying Agent Agreement.

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, such as the 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	Occupation	Term Expiration (December)
Lynette Sweet, President	San Francisco	Executive Director, African American Interest Free Loan Association	2008
Gail Murray, Vice President	Walnut Creek	Transportation Executive	2008
Thomas M. Blalock	Fremont	Civil Engineer	2010
James Fang	San Francisco	Businessman	2010
Bob Franklin	Oakland	BART Director	2008
Joel Keller	Brentwood	Superintendent of Juvenile Hall	2010
Zoyd Luce	Castro Valley	Environmental Engineer	2008
Tom Radulovich	San Francisco	Environmental Designer	2008
Carole Ward Allen	Oakland	Educator /Businessperson	2010

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

The four statutory officers are:

General Manager (Vacant)

Effective June 30, 2007, the former General Manager resigned. The Board of Directors is currently conducting a search for his successor. The Deputy General Manager, Dorothy W. Dugger, has been appointed Interim General Manager during this period.

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.

Sherwood G. Wakeman, General Counsel

Mr. Wakeman joined the District in March 1973 as an attorney in the Office of the General Counsel. In April 1986 he was promoted to Associate General Counsel and in 1987 he was appointed as General Counsel. Mr. Wakeman received a Bachelor of Arts degree in Anthropology from the University of California at Berkeley and his J.D. from the University of California at Berkeley, Boalt Hall School of Law.

Mr. Wakeman has announced his retirement from the District, effective July 28, 2007. The Board of Directors is also currently conducting a search for his successor. Matthew Burrows, Assistant General Counsel, will serve as Acting General Counsel during this period.

Matthew Burrows, Assistant 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. 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 worked for Xerox Corporation. His public transit experience includes 5 years as a member of professional staff with the Southern California Rapid Transit District. Mr. Duron holds a Bachelor of Science degree in Public Administration from the University of Southern California, Center for Public Affairs.

Principal executive management staff appointed by the General Manager include:

Dorothy W. Dugger, Deputy General Manager

Ms. Dugger joined the District in September 1992 as Executive Manager of External Affairs. In April 1994, she was appointed Deputy General Manager. Prior to coming to the District, Ms. Dugger had over 19 years of public policy experience, including 10 years with the Port Authority of New York and New Jersey (the "Port Authority") where she served as the Port Authority's Director of Government, Community and Public Affairs. Before joining the Port Authority, she was the Assistant to the Governor, State of New Jersey, in the Governor's Washington, D.C. office, where she represented the Governor before Congress and federal agencies. Ms. Dugger also served as Assistant to the Deputy Commissioner, New Jersey Department of Environmental Protection and as Legislative Director of the Civil Liberties Union of New Jersey. She holds a Bachelor of Arts degree in History and Sociology from Rutgers University. Ms. Dugger is currently serving as Interim General Manager of the District.

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 4 years after serving as the Director of Operations Support for over two years. He was also the General Manager of the Centre Area Transportation Authority in State College, Pennsylvania for three years. Mr. Oversier holds a Master of Science Degree in Transportation from Northwestern University and a Bachelors Degree in Economics from the University of California at Davis.

Employees and Labor Relations

As of March 31, 2007, the District had 3,174 employees, of which 3,074 were full-time and 100 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"), Local3993. 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 March 31, 2007, the average BART employee had been with the District 12.67 years and earned an annualized salary of $71,455. 74% were male, and 26% were female. The youngest employee was 18 years old, the oldest was 77, and the overall average age was 49 years. Minority representation on the workforce is high and representative of the San Francisco Bay Area population, with 39% white, 23% black, 24% Asian or Pacific Islander, 13% Hispanic, and 1% American Indian.[*] As of March 31, 2007, the District had approximately 1,538 retirees.

Labor negotiations in 2005 resulted in a settlement without a strike with all District unions, the ATU, SEIU, BPOA, BPMA and AFSCME. All of these agreements have been approved by the union memberships and the District's Board of Directors and will expire on June 30, 2009. The agreements did not provide for any wage increase for the Fiscal Year ended June 30, 2006. Wage increases of 2%, 2% and 3% are provided for each of the following three Fiscal Years. In addition, an agreement on increased

[*] These are the racial categories and category names utilized by the Federal Transit Administration.

health benefit co-payments by employees will assist the District with the cost of employee health benefits. See "DISTRICT FINANCIAL INFORMATION – Postretirement Health Care Benefits" below. The previous union agreements were negotiated in 2001 following a request for a Governor's fact-finding panel and a cooling-off period was made and approved by the Governor of the State of California. Subsequent to such period, the various labor organizations reached agreement with the District without a strike. In 1997, negotiations with the labor organizations failed to produce a settlement. A request for a fact-finding panel and cooling-off period was made and approved by the Governor of the State of California. Subsequently, in September 1997, ATU and SEIU employees went on strike over wages and benefits. The strike was resolved within a one-week period.

FINANCING THE BART SYSTEM

The District has received and may from time to time 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 "STRATEGIC PLANS, SHORT RANGE TRANSIT PLANS AND CAPITAL IMPROVEMENT 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 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. See "STRATEGIC PLANS, SHORT RANGE TRANSIT PLANS AND CAPITAL IMPROVEMENT PROGRAMS - Earthquake Safety Program" below. As of the date of this Official Statement, under Measure AA the District has issued $100,000,000 aggregate principal amount of the 2005 Bonds of which $87,185,000 are outstanding. After the August 1, 2007 principal payment of $19,865,000, there will be $67,320,000 of 2005 Bonds outstanding.

Sales Tax Revenue Bonds. Commencing in 1970, the District has issued bonds from time to time (the "Sales Tax Revenue Bonds") secured by a pledge of sales tax revenues, comprised of seventy-five percent (75%) of the amounts derived from a one-half of one percent (0.5%) transactions and use tax imposed by the District within the Three BART Counties pursuant to Section 29140 of the California Public Utilities Code, in order to finance or refinance the costs of constructing, improving and equipping the BART System. As of August 1, 2007, $728,725,000 aggregate principal amount of Sales Tax Revenue Bonds will be Outstanding.

Lease/Leaseback Obligations. The District has entered into two leaseback obligations relating to rail traffic control equipment and rail cars. On March 30, 1995, the District entered into an agreement with a Swedish corporation to sell 25 newly manufactured C-2 rail cars for $50,383,000 and simultaneously entered into an agreement to lease them back (collectively, the "C-2 Lease Transaction"). The lease agreement was effective on the closing date of September 15, 1995 and continues through

January 15, 2011. The District recorded a gain on the sale of approximately $2,105,000, which is equal to the amount of cash received on the sale.

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" and, together with the Head Lease and the C-2 Lease Transaction, the "District Lease Transactions"). At the closing, the Network had a fair market value of approximately $206,000,000, of which the District paid approximately $146,000,000 to a payment undertaker. The District received cash from this lease/leaseback transaction amounting 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, 2006 and 2005." (Note #7)

On May 17, 2006, President Bush signed into law an act entitled the "Tax Increase Prevention and Reconciliation Act of 2005" (the "Tax Act"). Among other provisions, the Tax Act imposes an excise tax on certain types of leasing transactions entered into by tax-exempt entities, including states and their political subdivisions (including the District). The District currently is evaluating this legislation. At this time, it is unclear to what extent the excise tax imposed by the Tax Act is applicable to the District Lease Transactions and, if so, the magnitude of the District's excise tax liability, if any, with respect to the District's Lease Transactions.

SFO Extension. The extension of the BART System into the San Francisco International Airport and to the Millbrae Station (the "SFO Extension") is the most recently completed extension of the BART System. In June 2003, the District commenced revenue service on the SFO Extension. The final cost of the SFO Extension of $1.582 million 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 2007, 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 will provide a combined $56 million of up-front funding over the next several years, to be first used to fund any operating deficit on the SFO Extension, then to complete the funding commitment of $145 million to the Warm Springs Extension project. See "STRATEGIC PLANS, SHORT RANGE TRANSIT PLANS AND CAPITAL IMPROVEMENT PROGRAMS – System Expansion Program – Warm Springs Extension" below. BART will also receive two forms of ongoing subsidy. Two percent of San Mateo County's Measure A half-cent sales tax, which is currently equal to approximately $1.2 million per year, will be allocated to BART for 25 years beginning in Fiscal Year 2009. BART will also receive SamTrans' annual Proposition 42 Traffic Congestion Relief Program ("TCRP") increment, approximately $0.1 million in Fiscal Year 2008 and a fixed amount of approximately $0.8 million beginning in Fiscal Year 2009, 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.

MTC MOU. On June 28, 2006, BART reached agreement with MTC relating to $60 million in funding previously made available to the District for the SFO Extension by MTC from certain bridge toll reserve funds held by MTC to fund rail extension projects in the East Bay. Such funding was a loan to the District, to be repaid by the District upon receipt of the final payment from the FTA under a full funding grant agreement (which final payment was received in June 2007). MTC agreed to extend the repayment period and amortize the principal for the loan over a nine-year term, charging 3% simple interest, with the final payment due in June 2014. Under the agreement certain State Transit Assistance ("STA") Funds to be received by BART are required to be used to prepay the loan. As of March 31, 2007, the outstanding balance of the loan was $47,000,000.

Premium Fare Financing. On October 31, 2002, ABAG Finance Authority for Nonprofit Corporations ("ABAG") issued $56,715,000 aggregate principal amount of Association of Bay Area Governments BART SFO Extension Bonds (Airport Premium Fare), 2002 Series A (the "Premium Fare Bonds") for the benefit of the District, $55,595,000 of which will remain outstanding after the August 1, 2007 principal payment. The Premium Fare Bonds were issued to assist in financing a portion of the costs of the SFO Extension. The Premium Fare Bonds are payable from the premium fare imposed and collected by the District from passengers who board or depart the BART System at the San Francisco International Airport station. The Premium Fare Bonds are not payable from nor secured by a pledge of the *ad valorem* taxes securing the General Obligation Bonds issued or to be issued by the District nor by a pledge of Sales Tax Revenues nor by a pledge of any federal grants nor by a pledge of any revenues of the District other than the premium fare pledged to the payment of the Premium Fare Bonds. The total number of entries and exits from the San Francisco International Airport station for the nine month period ending March 31, 2007, was 1,889,159, which produced revenues sufficient to cover debt service on the Premium Fare Bonds.

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 43 stations, 38 of which are located in the Three BART Counties and 5 of which, constructed in connection with the extension of BART to the San Francisco International Airport, 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 March 31, 2007, the District owned 669 rail cars. Trains are from 3 to 10 cars in length and contain one control-equipped vehicle (an A-car or C-car) at each end with mid-train vehicles (B-cars or C-cars) making up the remainder of each train. Control-equipped C-cars can be used as lead, mid-train, or trail vehicles. All station platforms are constructed to accommodate trains of up to 10 cars. Trains are operated from the lead A-car or C-car. Computers located along the right-of-way automatically control train movements. BART System train supervision is provided by the BART train control computer located at the BART Operations Control Center at the Lake Merritt station. Should the need arise, train operators aboard each train may override the automatic system. The District's 669-car operating fleet currently consists of 59 A-cars, 380 B-cars and 230 C-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 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 Municipal Railway ("Muni") light rail, cable cars and buses. The Millbrae station provides cross-platform 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 split between the Port and BART. The AirBART shuttle service has been serving Oakland Airport travelers, employees and other users since the late-1970s. For the Fiscal Year ended June 30, 2006, total AirBART revenue collected was $2,444,916, operating and capital expenses were $2,201,523, net revenues were $243,392, and BART's share of net revenues was $121,696. In calendar year 2006, AirBART carried 1,298,857 passengers, an increase of 5.67% over calendar year 2005. Even after the adult fare increased from $2 to $3 on March 1, 2007, AirBART carried a record monthly number of passengers (119,379) in May 2007.

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

Revenue Hours

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

Passenger Fares

BART rail fares are computed using a distance-based formula. Distance-based fares are then adjusted based on the scheduled travel time versus travel time based on a systemwide average speed. In addition, surcharges apply to transbay trips and trips originating from or destined to stations located in San Mateo County, and a premium applies to trips to and from the San Francisco International Airport station. As of the date of this Official Statement, the transbay surcharge, applied to transbay trips, is equal to $0.79; the Daly City surcharge, applied to trips between the Daly City station and San Francisco stations, is equal to $0.91; 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 $1.14. In addition, a premium of $1.50 is applied to trips to or from the San Francisco International Airport station. A capital surcharge equal to $0.10 is applied to all trips within the Three BART Counties, including Daly City. 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 $1.40 and the current maximum one-way fare is $7.65. 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% will be effective January 1, 2008.

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

* To be effective January 1, 2008.

The District currently offers fare discounts ranging from 6.25% to 62.5%. A discount of 6.25% is available in connection with purchases of two ticket denominations, $48.00 and $64.00. 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. Proof of age or disability is required to be carried by seniors or persons with disabilities when using these discounted tickets. In addition, the District offers a 50% discount to middle and secondary school students. Such tickets may only be sold by a participating school to students of such school and may only be used 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, public hearings are held before any increase in fares or any substantial reduction in service is made. Such change is made only after proper consideration has been given to the views and comments expressed in such 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 Years ended June 30, 1998 through the third quarter (March 31, 2007) of Fiscal Year 2007 are set forth below.

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 (9 months)
East Bay	68,193	69,239	74,575	78,683	77,215	74,484	74,942	75,390	78,568	79,570
West Bay	68,663	75,938	83,657	87,939	83,423	77,119	85,637	87,800	91,948	98,398
Transbay	128,467	133,506	152,036	164,964	150,087	143,555	145,991	147,526	152,449	158,148
Average Total Weekday Trips	265,324	278,683	310,268	331,586	310,725	295,158	306,570	310,77	322,965	336,115
Percentage Annual Change(1)	1.8%	5.0%	11.3%	6.9%	(6.3%)	(5.0%)	3.9%	1.4%	3.9%	4.1%

(1) Percentage Annual Change for Average Total Weekday Trips.

On October 17, 1989, the San Francisco Bay Area experienced the effects of an earthquake that registered 7.1 on the Richter Scale. The epicenter of the earthquake, referred to as the Loma Prieta earthquake, was located in the Santa Cruz mountains about 60 miles south of San Francisco. No structural damage affecting BART operations was found and service was restored within hours of the Loma Prieta earthquake. Among other things, the Loma Prieta earthquake damaged a portion of the San Francisco-Oakland Bay Bridge and a portion of the Cypress Freeway in Oakland. After the Loma Prieta earthquake, the BART System became the primary transportation link between the East Bay and San Francisco. Every available rail car was put into service and, for the first time, BART offered 24-hour service. As a result of the effect of the Loma Prieta earthquake, the BART System experienced an increase in weekday ridership which peaked at 357,000 on November 16, 1989, the day prior to the reopening of the San Francisco-Oakland Bay Bridge. BART System ridership stabilized at an average of 239,000 weekday passengers (between December 1989 and April 1990), a 9% increase compared with the average weekday ridership of 219,000 prior to the Loma Prieta earthquake.

BART ridership increased in the late 1990s due to the opening of five extension stations between 1995 and 1997 and the expanding Bay Area economy. The ridership growth occurred in all areas of the BART System and ridership increased in Fiscal Year 2001 to 331,586 average weekday trips.

Starting in Fiscal Year 2002, BART ridership decreased, with average weekday trips of 310,725 or 6.3% below Fiscal Year 2001 trips. Much of this ridership decrease was attributable to a downturn in the economy of the San Francisco Bay Area, stemming from a loss of technology jobs and the impact of the terrorist attacks of September 11, 2001. The San Francisco Bay Area experienced a large number of employee layoffs, thereby decreasing the size of the work travel market. The decrease in employment also alleviated some freeway congestion, making BART less competitive with the automobile on some previously congested corridors. Additionally, weekend ridership decreased, with Saturday and Sunday trips averaging approximately 137,000 and 96,000, respectively in Fiscal Year 2002, or 5% and 8% below Saturday and Sunday Fiscal Year 2001 trips. The decline in BART ridership continued through Fiscal Year 2003.

During Fiscal Year 2004, the opening of the SFO Extension and the leveling off of the economic decline in the San Francisco Bay Area resulted in an increase in BART ridership of approximately 4.0%. Ridership continued to increase during Fiscal Years 2005 and 2006. Average weekly ridership increased by 3.9% in Fiscal Year 2006 over Fiscal Year 2005. During the current fiscal year, as of March 31, 2007, average weekday ridership increased 4.1% over the same period in Fiscal Year 2006. Ridership increases were due to higher automobile commuting costs, an expanding Bay Area economy and a corresponding increase in freeway congestion. Construction on the San Francisco-Oakland Bay Bridge relating to the seismic retrofit of such bridge is also increasing traffic congestion in that corridor. Significant increases in gasoline costs also support increased ridership. Ridership forecasts by BART for Fiscal Year 2008 call for growing ridership at 3%, a slightly lower rate than Fiscal Year 2007, but still higher than long-term historical rates. After Fiscal Year 2008, growth in ridership is projected to slow to rates closer to an historical long-term growth rate of around 2%.

On April 29, 2007, a gasoline tanker crashed and exploded, damaging and closing two key ramps of the MacArthur freeway maze structure in Oakland. This portion of the highway carries traffic eastbound from the San Francisco-Oakland Bay Bridge. BART responded immediately with increased service. As a result of the collapse of these ramps, BART set its single day record ridership of 375,154 on May 1, 2007. During the seven-day period from April 30 to May 6, 2007, BART carried 2,133,539 passengers – the highest ridership week in BART's nearly 35-year history. The damage was repaired and the freeway reopened on May 25, 2007. Since the reopening of the freeway, average weekday ridership on BART has increased by 2% from average weekday ridership prior to this accident.

Parking Programs

The District provides a variety of options for passengers who drive to BART stations. As of the date of this Official Statement, parking is provided at 32 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 also offers a paid monthly reserved parking program system-wide and a paid long term parking program at most of its stations located on the east side of San Francisco Bay (the "East Bay 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 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 for $5.00/day via the BART web site. At many stations, a number of spaces are set aside for carpoolers and for passengers who arrive at stations after 10 a.m. In order to increase the availability of parking for BART passengers at high volume BART station parking facilities, a parking validation program is in place. Validation of parking requires parking passengers to use a BART ticket that has been activated through fare gate entry.

On May 26, 2005, the Board of Directors approved several new parking programs, which were designed to enhance revenues. Such programs include criteria-based daily weekday parking fees at selected stations 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 and at least 15% of the parking spaces at such station are sold as monthly reserved parking or (ii) the local government jurisdiction requests that the District implement a daily fee. Ten stations initially met these criteria. The weekday daily fee required at qualified East Bay stations is $1.00 and at the West Oakland station is $5.00 and at the Daly City station is $2.00. Payment of daily weekday fees is required between the hours of 4:00 a.m. and 3:00 p.m. Three additional East Bay stations have met the criteria and will have daily fees implemented by September 30, 2007.

A Single Day Reserved Parking Permit Program is available at 11 East Bay stations with parking. These permits are available for purchase via the BART web site at a cost ranging from $3.00 to $6.00.

STRATEGIC PLANS, SHORT RANGE TRANSIT PLANS AND CAPITAL IMPROVEMENT PROGRAMS

From time to time, the Board of Directors adopts a strategic plan (each, a "Strategic Plan") to support the mission of BART. The current Strategic Plan was adopted by the Board of Directors in 1999 and updated in 2003. To support and supplement the Strategic Plan, the District periodically prepares short range transit plans (each a "Short Range Transit Plan" or "SRTP") and capital improvement programs (each, a "Capital Improvement Program" or "CIP"), which detail the District's efforts to provide safe, reliable and efficient transit service within the San Francisco Bay Area and frame the District's challenges for the upcoming decade by focusing on the District's strategic vision, operational requirements, capital requirements and underlying financial plans. The SRTP and the CIP are prepared on a 2-year cycle, with minor updates prepared in alternating years if changing conditions merit. The current Short Range Transit Plan (hereinafter referred to as the "FY06 SRTP") and Capital Improvement Program (hereinafter referred to as the "FY06 CIP") were adopted by the Board of Directors in 2006 and relate to Fiscal Year 2006 through Fiscal Year 2015.

Major program areas of the FY06 CIP include System Reinvestment, Earthquake Safety, Security, Service and Capacity Enhancement and System Expansion. The System Reinvestment Program consists of numerous infrastructure rehabilitation and replacement projects designed to improve the reliability of the District's rail cars and other BART System elements. The Earthquake Safety Program is intended to address the earthquake risk from several major fault lines in the immediate vicinity of the BART rail lines. The Security Program is comprehensive in nature, covering various operating and capital programs, including the following categorical projects: surveillance, locks and alarms, structural augmentation, emergency communications and operations, detective systems and preparedness. The Service Capacity and Enhancement Program includes a variety of elements, including accessibility improvements to better accommodate disabled riders, general access to stations through a variety of modes, station area development to attract and accommodate increased ridership, and projects to increase the passenger-carrying capacity of the BART System, including station and line-haul capacity. The System Expansion Program consists of various extension projects being studied, designed and/or constructed within the BART System.

System Reinvestment Program

First Generation Reinvestment Program. In 1995, the District initiated a comprehensive program of essential renovation which required $1.5 billion to complete. This program (herein referred to as the "First Generation Reinvestment Program") was funded from a variety of funding sources, including various Federal, State, and local funding sources, and has been completed.

Automatic Fare Collection Modernization/ TransLink® Implementation. 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 TransLink® Program, designed to enable a transit rider to utilize one ticket to access multiple transit systems within the San Francisco Bay Area. TransLink® implementation for faregates and ticket vendors is currently experiencing contractual delays, but work continues.

Advanced Automatic Train Control. This program involves the installation of new train control technology from the Bay Fair station to the Daly City station and is designed to enhance service by reducing run times and the headway time between trains in the most congested part of the BART System. Upon completion of a demonstration phase, issues involving the new technology's integration with the existing train control system were identified**.** Currently the District and the technology's supplier have been unable to resolve these issues and litigation is being pursued by the District. BART's complaint states causes of action for rescission, breach of contract, contract termination, specific performance and declaratory relief. The technology supplier has counterclaimed for breach of contract, breach of warranties, negligent misrepresentation and prompt payment violations. The litigation is in the discovery phase. Mandatory mediation will occur before the end of 2007. Trial is scheduled for the spring of 2009.

