PRELIMINARY OFFICIAL STATEMENT DATED APRIL 27, 2010

NEW ISSUE – BOOK-ENTRY ONLY

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

In the opinion of Orrick, Herrington & Sutcliffe LLP and Lofton & Jennings, Co-Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2010 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 Series 2010 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 Series 2010 Bonds. See "TAX MATTERS" herein.

$131,375,000*
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Sales Tax Revenue Bonds, Refunding Series 2010

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

The San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Refunding Series 2010 (the "Series 2010 Bonds") are being issued by the San Francisco Bay Area Rapid Transit District (the "District") to (i) refund a portion of the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Series 1998 currently outstanding in the aggregate principal amount of $145,450,000, (ii) fund a deposit to the Bond Reserve Fund, and (iii) fund costs of issuance associated with the Series 2010 Bonds. See "PLAN OF FINANCE" herein. The Series 2010 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 Series 2010 Bonds will be made in principal amounts of $5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of Series 2010 Bonds will not receive bonds representing their beneficial ownership in the Series 2010 Bonds but will receive a credit balance on the books of their respective DTC Direct Participants or DTC Indirect Participants. The Series 2010 Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein.

Interest on the Series 2010 Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2011, and principal of the Series 2010 Bonds is payable July 1 in the years set forth below by U.S. Bank National Association, as trustee, to Cede & Co., and such interest and principal payments are to be disbursed to the beneficial owners of the Series 2010 Bonds through their respective DTC Direct Participants or DTC Indirect Participants.

The Series 2010 Bonds are subject to optional and mandatory redemption prior to maturity as described herein.

The Series 2010 Bonds are special obligations of the District, payable from and secured by a pledge of Sales Tax Revenues derived from a transaction and use tax levied by the District in Alameda and Contra Costa Counties and the City and County of San Francisco, as more fully described herein. The Series 2010 Bonds are issued on a parity with certain other bonds issued by the District and currently outstanding. See "SECURITY FOR THE SERIES 2010 BONDS" herein.

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

The Bonds will be sold by competitive sale pursuant to the terms of an Official Notice of Sale, dated April 27, 2010.

MATURITY SCHEDULE*
$_________ SERIAL BONDS

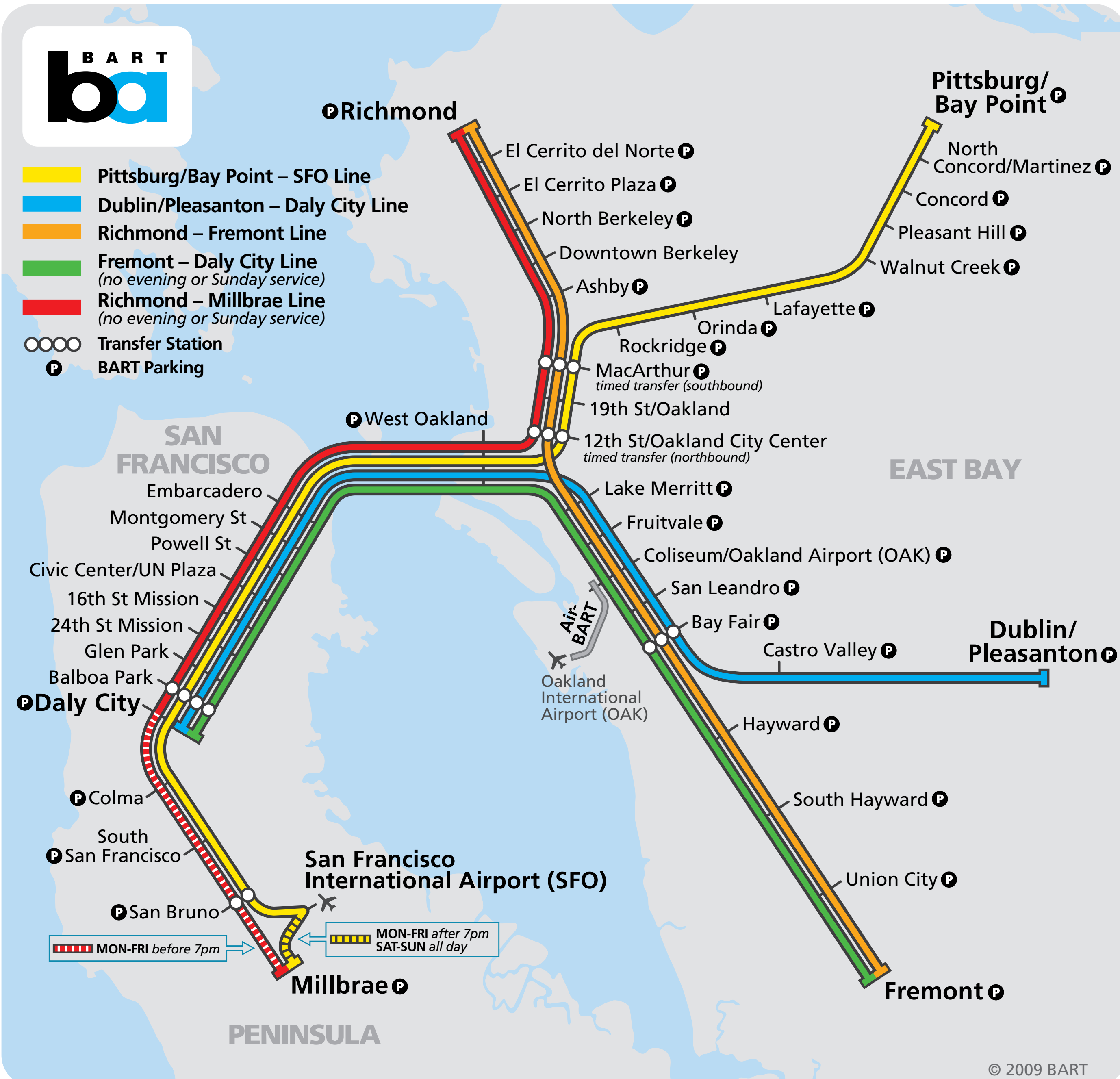
Maturity Date (July 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP† (797669)	Maturity Date (July 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP† (797669)
2011					2020				
2012					2021				
2013					2022				
2014					2023				
2015					2024				
2016					2025				
2017					2026				
2018					2027				
2019					2028				