Next Generation Renovation Program. The FY06 CIP, which covers the 10-year period from Fiscal Year 2006 through Fiscal Year 2015, includes a second program of renovation (herein referred to as the "Next Generation Renovation Program") which is anticipated to touch every major subsystem essential to the operation of the BART System. This Program includes both one-time and ongoing activities, and includes several program categories in the CIP, including System Reinvestment, Service and Capacity Enhancement and Security. Funding will be derived from a multitude of sources, including annual Federal formula fund allocations, State and local funds, and allocations from BART's own operating budget. BART is continuing to seek additional funding required for implementation of this Program. It is BART's general policy not to enter into capital commitments without identified funding sources. Major elements of this Program are described below.

Train Control System. The mainline Train Control System ("TCS") has benefited from recent reinvestment by replacing original subsystems of SORS (Sequential Occupancy Release System), ATO (Automatic Train Operations), and an ongoing program to replace the relay-based interlocking equipment with microprocessor equipment. However, the underlying original track circuit and speed control system is well beyond its original design life of 30 years. TCS receives an annual allocation of funding from the FTA Section 5307 Formula Funding program, which will be the primary source of funds to design and implement an updated train control system.

Vehicle Automatic Train Control ("VATC") receives critical speed commands from the wayside equipment controlling train speed and stopping. This system was developed by in-house staff and has been modified several times over its life. Recently, design engineering and implementation of an updated VATC has been funded from Federal formula funds for a first increment of control vehicles; the project will be completed as funds become available.

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

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

Traction Power System. The Traction Power System ("TPS") consists of over 700 high voltage circuit breakers and switchgear, 114 transformer-rectifiers, and over 3 million linear feet of cabling, most of which will be at or exceed its life expectancy within the next 10 years. The FY06 CIP begins to address this critical system need by staging a reinvestment program starting in 2006 to repair and replace this equipment with annual allocations from Federal formula funds.

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

Elevator/Escalator and Safety Systems. Within the next ten years a new program of elevator/escalator overhaul or replacement will be required. Replacement of emergency lighting systems and fire alarm systems at stations is required to restore essential back-up service and provide reliable information to first responders. This program is eligible for funding from BART's share of State bond proceeds derived from Proposition 1B State Infrastructure Bond Measure ("Proposition 1B") funds, as described in "—Funding Developments" below.

Structural and Architectural Repairs. Age and weathering has damaged many of the architectural elements at the stations. Significant repairs are necessary to restore granite and concrete damage throughout the system and other structural elements that require repair or replacement. This program is eligible for funding from BART's share of Proposition 1B funds, as described in "—Funding Developments" below.

Revenue Vehicle Replacement. In addition to structural, mechanical and power-related renovation projects, a discussion of when to renovate or replace train cars is underway. Specifically, the C-1 cars will be coming to the end of their designated life in approximately Fiscal Year 2011. The A and B cars will also be coming to the end of their designated life starting in Fiscal Year 2015 and continuing on through Fiscal Year 2020. As part of the update of the Fleet Management Plan, District staff is assessing the District's preferred strategy for maintaining the major car systems and increasing the reliability of the District's entire fleet. The District's preliminary estimate in 2006 of the costs of train car renovation or replacement was approximately $2 billion (in 2006 dollars). See "—Funding Developments" below.

As noted in several of the program descriptions above, the District will continue its practice of making necessary investments in ongoing renovation and replacement of major components of the District's infrastructure as needed. Included as ongoing system reinvestment projects are the mainline projects of Rail/Wayside Infrastructure Replacement, Traction Power System Renovation, and Transbay Tube Cathodic Protection; the station projects of Station Re-lamping, Parking Lot Re-lamping, and Station Re-roofing; and the controls and communications project of Train Control Renovation.

In addition, other projects are contemplated or underway to upgrade certain District systems that were not part of the First Generation Reinvestment Program, and cannot be postponed until the implementation of the Next Generation Renovation Program.

Funding Developments

In November 2006, California voters approved several State general obligation bond propositions which provide funding for transportation infrastructure. Receipt of these funds is dependent on issuances by the State and allocation by the California Transportation Commission. Specifically, Proposition 1B identified BART as an eligible recipient of approximately $240 million of these funds, of which $200 million was directed by the BART Board to be used in station rehabilitation and modernization projects. The remaining $40 million of this earmark will be used as "matching" funds for other regional bond funding to be allocated to the Oakland Airport Connector and Warm Springs expansion projects, described under "—Service and Capacity Enhancement Program" below. Other Proposition 1B funds may be made available on a competitive basis for other security, renovation access and transit-oriented development projects as the State develops expenditure plans and processes.

BART continues to receive approximately $50 million per year in capital renovation funds from the FTA Sections 5307 and 5309 Formula Funding programs, which are programmed regionally by MTC. Under its current policy, MTC funds only the District's highest scoring transit capital reinvestment needs in the MTC Regional Transportation Plan 2030 ("T2030"). Under T2030, MTC and participating counties fund these from a combination of Federal formula funds, "STP/CMAQ" and State Transportation Improvement Program ("STIP") funds. For the District, this means approximately 76% of the District's 25-year system reinvestment needs are projected to be funded in T2030. This constitutes three main project areas: renovation or replacement of the District's revenue vehicle fleet; renovation of various mainline structures (rail structures, fencing, remote monitoring equipment and power delivery systems); and train control systems (wayside and on-board controls and radios.) The remaining 24% of the District's reinvestment needs in T2030, constituting $1.4 billion, remain as District capital priorities but do not score high enough and are not funded by MTC and the counties under the T2030 financial forecast. Project needs such as station and yard renovation will have to be met with funding sources yet to be identified by the District. MTC and the District have already begun the process of implementing the first phase of the rail replacement funding plan by establishing a "sinking fund" to hold allocated funds until such time that they are needed. The sinking fund balance as of March 31, 2007 is $23 million. Even with this significant regional commitment, it will still be necessary for the District to seek revenue from other sources to meet overall program costs.

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 2001, 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 District will also seek Proposition 1B funds for increased State participation in the project.

The Earthquake Safety Program is among the transportation projects identified as a Tier 2 project in the Alameda County Transportation Improvement Authority ("ACTIA") transportation expenditure plan (the "Alameda County Measure B Expenditure Plan") approved in connection with the approval of a ballot measure which provides for the collection of a one-half of one percent sales tax (the "Alameda County Measure B Sales Tax") in Alameda County for transportation purposes. As a Tier 2 project, the Earthquake Safety Program will receive receipts of the Alameda County Measure B Sales Tax only in the event that more funds than anticipated become available from the Alameda County Measure B Sales Tax. In the event that more funds than anticipated become available from the Alameda County Measure B Sales Tax, the Alameda County Measure B Expenditure Plan allocates $109 million to fund a portion of the costs of the Earthquake Safety Program. In addition, the District continues to pursue other funding alternatives and is working with the District's federal representatives to advocate for inclusion of funding for the costs of the Earthquake Safety Program in federal transportation financing legislation. The District continues to explore additional funding options for the Earthquake Safety Program. The FY06 CIP identified an option costing $1.64 billion that would have extended the operability level of retrofit to the entire BART System. This option, however, is no longer contemplated by the District with current design on the retrofit program limited to the core system renovation.

Security Enhancement Program

Prior to the terrorist attacks of September 11, 2001, the District had an active security program in place under the auspices of the BART Police Department. The security program also included full involvement by the various District operating departments. Subsequent to the terrorist attacks of September 11, 2001, this security program continued, with the BART Police Department currently numbering 215 sworn police officers. However, subsequent to the terrorist attacks of September 11, 2001, the District has made significant investments in security training for all employees, customer outreach, physical hardening of BART facilities, and the development/installation of electronic security enhancements. In addition, concerted efforts to enhance the security of certain components of the BART System are ongoing and involve cooperation with, among others, outside law enforcement agencies and the U.S. Department of Homeland Security. However, unlike an airport system, the BART System remains fundamentally open, and open and easy access to transit service and public facilities is essential to the success of any public, mass transit system, including BART. The District is continuing its efforts to make its facilities and riders as secure as possible under such circumstances. At present, the District anticipates that the majority of funding required for capital security improvements will need to be obtained from external grant sources. The District has been very active in working with other transit agencies to develop a more focused program for funding transit security to replace the disjointed security grant structure currently in place. Despite the difficulties in competing for these grant funds, the District has been successful in obtaining and/or receiving programming commitments for funds totaling over $25 million in the past two fiscal years.

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 systemwide 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 systemwide 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.

Station Access Improvements. During Fiscal Year 2000, the Board of Directors adopted the Access Management and Improvement Policy Framework (the "Access Improvement Policy"). The Access Improvement Policy called for the development of access goals, new partnerships with transit agencies, local communities and private entities, parking resource management and development of access improvements consistent with station area planning strategies. Pursuant to the Access Improvement Policy, station access improvement efforts continue.

BART has completed access plans for 17 stations. Each access plan is intended to guide investment decisions at the station for which it was developed. In addition, BART has developed Station Access Guidelines which map out how the District can optimize access to stations by all modes.

Ongoing access program projects are divided into six categories: Bicycle, Auto, Signage, System Accessibility and Americans with Disability Act ("ADA") Improvements, Transit Connectivity, and Pedestrian. A systemwide Bicycle Plan was developed and distributed to the Board of Directors in September 2002. Bicycle related projects are implemented as grant funding is obtained. Auto-oriented access projects include, among other projects, the parking management programs described above under the caption "The BART System - Parking Programs," a partnership with the San Francisco based non-profit City Car Share organization to provide affordable hourly car rentals, and the SMART Parking Pilot Program, a program developed as a result of cooperation among the District, Caltrans and The University of California, Berkeley, to provide potential BART passengers using California State Highway 24 with real-time parking availability at the Rockridge station. BART is also implementing daily parking fees at select stations, described under "THE BART SYSTEM—Parking Programs" above. Signage projects involve programs designed to enhance informational signage at and around stations to make access to the stations and to activities surrounding the stations more accessible to BART passengers. System accessibility and ADA projects are designed to improve system accessibility for users with disabilities by incorporating ADA guidelines and regulations within the BART System. Such projects include parking and path improvements, ADA compatible signage and ADA-related elevator projects. Transit connectivity projects are designed to improve coordination with other transit agencies and include such projects as adjustment of service schedules and construction of intermodal facilities. Pedestrian access projects include pedestrian friendly amenities, including crosswalks, sidewalks, curb cuts and signage.

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 and Fruitvale stations. Projects at West Dublin/Pleasanton and Pleasant Hill are under construction. Other projects in various stages of development are slated for the Ashby, Coliseum, El Cerrito Plaza, MacArthur, Walnut Creek and West Oakland stations. Additional TOD activity has occurred at the Hayward and Dublin/Pleasanton stations through property exchanges with the local land use jurisdictions. The District continues to work closely with a variety of local jurisdictions, community groups and private development partners to advance such projects and to support their efforts to develop public and private funding plans for these projects. Participation in the planning and development process does not commit the District to funding any project.

System Expansion Program

Proposed extensions of the BART System include:

West Dublin/Pleasanton Infill Station. This new transit station, the West Dublin/Pleasanton Station ("WDP Station"), is located west of the eastern-most end station on the Dublin/Pleasanton line in Alameda County. Funding for construction of this station as well as two parking facilities, pedestrian bridges, a bus intermodal facility and related improvements comes from sales tax revenue bonds issued by the District in 2006, local agency grants and BART funds, which are proceeds from the joint development projects on the adjacent BART property. The WDP Station project is part of a larger public/private project that is currently expected to include residential, retail and hotel components on property adjacent to the WDP Station. The District has retained West Dublin/Pleasanton Station Venture Inc. to oversee the private/public project. The WDP Station will be located in the median of Interstate 580 ("I-580") between the Cities of Dublin and Pleasanton. A parking garage will be located on either side of I-580 to serve the WDP Station, and the two parking garages will accommodate a total of approximately 1,100 cars. The parking garages will be connected to the WDP station by pedestrian bridges spanning the eastbound and westbound lanes of I-580. The WDP Station is currently under construction. Completion of the construction of the public project is scheduled for mid-2009.

Oakland Airport Connector. Since the early 1970s, the concept of an improved transit link between the Oakland International Airport ("OIA") and the BART System has been explored, and various feasibility, engineering and environmental studies have been undertaken. As currently planned, the Oakland Airport Connector ("OAC") project follows a 3.2-mile, aerial and at-grade alignment from the Coliseum BART station to the OIA, and is designed to accommodate a potential future intermediate station. Although there is a strong local funding commitment from several sources, other funds are necessary to meet project funding requirements. Feasibility studies found that projected OAC ridership could generate sufficient revenue to attract private entities to design, build, finance and operate ("DBFO") the OAC under a scenario in which BART contributes a portion of the available funding towards the project in exchange for a long-term concession agreement (35 years). During that time, the private entity will be reimbursed for its capital investment and operation and maintenance costs, along with a reasonable return on its investment.

BART issued a Request for Qualification to interested parties for a DBFO in February 2006, and in May 2006 received responses from five highly qualified teams made up of contractors, vehicle providers, transit system operators and international financiers. In May 2007 BART released the request for proposal to the pre-qualified teams and expects to receive responses later this year. The OAC Project is now poised to be the first of its kind in the U.S. transit industry to use this type of public–private partnership approach. Under this delivery approach, the contract could potentially be successfully awarded as early as the end of 2007, in which case construction could be underway in 2008 and the Oakland Airport Connector could be carrying passengers to and from the Oakland International Airport by 2011. The entire project has been a collaborative partnership between BART and local and federal agencies. In May 2007, the Oakland Airport Connector was selected as the first project to participate in a U.S. Department of Transportation pilot program that would evaluate the benefits of forming public-private partnerships in transit construction. BART's OAC financial plan assumes a conservative ridership estimate (90% confidence level), a $5 fare, and a revenue startup reserve fund (approximately $30 million) from ACTIA, which will subsidize the farebox revenues during the initial years (approximately seven) of operation while ridership grows.

Warm Springs Extension. This $747 million extension (in 2007 dollars) will extend south 5.4 miles from the terminus at the Fremont Station to a station at Warm Springs in southern Alameda County. An optional station in Irvington, located north of Warm Springs, will be added if funding from the City of Fremont becomes available. The extension 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 July 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 presently includes substantial contributions from a variety of local and State sources and surplus revenues from the SFO Extension. The project originally was envisioned to be a single design-build contract. However, in order to minimize the effects of construction cost escalation, the project is now planned to be delivered in two phases, with commencement of revenue service to Warm Springs in late 2013.

Silicon Valley Rapid Transit Project. This potential extension would extend the BART System 16.3 miles from the future Warm Springs station to the cities of Milpitas, San Jose and Santa Clara in Santa Clara County. BART expects this extension will be financed and constructed by Santa Clara Valley Transportation Authority ("VTA"). On November 19, 2001, BART and VTA entered into a comprehensive agreement, which outlined the responsibilities of each entity concerning the construction, management, financing, operation and ongoing maintenance of this extension, and which requires the District and VTA to continue to work together to design and construct this extension. The downturn in the economy which occurred in 2001 and which was particularly severe in VTA's service area will most likely result in the delay in the development of this extension. The cost of this extension is estimated to be approximately $4.7 billion in 2005 dollars, of which $2.61 billion is expected by VTA to come from a ballot measure, approved by the voters of Santa Clara County in the November 7, 2000 election, authorizing a half-cent sales tax to fund transit projects and programs. State and other local sources would provide approximately $691 million. The VTA expects a total of approximately $649 million to come from State TCRP funds, and the remainder to come from the FTA Section 5309 Formula Funding program.

In December 2005, VTA withdrew its request for funding by the FTA for preliminary engineering costs for this project. VTA reports that it is currently working with FTA outside the formal process to improve this Project's competitiveness for federal funding.

eBART/East Contra Costa Rail Extension. This proposed extension, designed to improve transit service in the congested California State Highway Route 4 ("State Route 4") corridor, consists of a 21-mile extension eastward from the Pittsburg/Bay Point BART station. The alternatives being considered include rail service in the form of diesel powered commuter trains from the Pittsburg/Bay Point Station to the communities of Pittsburg, Antioch, Oakley, Brentwood, and Byron/Discovery Bay. The current proposed Phase 1 alignment would be in the median of State Route 4 with a transfer station at Pittsburg/Bay Point and would include stations at Railroad Avenue in Pittsburg and Hillcrest Avenue in Antioch. The proposed Phase 1 project is estimated to cost approximately $500 million (in 2012 dollars). Environmental review was initiated in July 2005 and is ongoing. Preliminary engineering is underway. The project funding plan presently includes substantial contributions from Contra Costa County and various other local and State funding sources.

Tri-Valley Rail Extension. This proposed extension was the subject of a study directed by the Alameda County Congestion Management Agency and BART to provide an alternative to traffic congestion on Interstate 580 and to improve transit connectivity in the Tri-Valley area (the Dublin, Livermore and Pleasanton area). No funding has been identified for this proposed extension.

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, 2006 and 2005." 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.

Historical Financial Results

The following financial information is provided for background information only. It does not include the ad valorem property taxes which are pledged to payment of the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" in the front part of this Official Statement.

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, 2003 through the third quarter ending March 31, 2007 of Fiscal Year 2007. This summary for the Fiscal Years ending June 30, 2003 through June 30, 2006 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, which are contained in Appendix B. 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. The operating results included in the table below for the nine-month period ended March 31, 2007 are unaudited, but reflect, in the opinion of management of BART, normal recurring adjustments necessary to summarize the results for such period. The results for the nine-month period ended March 31, 2007 should not be considered indicative of the results for the full Fiscal Year ended June 30, 2007.

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HISTORICAL FINANCIAL RESULTS OF GENERAL OPERATING FUND

(in thousands of dollars)

	(Fiscal Years Ending June 30)				2007
	2003	2004	2005	2006	(9 months) [1]
Annual Passengers	87,381	91,042	92,756	96,852	75,399
Operating Revenues					
Passenger Revenues	$191,386	$220,391	$233,651	$256,239	$208,476
Investment Income[2]	5,575	1,324	2,120	4,548	4,056
Other	13,698	14,155	14,993	18,886	17,528
Total Operating Revenues	$210,659[3]	$235,870[3]	$250,764	$279,673	$230,060
Financial Assistance:					
Sales Tax Revenues	$167,441	$170,566	$178,392	$191,680	$150,956
Property Tax Revenues	20,252	21,372	22,412	24,325[4]	14,504 [4]
Other	2,440	19,875[5]	16,680	15,749	46,510 [5] [10]
Total Financial Assistance	$190,133	$211,813	$217,484	$231,754	$211,970
Total Operating Revenues and Financial Assistance	$400,792	$447,683	$468,248	$511,427	$442,030
Operating Expenses:					
Labor	$247,561	$275,126[6]	$313,052[6]	$315,039	$246,494
Electrical Power	19,912	24,078	18,104	20,861	27,363
Express Feeder Bus	2,391	2,411	2,390	0[7]	0 [7]
Other Non-Labor	69,403	80,321	85,953	91,981	71,146
Total Operating Expenses[8]	$339,267	$381,936	$419,499	$427,881	$345,003
Net Revenues	$ 61,525	$ 65,747	$ 48,749	$ 83,546	$97,027
Bond Debt Service[9]	$ 54,663	$ 54,840	$ 54,979	$ 58,198	$51,227
Rail Car Replacement Funding Exchange [10]	N/A	N/A	N/A	N/A	$22,680
Excess Revenues/(Deficit)	$6,862	$10,907	$ (6,230)[11]	$ 25,348	$23,120
Operating Ratio[12]	62%	62%	60%	65%	67%
Farebox Ratio[13]	56%	58%	56%	60%	60%

(1) Unaudited data for the 9 months ending March 31, 2007 of Fiscal Year 2007.

(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 one-time revenues related to the demutualization of Principal Mutual Holding Company in Fiscal Year 2002.

(4) Excludes $12,121,000 for the nine months ending March 31, 2007 and $18,699,000 for Fiscal Year 2006 of non-operating *ad valorem* property tax revenue which are pledged solely to pay the debt service on the 2005 Bonds.

(5) Increase in Other Financial Assistance from $2.44 million in Fiscal Year 2003 to $19.875 million in Fiscal Year 2004 was primarily driven by the Financial Assistance from SamTrans relating to the operations of the SFO Extension, which started in June 2003. In Fiscal Year 2003 the District recognized $619,000 in SamTrans financial assistance compared to $17,867,000 in Fiscal Year 2004, $14,730,000 in Fiscal Year 2005, $10,206,000 in Fiscal Year 2006 and $4,698,000 through the third quarter of Fiscal Year 2007. Beginning in Fiscal Year 2005, financial assistance from SamTrans for the operation of the SFO Extension had been declining due to a combination of increased fare revenues from increased ridership and from cost reduction due to reduced train service and shorter trains. Through March 31, 2007, Other Financial Assistance in Fiscal Year 2007 was significantly higher than in Fiscal Year 2006 due to Federal grant revenue of $24,256,000 ($0 in Fiscal Year 2006) for preventive maintenance from the Federal Transit Administration and $15,591,000 ($2,925,000 in Fiscal Year 2006) in State Transit Assistance.

(6) Labor cost increases are attributable to negotiated salary increases of 6% and related benefit costs, including renewed pension contributions.

(7) There was no Express Feeder Bus Expense in Fiscal Year 2007 and Fiscal Year 2006 due to increased availability of STA funds to cover the District’s share of expenses paid to local operators associated with providing passenger access to BART.

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

(9) "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. Prior to Fiscal Year 2006, bond debt service only includes remittances to the Trustees for sales tax revenue bonds. Beginning Fiscal Year 2006, the amount reported also includes remittances for the Premium Fare Bonds and Construction Loan from MTC relating to the San Francisco Airport Extension Project. Amount reported 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.

(10) 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 above as part of Financial Assistance—Other.

(11) The deficit in revenues in Fiscal Year 2005 was covered by a fund transfer from the proceeds of the District Lease Transactions, a nonoperating revenue.

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

(13) Farebox Ratio is defined as total passenger revenue divided by total operating expenses.

Management's Discussion of Historical Financial Results

Through the third quarter of Fiscal Year 2007 (which covers the period from July 1, 2006 to March 31, 2007), total passenger trips increased to 75.399 million, a 4.6% increase over the same period in Fiscal Year 2006 and 3.7% above the all time peak of 72.580 million in the same period of Fiscal Year 2001. See also "The BART System – Ridership," above. This increase brought BART's passenger ("farebox") revenues up to 60% of its total revenues—one of the highest farebox recovery ratios of any major transit district nationally. Some of the reasons for the passenger increase for Fiscal Year 2007 include an improving economy with increased employment, continued construction activity on the San Francisco-Oakland Bay Bridge, and increases in gasoline prices.

Through the third quarter of Fiscal Year 2007, operating revenues (which include passenger fares, parking fees, investment interest earnings, advertising, and other revenue sources, but which exclude *ad valorem* property taxes pledged to General Obligation Bonds) exceeded the adopted budget for Fiscal Year 2007 by $9.9 million. In the same period, operating expenses, including labor, electric power, express feeder bus and other non-labor expenses, were $1.0 million under budget. Annual passenger fare revenues through the third quarter of Fiscal Year 2007 are approximately 3.1% above the Fiscal Year 2007 Budget and 11.3% over the same period of Fiscal Year 2006 actual revenues. Sales Tax Revenues through the third quarter of Fiscal Year 2007 are approximately 2.3% under Fiscal Year 2007 Budget and 2.5% over the same period of Fiscal Year 2006 actual revenues.

Sales Tax Revenues through the third quarter of Fiscal Year 2007 increased to $150,956,000, a 2.5% increase over the same period in Fiscal Year 2006. Although Sales Tax Revenues have increased every fiscal year since Fiscal Year 2003, the third quarter of Fiscal Year 2007 only had a growth rate of 0.1%, the lowest in over three years.

Comparatively, through the third quarter of Fiscal Year 2007, operating expenses increased approximately 8.6% over the same period in Fiscal Year 2006 and resulting net revenues increased 75.6% to $97.03 million and Revenues after Debt Service were $45.80 million.

The excess revenues/(deficit) for the first nine months of Fiscal Year 2007, as shown on the preceding table, is $23.120 million. The District projects that at June 30, 2007, excess revenues/(deficit) will be approximately $35 million. After capital and operating reserve allocations, the balance of the excess revenue/(deficit) at the end of Fiscal Year 2007 is projected by the District to be approximately $6 million, compared to the balance of $0.125 million for the first nine months of Fiscal Year 2007.

In the last three fiscal years the District has addressed its revenue constraints by reducing the number of operating positions and non-labor expenses. Budgeted operating positions for Fiscal Years 2004, 2005, 2006, and 2007 were approximately 3,157.5, 3,014.5, 2,946.5 and 2,949.0, respectively, resulting in an aggregate decline of 208.5 budgeted positions over the four fiscal year period. Full time equivalent positions that were actually filled as of June 2004, June 2005, and June 2006, and March 31, 2007 were 2,884, 2,795, 2,758 and 2,708.8, respectively.

Although the number of employees has been reduced over a four-year period, labor costs have increased due to wage increases and increases in pension and health care costs. The adopted CPI fare increases and increases in the employee healthcare co-payments are expected to assist the District in balancing its future budgets. Labor expenses through the third quarter of Fiscal Year 2007 increased by $8,365,000, or about 4%, compared to the same period in Fiscal Year 2006. The cost of health insurance benefits increased by $1,130,000, and employer pension contributions to CalPERS increased by $944,000.

In each Fiscal Year's budget, management establishes an operating ratio goal (percentage of operating revenue to operating expense). Through the third quarter of Fiscal Year 2007, the operating ratio was 67%, a level that exceeds that of most urban rail systems. The operating ratio was 62% for Fiscal Years 2003 and 2004, 60% for Fiscal Year 2005, and 65% for Fiscal Year 2006.

See also "Management's Discussion and Analysis" set forth in Appendix B - "San Francisco Bay Area Rapid Transit District Report on Audits of Financial Statements for the Years Ended June 30, 2006 and 2005."

The District receives its electrical power supply under statutory provisions authorized by the California State Legislature that provide an alternative to service from the Pacific Gas and Electric Co. (PG&E). The District was authorized to obtain electrical power supply from Federal power marketing agencies in 1995. This authority was expanded in 2004 to permit the District to obtain electrical power supply from municipal utilities. Pursuant to these provisions, the District has entered into long-term arrangements for its electrical power supply that provide significant savings compared to the cost of standard retail service from PG&E. The District has a ten-year supply arrangement with the Northern California Power Agency ("NCPA"), a municipal utility, to provide most of the District's power supply at market wholesale rates. Approximately five percent of the District's supply is provided at below-market hydroelectric power from the Federal Western Area Power Administration under a contract that runs through 2025. The District currently budgets approximately 400,000 megawatt hours of annual electric power supply to operate the BART System. Through the third quarter of Fiscal Year 2007, power-related expenditures amounted to $27.4 million. For Fiscal Year 2008 and the following two fiscal years, the District has secured most of its power supply at a cost per megawatt hour that is significantly below the amount budgeted for Fiscal Year 2007. This will result in a decrease of approximately $4.6 million in the cost of the District's electrical power supply from the Fiscal Year 2007 level. For power supply costs after this three-year period, the SRTP forecasts that the cost will increase at the general rate of inflation through 2015. Increased power supply needs due to the Warm Springs or San Jose extensions have not been factored into these estimates.

Adopted Budget for Fiscal Year 2008

BART's nine-member Board of Directors voted unanimously to adopt a balanced budget for the Fiscal Year ending June 30, 2008 ("Fiscal Year 2008"), which included an increase of $26.6 million in projected passenger revenues, an additional $2.3 million of property tax-related revenues, and a decrease of $7.4 million in projected State transportation revenues. The revenue increase allows the District to carefully address a number of areas that have felt the impact of consecutive years of budget constraints with new budget initiatives of $8.9 million. The Fiscal Year 2008 budget also included $8.8 million for funding the "ramped-up" contribution for the retiree medical plan, a $2.7 million increase for current retiree medical premiums, and $22.1 million for Other Post Employment Benefits (OPEB). See "Postretirement Health Care Benefits" below.

The $628.7 million Fiscal Year 2008 operating budget is designed to achieve a higher passenger on-time standard of 96%, improve car cleanliness and brighten stations with improved lighting. Additionally, the budget includes major service improvements. The first improvement reduces the time between trains from 20 minutes to 15 minutes at night Monday through Saturday, all day Sunday and on holidays that operate on a Sunday schedule starting January 1, 2008. The budget also greatly enhances service for customers on the five-station, SFO/Millbrae Extension by reconfiguring the lines and adding extra trains, which will double the number of trains serving Colma, South San Francisco and San Bruno stations. The time between trains will be cut from 15 minutes to 8, because two lines – the Richmond Line and the Pittsburg/Bay Point Line – will both serve those three stations. The budget also provides funds to enhance the District's award-winning website.

Financial Forecast

The Board includes a ten-year operating financial forecast (the "Financial Forecast"), which details a ten-year outlook for the existing BART System, in its FY06 SRTP, which is based upon the budget adopted for Fiscal Year 2006. The District projects that, over the ten-year period of the FY06 SRTP, operating revenue (primarily passenger revenue and sales tax revenue) will increase more than expenses, including labor and benefits, despite high medical costs. Based on these projections, the Financial Forecast in the FY06 SRTP projects favorable financial results from Fiscal Year 2012 through Fiscal Year 2015. If labor and benefit costs increase more than operating revenues, expense reductions and revenue enhancements will be considered. The Financial Forecast indicates that the District projects a cumulative positive balance of approximately $135 million through Fiscal Year 2015. *These projections are based on assumptions set forth in the FY06 SRTP that are subject to a variety of risks and uncertainties which could cause actual results to be materially different than those projected.*

Over the past several fiscal years, management of BART implemented revenue enhancement programs and expense reductions to address annual budget constraints. The revenue enhancements included fare increases, fare surcharges tied to capital needs, reduction of certain fare discount programs, and expansion of paid parking programs. Expense reductions included eliminating operating positions and reducing non-labor expenses. Such revenue enhancements and expense reductions, together with the four-year settlements reached with the District's five labor organizations during 2005, almost entirely eliminated the deficits previously projected for the Fiscal Years 2006 through 2009 and results in projected surpluses for Fiscal Years 2012 through 2015. As it has in the past, the District will address any future deficits in the context of adopting each year's budget.

The Fiscal Year 2008 SRTP is currently being developed and is expected to be released by the Board of Directors in the summer of 2007. It will contain an updated Financial Forecast for the ten-year period ending June 30, 2017.

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. For workers compensation, the District purchases $10 million of insurance above a self-insured retention of $4 million per accident. For public liability, the District purchases $95 million of insurance above a self-insured retention of $5 million per occurrence. The District's property is insured for $70 million per occurrence for certain leased rail cars, $65 million per occurrence for equipment in the operations control center and $25 million per occurrence for other insured property. The self-insured retention for property is $2.5 million per occurrence, except for losses at the Hayward Test Track where the self-insured retention is $3 million per occurrence. Terrorism insurance coverage is provided for workers' compensation and the first $50 million of public liability.

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 5% 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 March 31, 2007.

INVESTMENT DISTRIBUTION
as of March 31, 2007

FNMA Discount Notes	$144,401,000
FHLB Discount Notes	39,835,000
FHLMC Discount Notes	19,935,000
State of California Local Agency Investment Fund	20,000,000
Repurchase Agreement	60,502,000
Certificates of Deposit	800,000
Mutual Fund	21,302,000
Total	$306,775,000

As of March 31, 2007, the average duration of the District's investments (average days to maturity) was 61 days.

All amounts deposited in the Project Fund established in connection with the General Obligation Bonds will be invested at the direction of the District in Investment Securities as such term is defined in the Paying Agent Agreement entered into by the District in connection with the General Obligation Bonds. Investment Securities include guaranteed investment contracts.

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

Employee Retirement Benefits

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

*Plan Description***.** All eligible employees may participate in the Public Employees' Retirement Fund (the "Fund") administered by CalPERS under the Miscellaneous Plan and the Safety Plan of the District. The Safety Plan covers all sworn police officers of the District; all other District employees are covered by the Miscellaneous Plan. The Fund is an agent multiple-employer public sector employee defined-benefit retirement plan that acts as a common investment and administrative agent for approximately 2,597 local public agencies and school districts within the State of California, including the District. The Fund provides retirement, disability and death benefits based on the employee's years of service, age and compensation. Employees vest after five years of service and may receive retirement benefits at age 50. These benefit provisions and all other requirements are established by State statute and District contractual agreements.

Annual Actuarial Valuation Reports. CalPERS prepares an Annual Actuarial Valuation Report ("CalPERS Actuarial Report") for its members. The District receives the annual report for its Miscellaneous Plan, and a separate annual report for its Safety Plan. The latest CalPERS Actuarial Reports were received by the District in September 2006 for the Miscellaneous Plan and in August 2006 for the Safety Plan, which were based on financial data available from the District and from various CalPERS databases as of June 30, 2005. These Reports established the District's required employer contribution rates for Fiscal Year 2008, which are 9.850% of covered payroll for the Miscellaneous Plan and 32.249% of covered payroll for the Safety Plan. The Reports also included for District's Miscellaneous and Safety Plans the latest Schedule of Funding Progress, which shows a three-year history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of unfunded actuarial accrued liability to payroll, as discussed herein below).

The District's employer required contribution rates for Fiscal Year 2007 were established in the CalPERS Actuarial Reports of October 2005, which were based on financial data available from the District and from various CalPERS databases as of June 30, 2004. The employer required contribution rates for Fiscal Year 2007 are 9.317% of covered payroll for the Miscellaneous Plan and 29.942% 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, 2004, the average remaining amortization period is 18 years for the Miscellaneous Plan and 24 years for the Safety Plan. There are two components to this cost. The employer cost and the employee cost. District payment for the employer portion of the contributions for the Fiscal Year ended June 30, 2007 to cover normal cost and to amortize the unfunded actuarial accrued liability are 9.317% (8.717% in 2006) and 29.942% (32.324% in 2006) of covered payroll for the Miscellaneous Plan and the Safety Plan, respectively. In accordance with agreements with the labor organizations representing District employees and District policy applicable to non-represented employees, the District also pays the employee portion of the normal contributions, which are 7% of covered payroll for Miscellaneous Plan employees and 9% of covered payroll for Safety Plan personnel. Total covered payroll and all payroll of the District are shown below.

For the period beginning July 1, 1999, payments of the employer portion of the contributions were suspended by CalPERS for both Miscellaneous and Safety plan participants due to excess funding. Additionally, effective October 1, 2001, on CalPERS direction, the District payment of the Miscellaneous Plan employees' portion of the contributions were also suspended due to excess funding. Effective July 1, 2002, also on CalPERS direction, the District resumed making employer portion contributions for Safety Plan participants. Effective July 1, 2004, based on CalPERS Actuarial Report, the District resumed making both the employer portion contribution and the 7% employee portion contribution for Miscellaneous Plan participants.

	Fiscal Year 2007 (9 months)	**Fiscal Year 2006 (12 months)**
Covered Payroll	$168,324,000	$220,757,000
All Payroll	$191,568,000	$252,919,000

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

In calculating the UAAL in an actuarial valuation, the CalPERS actuary smooths gains and losses over multiple years using a smoothing technique that generally only recognizes one-fifteenth 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 7.75%).

In April 2004, the CalPERS Board approved a new set of actuarial assumptions to be used in the June 30, 2003 valuation, for the purpose of determining future employer contribution rates beginning Fiscal Year 2005. The inflation assumption was changed from 3.5% to 3%. This change impacted the inflation component of the annual investment return assumption, the long-term payroll growth assumption and the individual salary increase assumptions as follows:

- The annual assumed investment return has decreased from 8.25% to 7.75%.
- The long-term salary increase assumption has decreased from 3.75% to 3.25%.
- The inflation component of individual salary scales has decreased from 3.75% to 3.25%.

The change to the inflation assumption also impacted the cost of living adjustments and purchasing power protection allowances assumed in the actuarial valuations. These changes are reflected in the June 30, 2003 CalPERS actuarial report which was delivered in 2004 and affected District contribution rates starting in Fiscal Year ending June 30, 2006.

CalPERS approved additional changes in its actuarial policies in April 2005 to help reduce volatility in employer portion contribution rates for years beginning Fiscal Year 2007. Changes include: amortizing gains and losses over a rolling 30-year period, moving from a three-year to a 15-year smoothing methodology, revising the Expected Value corridor to not less than 80% or more than 120% of market value from a 90%-110% corridor, and the creation of a stabilization fund.

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

The cost for the District's employer portion of the contributions for Fiscal Year 2007 (through March 31, 2007) was $14,601,000 and $3,477,000 for Miscellaneous Plan employees and Safety Plan employees, respectively. The significant actuarial economic assumptions that CalPERS used in determining the Fiscal Year 2007 District employer portion contributions included: an assumed rate of return on investment assets of 7.75%, annual payroll increases of 3.25%, of which 3.00% is attributable to inflation growth, an annual production growth of 0.25%, merit increases that vary by length of service, and no postretirement benefit increases.

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Schedule of Funding Progress. The funding status applicable to the District's Plans at June 30, 2005 (the most current available for the Fund) is summarized as follows:

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

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a Percentage of Payroll
6/30/03	$939,072	$950,571	$(11,499)	101.2%	$202,170	(5.7)%
6/30/04	$1,023,593	$992,217	$31,376	96.9%	$209,675	15.0%
6/30/05	$1,138,543	$1,071,223	$67,320	94.1%	$214,698	31.4%

Source: CalPERS Annual Valuation Report as of June 30, 2005.

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

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a Percentage of Payroll
6/30/03	$100,960	$82,329	$18,631	81.5%	$14,277	130.5%
6/30/04	113,237	87,575	25,662	77.3	16,040	160.0
6/30/05	129,350	98,677	30,674	76.3	15,221	201.5

Source: CalPERS Annual Valuation Report as of June 30, 2005.

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. The District contributes an additional 1.627% of payroll for non-represented employees, subject to the Internal Revenue Code Section 401(a)(17) limits on compensation which may be taken into account. Additionally, effective October 1, 2001 and through June 30, 2004, most employees received 3.5% of their wages subject to certain funding thresholds in the CalPERS Retirement Plan. Each employee's account is available for distribution upon such employee's termination.

The District will begin to contribute 1.627% of payroll (subject to the Internal Revenue Code Section 401(a)(17) limits discussed above) on behalf of employees represented by Amalgamated Transit Union Local 1555 and Service Employees International Union Local 790 in Fiscal Year 2012 and on behalf of non-sworn personnel represented by Bart Police Officers Association, Bart Police Managers Association and American Federation of State, County and Municipal Employees Local 3993 in Fiscal Year 2013. In Fiscal Years 2014 through 2034, the District's obligation to make these payments is contingent on the accuracy of the projected Annual Required Contribution (ARC) for retiree medical benefits that is contained in the current collective bargaining agreements.

The District's total expense and funded contribution for this Plan for the nine months ended March 31, 2007 was $5,928,000 and for the Fiscal Years ended June 30, 2006 and 2005 were $7,847,000 and $7,050,000, respectively. The Money Purchase Pension Plan assets at June 30, 2006 and 2005 (excluded from the financial statements in Appendix B), as shown in the Plan administrator's unaudited report, were $262,898,000 and $258,846,000, respectively. At June 30, 2006, there were approximately 304 (274 in 2005) participants receiving benefits under this Plan.

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

Postretirement Health Care Benefits

Postretirement Health Care Costs. In addition to the retirement benefits described above and as specified in the District's contractual agreements, the District provides postretirement health care benefits assistance to employees. Most employees who retire directly from the District (or their surviving spouses) are eligible if the employee retires at or after age 50 with a minimum of 5 years of service with the District and elects to take an annuity from CalPERS within 120 days of leaving the District. As of June 30, 2006, which is the most recent Fiscal Year for which data is available, 1,226 retirees and surviving spouses (1,061 at the end of Fiscal Year 2005) are provided this benefit. The District paid up to $769,000 and $655,000 per month for health insurance premiums for the retirees and surviving spouses during Fiscal Years 2006 and 2005, respectively. These benefits, less a modest premium contribution by each plan participant, are fully funded by the District and historically accounted for on a pay-as-you-go (PAYGO) basis. Premium payments and cash reimbursements for these benefits totaled $8,634,000 in 2006 ($7,124,000 in 2005).

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 will require 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 March 31, 2007, assets held in the Health Benefit Trust included money market investments, U.S. Treasury obligations, corporate obligations, foreign obligations, domestic common stocks and foreign stocks with a fair market value of approximately $47,000,000.

The most recent actuarial analysis prepared by the District's actuarial consultant, Mercer Human Resource Consulting (Mercer) and dated October 27, 2006, estimated that the unfunded actuarial accrued liability of the District for retiree medical benefits as of June 30, 2006 (assuming annual investment earnings of 6.75%, was $349 million ($254 million as of June 30, 2005) and annual required contributions (ARC), as calculated pursuant to GASB 45, plus PAYGO costs) to be 16.66% of payroll for Fiscal Year 2008 (16.03% for Fiscal Year 2007) if funded, as projected in the Mercer Postemployment Benefit Valuation Report, with a thirty-year closed amortization period beginning in Fiscal Year 2005. See Assumptions Used for the "Postemployment Benefit Valuation Report Under GASB 43/45 as of June 30, 2006" ("Postemployment Benefit Valuation Report") prepared by Mercer Human Resource Consulting described below. See also the following Charts 1 and 2 from that Report. Chart 1 below shows the ARC and funding amount with unfunded actuarial accrued liability of retiree medical benefits. Chart 2 presents a detailed breakout of funding for retiree medical benefits as projected in the Postemployment Benefit Valuation Report. 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.

The District's current 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 (8) 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 (30) year amortization schedule for unfunded liability ending June 30, 2034.

Assumptions Used for Postemployment Benefit Valuation Report

Discount Rate	6.75%
Measurement Date	June 30, 2006
Payroll Growth	3.75%
Amortization Method	Closed, Level % Payroll
Amortization Factor	5.11%
Years remaining in Amortization	28
Health care cost trend rate assumed for the first year	11.0%
Ultimate trend rate	5.0%
Year that rate reaches the ultimate rate	2015

Source: Mercer Human Resource Consulting's Postemployment Benefit Valuation Report

Chart 1

30-YEAR FUNDING PROJECTIONS FOR RETIREE MEDICAL BENEFITS

	$ millions	$ millions	$ millions	$ millions	$ millions	%	%	$ millions
Year Ending	**Actuarial Accrued Liability**	**Actuarial value of Assets**	**Unfunded UAAL**	**Projected benefit payments**	**ARC**	**ARC as % Payroll**	**Funding as % Payroll**	**Funding ($)**
6/30/2007	$388.2	$39.7	$348.5	$10.5	$38.9	16.03%	4.31%	$10.5
6/30/2008	424.8	42.4	382.4	12.7	41.9	16.66%	8.55%	21.5
6/30/2009	462.2	54.3	407.9	15.0	44.9	17.19%	15.51%	40.5
6/30/2010	500.9	84.2	416.7	17.6	47.0	17.34%	11.72%	31.7
6/30/2011	540.5	104.6	435.9	20.4	49.9	17.76%	13.30%	37.4
6/30/2012	581.1	129.2	451.9	23.3	52.8	18.10%	14.89%	43.4
6/30/2013	622.5	158.7	463.8	26.2	55.7	18.42%	16.46%	49.8
6/30/2014	665.2	193.8	471.4	28.9	58.6	18.68%	18.68%	58.6
6/30/2015	709.4	237.5	471.9	31.5	61.3	18.82%	18.82%	61.3
6/30/2016	755.5	284.3	471.2	34.0	64.0	18.96%	18.96%	64.0
6/30/2017	803.7	334.5	469.2	36.6	67.0	19.11%	19.11%	67.0
6/30/2018	854.2	388.4	465.8	39.3	70.0	19.26%	19.26%	70.0
6/30/2019	907.2	446.3	460.9	42.1	73.2	19.41%	19.41%	73.2
6/30/2020	962.8	508.6	454.2	45.1	76.6	19.59%	19.59%	76.6
6/30/2021	1,021.2	575.5	445.7	48.2	80.2	19.75%	19.75%	80.2
6/30/2022	1,082.5	647.4	435.1	51.3	83.9	19.91%	19.91%	83.9
6/30/2023	1,147.1	724.8	422.3	54.6	87.7	20.08%	20.08%	87.7
6/30/2024	1,215.0	807.9	407.1	58.2	91.8	20.25%	20.25%	91.8
6/30/2025	1,286.4	897.1	389.3	61.8	96.1	20.42%	20.42%	96.1
6/30/2026	1,361.6	993.1	368.5	65.4	100.4	20.58%	20.58%	100.4
6/30/2027	1,440.8	1,096.4	344.4	69.4	105.1	20.76%	20.76%	105.1
6/30/2028	1,524.3	1,207.3	317.0	73.4	109.9	20.92%	20.92%	109.9
6/30/2029	1,612.4	1,326.5	285.9	77.3	114.9	21.08%	21.08%	114.9
6/30/2030	1,705.5	1,454.9	250.6	81.5	120.1	21.25%	21.25%	120.1
6/30/2031	1,804.0	1,593.1	210.9	85.6	125.5	21.40%	21.40%	125.5
6/30/2032	1,908.2	1,741.8	166.4	89.9	131.2	21.55%	21.55%	131.2
6/30/2033	2,018.8	1,902.0	116.8	94.3	137.1	21.71%	21.71%	137.1
6/30/2034	2,136.0	2,074.6	61.4	98.7	143.1	21.85%	21.85%	143.1
6/30/2035	2,260.5	2,260.5	0.0	103.4	83.6	12.31%	12.31%	83.6

Source: Mercer Human Resource Consulting's Postemployment Benefit Valuation Report

NOTE: For retiree medical, it was assumed the required catch-up contribution for Fiscal Year 2006 and Fiscal Year 2007 of 3.22% and 3.36%, respectively, would be made during the Fiscal Year beginning July 1, 2008.

Chart 2

DETAILED BREAKOUT OF 30-YEAR FUNDING PROJECTIONS FOR RETIREE MEDICAL BENEFITS

			Funding Breakout				
	%	$ millions	$ millions	$ millions	$ millions	%	%
Year Ending	**Funding as % Payroll**	**Funding ($)**	**Benefit payments from general assets**	**Contributions into RHBT[1]**	**Lump sum contribution[2]**	**Benefit payments from general assets**	**Contributions into RHBT + Lump sum**
6/30/2007	4.31%	$10.5	$10.5			4.31%	0.00%
6/30/2008	8.55%	21.5	12.7	$8.8		5.06%	3.49%
6/30/2009	15.51%	40.5	15.0	11.5	$14.0	5.76%	9.75%
6/30/2010	11.72%	31.7	17.6	14.1		6.49%	5.23%
6/30/2011	13.30%	37.4	20.4	17.0		7.26%	6.04%
6/30/2012	14.89%	43.4	23.3	20.1		7.99%	6.90%
6/30/2013	16.46%	49.8	26.2	23.6		8.65%	7.81%
6/30/2014	18.68%	58.6		58.6		0.00%	18.68%
6/30/2015	18.82%	61.3		61.3		0.00%	18.82%
6/30/2016	18.96%	64.0		64.0		0.00%	18.96%
6/30/2017	19.11%	67.0		67.0		0.00%	19.11%
6/30/2018	19.26%	70.0		70.0		0.00%	19.26%
6/30/2019	19.41%	73.2		73.2		0.00%	19.41%
6/30/2020	19.59%	76.6		76.6		0.00%	19.59%
6/30/2021	19.75%	80.2		80.2		0.00%	19.75%
6/30/2022	19.91%	83.9		83.9		0.00%	19.91%
6/30/2023	20.08%	87.7		87.7		0.00%	20.08%
6/30/2024	20.25%	91.8		91.8		0.00%	20.25%
6/30/2025	20.42%	96.1		96.1		0.00%	20.42%
6/30/2026	20.58%	100.4		100.4		0.00%	20.58%
6/30/2027	20.76%	105.1		105.1		0.00%	20.76%
6/30/2028	20.92%	109.9		109.9		0.00%	20.92%
6/30/2029	21.08%	114.9		114.9		0.00%	21.08%
6/30/2030	21.25%	120.1		120.1		0.00%	21.25%
6/30/2031	21.40%	125.5		125.5		0.00%	21.40%
6/30/2032	21.55%	131.2		131.2		0.00%	21.55%
6/30/2033	21.71%	137.1		137.1		0.00%	21.71%
6/30/2034	21.85%	143.1		143.1		0.00%	21.85%
6/30/2035	12.31%	83.6		83.6		0.00%	12.31%

Source: Mercer Human Resource Consulting's Postemployment Benefit Valuation Report

NOTE: 1 RHBT – Retiree Health Benefit Trust Fund. See Note 13 of the District's Audited Financial Statements for a detailed discussion of RHBT.

2 Lump sum contribution in Fiscal Year 2009 of $14.0 million represents the catch-up contribution for Fiscal Years 2006 and 2007. For Fiscal Year 2006, it is 3.22% of expected 2006 payroll, or $6.7 million. For Fiscal Year 2007, it is 3.36% of expected 2007 payroll, or $7.3 million.

APPENDIX B

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
REPORT ON AUDITS OF FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

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SAN FRANCISCO BAY AREA
RAPID TRANSIT DISTRICT

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

For the Years Ended June 30, 2006 and 2005

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SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

For the Years Ended June 30, 2006 and 2005

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

INDEPENDENT AUDITOR'S 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, 2006 and 2005, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund and the Retiree Health Benefit Trust Fund of the District, as of June 30, 2006 and 2005 and the respective changes in financial position and cash flows, where applicable, 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 November 29, 2006 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of the District's internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the District's 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.

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information

Macias Gini & O'Connell LLP

Certified Public Accountants
Walnut Creek, California

November 29, 2006

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, 2006 and 2005. This discussion was prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The District is an independent agency created in 1957 by the legislature of the State of California for the purpose of providing an adequate, modern, interurban mass rapid transit system in the various portions of the metropolitan area surrounding the San Francisco Bay. The District started its revenue operations in September 1972. It presently owns a 104-mile, 43-station system serving the four counties of Alameda, Contra Costa, San Francisco and San Mateo. The government of the District is vested in a Board of Directors composed of nine members, each representing an election district within the District.

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

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, including restricted 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 asset 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 2006, 2005 and 2004 is as follows (dollar amounts in thousands):

	2006	2005	2004
Operating revenues	$ 275,124	$ 248,644	$ 234,546
Operating expenses, net	(573,187)	(548,197)	(498,503)
Operating loss	(298,063)	(299,553)	(263,957)
Nonoperating revenues, net	232,900	189,059	162,178
Capital contributions	62,487	77,947	75,010
Special item	-	(36,222)	-
Change in net assets	(2,676)	(68,769)	(26,769)
Net assets, beginning of year	4,328,964	4,397,733	4,424,502
Net assets, end of year	$ 4,326,288	$ 4,328,964	$ 4,397,733

Operating Revenues
The increase of $26,480,000 in operating revenues in fiscal year 2006 is mainly credited to (1) an increase of $22,587,000 from passenger fares and (2) a $3,893,000 increase in concession and other revenues. The increase in passenger fares is due to a 4% increase in weekday passenger trips from 310,717 in fiscal year 2005 to 322,965 in fiscal year 2006 and the 3.7% increase in passenger fare effective January 1, 2006. The increase in concession and other revenues is due to increases in advertising revenue of $1,528,000, in reimbursements of support costs from telecommunication and other projects of $1,486,000, and in traffic fine collections and concession revenues from public phones and newsstands of $963,000.

In fiscal year 2005, the operating revenues increased by $14,098,000. The increase can be attributed to (1) an increase of 4,148 or1.4% on the average weekday ridership from 306,569 in 2004 to 310,717 in 2005, and (2) the full year effect on fiscal year 2005 of the 10% fare increase on January 1, 2004, as compared to six months only (January 2004 to June 2004) in fiscal year 2004.

Operating Expenses
The net operating expenses for fiscal year 2006 increased by $24,990,000, which is primarily due to an increase in the employer's contribution to CalPERS of $12,739,000, depreciation expense of

$16,609,000, health insurance premium payments of $4,889,000, and offset by decrease in other employee and retiree compensation of $6,188,000 and workers compensation expense accrual ($3,536,000). The annual required contribution rates to CalPERS increased in 2006 – 8.717% from 2.615% in 2005 for Miscellaneous Employees, and 32.324% from 28.910% in 2005 for Safety Employees.

Net operating expenses increased by $49,694,000 in fiscal year 2005 which was mainly due to (1) an increase in depreciation expense, a non-cash item, of $12,129,000; (2) an increase of $24,550,000 in pension contributions to CalPERS due to the resumption in fiscal year 2005 of the employer contributions for the Miscellaneous Plan and an increase in the required employer contribution rate for the Safety Plan from 2.897% to 28.910%; (3) in fiscal year 2005 the additional 3.5% money purchase pension plan contributions to employees was discontinued which resulted in an expense reduction of $7,120,000; (4) an increase in the expense accrual for workers' compensation self-insurance reserve of $4,057,000; (5) increase in the employees salaries and benefits totaling an estimated amount of $19,000,000 because of the 6% contractual salary increase in fiscal year 2005, accrual of arbitration settlements and severance payments due to position reductions.

Nonoperating Revenues

The net nonoperating revenues increased by $43,841,000 in fiscal year 2006. The increase is largely due to an increase in sales tax revenues of $13,288,000 directly attributable to the strong economy in the District counties, receipt of property tax revenues of $17,652,000 allocated for debt service payments of the 2005 General Obligation Bonds, the net gain received from the sale of properties of $11,042,000, and a decrease in interest expense of $5,110,000 primarily from substantial reduction in the outstanding balance of the FTA Capital Grant Bonds, and offset by a net decrease in investment income of $4,720,000. The net decrease in investment income is the result of a decrease in the fair value amounting to $15,189,000 of investments and deposits related to the 2002 lease/leaseback of certain rail traffic control equipment offset by an increase of $10,469,000 in the interest income from all investments of the general fund, debt service funds and construction funds as a result of better interest rates in fiscal year 2006 and higher investment balances during the year.

Net nonoperating revenues for fiscal year 2005 increased by $26,881,000. The increase is accounted for as follows: (1) increase of $7,826,000 in sales tax revenues; (2) an increase of $13,475,000 in investment income which is mainly due to (a) an increase of $12,234,000 in interest income recognized from the deposits for sublease obligation related to the lease/leaseback of rail traffic control equipment in 2002 and (b) an increase in the average investment earnings rate from 1.70% in 2004 to 2.26% in 2005; (3) a decrease in interest expense of $6,902,000 mainly due to the prepayment of a portion of the FTA Capital Grant Bonds, 2001 Series A, with principal amounts totaling $88,995,000 due in fiscal years 2008 and 2009; (4) the financial assistance received from San Mateo County Transit District (SamTrans) for the net operating expenses of the San Francisco International Airport Extension decreased by $3,137,000 due to the increase in fare revenues from increased ridership and from cost reduction due to reduced train service and shorter trains.

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 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. The capital contributions in fiscal year 2006 showed a decrease of $15,460,000 and an increase of $2,937,000 in fiscal year 2005.

Statements of Net Assets

A comparison of the District's *Statements of Net Assets* as of June 30, 2006, 2005 and 2004 is as follows (dollar amounts in thousands):

	2006	2005	2004
Current assets	$ 644,290	$ 525,254	$ 425,715
Noncurrent assets - capital assets, net	4,944,189	4,997,869	5,009,777
Noncurrent assets - other	353,529	486,394	703,622
Total assets	5,942,008	6,009,517	6,139,114
Current liabilities	358,336	370,415	300,865
Noncurrent liabilities	1,257,384	1,310,138	1,440,516
Total liabilities	1,615,720	1,680,553	1,741,381
Net assets			
Invested in capital assets, net of related deb	4,008,057	4,037,420	3,884,807
Restricted net assets	137,342	180,290	357,343
Unrestricted net assets	180,889	111,254	155,583
Total net assets	$ 4,326,288	$ 4,328,964	$ 4,397,733

In fiscal year 2006, noncurrent assets – other decreased by $132,865,000, which is mainly due to the decrease in capital grants receivable for the SFO Extension due to the receipt of the federal allocations of $114,263,000 in fiscal year 2006, the application of a portion ($42,900,000) of the deposit related to the 2002 lease/leaseback of certain rail traffic control equipment as payment of the sublease obligation, and offset by an increase in deferred changes of $24,359,000 primarily from deferred interest expense recognized in fiscal year 2006 related to the full defeasance of 1995 and 1999 Sales Tax Revenue Bonds and partial defeasance of 1998 and 2001 Sales Tax Revenue Bonds.

The noncurrent assets – other decreased by $217,228,000 in 2005. The decrease is mainly attributed to (1) a decrease in unrestricted investments of $35,952,000 due to the use of District funds for operating and capital expenditures; (2) a decrease in restricted cash, cash equivalents and investments amounting to $23,472,000 due to the use of debt service reserve funds for the payment of long-term debt and the expenditure of bond proceeds for capital projects; and (3) a decrease of $162,065,000 in 2005 in the receivable from the SFO Federal Full Funding Agreement because of the receipt of the funding allocations for both fiscal years 2004 and 2005.

The current liabilities as of June 30, 2006 decreased by $12,079,000 which is mainly due to the decrease in the current portion of long-term debt because of the advance refunding of certain sales tax revenue bonds from the proceeds of the 2005 Bonds.

The current liabilities as of June 30, 2005 increased by $69,550,000. The increase is due to (1) an increase in the current portion of long-term debt totaling $79,151,000 mainly from the 1998 Sales Tax Revenue Bond, the construction loans and the lease/leaseback obligation; and (2) a decrease of $10,100,000 in accounts payable and other liabilities due to the timing of payments to vendors and contractors.

Capital Assets

The District's capital assets, before accumulated depreciation, increased by $78,869,000 in 2006 and by $110,693,000 in 2005. The major additions during the years included capital expenditures for the acquisition and/or major improvements on the following assets:

- core system and extensions amounting to $83,817,000 in 2006 and $70,797,000 in 2005;
- train control equipment totaling $20,822,000 in 2006 and $25,038,000 in 2005;
- revenue transit vehicles in the amount of $4,498,000 in 2006 and $9,494,000 in 2005;
- automatic fare collection equipment amounting to $6,615,000 in 2006 and $11,488,000 in 2005; and
- Business Advancement Plan (BAP) which is a project to replace the information technology systems supporting the District's administrative business totaling $2,788,000 in 2006 and $10,458,000 in 2005.

Details of the capital assets, net of accumulated depreciation, as of June 30, 2006, 2005 and 2004 are as follows (dollar amounts in thousands):

	2006	2005	2004
Land	$ 524,392	$ 513,849	$ 481,466
Stations, track, structures and improvements	2,929,155	2,738,045	2,555,907
Buildings	5,738	18,072	22,409
Revenue transit vehicles	539,634	586,042	628,460
Other	264,325	280,052	288,625
Construction in progress	680,945	861,809	1,032,910
Total capital assets	$ 4,944,189	$ 4,997,869	$ 5,009,777

The District has entered into contracts for the construction of various facilities and equipment totaling approximately $553,859,000 at June 30, 2006 and $492,974,000 at June 30, 2005.

Long-Term Debt

The outstanding balance of long-term debt showed decreases of $88,589,000 and $61,054,000 at the end of fiscal years 2006 and 2005, respectively. Below is a summary of long-term debt as of June 30, 2006, 2005 and 2004 (including current portion but excluding unamortized balance of debt issue costs and bond premium/discounts) (dollar amounts in thousands):

	2006	2005	2004
Bonds payable from and collateralized by a pledge of sales tax revenues	$ 763,875	$ 714,820	$ 732,365
Bonds payable from and collateralized by the Federal Full Funding Grant Agreement for the SFO Extension	102,030	197,250	347,540
Notes payable from bridge toll revenues	21,785	30,280	38,355
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	40,895	35,400	27,325
Lease/leaseback obligation, including accumulated accretion, for rail traffic control equipment	158,009	197,433	190,652
Bonds payable from the premium fare imposed on the passengers who board on or depart from the San Francisco International Airport Station	56,715	56,715	56,715
General obligation bonds	100,000	100,000	-
Total long-term debt	$ 1,331,809	$ 1,420,398	$ 1,481,452

In fiscal year 2006 the principal payments of the bonds payable from the Federal Full Funding Grant Agreement for the SFO Extension include prepayments of bonds due in fiscal year 2008 amounting to $5,000,000 ($1,040,000 in fiscal year 2005) and $15,710,000 ($87,955,000 in fiscal year 2005) of the bonds due in fiscal year 2009.

Additions to Long-Term Debt in Fiscal Year 2006

There were two new bonds issues in fiscal year 2006, which are the Sales Tax Revenue Refunding Bonds, Series 2005 A issued in August 2005 with a principal amount of $352,095,000 (the "2005 Bonds") and the Sales Tax Revenue Bonds, Series 2006 issued in June 2006 with an aggregate principal amount of $64,915,000 (the "2006 Bonds"). Both issues are payable from and secured by the District's sales tax revenues.

The proceeds from the 2005 Bonds were mostly used to advance refund certain bonds then outstanding to achieve cash flow savings. Payments of principal of and interest on the 2005 Bonds maturing on or after July 1, 2008 are insured by a financial guaranty insurance policy issued by MBIA Insurance Corporation. The insured 2005 Bonds were rated AAA, Aaa and AAA by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively.

The proceeds from the 2006 Bonds are to be used for the construction of a new West Dublin/Pleasanton Station and other related improvements. Payments of principal of and interest on the 2006 Bonds when due are insured by a municipal bond insurance policy issued by Financial Security Assurance. The insured 2006 Bonds were rated AAA, Aaa, and AAA by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively.

Addition to Long-Term Debt in Fiscal Year 2005

On May 13, 2005, the District issued the General Obligation Bonds (Election of 2004), 2005 Series A (2005 GO Bonds) 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 were issued to finance earthquake safety improvements to BART facilities and structures. The 2005 GO Bonds are general obligations of the District, payable from and secured solely by property taxes levied by the District, as authorized by Measure AA, upon all property subject to taxation within the three BART Counties of Alameda, Contra Costa and San Francisco. Three national rating agencies have assigned their municipal bond ratings of AAA, Aa1 and AA+ to the 2005 GO Bonds.

Statements of Cash Flows/Cash, Cash Equivalents and Investments

A comparative presentation of the major sources and uses of cash for 2006, 2005 and 2004 is as follows (dollar amounts in thousands):

	2006	2005	2004
Net cash used in operating activities	$ (150,474)	$ (165,472)	$ (148,899)
Net cash provided by noncapital financing activities	179,431	113,868	152,417
Net cash provided by (used in) capital and related financing activities	72,775	64,898	(65,687)
Net cash provided by (used in) investing activities	(125,409)	107,877	10,157
Net change in cash and cash equivalents	(23,677)	121,171	(52,012)
Cash and cash equivalents, beginning of year	351,922	230,751	282,763
Cash and cash equivalents, end of year	328,245	351,922	230,751
Investments, end of year	404,950	266,664	356,440
Cash, cash equivalents and investments, end of year	$ 733,195	$ 618,586	$ 587,191

The total cash, cash equivalents and investments held by the District and trustee banks at June 30, 2006 amounted to $733,195,000, an increase of $114,609,000 compared to $618,586,000 reported as of June 30, 2005. The increase is primarily due to (1) an increase in cash receipts from passenger fares of $19,147,000; (2) an increase in cash received from sales tax revenues of $13,288,000; (3) a receipt of property tax revenues totaling $17,652,000 for debt service payments of the 2005 General Obligation Bonds; (4) a net cash inflow of $55,281,000 from the proceeds of the 2006 Bonds issued in late June 2006; and (5) net cash generated of $22,777,000 from the sale of real properties.

In fiscal year 2005, cash, cash equivalents and investments increased by $31,395,000. The increase can be mainly attributed to (1) $100,000,000 from the proceeds of the 2005 General Obligation Bonds received on May 26, 2005; (2) $36,222,000 cash transferred to the Retiree Health Benefit Trust; (3) an increase of $55,045,000 in principal and interest payments on long-term debt, particularly because of the prepayment of a portion of the FTA Capital Grant Bonds; and (4) an increase of $26,716,000 in investment income, fiber optics revenue and other operating revenues.

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, 2006 and 2005
(dollar amounts in thousands)

	2006	2005
Assets		
Current assets		
Unrestricted assets		
Cash and cash equivalents	$ 129,349	$ 162,404
Investments	167,708	61,048
Capital grants receivable	32,730	29,712
Receivables and other assets	16,722	30,517
Current portion of capital lease receivable	3,154	3,154
Materials and supplies	29,804	27,441
Total unrestricted current assets	379,467	314,276
Restricted assets		
Cash and cash equivalents	198,896	189,518
Investments	65,927	21,460
Total restricted current assets	264,823	210,978
Total current assets	644,290	525,254
Noncurrent assets		
Capital assets		
Nondepreciable	1,205,337	1,375,658
Depreciable, net of accumulated depreciation	3,738,852	3,622,211
Unrestricted assets		
Investments	-	17,793
Long-term portion of capital lease receivable	11,041	14,195
Receivables and other assets	25,478	1,113
Restricted assets		
Investments	171,315	166,363
Capital grants receivable	2,425	115,438
Receivables and other assets	39,923	25,439
Deposits for sublease obligation	103,347	146,053
Total noncurrent assets	5,297,718	5,484,263
Total assets	5,942,008	6,009,517
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable and other liabilities	183,369	175,417
Current portion of long-term debt, net	152,172	172,782
Self-insurance liabilities	9,174	9,340
Deferred revenue	10,467	9,722
Current portion of capital lease liability	3,154	3,154
Total current liabilities	358,336	370,415
Noncurrent liabilities		
Long-term debt, net of current portion	1,187,257	1,233,287
Self-insurance liabilities	19,180	19,300
Deferred revenue	37,789	40,622
Capital lease liability, net of current portion	11,041	14,195
Other liabilities	2,117	2,734
Total noncurrent liabilities	1,257,384	1,310,138
Total liabilities	1,615,720	1,680,553
Net assets		
Invested in capital assets, net of related debt	4,008,057	4,037,420
Restricted net assets		
For debt service and other liabilities	137,342	180,290
Unrestricted net assets	180,889	111,254
Total net assets	$ 4,326,288	$ 4,328,964

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, 2006 and 2005
(dollar amounts in thousands)

	2006	2005
Operating revenues		
Fares	$ 256,238	$ 233,651
Other	18,886	14,993
Total operating revenues	275,124	248,644
Operating expenses		
Transportation	125,022	127,391
Maintenance	168,226	163,051
Police services	39,109	37,510
Construction and engineering	17,777	16,030
General and administrative	111,532	109,130
Depreciation	145,306	128,697
Total operating expenses	606,972	581,809
Less - capitalized costs	(33,785)	(33,612)
Net operating expenses	573,187	548,197
Operating loss	(298,063)	(299,553)
Nonoperating revenues (expenses)		
Transactions and use tax (sales tax)	191,680	178,392
Property tax	43,024	22,412
Operating financial assistance	15,749	16,680
Investment income	31,695	36,415
Interest expense	(60,155)	(65,265)
Gain from sale of property, net	11,042	-
Other income (expense), net	(135)	425
Total nonoperating revenues, net	232,900	189,059
Change in net assets before capital contributions and special item	(65,163)	(110,494)
Capital contributions	62,487	77,947
Special item: contributions to Retiree Health Benefit Trust	-	(36,222)
Change in net assets	(2,676)	(68,769)
Net assets, beginning of year	4,328,964	4,397,733
Net assets, end of year	$ 4,326,288	$ 4,328,964

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, 2006 and 2005
(dollar amounts in thousands)

	2006	2005
Cash flows from operating activities		
Receipts from customers	$ 253,706	$ 234,559
Payments to suppliers	(110,323)	(125,609)
Payments to employees	(310,764)	(301,485)
Other operating cash receipts	16,907	27,063
Net cash used in operating activities	(150,474)	(165,472)
Cash flows from noncapital financing activities		
Transactions and use tax (sales tax) received	134,790	118,879
Property tax received	24,343	22,280
Financial assistance received	20,298	8,931
Contributions to the Retiree Health Benefit Trust	-	(36,222)
Net cash provided by noncapital financing activities	179,431	113,868
Cash flows from capital and related financing activities		
Transactions and use tax (sales tax) received	56,890	59,513
Property tax received	17,652	-
Capital grants received	179,624	237,225
Proceeds from issuance of 2005 Sales Tax Revenue Bonds	352,095	-
Proceeds from issuance of 2006 Sales Tax Revenue Bonds	64,915	-
Proceeds from issuance of 2005 General Obligation Bonds	-	100,000
Proceeds from construction loans	10,000	10,000
Proceeds from sale of property and equipment	22,777	-
Expenditures for facilities, property and equipment	(109,443)	(112,981)
Principal paid on long-term debt	(475,996)	(175,910)
Payments of long-term debt issuance and service costs	(4,054)	(2,161)
Premium received from issuance of long-term debt	17,773	2,717
Interest paid on long-term debt	(63,812)	(53,611)
Principal payments received from installment receivable	104	106
Advances from local funding agencies	4,250	-
Net cash provided by capital and related financing activities	72,775	64,898
Cash flows from investing activities		
Proceeds from sale and maturity of investments	360,349	306,405
Purchase of investments	(509,104)	(217,403)
Investment income	23,346	18,875
Net cash provided by (used in) investing activities	(125,409)	107,877
Net change in cash and cash equivalents	(23,677)	121,171
Cash and cash equivalents, beginning of year	351,922	230,751
Cash and cash equivalents, end of year	$ 328,245	$ 351,922
Reconciliation of cash and cash equivalents to the Statements of Net Assets		
Current, unrestricted assets - cash and cash equivalents	$ 129,349	$ 162,404
Current, restricted assets - cash and cash equivalents	198,896	189,518
Total cash and cash equivalents	$ 328,245	$ 351,922

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, 2006 and 2005
(dollar amounts in thousands)

	2006	2005
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (298,063)	$ (299,553)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	145,306	128,697
Amortization of deferred charges	112	83
Net effect of changes in		
Decrease in receivables and other assets	3,331	1,414
(Increase) in materials and supplies	(2,363)	(1,749)
Increase (decrease) in accounts payable and other liabilities	2,330	(8,211)
Increase (decrease) in self-insurance liabilities	(286)	1,633
Increase (decrease) in deferred revenue	(841)	12,214
Net cash used in operating activities	$ (150,474)	$ (165,472)
Noncash transactions		
Capital assets acquired with a liability at year-end	$ 41,771	$ 39,437
Lease/leaseback obligation additions	9,242	10,837
Lease/leaseback obligation amortization	50,147	6,716
Increase (decrease) in fair value of investments	(8,108)	8,582
Amortization of long-term debt premium, discount and issue costs	(988)	274
Amortization of deferred interest on early debt retirement	931	478
Amortization of deferred gain on lease/leaseback transaction	1,482	1,482

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, 2006 and 2005
(dollar amounts in thousands)

	2006	2005
Assets		
Interest receivable and other assets	$ 222	$ 187
Pending trades receivable	6,074	5,764
Investments		
Domestic common stocks	24,207	20,605
U.S. Treasury obligations	11,099	9,361
Money market mutual funds	3,455	5,770
Corporate obligations	2,827	3,649
Foreign stocks	428	-
Foreign obligations	336	205
Total investments	42,352	39,590
Total assets	48,648	45,541
Liabilities		
Accounts payable	66	19
Pending trades payable	8,960	8,317
Total liabilities	9,026	8,336
Net assets held in trust for retiree health benefits	$ 39,622	$ 37,205

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, 2006 and 2005
(dollar amounts in thousands)

	2006	2005
Additions		
Employer contributions	$ -	$ 36,222
Investment income (expense)		
Interest income	1,099	593
Net appreciation in fair value of investments	1,617	488
Investment expense	(280)	(54)
Net investment income	2,436	1,027
Total additions	2,436	37,249
Deductions		
Legal fees	5	44
Insurance expense	14	-
Total deductions	19	44
Increase in trust net assets	2,417	37,205
Net assets held in trust for retiree health benefits:		
Beginning of year	37,205	-
End of year	$ 39,622	$ 37,205

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

1. Reporting Entity and Summary of Significant Accounting Policies

Description of Reporting Entity

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

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

Basis of Accounting and Presentation

The basic financial statements provide information about the District's Enterprise Fund and the Retiree Health Benefit Trust Fund. 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. On an accrual basis, revenues from operating activities are recognized in the fiscal year that the operations were provided; revenues from property taxes and sales taxes are recognized in the fiscal year for which the taxes are levied; 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 Retiree Health Benefit Trust Fund, 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 (certificates of deposits and guaranteed investment contracts) are reported at cost and all other investments are at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. 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 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. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* capital contributions are required to be included in the determination of changes in net assets resulting in an increase in net revenue of $62,487,000 and $77,947,000 for fiscal years 2006 and 2005, respectively. Capital grants receivable represent amounts expected from governmental agencies to reimburse the District for costs incurred for capital projects (see Notes 9 and 10).

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

Bond Issuance Costs, Discounts, Premiums and Deferred Amounts on Refundings
The bond issuance costs, discounts, premiums and deferred amounts on refundings, are deferred and amortized over the term of the bonds as a component of interest expense. The unamortized portion of these items except the deferred amounts on refundings, 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 greater than $5,000 and a useful life of more than one year, and all costs related to capital projects, regardless of amounts.

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. Upon disposition, costs and accumulated depreciation are removed from the accounts and resulting gains or losses are included in operations.

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 a net interest income of $324,000 in fiscal year 2006 and a net interest expense of $1,789,000 in fiscal year 2005.

Deferred Revenue

Deferred revenue consists principally of the cash gain received by the District from the lease/leaseback of certain rail traffic control equipment in 2002 (see Note 7) and from the sale/leaseback of 25 C-2 rail cars in 1995 (see Note 4). Additionally, deferred revenue includes 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 and estimated passenger tickets sold but unused.

Compensated Absences

Compensated absences are reported and accrued as a liability in the period incurred. The entire balance of compensated absences in the amounts of $47,501,000 and $48,405,000 as of June 30, 2006 and 2005, respectively, is considered short-term and presented as part of accounts payable and other liabilities in the statements of net assets.

Net Assets

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

Transactions and Use Tax (Sales Tax) Revenues

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

The District records the total transactions and use taxes earned (including amounts paid to the trustee) as revenue.

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

The District receives an allocation of property tax revenues for transit operations. Additionally, beginning in fiscal year 2006, the District received property tax allocations for the debt service payments on the 2005 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.

Operating Financial Assistance
Financial assistance grants for operations from federal, state and local agencies are reported as nonoperating revenue in the period to which the grant applies and, for cost reimbursement grants, to the period in which the related expenditures are incurred (see Note 10).

Collective Bargaining
Approximately 88% 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 790
- BART Police Officers Association (BPOA)
- BART Police Managers Association (BPMA)

Special Item
Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. The District normally finances its retiree health benefits on the pay-as-you-go basis. However, in 2005 in anticipation of an upcoming GASB pronouncement that requires these benefits be accounted for on an accrual basis, the District's Board and management decided to make contributions amounting to $36,222,000 to the Retiree Health Benefit Trust, in an effort to advance fund a portion of its retiree health benefits obligation. Additional discussion is provided at Note 13.

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 reclassified to be included in the cost of the related capital asset. This

reclassification is reflected in the statement of revenues, expenses and changes in net assets as a reduction of operating expenses. The amounts of $33,785,000 and $33,612,000 were capitalized during the years ended June 30, 2006 and 2005, 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
In April of 2004, the GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement establishes accounting and financial reporting standards for plans that provide postemployment benefits other than pension benefits (known as other postemployment benefits or OPEB). This standard will become effective for the District's Retiree Health Benefit Trust on July 1, 2006.

In June of 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition, and display of OPEB expense and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local government employers. The District is in the process of analyzing the impact that adopting this statement will have on its financial position and results of operations. This standard becomes effective for the District beginning July 1, 2007.

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):

	2006			2005		
	Unrestricted	**Restricted**	**Total**	**Unrestricted**	**Restricted**	**Total**
Current assets						
Cash and cash equivalents	$ 129,349	$ 198,896	$ 328,245	$ 162,404	$ 189,518	$ 351,922
Investments	167,708	65,927	233,635	61,048	21,460	82,508
Noncurrent assets						
Investments	-	171,315	171,315	17,793	166,363	184,156
Total	$ 297,057	$ 436,138	$ 733,195	$ 241,245	$ 377,341	$ 618,586

Investment Policy
The California Public Utilities Code, Section 29100, and the California Government Code, Section 53601, provide the basis for the District's investment policy. To meet the objectives of the investment policy – (1) preservation of capital, (2) liquidity, and (3) yield – the investment policy,

approved by the Board of Directors, specifically identifies the types of permitted investments, as well as any maturity limits and other restrictions. The District's investment policy, which is more restrictive than required by law, allows investments in the following:

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

The District's investments include amounts invested in the State of California Local Agency Investment Fund (LAIF). The total amount invested by all public agencies in LAIF at June 30, 2006 was $16.4 billion. LAIF is part of the State of California Pooled Money Investment Account (PMIA), whose balance at June 30, 2006 was $63.3 billion. Of this amount, 2.6% was invested structured notes and asset-backed securities and the remaining balance was invested in non-derivative instruments. PMIA is not SEC-registered, but is required to invest according to the California Government Code. The average maturity of PMIA investments was 152 days as of June 30, 2006. 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 done on a dollar to dollar basis.

Interest rate risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. One of the District's primary objectives is to provide sufficient liquidity to meet its cash outflow needs, however, the District does not have any policies specifically addressing interest rate risk. A summary of investments by type of investments and by segmented time distribution as of June 30, 2006 and 2005 is as follows (dollar amounts in thousands):

	2006	Investment Maturities (in Years)			
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Money market mutual funds	$ 173,076	$ 173,076	$ -	$ -	$ -
U.S. government agencies	286,835	233,526	19,744	363	33,202
Repurchase agreements	210,270	-	177,026	33,244	-
Local Agency Investment Fund	20,000	20,000	-	-	-
U.S. Treasury bills	1,132	1,132	-	-	-
Total investments	691,313	427,734	196,770	33,607	33,202
Deposits with banks	40,699	40,699	-	-	-
Certificates of deposit	803	-	803	-	-
Imprest funds	380	380	-	-	-
Total cash and investments	$ 733,195	$ 468,813	$ 197,573	$ 33,607	$ 33,202

	2005	Investment Maturities (in Years)			
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Money market mutual funds	$ 232,646	$ 232,646	$ -	$ -	$ -
U.S. government agencies	207,862	139,323	27,357	402	40,780
Repurchase agreements	100,283	-	67,652	32,631	-
Local Agency Investment Fund	23,758	23,758	-	-	-
U.S. Treasury notes	15,133	-	15,133	-	-
U.S. Treasury bills	2,317	2,317	-	-	-
Total investments	581,999	398,044	110,142	33,033	40,780
Deposits with banks	35,407	35,407	-	-	-
Certificates of deposit	800	-	800	-	-
Imprest funds	380	380	-	-	-
Total cash and investments	$ 618,586	$ 433,831	$ 110,942	$ 33,033	$ 40,780

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. government agencies, bank repurchase agreements (underlying of U.S. Treasury securities) and in money market mutual funds. There are no investment limits on the securities of U.S. Treasury or certain U.S. government agencies as these investments 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 national rating agencies as of June 30, 2006 and 2005 (dollar amounts in thousands):

	2006	Credit Ratings			
	Fair Value	AAA	AA	A	Not Rated
Money market mutual funds	$ 173,076	$ 173,076	$ -	$ -	$ -
U.S. Government agencies	286,835	242,955	-	11,017	32,863
Repurchase agreements	210,270	84,762	125,508	-	-
Local Agency Investment Fund	20,000	-	-	-	20,000
U.S. Treasury bills	1,132	-	-	-	1,132
Total investments	691,313	$ 500,793	$ 125,508	$ 11,017	$ 53,995
Deposits with banks	40,699				
Certificates of deposit	803				
Imprest funds	380				
Total cash and investments	$ 733,195				

	2005	Credit Ratings			
	Fair Value	AAA	AA	A	Not Rated
Money market mutual funds	$ 232,646	$ 232,646	$ -	$ -	$ -
U.S. Government agencies	207,862	26,241	-	140,179	41,442
Repurchase agreements	100,283	67,652	32,631	-	-
Local Agency Investment Fund	23,758	-	-	-	23,758
U.S. Treasury notes	15,133	15,133	-	-	-
U.S. Treasury bills	2,317	2,317	-	-	-
Total investments	581,999	$ 343,989	$ 32,631	$ 140,179	$ 65,200
Deposits with banks	35,407				
Certificates of deposit	800				
Imprest funds	380				
Total cash and investments	$ 618,586				

Concentration of credit risk

The District'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. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from this requirement as they are normally diversified themselves.

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 (Trust)

Investment Policy

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

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

Interest rate risk

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

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

A summary of investments by type of investments and by segmented time distribution as of June 30, 2006 and 2005 is as follows (dollar amounts in thousands):

	2006	Investment Maturities (in Years)			
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Treasury obligations	$ 11,099	$ 901	$ 787	$ 2,587	$ 6,824
Money market mutual funds	3,455	3,455	-	-	-
Corporate obligations	2,827	15	1,040	522	1,250
Foreign obligations	336	-	43	198	95
Investments subject to interest rate risk	17,717	$ 4,371	$ 1,870	$ 3,307	$ 8,169
Domestic common stocks	24,207				
Foreign stocks	428				
Total investments	$ 42,352				

	2005	Investment Maturities (in Years)			
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Treasury obligations	$ 9,361	$ 347	$ 1,161	$ 1,317	$ 6,536
Money market mutual funds	5,770	5,770	-	-	-
Corporate obligations	3,649	247	1,465	559	1,378
Foreign obligations	205	-	107	69	29
Investments subject to interest rate risk	18,985	$ 6,364	$ 2,733	$ 1,945	$ 7,943
Domestic common stocks	20,605				
Total investments	$ 39,590				

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 national rating agencies as of June 30, 2006 and 2005 (dollar amounts in thousands):

	2006	Credit Ratings				
	Fair Value	AAA	AA	A	BBB	Not Rated
US Treasury obligations	$ 11,099	$ 11,099	$ -	$ -	$ -	$ -
Money market mutual funds	3,455	-	-	-	-	3,455
Corporate obligations	2,827	1,778	34	408	607	-
Foreign obligations	336	151	-	142	43	-
Investments subject to credit risk	17,717	$ 13,028	$ 34	$ 550	$ 650	$ 3,455
Domestic common stocks	24,207					
Foreign stocks	428					
Total investments	$ 42,352					

	2005 Fair Value	Credit Ratings AAA	AA	A	BBB	BB	Not Rated
US Treasury obligations	$ 9,361	$ 9,361	$ -	$ -	$ -	$ -	$ -
Money market mutual funds	5,770	-	-	-	-	-	5,770
Corporate obligations	3,649	2,028	218	532	775	96	-
Foreign obligations	205	28	-	42	135	-	-
Investments subject to credit risk	18,985	$ 11,417	$ 218	$ 574	$ 910	$ 96	$ 5,770
Domestic common stocks	20,605						
Total investments	$ 39,590						

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, 2006 and 2005 (dollar amounts in thousands):

	2006	2005
Interest receivable - trust for sublease obligation	$ 30,950	$ 25,126
Interest receivable - other investments	561	723
Deferred charges - interest on defeased bonds	24,510	38
Deferred charges - other	1,074	1,187
Local financial assistance - SamTrans	8,085	13,092
Deposit for power supply	7,594	-
Ticket vendors	4,407	3,309
Notes receivable	4,184	4,236
Capitol Corridor Joint Powers Authority	2,479	8,262
Property taxes	1,763	734
Prepaid expenses	1,578	2,408
Imprest deposits for self-insurance liabilities	522	1,009
Other	1,987	1,945
Allowance for doubtful accounts - SamTrans	(7,500)	(5,000)
Allowance for doubtful accounts - other	(71)	-
Total receivables and other assets	$ 82,123	$ 57,069
Current, unrestricted portion	$ 16,722	$ 30,517
Noncurrent, unrestricted portion	25,478	1,113
Noncurrent, restricted portion	39,923	25,439
Total receivables and other assets, as presented in the basic financial statements	$ 82,123	$ 57,069

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

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

The District recorded a gain on the sale of approximately $2,015,000, which is equal to the amount of cash received on the sale. The gain was deferred and is being amortized over 30 years. In addition, the District recorded a receivable of $48,368,000 and a capital lease obligation of the same amount. The receivable and the liability will be reduced by a corresponding amount over the term of the lease. At June 30, 2006 and 2005, the balance of the deferred gain was $1,052,000 and $1,107,000, respectively. The balance of both the receivable and the liability was $14,195,000 and $17,349,000 as of June 30, 2006 and 2005, respectively and is reflected in the statements of net assets as a capital lease receivable and capital lease liability, respectively. Other than the cash received upon the sale, no cash will be exchanged between the parties in settlement of the receivable and liability.

At June 30, 2006 and 2005 the balances of the capital lease receivable and of the capital lease liability related to the sale/leaseback are summarized as follows (dollar amounts in thousands):

	2006	2005
Amounts at beginning of year	$ 17,349	$ 20,504
Amounts collected/repaid during the year	(3,154)	(3,155)
Balance at end of year	14,195	17,349
Less - current portion	(3,154)	(3,154)
Net noncurrent portion	$ 11,041	$ 14,195

The District's capital lease receivable and capital lease liability have the following maturities for each of the next five fiscal years, which are summarized as follows (dollar amounts in thousands):

Fiscal Year Year Ending June 30	Annual Installments
2007	$ 3,154
2008	3,155
2009	3,154
2010	3,155
2011	1,577
	$ 14,195

Accumulated depreciation related to the C-2 rail cars covered by the sale/leaseback agreement totaled $20,526,000 and $18,673,000 as of June 30, 2006 and 2005, respectively.

5. Capital Assets

Changes to capital assets during the year ended June 30, 2006 were as follows (dollar amounts in thousands):

	Lives (Years)	2005	Additions and Transfers	Retirements and Transfers	2006
Capital assets, not being depreciated					
Land	N/A	$ 513,849	$ 14,713	$ (4,170)	$ 524,392
Construction in progress	N/A	861,809	108,803	(289,667)	680,945
Total capital assets, not being depreciated		1,375,658	123,516	(293,837)	1,205,337
Capital assets, being depreciated					
Stations, track, structures and improvements	80	3,311,632	258,520	(7)	3,570,145
Buildings	80	21,871	-	(14,399)	7,472
System-wide operation and control	20	510,286	9,080	(1,055)	518,311
Revenue transit vehicles	30	1,042,346	-	-	1,042,346
Revenue transit vehicles under captial lease	30	55,593	-	-	55,593
Service and miscellaneous equipment	3-20	61,416	99	(2,066)	59,449
Capitalized construction and start-up costs	30	98,305	-	-	98,305
Repairable property items	30	16,161	-	(982)	15,179
Total capital assets, being depreciated		5,117,610	267,699	(18,509)	5,366,800
Less accumulated depreciation		(1,495,399)	(145,306)	12,757	(1,627,948)
Total capital assets, being depreciated, net		3,622,211	122,393	(5,752)	3,738,852
Total capital assets, net		$ 4,997,869	$ 245,909	$ (299,589)	$ 4,944,189

Changes to capital assets during the year ended June 30, 2005 were as follows (dollar amounts in thousands):

	Lives (Years)	2004	Additions and Transfers	Retirements and Transfers	2005
Capital assets, not being depreciated					
Land	N/A	$ 481,466	$ 32,720	$ (337)	$ 513,849
Construction in progress	N/A	1,032,910	114,511	(285,612)	861,809
Total capital assets, not being depreciated		1,514,376	147,231	(285,949)	1,375,658
Capital assets, being depreciated					
Stations, track, structures and improvements	80	3,079,442	232,862	(672)	3,311,632
Buildings	80	27,333	-	(5,462)	21,871
System-wide operation and control	20	501,409	9,004	(127)	510,286
Revenue transit vehicles	30	1,037,986	4,364	(4)	1,042,346
Revenue transit vehicles under captial lease	30	55,593	-	-	55,593
Service and miscellaneous equipment	3-20	52,017	13,868	(4,469)	61,416
Capitalized construction and start-up costs	30	98,305	-	-	98,305
Repairable property items	30	16,114	47	-	16,161
Total capital assets, being depreciated		4,868,199	260,145	(10,734)	5,117,610
Less accumulated depreciation		(1,372,798)	(128,697)	6,096	(1,495,399)
Total capital assets, being depreciated, net		3,495,401	131,448	(4,638)	3,622,211
Total capital assets, net		$ 5,009,777	$ 278,679	$ (290,587)	$ 4,997,869

The District has completed construction of Phase 1 of an extension program that added 38 miles of track and 10 new stations to the system at a total cost of approximately $3,477,127,000. The funding for Phase 1 came from the Federal Government ($877,634,000), State of California ($741,770,000), San Mateo County ($502,719,000), Alameda and Contra Costa Counties ($505,000,000), bridge tolls ($279,811,000), San Francisco International Airport ($200,000,000), and the District ($370,193,000).

With the completion and pending close out of the project phase of the San Francisco Airport Extension, the District's focus turns to other important projects and cooperative studies. Looking east, the proposed East Contra Costa BART Extension (eBART) in Contra Costa County is moving forward in cooperation with affected jurisdictions, and the West Dublin/Pleasanton Infill Station is moving closer to construction. Projects grappling with funding shortfalls include the Oakland Airport Connector (OAC), for which the District is looking at alternative delivery options to move forward, and the Warm Springs Extension. Additionally, BART is leading the Regional Measure 2 (RM2) funded Regional Rail Study, which will attempt to define the passenger rail network in the Bay Area

The District has entered into contracts for the construction of various facilities and equipment totaling approximately $553,859,000 at June 30, 2006, and $492,974,000 in 2005.

Under the Federal Full Funding Grant Agreement, $1,347,230,000 was approved for project costs associated with the San Francisco International Airport Extension ("SFO Extension project") with funding participation from the Federal Government, State of California and certain local agencies. As a local funding participant, the San Francisco International Airport Commission ("SFIA") pledged to contribute funds to the federally approved project up to $77,000,000. The District entered into various agreements with the City and County of San Francisco, acting by and through SFIA, which defined the specific project costs that could be funded from the $77,000,000 contribution. The agreements stated that the contribution would be used for the eligible BART Operating Systems Work on the portion of the project related to the San Francisco International Airport station ("On Airport project"). Eligible project costs include the design, construction, construction support, management and oversight, general and administrative costs and other associated costs of the On Airport project. Based on the agreements between SFIA and the District, SFIA shall own all rights, titles and interest associated with the assets paid from the $77,000,000 until the end of the projected useful life of each asset at which time, all of SFIA's rights, titles and interest associated with the assets shall transfer to the District, without payment by the District. The risk of loss on all assets acquired from the SFIA contributions are, at all times, assumed by the District.

The construction of the SFO Extension project was completed in 2003 and revenue operations started on June 22, 2003. All costs incurred as of June 30, 2006, including those paid from and/or incurred against the SFIA contribution, have been capitalized to capital assets and accordingly are subject to depreciation. As of June 30, 2006, the capital assets related to the SFIA contribution amounted to $61,374,000 with an accumulated depreciation of $2,712,000.

6. Accounts Payable and Other Liabilities

The District reports the following aggregated payables as accounts payable and other liabilities in the statements of net assets as of June 30, 2006 and 2005 (dollar amounts in thousands):

	2006	2005
Payable to vendors and contractors	$ 77,430	$ 71,401
Employee salaries and benefits	72,594	70,152
Accrued interest payable	21,123	22,542
MTC advance for debt service	12,480	11,979
Liabilities at the end of year	183,627	176,074
Less noncurrent portion, reported as other liabilities	(258)	(657)
Net current portion	$ 183,369	$ 175,417

7. Long-Term Debt

Long-term debt activity for the years ended June 30, 2006 and 2005 is summarized as follows (dollar amounts in thousands):

	2005	Additions/ Accretion	Payments/ Amortization	2006
1990 Sales Tax Revenue Refunding Bonds	$ 28,775	$ -	$ -	$ 28,775
1995 Sales Tax Revenue Bonds	47,590	-	(47,590)	-
1998 Sales Tax Revenue Bonds	341,190	-	(169,425)	171,765
1999 Sales Tax Revenue Bonds	131,300	-	(131,300)	-
2001 Sales Tax Revenue Bonds	165,965	-	(19,640)	146,325
2005 Sales Tax Revenue Refunding Bonds	-	352,095	-	352,095
2006 Sales Tax Revenue Bonds	-	64,915	-	64,915
TFA Bridge Toll Notes	30,280	-	(8,495)	21,785
Construction Loans	123,900	8,495	(3,000)	129,395
FTA Capital Grant Bonds	131,250	-	(84,920)	46,330
Lease/Leaseback Obligation	178,879	-	(38,627)	140,252
2002 SFO Extension Premium Fare Bonds	56,715	-	-	56,715
2004 SFO Extension Refunding Bonds	66,000	-	(10,300)	55,700
2005 General Obligation Bonds	100,000	-	-	100,000
	1,401,844	425,505	(513,297)	1,314,052
Add (less):				
Accumulated Accretion on Lease/Leaseback Obligation	18,554	12,049	(12,846)	17,757
Debt related items*	(14,329)	22,936	(987)	7,620
Long-term debt net of accumulated accretion and debt related items	1,406,069	$ 460,490	$ (527,130)	1,339,429
Less: current portion of long-term debt	(172,782)			(152,172)
Net long-term debt	$ 1,233,287			$ 1,187,257

* Debt related items consist of deferred bond issuance costs, discounts and premiums.

	2004	Additions/ Accretion	Payments/ Amortization	2005
1990 Sales Tax Revenue Refunding Bonds	$ 38,390	$ -	$ (9,615)	$ 28,775
1995 Sales Tax Revenue Bonds	49,800	-	(2,210)	47,590
1998 Sales Tax Revenue Bonds	345,050	-	(3,860)	341,190
1999 Sales Tax Revenue Bonds	133,160	-	(1,860)	131,300
2001 Sales Tax Revenue Bonds	165,965	-	-	165,965
TFA Bridge Toll Notes	38,355	-	(8,075)	30,280
Construction Loans	115,825	8,075	-	123,900
FTA Capital Grant Bonds	281,540	-	(150,290)	131,250
Lease/Leaseback Obligation	180,207	-	(1,328)	178,879
2002 SFO Extension Premium Fare Bonds	56,715	-	-	56,715
2004 SFO Extension Refunding Bonds	66,000	-	-	66,000
2005 General Obligation Bonds	-	100,000	-	100,000
	1,471,007	108,075	(177,238)	1,401,844
Add (less):				
Accumulated Accretion on Lease/Leaseback Obligation	10,445	13,497	(5,388)	18,554
Debt related items*	(15,392)	789	274	(14,329)
Long-term debt net of accumulated accretion and debt related items	1,466,060	$ 122,361	$ (182,352)	1,406,069
Less: current portion of long-term debt	(93,631)			(172,782)
Net long-term debt	$ 1,372,429			$ 1,233,287

* Debt related items consist of deferred bond issuance costs, discounts and premiums.

1990 Sales Tax Revenue Refunding Bonds (the 1990 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 Bonds are special obligations of the District payable from and collateralized by a pledge of the sales tax revenues. At June 30, 2006, the 1990 Bonds consist of $28,775,000 in current interest serial bonds due from 2010 to 2011 with an interest rate of 6.75%. The 1990 Bonds included capital appreciation bonds with an accreted value of $21,252,000 and the final payment matured on July 1, 2004.

1995 Sales Tax Revenue Bonds (the 1995 Bonds)

In June 1995, the District issued sales tax revenue bonds totaling $135,000,000 to provide funds for certain capital improvements including rehabilitation of District vehicles and facilities and energy conservation measures. The 1995 Bonds are special obligations of the District payable from and collateralized by a pledge of sales tax revenues. In July 2001, the District used part of the proceeds from the 2001 Sales Tax Revenue Bonds to defease $18,585,000 in serial bonds due from 2002 to 2010 and $19,915,000 in term bonds due from 2012 to 2015. In August 2005, 1995 Bonds with a total principal amount of $45,275,000 were refunded from the proceeds of the 2005 Bonds. At June 30, 2006, there are no outstanding 1995 Bonds.

1998 Sales Tax Revenue Bonds (the 1998 Bonds)

In March 1998, the District issued sales tax revenue bonds totaling $348,510,000 to provide funds for certain capital improvements, including rehabilitation of the District's vehicles and facilities, to repay obligations of approximately $49,645,000 related to a lease of certain telecommunications equipment, and to refund certain outstanding bonds with principal amounts of $155,115,000 to achieve debt service savings. The 1998 Bonds are special obligations of the District payable from and collateralized by a pledge of sales tax revenues. In August 2005, a portion of the 1998 Bonds with an aggregate principal amount of $155,650,000 were refunded from the proceeds of the 2005 Bonds. At June 30, 2006, the 1998 Bonds consist of $51,935,000 in serial bonds due from 2006 to 2018 with interest rates ranging from 4.13% to 5.50%, a $79,105,000 term bond due July 1, 2023 with an interest rate of 4.75% and a $40,725,000 term bond due July 1, 2028 with an interest rate of 5%. The District is required to make sinking fund payments on the term bond due July 1, 2023 beginning on July 1, 2019 and on the term bond due July 1, 2028 beginning on July 1, 2024. In addition, the 1998 bonds maturing after June 30, 2009 may be redeemed prior to their respective maturities after June 30, 2008 at the option of the District at prices ranging from 100% to 101%.

1999 Sales Tax Revenue Bonds (the 1999 Bonds)

In October 1999, the District issued sales tax revenue bonds totaling $134,945,000 to provide funds for certain capital improvements including rehabilitation of the District's vehicles, initial deposit to a capital reserve account for the SFO Extension project and rehabilitation of the District's maintenance facility. The 1999 Bonds are special obligations of the District, payable from and collateralized by a pledge of sales tax revenues. In August 2005, the total outstanding principal amount of $129,360,000 of the 1999 Bonds was refunded from the proceeds of the 2005 Bonds. There are no outstanding 1999 Bonds at June 30, 2006.

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 to achieve cash flow savings by extending the debt service requirements further into the future and to take advantage of lower interest rates. In August 2005, 2001 Bonds with principal amounts totaling $19,640,000 were refunded from the proceeds of the 2005 Bonds. At June 30, 2006, the 2001 Bonds consist of $38,350,000 in serial bonds due from 2012 to 2021 with interest rates ranging from 4.375% to 5.250%, a $27,420,000 term bond due July 1, 2026 with an interest rate of 5%, a $35,205,000 term bond due July 1, 2031 with an interest rate of 5%, and a $45,350,000 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 Bonds)

In August 2005, the District issued the Sales Tax Revenue Bonds, Refunding Series 2005 A (2005 Bonds) totaling $352,095,000. The proceeds of the 2005 Bonds, including the net original issue premium of $17,151,000, were 1) placed into an irrevocable escrow account 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 to achieve cash flow savings and 2) to pay costs of issuance of the 2005 Bonds. The 2005 Bonds are special obligations of the District, payable from and collateralized by a pledge of sales tax revenues. At June 30, 2006, the 2005 Bonds consist of $264,625,000 in serial bonds due from 2006 to 2030 with interest rates ranging from 3.00% to 5.00% and two 5.00% term bonds in the amounts of $55,685,000 and $31,785,000 due in 2030 and 2034, respectively. This refunding resulted in a cash flow savings of $19,326,000 and an economic gain of $16,768,000

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, 2006, the 2006 Bonds outstanding consist of $20,110,000 in serial bonds due from 2014 to 2026 with interest rates ranging from 4.00% to 4.625%, $17,995,000 in term bonds due July 1, 2031 with 5.000% interest rate and $26,810,000 in term bonds due July 1, 2036 at 5.000% 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.

Transit Financing Authority (Authority) Bridge Toll Notes
In order to fund a portion of the costs of the extension project at the San Francisco International Airport (SFO Extension project), in September 1999, the Authority issued a limited liability note (the "Bridge Toll Note") in the amount of $65,680,000, payable from and collateralized solely by a pledge of certain bridge toll revenues allocated to the District by MTC. At June 30, 2006, the notes outstanding amount to $21,785,000 with interest rates ranging from 5.00% to 5.75% and mature from August 2006 through February 2007. (For information on the Authority, see Notes 1 and 15.)

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.

Pursuant to the MOU, the construction loans as of June 30, 2006, consist of funds received for the SFO Extension project costs from SamTrans for $72,000,000 and MTC for $16,500,000 and $40,895,000 from MTC for the SFO Extension 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 project cost loans from SamTrans and MTC totaling $88,500,000 plus the District's $50,000,000, will commence after SamTrans' capital contribution to the District's Warm Springs Extension project is fully paid from future net operating surplus. Under the terms of the MOU, MTC's loan for the project's temporary cash requirements of $40,895,000 will be repaid, without interest, when the District receives the last Federal Full Funding Grant allocation for the

SFO Extension project, currently expected to be in fiscal year 2007. On June 28, 2006, the District and MTC entered into a Loan Extension and Repayment Agreement, where MTC agreed to extend the repayment period and amortize the principal for the loan over a nine year term, charging 3% simple interest, with final payment due in June 2015. Under the agreement certain STA funds to be received by the District are required to be used to prepay the loan.

FTA Capital Grant Bonds

On February 15, 2001, the Association of Bay Area Governments ("ABAG") issued BART SFO Extension Bonds (FTA Capital Grant), 2001 Series A, in the amount of $485,350,000. The FTA Capital Grant bonds were issued for the benefit of the District's SFO Extension project. The proceeds were used mainly to provide additional financing for the SFO Extension and to refund and defease $300,000,000 aggregate principal amount of the San Francisco Bay Area Transit Financing Authority Commercial Paper Notes, Series A, B, C, D, E and F. The bonds are limited obligations of ABAG and are payable from the monies coming from the Federal Full Funding Grant Agreement between the United States Department of Transportation, Federal Transit Administration and the District for the District's SFO Extension project. The District's obligation to make bond payments is not a general obligation of the District. Payment of the principal and interest on the bonds when due are insured by a financial guaranty insurance policy issued by an insurance company. In fiscal year 2006, $5,000,000 ($1,040,000 in fiscal year 2005) of the bonds due in fiscal year 2008 and $15,710,000 ($87,955,000 in fiscal year 2005) of the bonds due in fiscal year 2009 were paid in advance. At June 30, 2006, the bonds outstanding amount to $46,330,000 in serial bonds, with interest rates ranging from 3.75% to 5.00% with maturities on June 15, 2007.

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. 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 this transaction, the District maintains the right to continued use and control of the Network through the end of the sublease term.

The details of the lease/leaseback obligation, including the accretion of interest, are as follows (dollar amounts in thousands):

	2006	2005
Long-term debt at beginning of year	$ 197,433	$ 190,652
Interest expense incurred during the year	12,049	13,497
Payments made towards principal	(38,627)	(1,328)
Payments made towards accumulated accretion	(12,846)	(5,388)
	158,009	197,433
Lease payments due in one year	(39,362)	(46,647)
Net long-term debt at end of year	$ 118,647	$ 150,786

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 payment of the principal and interest when due are insured by a financial guaranty insurance policy issued by an insurance company. At June 30, 2006, the 2002 Airport Premium Fare Bonds consist of $21,515,000 in serial bonds due from 2006 to 2022 with interest rates ranging from 2.25% 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.

2004 SFO Extension Refunding Bonds (the Airport Refunding Bonds)

On June 14, 2004, ABAG issued BART SFO Extension Refunding Bonds (FTA Capital Grant), 2004 Series A (Auction Rate Securities) with an aggregate principal amount of $66,000,000 for the benefit of the District. The Airport Refunding Bonds were issued in order to refund a portion of the ABAG BART SFO Extension Bonds (FTA Capital Grant), 2001 Series A, to fund the reserve fund deposit with respect to the Airport Refunding Bonds, and to pay certain costs of issuance of the bonds. The issuance of the Airport Refunding Bonds had the effect of freeing up $14,600,000 from the debt service reserve fund of the BART SFO Extension Bonds (FTA Capital Grant), 2001

Series A, and making the amount available as an additional source of cash for the payment of the SFO Extension Project expenditures. The Airport Refunding Bonds are limited obligations of ABAG payable solely from and collateralized by amounts received from the District pursuant to the Pledge Agreement dated February 1, 2001 between ABAG and the District, amounts on deposit in the funds and accounts established under the Indenture (except the Rebate Fund and any Bond Purchase Fund), and investment earnings thereon. Amounts payable by the District pursuant to the Pledge Agreement are payable solely from and collateralized by amounts received by the District pursuant to a Full Funding Grant Agreement with the United States of America, acting through the Department of Transportation, Federal Transit Administration (the "Grant Agreement") and revenues, if any, under an interest rate cap agreement executed by the District in connection with the Airport Refunding Bonds. The financial obligation of the District under the Pledge Agreement is solely to transfer all receipts under the Grant Agreement to the Trustee. The Airport Refunding Bonds are not a general obligation of ABAG. The Airport Refunding Bonds were issued initially as Auction Rate Securities at an interest rate of 1.05%. Thereafter, the Airport Refunding Bonds will bear interest at the Auction Rate for the Auction Period, until a conversion to a daily, weekly, bond interest term or long-term interest rate period occurs. The initial auction period was on June 21, 2004, with the subsequent auction dates generally scheduled on each Monday of each week. The last auction date in fiscal year 2006 was on June 27, 2006 and the winning interest rate was 3.620%. An auction period generally consists of seven days. Interest payments are payable on the day following the end of each auction period. Payment of the principal and interest when due is insured by a financial guaranty insurance policy issued by an insurance company. The Airport Refunding Bonds are not subject to optional tender for purchase, nor does the District have a commitment to purchase them in the event of a "failed" auction. However, the bonds would be subject to mandatory tender if the District elects to convert the bonds to a different interest rate mode, provided certain conditions regarding the conversion are satisfied. The Airport Refunding Bonds are also subject to redemption prior to their stated maturity in part, by lot, from Mandatory Sinking Account Payments, on any June 15, or on after June 15, 2008, at the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium.

The interest rate cap has an initial notional amount of $66,000,000, reducing to $19,975,000 on June 15, 2008 and maturing on June 15, 2009. The reduction is tied to the principal amount and mandatory sinking fund payment schedule of the Series 2004 Bonds. The cap provides for payments to the District if the BMA Municipal Swap Index™ ("BMA") exceeds 7.00%. The cap effectively limits the amount the District is required to pay pursuant to the Pledge Agreement. Since the interest rate on the Series 2004 Bonds is reset weekly, the District chose to hedge its exposure to high interest rates by the purchase of the interest rate cap.

Terms

Under the interest rate cap agreement, the District will receive, on an annual basis, payments from Citibank N.A. should BMA, or any successor index exceed 7.00%. The District paid $248,000 upfront to Citibank N.A. for the interest rate cap for the full term of the agreement. The agreement terminates on June 15, 2009, which is the final maturity of the Series 2004 Bonds.

As of June 30, 2006, the notional amount of the rate cap was $66,000,000, which was $10,300,000 greater than the amount of outstanding Series 2004 Bonds. This is due to the District's redemption of $10,300,000 of the Series 2004 Bonds on June 15, 2006. After the redemption $55,700,000 of the Series 2004 Bonds remained outstanding.

Credit Risk
As of June 30, 2006, the interest rate cap agreement had a fair market value of $65. Citibank N.A. is rated Aa1 by Moody's Investors Service, AA by Standard & Poor's, and AA+ by Fitch Ratings.

Basis Risk
The interest rate cap agreement exposes the District to basis risk due to any difference between the actual variable interest rate on the Airport Refunding Bonds and BMA. While BMA is a national tax-exempt index commonly used as a proxy for variable rate transactions, there is no guarantee that BMA will perform exactly as the District's variable interest rate. While the District believes BMA is a reasonable proxy for the District's expected variable interest rate, it is possible that the District's variable interest rate could exceed 7.00% while BMA does not. In this case the District would pay interest costs in excess of 7.00%.

Termination Risk
The District retains the right to terminate the interest rate cap prior to maturity. If the interest rate cap agreement is terminated, the interest rate on the Airport Refunding Bonds would no longer be effectively capped at 7.00%.

2005 General Obligation Bonds (the 2005 GO Bonds)
In May 2005, the District issued the General Obligation Bonds (Elections 2004), 2005 Series A (2005 GO Bonds) 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, 2006, the 2005 GO Bonds consist of $80,385,000 in serial bonds due from 2006 to 2026 with interest ranging from 2.75% 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.

Defeased Bonds

On various dates, the District issued bonds to refund certain outstanding sales tax revenue bonds previously issued by the District. In March 1998, the District used a portion of the proceeds of the 1998 Bonds to defease certain bonds outstanding with principal amounts totaling $155,115,000. In July 2001, the District issued the 2001 Bonds and used a portion of the proceeds to defease selected bonds outstanding with principal amounts adding up to $41,175,000. In August 2005, the District refunded $349,925,000 aggregate principal amount of bonds outstanding from the proceeds of the 2005 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.

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

The outstanding principal balance of the defeased bonds as of June 30, 2006 is $349,925,000, which relates to the bonds defeased in August 2005. The bonds defeased in March 1998 and July 2001 were all fully paid in fiscal year 2006.

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 which amounted to $34,547,000 for all defeasance. These deferred charges are amortized over the life of the defeased bonds. Amortization expense on these deferred charges was $931,000 in fiscal year 2006 and $478,000 in fiscal year 2005. The deferred charges related to the March 1998 and July 2001 defeasance amounting to $9,143,000 were fully amortized in fiscal year 2006.

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, 2006, the District has recorded an estimated arbitrage liability amounting to $674,000 and $1,582,000 in 2005, which is included in other liabilities in the statements of net assets.

Debt Repayments

The following is a schedule of long-term debt principal and interest payments required as of June 30, 2006 (dollar amounts in thousands):

Sales Tax Revenue Bonds

Year ending June 30:	1990 Bonds Principal	1990 Bonds Interest	1998 Bonds Principal	1998 Bonds Interest	2001 Bonds Principal	2001 Bonds Interest	2005 Bonds Principal	2005 Bonds Interest	2006 Bonds Principal	2006 Bonds Interest
2007	$ -	$ 1,942	$ 8,675	$ 8,038	$ -	$ 7,310	$ 12,655	$ 16,017	$ -	$ 3,148
2008	-	1,942	5,540	7,734	-	7,310	13,650	15,458	-	3,131
2009	-	1,942	5,895	7,480	-	7,310	14,295	14,884	-	3,131
2010	-	1,943	6,205	7,139	-	7,310	14,965	14,227	-	3,131
2011	13,870	1,006	1,625	7,053	-	7,310	6,840	14,005	-	3,131
2012-2016	14,905	-	13,040	32,999	18,875	34,083	58,440	62,790	580	15,626
2017-2021	-	-	33,975	27,936	14,770	30,301	69,285	45,517	6,125	14,848
2022-2026	-	-	71,190	11,804	26,080	24,672	52,585	34,150	10,645	12,884
2027-2031	-	-	25,620	1,323	33,490	17,077	77,595	13,621	2,760	9,552
2032-2036	-	-	-	-	43,090	7,210	31,785	2,481	17,995	4,225
2037-2041	-	-	-	-	10,020	-	-	-	26,810	-
	$ 28,775	$ 8,775	$ 171,765	$ 111,506	$ 146,325	$ 149,893	$ 352,095	$ 233,150	$ 64,915	$ 72,807

Year ending June 30:	TFA Bridge Toll Notes Principal	TFA Bridge Toll Notes Interest	Construction Loans Principal	Construction Loans Interest	FTA Capital Grant Bonds Principal	FTA Capital Grant Bonds Interest	Lease/ Leaseback Obligation Principal	Lease/ Leaseback Obligation Interest
2007	$ 21,785	$ 560	$ 10,000	$ 1,410	$ 46,330	$ 2,160	$ 28,826	$ 10,536
2008	-	-	5,000	1,410	-	-	7,783	5,029
2009	-	-	5,000	1,260	-	-	713	6,586
2010	-	-	8,000	1,110	-	-	17,086	9,116
2011	-	-	8,000	870	-	-	5,192	2,923
2012-2016	-	-	4,895	1,170	-	-	-	3,611
2017-2021	-	-	-	-	-	-	80,652	83,533
2022-2026	-	-	-	-	-	-	-	-
2027-2031	-	-	-	-	-	-	-	-
2032-2036	-	-	-	-	-	-	-	-
2037-3041	-	-	-	-	-	-	-	-
Thereafter	-	-	88,500	-	-	-	-	-
	$ 21,785	$ 560	$ 129,395	$ 7,230	$ 46,330	$ 2,160	$ 140,252	$ 121,334

Year ending June 30:	2002 SFO Extension Premium Fare Bonds Principal	2002 SFO Extension Premium Fare Bonds Interest	2004 SFO Extension Refunding Bonds* Principal	2004 SFO Extension Refunding Bonds* Interest	2005 General Obligation Bonds Principal	2005 General Obligation Bonds Interest	Total Principal	Total Interest
2007	$ 550	$ 2,722	$ -	$ 2,016	$ 12,815	$ 3,660	141,636	$ 48,984
2008	570	2,709	46,025	2,017	19,865	2,854	98,433	44,565
2009	640	2,693	9,675	723	25,960	1,955	62,178	45,773
2010	715	2,672	-	-	870	1,856	47,841	48,504
2011	795	2,647	-	-	895	1,829	37,217	40,774
2012-2016	5,345	12,616	-	-	4,915	8,670	120,995	171,565
2017-2021	8,435	10,866	-	-	5,900	7,603	219,142	220,604
2022-2026	12,575	8,177	-	-	7,445	5,953	180,520	97,640
2027-2031	18,010	4,270	-	-	9,440	3,898	166,915	49,741
2032-2036	9,080	273	-	-	11,895	1,297	113,845	15,486
2037-2041	-	-	-	-	-	-	36,830	-
Thereafter	-	-	-	-	-	-	88,500	-
	$ 56,715	$ 49,645	$ 55,700	$ 4,756	$ 100,000	$ 39,575	$ 1,314,052	$ 783,636

* A rate of 3.620%, which was the actual rate as of June 30, 2006, was used for the purposes of calculating the annual interest payment requirements for the 2004 SFO Extension Refunding Bonds.

8. Risk Management

The District is partially self-insured for workers' compensation, public liability and property damage claims. The self-insured retention for workers' compensation is $4,000,000. During the year, the self-insured retention for public liability and property damage increased from $2,000,000 to $5,000,000 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 5% 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 include estimates of claims that have been incurred but not yet reported, including loss adjustment expenses. Such reserves are reviewed by professional actuaries and are subject to periodic adjustments as conditions warrant.

The estimated liability for insurance claims at June 30, 2006 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, 2006 and 2005, the estimated amounts of these liabilities were $28,354,000 and $28,640,000, respectively. Changes in the reported liabilities since the beginning of the respective fiscal year are as follows (dollar amounts in thousands):

	2006	2005
Liabilities at beginning of year	$ 28,640	$ 27,007
Current year claims and changes in estimates	8,547	11,953
Payments of claims	(8,833)	(10,320)
Liabilities at the end of year	28,354	28,640
Less current portion	(9,174)	(9,340)
Net noncurrent portion	$ 19,180	$ 19,300

9. Federal Capital Financial Assistance

The U.S. Department of Transportation and other Federal agencies provide financial assistance to the District for capital projects, construction, planning and technical assistance. Cumulative information for grants which were active during the year ended June 30, 2006 are summarized as follows (dollar amounts in thousands):

	SFO Extension Project
Total approved project costs	$ 1,347,230
Total approved federal allocations received	749,575
Less: cumulative amounts of project costs incurred and earned	(752,000)
Capital grants receivable	$ (2,425)

	Other Capital Projects
Total approved project costs	$ 793,340
Total approved federal allocations	641,789
Less: cumulative amounts of project costs incurred and earned	(511,462)
Remaining approved federal allocation	$ 130,327

The SFO Extension Project is mainly covered by a Federal Full Funding Grant Agreement in the amount of $750,000,000, which authorizes the District to incur costs or expend local funds prior to an award of federal funding assistance without prejudice to possible future federal participation.

10. State and Local Financial Assistance

Capital Assistance

The District is eligible to receive local operating and capital assistance from the Transportation Development Act Funds ("TDA"). There was no TDA operating or capital assistance received in fiscal years 2006 or 2005.

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 allocation of $2,925,000 in fiscal year 2006, and none in fiscal year 2005. The District also received an STA capital allocation amounting to $1,170,000 in fiscal year 2004, of which $63,000 was earned during fiscal year 2006 and $837,000 in fiscal year 2005.

Operating Assistance

The District receives Paratransit funds provided to cities and transit operators from Alameda County Measure B funds to be used for services aimed at improving mobility for seniors and persons with disabilities. The Alameda County Transportation Improvement Authority ("ACTIA") is the administrator of Measure B funds. A summary of the transactions related to the Measure B funds allocated to the District for fiscal years 2006 and 2005 are as follows (dollar amounts in thousands):

	2006	2005
Prior year allocation received as revenue in the current year	$ 8	$ 8
Current year allocation received as revenue in the current year	1,549	1,211
Current year allocation accrued as revenue in the current year	5	240
	$ 1,562	$ 1,459

The District's revenues in fiscal 2006 and 2005 that relate to the Measure B funds were $1,562,000 and $1,459,000, respectively.

The financial assistance from San Mateo County Transit District ("SamTrans") relates to the reimbursement of a portion of the operating costs in excess of fare revenues identified to the SFO Extension, which covers the Colma, South San Francisco, San Bruno, San Francisco International Airport and Millbrae stations. For fiscal year ended June 30, 2006, the District recognized $10,206,000 and $14,730,000 in 2005 in operating financial assistance from SamTrans.

11. Employees' Retirement Benefits

Plan Description

All employees are eligible to 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 2,582 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 Plan's 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. Beginning on July 1, 1997, the unfunded actuarial accrued surplus or liability (past service liability) is amortized as a level percentage of future covered payroll over 13 years for the Miscellaneous Plan and the Safety Plan.

The District's covered payroll for employees participating in the Fund for the years ended June 30, 2006 and 2005 was $220,757,000 and $234,793,000, respectively. The District's 2006 and 2005 payroll for all employees was $252,919,000 and $261,269,000, respectively. The District, due to 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 contribution for fiscal year 2006 was determined by an actuarial valuation of the Plans as of June 30, 2003. The contribution rates for fiscal year 2006 were 8.717% and 2.615% in 2005 of covered payroll for the Miscellaneous Plan and 32.324% and 28.910% in 2005 for the Safety Plan. The significant actuarial economic assumptions used in the 2003 valuation to determine the annual required contribution were an investment rate of return of 7.75%, projected salary increases from 3.25% to 14.45% depending on age, service and type of employment, and annual payroll increases of 3.00% attributable to inflation and 0.25% due to production growth.

Since the District has made the actuarially-determined required contributions since 1988, the pension liability or asset was zero at June 30, 2006, in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*.

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

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed (%)	Net Pension Obligation
Miscellaneous Plan:	June 30, 2004	$ -	-	$ -
	June 30, 2005	5,586	100	-
	June 30, 2006	17,849	100	-
Safety Plan:	June 30, 2004	465	100	-
	June 30, 2005	4,534	100	-
	June 30, 2006	4,925	100	-

Funded Status

The funded status applicable to the District's employee group at June 30, 2005 (the latest available for the Fund) is summarized as follows (dollar amounts in thousands):

Funded Status of the Miscellaneous Plan

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status (%)	Annual Covered Payroll	UAAL as a Percentage of Payroll (%)
6/30/03	$ 939,072	$ 950,571	$ (11,499)	101.2	$ 202,170	(5.7)
6/30/04	1,023,593	992,217	31,376	96.9	209,675	15.0
6/30/05	1,138,543	1,071,223	67,320	94.1	214,698	31.4

Funded Status of the Safety Plan

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status (%)	Annual Covered Payroll	UAAL as a Percentage of Payroll (%)
6/30/03	$ 100,960	$ 82,329	$ 18,631	81.5	$ 14,277	130.5
6/30/04	113,237	87,575	25,662	77.3	16,040	160.0
6/30/05	129,350	98,677	30,674	76.3	15,221	201.5

12. Money Purchase Pension Plan

Most District employees participate in the Money Purchase Pension Plan, which is a supplemental retirement defined contribution plan. In January 1981, the District's employees elected to withdraw from the Federal Social Security System ("FICA") and established the Money Purchase Pension Plan. The District contributes an amount equal to 6.65% of eligible employees' annual compensation (up to $29,700 after deducting the first $133 paid during each month) up to a maximum annual contribution of $1,868. The non-represented employees receive an additional contribution equal to 1.627% of their annual compensation. The annual compensation limit subject to the additional contribution is established by the Internal Revenue Code Section 401(a)(17). For employees hired on or before July 1, 1993, the annual compensation limit is $315,000 in calendar year 2006 and $305,000 in calendar year 2005. For employees hired after July 1, 1993, the annual compensation limit is $220,000 in calendar year 2006 and $210,000 in calendar year 2005. 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, 2006 and 2005 were $6,805,000 and $7,050,000, respectively. The Money Purchase Pension Plan assets at June 30, 2006 and 2005 (excluded from the accompanying financial statements) per the plan administrator's unaudited report were $262,898,000 and $258,846,000, respectively. At

June 30, 2006, there were approximately 304 (274 in 2005) participants receiving benefits under this plan.

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

13. Other Postemployment Benefits

Postemployment Health Care Cost

In addition to the retirement benefits described in Notes 11 and 12, and specified in the District's contractual agreements, the District provides postemployment health care benefits assistance to employees. Most employees who retire directly from the District or their surviving spouses are eligible 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. Currently, 1,226 retirees and surviving spouses (1,061 in 2005) are provided this benefit. The District paid up to $769,000 and $655,000 per month for health insurance premiums for the retirees and surviving spouses during fiscal years 2006 and 2005, respectively. These benefits, less a modest premium contribution, are fully paid by the District and accounted for on a pay-as-you-go basis. Cash reimbursements of these benefits totaled $8,634,000 in 2006 and $7,124,000 in 2005.

Retiree Health Benefit Trust

In 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new GASB statement will require the District to change its accounting for OPEB from pay-as-you-go to an accrual basis. If an employer elects to fund its OPEB liability, GASB 45 requires that for contributions to be recognized as an offset to the employer's actuarial required contribution, the contributions must be paid out in benefits or irrevocably transferred to a trust or an equivalent arrangement, and legally protected from creditors of the employer. The District will be required to implement the requirements of Statement No. 45 beginning in fiscal year 2008.

On May 18, 2004, the District created the Retiree Health Benefit Trust for the San Francisco Bay Area Rapid Transit District (the "Trust"). The purpose of establishing the Trust is to facilitate the provision of medical benefits and other health and welfare 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.

In fiscal year 2004, the District sold shares it had received in a transaction involving the demutualization of Principal Life Insurance Company. The demutualization-related cash received was transferred to the Trust in recognition of the District's desire to set aside funds that can be used to satisfy its retiree health benefits funding obligation. In addition to the demutualization-related cash, the District had also contributed in fiscal year 2005 cash proceeds from operations, which brought the total District contributions to the Trust as of June 30, 2006 to $36,222,000, which is shown as a special item (expense) in the statements of revenues, expenses and changes in net assets. At June 30, 2006, assets held in the Trust included investment in money market, U.S. Treasury obligations, corporate obligations, foreign obligations, foreign stocks, and domestic common stock with an aggregate fair value of $42,352,000. These investments are included in the District's financial statements and are restricted to use for payment of retiree benefit liabilities that will be recorded when GASB 45 is adopted.

14. Board of Directors' Expenses

Total Directors' expenses, consisting of travel and other business related expenses for the years ended June 30, 2006 and 2005 amounted to $37,000 and $28,000, respectively.

15. Transit Financing Authority

The Joint Exercise of Powers Agreement (the "Agreement"), dated August 1, 1991, between the District and MTC provided for the creation of the Transit Financing Authority (the "Authority"), a public instrumentality of the State of California. The initial term of the Agreement was for ten years, unless extended or earlier terminated. On May 1, 1998, the term of the Agreement was extended to August 1, 2010. 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 is presented as a blended component unit of the District's financial statements because the Authority provides services almost exclusively to the District.

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

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.

A summary of the amount and percentage of the Authority's total assets, total liabilities and total net assets as compared with the District is as follows (dollar amounts in thousands):

	2006	2005
Authority's total assets		
Amount	$ 92,472	$ 94,686
As a % of District's total assets	1.6%	1.6%
Authority's total liabilities		
Amount	$ 92,472	$ 94,686
As a % of District's total liabilties	5.7%	5.6%
Authority's total net assets		
Amount	$ -	$ -

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

16. Related Organizations and Projects

Capitol Corridor Joint Powers Authority

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

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

The District charged Capitol Corridor a total of $3,791,000 for marketing and administrative services during 2006 and $2,982,000 during 2005. 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. At June 30, 2006, unreimbursed expenses from Capitol Corridor amount to $2,480,000 and $8,262,000 as of June 30, 2005. 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.

Technology Reinvestment Project

In 1994, The District and the joint venture of Hughes Transportation Control Systems, Inc. (Hughes), and Morrison Knudsen Train Control, Inc. (HMK) entered into a memorandum of understanding (MOU) to form an alliance (Alliance) to develop a cost-effective, highly reliable and safe train control system for passenger and freight-carrying trains. The project is more commonly known as the Advanced Automatic Train Control (AATC) project. During fiscal year 1998, the Alliance was reorganized. Hughes and HMK withdrew and were replaced by Harmon Industries, Inc. (Harmon). In August 1998, a MOU was executed between the District and Harmon which replaced the 1994 MOU between the District and the joint venture of Hughes and HMK. In 2000, Harmon was purchased by GE Transportation Systems, and Harmon became known as GE Transportation Systems, Global Signalin

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

Phase 1 was completed in 1996, while work on Phase 2 and Phase 3 is still in progress. Phase 1 and Phase 2 were partially funded by the Technology Reinvestment Project managed by the Advanced Research Projects Agency (ARPA). The Alliance handled the disbursements for project costs paid out of the ARPA grant. The District's participation in Phase 1 and Phase 2 include in-kind contributions, which consisted primarily of cost of vehicles and infrastructure use and labor and other direct costs, totaling $25,848,000, of which $948,000 was reimbursed by the Alliance. Additional funding for Phase 2 and Phase 3 came from the federal allocations of $66,844,000, State grants of $4,728,000, local agency contributions of $2,389,000 and the District's own funds of $36,859,000. The total project expenditures through June 30, 2006 for Phase 2 and Phase 3 amount to $79,365,000.

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, and 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 (see Note 10). The District has no equity interest in the Consortium.

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.

Lease Commitments

The District leases certain facilities under operating leases with original terms ranging from one to 50 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, 2006 are as follows (dollar amounts in thousands):

Year ending June 30:	Operating Leases
2007	$ 10,250
2008	11,053
2009	10,973
2010	10,873
2011	10,749
2012 - 2016	36,639
2017 - 2021	12,804
2022 - 2026	12,500
2027 - 2031	12,500
2032 - 2036	12,500
2037 - 2041	12,500
2042 - 2046	12,500
2047 - 2051	12,500
Total minimum payments	$ 178,341

Rent expenses under all operating leases were $10,504,000 and $9,127,000 for the years ended June 30, 2006 and 2005, respectively.

Fruitvale Development Corp.

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

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

The District provided FDC a Rent Credit with an initial amount of $7,247,000, to acknowledge its assistance in obtaining grants for the construction of a Replacement BART Commuter Parking Garage near the Fruitvale Transit Village. The Rent Credit earns interest on the outstanding balance at simple interest based on the prime rate and can only be applied to satisfy the Base Rent. 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 Rent Credit still has a positive balance. Changes in the Rent Credit for fiscal years 2006 and 2005 are summarized as follows (dollar amounts in thousands):

	2006	2005
Rent Credit at beginning of year	$ 7,590	$ 7,316
Annual base rent applied against the credit	(98)	(98)
Interest credit during the year	506	372
Rent Credit at end of year	$ 7,998	$ 7,590

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

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

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.

On May 17, 2006, President Bush signed into law an act entitled the "Tax Increase Prevention and Reconciliation Act of 2005" (the "Tax Act"). Among other provisions, the Tax Act imposes an excise tax on certain types of leasing transactions entered into by tax-exempt entities, including states and their political subdivisions (including the District). The District currently is evaluating this legislation. At this time, it is unclear to what extent the excise tax imposed by the Tax Act is applicable to the District Lease Transactions and, if so, the magnitude of the District's excise tax liability, if any, with respect to the District Lease Transactions.

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APPENDIX C

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
STATEMENT OF INVESTMENT POLICY

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

1. Preservation of Capital

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

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX D

THE ECONOMY OF THE THREE BART COUNTIES

This Appendix D is presented for background information only.
As described under "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS"
in the front portion of this Official Statement,
the Bonds are general obligations of the District and are payable from,
and secured only by, ad valorem taxes on property subject to taxation by the District.
No other revenues of the District are pledged to the payment of the Bonds.

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 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 1990 and 2005. Population in the Three BART Counties increased approximately 19.38% between 1990 and 2005.

Table 1
HISTORICAL POPULATION
Alameda and Contra Costa Counties and City and County of San Francisco
Selected Years, 1990 through 2005

	1990	1995	2000	2004*	2005**
Alameda County					
Alameda	72,500	77,100	72,259	74,220	74,405
Albany	16,350	16,350	16,444	16,662	16,680
Berkeley	103,000	100,900	102,743	104,049	105,385
Dublin	23,450	24,200	29,973	39,759	41,907
Emeryville	5,750	6,150	6,882	8,221	8,537
Fremont	172,700	181,800	203,413	209,421	210,158
Hayward	111,300	126,200	140,030	145,322	146,398
Livermore	56,400	63,000	73,345	80,326	81,443
Newark	37,850	39,200	42,471	43,494	43,486
Oakland	372,300	378,600	399,566	410,330	411,755
Piedmont	10,600	10,750	10,952	11,002	10,999
Pleasanton	50,700	55,100	63,654	67,321	67,876
San Leandro	68,300	72,300	79,452	81,046	81,074
Union City	53,700	57,200	66,869	70,339	71,152
Other Areas	119,900	124,000	135,717	138,716	139,048
Total	**1,274,700**	**1,332,900**	**1,443,939**	**1,500,228**	**1,510,303**
Contra Costa County					
Antioch	61,200	75,800	90,532	100,913	100,945
Brentwood	7,500	10,950	23,302	42,050	45,892
Clayton	7,150	8,425	10,762	10,967	10,924
Concord	111,000	115,000	121,782	124,720	124,436
Danville	31,200	36,150	41,715	43,216	43,052
El Cerrito	22,900	22,850	23,171	23,375	23,471
Hercules	16,500	18,500	19,488	23,330	23,834
Lafayette	23,400	23,250	23,908	24,284	24,191
Martinez	31,450	34,400	35,866	36,770	36,582
Moraga	15,950	15,950	16,290	16,417	16,338
Oakley(1)	N/A	N/A	25,619	28,228	29,074
Orinda	16,650	16,900	17,599	17,771	17,693
Pinole	17,000	18,250	19,039	19,579	19,465
Pittsburg	47,250	51,300	56,769	62,521	62,979
Pleasant Hill	31,550	31,250	32,837	33,594	33,462
Richmond	86,700	93,000	99,216	102,877	103,468
San Pablo	24,700	27,550	30,256	31,302	31,216
San Ramon	35,000	39,250	44,722	50,958	53,137
Walnut Creek	60,400	61,600	64,296	66,415	66,111
Other Areas	150,100	168,600	151,557	159,814	163,107
Total	**797,600**	**869,200**	**948,816**	**1,019,101**	**1,029,377**
City and County of San Francisco	**724,100**	**741,600**	**776,733**	**792,952**	**798,680**
Three BART Counties	**2,796,400**	**2,943,700**	**3,169,488**	**3,312,281**	**3,338,360**

* As of January 1, 2005.
** As of January 1, 2006 (most recent data available).
(1) The City of Oakley was incorporated in 1999.
Source: U.S. Census; California Department of Finance.

Table 2-A shows historical nonagricultural employment for the Three BART Counties by industry sector in calendar year 2005 and Table 2-B shows total nonagricultural employment for the Three BART Counties by industry sector in calendar years 1995 and 2005.

Table 2-A
NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SECTOR
Alameda and Contra Costa Counties and City and County of San Francisco
2005*

	Alameda County		**Contra Costa County**		**City and County of San Francisco**	
	Number	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Mining and Construction	44,300	4.49%	30,800	6.33%	16,700	2.33%
Manufacturing	75,600	7.65	19,800	4.07	11,800	1.65
Transportation, Warehousing and Public Utilities	27,000	2.73	7,400	1.52	14,700	2.05
Trade						
Wholesale	39,600	4.01	8,800	1.81	12,100	1.69
Retail	68,200	6.91	44,200	9.09	43,200	6.02
Finance, Insurance, and Real Estate	32,400	3.28	32,000	6.58	55,600	7.75
Services	571,300	57.85	292,400	60.14	480,400	66.99
Government	129,200	13.08	50,800	10.45	82,600	11.52
Total nonagricultural employment**	**987,600**	**100.0%**	**486,200**	**100.0%**	**717,100**	**100.0%**

* Most recent annual data available.
** Figures may not add due to independent rounding.
Source: California Employment Development Department, Labor Market Information Division.

Table 2-B
CHANGES IN NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SECTOR
Total Three BART Counties
1995 AND 2005*

	1995		**2005**	
	Number	**Percent**	**Number**	**Percent**
Mining and Construction	57,400	2.84%	91,800	4.19%
Manufacturing	126,500	6.26	107,200	4.89
Transportation, Warehousing and Public Utilities	61,900	3.06	49,100	2.24
Trade				
Wholesale	57,100	2.83	60,500	2.76
Retail	140,800	6.97	155,600	7.10
Finance, Insurance, and Real Estate	100,500	4.97	120,000	5.48
Services	1,227,000	60.73	1,344,100	61.35
Government	249,300	12.34	262,600	11.99
Total nonagricultural employment**	**2,020,500**	**100.0%**	**2,190,900**	**100.0%**

* Most recent annual data available.
** Figures may not add due to independent rounding.
Sources: Counties; California Employment Development Department.

Nonagricultural employment in the Three BART Counties increased approximately 8.43% between 1995 and 2005.

As shown in Table 2-A and Table 2-B, the economy of the Three BART Counties is well diversified, with emphasis on retail trade and services.

Alameda County. Alameda County accounts for approximately 45.3% of the population and approximately 45.1% of the nonagricultural employment of the Three BART Counties. Alameda County's population increased approximately 18.5% between 1990 and 2005.

Alameda County has a diverse economic base. A large number of new jobs have been created by firms classified in the services industry. Many of these jobs are highly skilled professional, technical, and managerial positions. The two largest employment sectors are services and government, which account for approximately 70.1% of total employment. The trade sector, including both retail and wholesale, averaged 107,800 jobs in 2005, comprising approximately 10.9% of total employment. The service industry, averaging 571,000 jobs in 2005, comprising approximately 57.85% of total employment, is the largest employment sector. Major employers in Alameda County include Kaiser Permanente, University of California at Berkeley, Safeway Inc., Alameda County and Lawrence Livermore National Library, as shown in Table 4-A.

Contra Costa County. Contra Costa County, predominantly a low-density residential area, accounts for approximately 30.8% of the population and approximately 22.2% of the nonagricultural employment of the Three BART Counties in 2005. Contra Costa County's population increased approximately 29.1% between 1990 and 2005.

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 services, retail trade and government employment sectors account for over two thirds (approximately 79.7%) of the employment base. Major employers in Contra Costa County include AT&T Inc., Contra Costa County, Chevron Corp and John Muir Health, 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 32.7% of the nonagricultural employment and approximately 23.9% 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 10.3% between 1990 and 2005.

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., the State of California, California Pacific Medical Center 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 2000-2005.

Table 3
AVERAGE ANNUAL UNEMPLOYMENT RATES
Alameda and Contra Costa Counties and City and County of San Francisco
(Compared to the State of California and the United States)

Calendar Year	Alameda County	Contra Costa County	City and County of San Francisco	State of California	United States
2000	3.6%	3.6%	3.4	5.0%	4.0%
2001	4.8	4.0	5.1	5.4	4.7
2002	6.8	5.7	7.0	6.7	5.8
2003	6.9	6.1	6.8	6.8	6.0
2004	6.0	5.5	5.9	6.2	5.5
2005*	5.2	4.8	5.1	5.4	5.1

* Most recent data available.
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, as provided in the San Francisco Business Times 2007 Book of Lists.

Table 4-A
MAJOR EMPLOYERS
Alameda and Contra Costa Counties

Alameda and Contra Costa County	Employees
Kaiser Permanente	33,784
University of California, Berkeley	20,576
Safeway Inc.	13,370
AT& T Inc.	12,760
Alameda County	8,593
Lawrence Livermore National Laboratory	8,490
Contra Costa County	8,381
Chevron Corp.	6,399
John Muir Health	5,600
New United Motor Manufacturing Inc	5,500
Oakland Unified School District	5,070
Alta Bates Summit Medical Center	4,917
City of Oakland	4,700
Bay Area Rapid Transit (BART)	3,900
Lawrence Berkeley National Laboratory	3,800
Mount Diablo Unified School District	3,479
Children's Hospital & Research Center at Oakland	2,631
Fremont Unified School District	2,562
San Ramon Valley Unified School District	2,328
24 Hour Fitness	2,000
Clorox Co.	1,800

Source: 2007 Book of Lists, published July 14, 2006.

Table 4-A
MAJOR EMPLOYERS
City and County of San Francisco

City and County of San Francisco	**Employees**
City and County of San Francisco	26,665
University of California, San Francisco	17,500
Wells Fargo & Co. Inc.	8,139
State of California	6,226
California Pacific Medical Center	5,569
San Francisco Unified School District	5,557
United States Postal Service	4,935
PG&E Corp.	4,800
Gap Inc.	4,075
Kaiser Permanente	3,918
Charles Schwab & Co. Inc,	3,900
San Francisco State University	3,605
Macys West	3,500
City College of San Francisco	3,475
Catholic Healthcare West	3,400
ABM Industries Inc.	2,266
San Francisco VA Medical Center	2,064

Source: 2007 Book of Lists, published July 14, 2006.

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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 871,500 people between 2005 and 2035, with most of the growth occurring in Contra Costa and Alameda counties. Employment in the Three BART Counties is expected to increase by approximately 813,880 jobs between 2005 and 2035. Most of the growth in employment is projected by ABAG to occur in the professional and managerial services and health and educational services sectors in each of the Three Bart Counties. ABAG also projects the largest growth in employment will occur in Alameda County.

Table 5
PROJECTED POPULATION AND EMPLOYMENT
Alameda and Contra Costa Counties and City and County of San Francisco

Population

County	2005 (Actual)	2035 (Projected)	Percent Change 2005-2035
Alameda	1,505,300	1,938,600	28.78%
Contra Costa	1,023,400	1,300,600	27.08
San Francisco	795,800	956,800	20.23
Three BART counties	3,324,500	4,196,000	26.21%

Employment

County	2005 (Actual)	2035 (Projected)	Percent Change 2005-2035
Alameda	730,270	1,099,550	50.56%
Contra Costa	379,030	543,860	43.48
San Francisco	553,090	832,860	50.58
Three BART counties	1,662,390	2,476,270	48.95%

Source: Association of Bay Area Governments, Projections 2007 (most recent data available – published biannually).

Table 6 shows median household effective buying income in the Three BART Counties for the Fiscal Years ended June 30, 2000-2004, and June 30, 2006.

Table 6
MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME
Alameda and Contra Costa Counties and the City and County of San Francisco
Fiscal Years Ended June 30, 2000 through 2006

County	2000	2001	2002	2003	2004	2006
Alameda	$44,730	$50,631	$54,076	$50,431	$51,415	$52,295
Contra Costa	53,234	60,189	56,507	54,862	56,165	56,979
San Francisco	42,934	49,618	49,173	51,015	51,514	52,730

Sources: Figures for 2000-2004 – Sales and Marketing Management Magazine; no data available for 2005; figures for 2006 – Lexis-Nexis California County Demographics Database.

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 2000-2005.

Table 7
HISTORICAL TAXABLE TRANSACTIONS
Alameda and Contra Costa Counties and City and County of San Francisco
Calendar Years 2000-2005
(in thousands)

Fiscal Year	Alameda County	Contra Costa County	San Francisco County	Total Three BART Counties	Percentage Change
2000	23,763,516	12,330,560	14,089,926	50,184,002	-
2001	22,758,085	12,256,721	12,455,236	47,470,042	(5.4)
2002	21,264,629	12,159,424	11,589,440	45,013,493	(5.2)
2003	21,375,029	12,223,295	11,496,746	45,095,070	0.2
2004	22,996,365	12,990,538	12,207,507	48,194,410	6.9
2005	24,242,981	13,480,075	13,025,974	50,749,030	5.3

Source: California State Board of Equalization, annual reports 2000-2005.

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Table 8 shows taxable transactions by type of business for the Three BART Counties for the year ended December 31, 2005.

Table 8
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
Alameda and Contra Costa Counties and the City and County of San Francisco
For Calendar Year Ended December 31, 2005*
(in thousands)

Type of Business	Alameda County	Contra Costa County	City and County of San Francisco	Total Three BART Counties	Percentage of Total**
Retail Sales					
Women's Apparel	$ 151,845	$ 124,956	$ 304,565	$ 581,366	1.15%
Men's Apparel	32,114	26,977	62,223	121,314	0.24%
Family Apparel	341,214	226,948	411,775	979,937	1.93%
Shoes	100,811	72,520	102,155	275,486	0.54%
Apparel stores group	**$ 625,984**	**$ 451,401**	**$ 880,718**	**$ 1,958,103**	**3.86%**
Drug Stores	$ 288,361	$ 207,472	$ --†	$ 495,833	0.98%
Other general merchandise	1,798,740	1,633,282	1,199,308	4,631,330	9.13%
General merchandise group	**$ 2,087,101**	**$ 1,840,754**	**$ 1,199,308**	**$ 5,127,163**	**10.10%**
Gifts, art goods, & novelties	$ 67,051	$ 52,192	$ 166,149	$ 285,392	0.56%
Sporting goods	166,212	121,321	101,506	389,039	0.77%
Florists	43,486	31,740	28,829	104,055	0.21%
Photo equipment & supplies	17,511	10,375	38,029	65,915	0.13%
Musical instruments	76,292	57,127	90,442	223,861	0.44%
Stationery and books	226,096	89,510	166,937	482,543	0.95%
Jewelry	76,373	85,976	220,816	383,165	0.76%
Office, store & school supplies	946,968	371,126	681,128	1,999,222	3.94%
Other specialties	858,006	519,646	718,694	2,096,346	4.13%
Specialty stores group	**$ 2,477,995**	**$ 1,339,013**	**$ 2,212,530**	**$ 6,029,538**	**11.88%**
Stores selling all types of liquor	$ 533,981	$ 457,768	$ 331,376	$ 1,323,125	2.61%
All other food stores	210,358	149,400	108,096	467,854	0.92%
Food stores group	**$ 744,339**	**$ 607,168**	**$ 439,472**	**$ 1,790,979**	**3.53%**
Eating places: no alcohol sold	$ 768,954	$ 444,466	$ 504,549	$ 1,717,969	3.39%
Eating places: beer and wine	506,234	307,084	605,005	1,418,323	2.79%
Eating places: all types of liquor	434,680	297,574	1,127,830	1,860,084	3.67%
Eating and drinking group	**$ 1,709,868**	**$ 1,049,124**	**$ 2,237,384**	**$ 4,996,376**	**9.85%**
Household and home furnishings	$ 631,668	$ 342,182	$ 477,383	$ 1,451,233	2.86%
Household appliance dealers	211,919	141,795	98,602	452,316	0.89%
Household group	**$ 843,587**	**$ 483,977**	**$ 575,985**	**$ 1,903,549**	**3.75%**
Lumber and building materials	$ 1,145,787	$ 753,141	$ 176,089	$ 2,075,017	4.09%
Hardware Stores	167,151	108,967	64,209	340,327	0.67%
Plumbing and electrical supplies	219,461	195,018	124,781	539,260	1.06%
Paint, glass and wallpaper	48,812	35,345	32,139	116,296	0.23%
Building material group	**$ 1,581,211**	**$ 1,092,471**	**$ 397,218**	**$ 3,070900**	**6.05%**
New motor vehicle dealers	$ 2,597,685	$ 1,602,494	$ 416,987	$ 4,617,166	9.10%
Used motor vehicle dealers	178,607	113,179	13,171	304,957	0.60%
Automotive supplies and parts	211,503	142,245	42,496	396,244	0.78%
Service stations	1,518,337	1,043,848	483,377	3,045,562	6.00%
Automotive group	**$ 4,506,132**	**$ 2,901,766**	**$ 956,031**	**$ 8,363,929**	**16.48%**
Packaged liquor stores	$ 140,606	$ 78,796	$ 87,609	$ 307,011	0.60%
Second-hand merchandise	19,405	9,746	19,538	48,689	0.10%
Farm implement dealers	219,268	†	1,215	220,483	0.43%
Farm and garden supply stores	65,090	101,818	12,193	179,101	0.35%
Fuel and ice dealers	5,483	8,142	---	13,625	0.03%
Mobile homes, trailers, and campers	40,977	25,845	---	66,822	0.13%
Boat, motorcycle, and plane dealers	161,436	82,063	30,587	274,086	0.54%
All other retail stores group	**$ 652,265**	**$ 306,410**	**$ 151,142**	**$ 1,109,817**	**2.19%**
Retail stores total	**$15,228,482**	**$ 10,072,084**	**$ 9,049,788**	**$34,350,354**	**67.69%**
Business and personal services	**1,061,582**	**524,750**	**939,108**	**2,525,440**	**4.98%**
All other outlets	**7,952,917**	**2,883,241**	**3,037,078**	**13,873,236**	**27.34%**
Total all outlets	**$24,242,981**	**$13,480,075**	**$13,025,974**	**$50,749,030**	**100.00%**

* Most recent annual data available.
** Numbers may not add due to independent rounding.
† Sales omitted because their publication would result in the disclosure of confidential information (typically resulting from there being only a limited number of outlets in a certain type of business).
Source: California State Board of Equalization, 2005 Annual Report.

Table 9 shows a comparison of taxable transactions among several large northern and southern California counties (including the Three BART Counties) and Statewide over the calendar years 2000-2005.

Table 9
COMPARISON OF TAXABLE TRANSACTIONS TREND FOR MAJOR CALIFORNIA COUNTIES
2000 – 2005*
(in thousands)

	2000	2001	2002	2003	2004	2005	Percentage Change (2004-2005) (%)
Three BART Northern Counties							
Alameda	$23,763,516	$ 22,758,085	$ 21,264,629	$ 21,375,029	$22,996,365	$24,224,981	5.34%
Contra Costa	12,330,560	12,256,721	12,159,424	12,223,295	12,990,538	13,480,075	3.77%
San Francisco	14,089,926	12,455,236	11,589,440	11,496,746	12,207,507	13,025,974	6.70%
Total Three BART Counties	$50,184,002	$ 47,470,042	$ 45,013,493	$ 45,095,070	$48,194,410	$50,731,030	5.26%
Other Northern Counties							
Sacramento	$16,593,725	$ 17,221,801	$ 17,577,559	$18,506,466	$20,216,922	$21,266,500	5.19%
San Mateo	14,044,016	12,859,589	11,614,809	11,358,439	11,808,074	12,451,350	5.45%
Santa Clara	37,303,662	32,133,247	27,453,942	27,062,663	28,491,576	30,193,802	5.97%
Southern Counties							
Los Angeles	$106,673,534	$107,426,692	$108,753,064	$113,685,422	$122,533,104	$130,722,373	6.68%
Orange	44,462,460	44,595,314	44,869,156	47,517,066	51,682,059	55,063,246	6.54%
Riverside	16,979,449	18,231,555	19,498,994	21,709,135	25,237,148	28,256,491	11.96%
San Bernardino	18,885,438	19,684,143	20,849,502	22,599,947	26,206,167	29,744,868	13.50%
San Diego	36,245,418	37,699,333	38,595,547	40,863,978	44,470,338	46,679,471	4.97%
Ventura	9,096,092	9,532,990	9,803,513	10,382,440	11,176,821	11,909,068	6.55%
Statewide	$350,467,796	$346,854,706	$344,029,579	$358,780,626	$390,016,619	$417,018,199	6.92%

* Most recent annual data available
Source: California State Board of Equalization.

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APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix E concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from DTC and the District, the Authority and the Underwriters take no responsibility for the accuracy thereof. The District, the Authority 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 Bonds; (b) confirmations of ownership interest in the Bonds; or (c) notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 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 Participants are on file with DTC.

Neither the District, the Authority, 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 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 Bonds.

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

2. DTC, the world's largest 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 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant,

either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

6. Redemption notices shall be sent to DTC. If less than all of the Securities 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.

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

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or 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 or customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or Issuer, 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 Issuer or 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.

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

10. 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, Security 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 Bonds, the provisions of the Paying Agent Agreement relating to place of payment, transfer and exchange of the Bonds, regulations with respect to exchanges and transfers, bond register, Bonds mutilated, destroyed or stolen, and evidence of signatures of Bond Owners and ownership of Bonds will govern the payment, registration, transfer, exchange and replacement of the Bonds. See "THE BONDS—"Payments, Transfers and Exchanges upon Abandonment of Book-Entry Only System" in the front part of this Official Statement.

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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 Trust Company, N. A., as paying agent (the "Paying Agent") and as dissemination agent (the "Dissemination Agent"), in connection with the issuance of $400,000,000 aggregate principal amount of San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2004), 2007 Series B (the "Bonds"). The Bonds are being issued pursuant to Resolution No. 5019, adopted by the Board of Directors of the District on June 28, 2007, and according to the terms and in the manner set forth in the Paying Agent Agreement, dated as of May 1, 2005 (the "Original 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"), between the Issuer and the Paying Agent (the Original Paying Agent Agreement, as supplemented by the First Supplement, the "Paying Agent Agreement"). 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 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 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.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are listed at http://www.sec.gov/info/municipal/nrmsir.htm.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and the State Repository.

"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.

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

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, 2007, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, 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(d).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, 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 Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository 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: (i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any, and file the Annual Report so provided therewith; and (ii) upon verification of filing, 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 filed pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which 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 July 25, 2007, relating to the 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 Valuations-Total for District" 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 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 submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies;

2. non-payment related defaults;

3. modifications to rights of Owners;

4. optional, contingent or unscheduled bond calls;

5. defeasances;

6. rating changes;

7. adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds;

8. unscheduled draws on the debt service reserves reflecting financial difficulties;

9. unscheduled draws on credit enhancements reflecting financial difficulties;

10. substitution of credit or liquidity providers, or their failure to perform;

11. release, substitution or sale of property securing repayment of the Bonds.

(b) The Paying Agent shall within one (1) Business Day, or as soon thereafter as practicable, of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform the Disclosure Representative of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Paying Agent pursuant to subsection (b) or otherwise, the Issuer shall as soon as practicable determine if such event would be material under applicable federal securities laws.

(d) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b) or otherwise, the Issuer determines that the Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence of such event with the Municipal Securities Rulemaking Board or the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (a)(5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of the affected Bonds pursuant to the Paying Agent Agreement.

SECTION 6. Electronic Filing. Submission of Annual Reports and notices of Listed Events to DisclosureUSA.org or another "Central Post Office" designated and accepted by the Securities and Exchange Commission as an intermediary through which filings required by this Disclosure Agreement may be made in compliance with the Rule shall constitute compliance with the requirement of filing such reports and notices with each Repository under this Disclosure Agreement.

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

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 under this Disclosure Agreement), 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, or 5(a), 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 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 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 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(d), 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 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 Bonds or under any other document relating to the 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 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, California94612-3534
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 Trust Company, N.A.
550 Kearny Street, Suite 600
San Francisco, California94108
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.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Paying Agent, the Dissemination Agent, the Participating Underwriters and Owners and Beneficial Owners from time to time of the 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.

Dated as of _________, 2007.

SAN FRANCISCO BAY AREA RAPID
TRANSIT DISTRICT

By_______________________________________
Controller/Treasurer

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

By_______________________________________
Authorized Officer

Exhibit A to the Continuing Disclosure Agreement

NOTICE TO REPOSITORIES OF
FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	San Francisco Bay Area Rapid Transit District
Name of Bond Issue:	San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2004), 2007 Series B
Date of Issuance of Bonds:	________, 2007

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 as of ______, 2007, between the Issuer and The Bank of New York 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 TRUST COMPANY, N. A.,
as Paying Agent on behalf of the San Francisco Bay Area Rapid Transit District

cc: Issuer

APPENDIX G

PROPOSED FORM OF FINAL OPINIONS OF CO-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), 2007 Series B
(Final Opinion)

Ladies and Gentlemen:

We have acted as co-bond counsel to the San Francisco Bay Area Rapid Transit District (the "District") in connection with the issuance of $400,000,000 aggregate principal amount of bonds designated as "San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2004), 2007 Series B (the "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 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 June 28, 2007 ("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 (collectively, the "Paying Agent Agreement"), each between the District and 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 opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. We disclaim any obligation to update this opinion. 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 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the 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, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated July 25, 2007, or other offering material relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute the valid and binding 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 Bonds and the interest thereon.

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

Faithfully yours,