BIDS TO BE RECEIVED AT 9:00 A.M., CALIFORNIA TIME, WEDNESDAY, MAY 5, 2010. The Series 2010 Bonds will be offered when, as and if issued by the District and received by the Purchaser(s), subject to the approval of validity by 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 District by its General Counsel, Matthew Burrows, Esq. The Series 2010 Bonds are expected to be delivered through DTC on or about May 19, 2010.

The date of this Official Statement is __________, 2010.

† Copyright 2010, American Bankers Association. CUSIP data provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP Numbers are provided for convenience of reference only. Neither the District nor the Underwriter take any responsibility for the accuracy of such numbers. The CUSIP numbers are subject to being changed after the issuance of the Series 2010 Bonds as a result of various subsequent actions, including, but not limited to, a refunding, in whole or in part of the Series 2010 Bonds.

* Preliminary, subject to change.



BART
Pittsburg/Bay Point – SFO Line
Dublin/Pleasanton – Daly City Line
Richmond – Fremont Line
Fremont – Daly City Line
(no evening or Sunday service)
Richmond – Millbrae Line
(no evening or Sunday service)
Transfer Station
BART Parking
Richmond
El Cerrito del Norte
El Cerrito Plaza
North Berkeley
Downtown Berkeley
Ashby
Pittsburg/ Bay Point
North Concord/Martinez
Concord
Pleasant Hill
Walnut Creek
Lafayette
Orinda
Rockridge
MacArthur
timed transfer (southbound)
19th St/Oakland
12th St/Oakland City Center
timed transfer (northbound)
West Oakland
SAN FRANCISCO
EAST BAY
Embarcadero
Montgomery St
Powell St
Civic Center/UN Plaza
16th St Mission
24th St Mission
Glen Park
Balboa Park
Daly City
Lake Merritt
Fruitvale
Coliseum/Oakland Airport (OAK)
San Leandro
Bay Fair
Castro Valley
Dublin/ Pleasanton
Air-BART
Oakland International Airport (OAK)
Hayward
South Hayward
Union City
Fremont
Colma
South San Francisco
San Bruno
San Francisco International Airport (SFO)
MON-FRI after 7pm
SAT-SUN all day
MON-FRI before 7pm
Millbrae
PENINSULA
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SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

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

BOARD OF DIRECTORS

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

OFFICERS

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

GENERAL COUNSEL

Matthew Burrows, Esq.

TRUSTEE

U.S. Bank National Association
San Francisco, California

CO-BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Lofton & Jennings
San Francisco, California

FINANCIAL ADVISOR

KNN Public Finance
A Division of Zions First National Bank
Oakland, California

VERIFICATION AGENT

Causey Demgen & Moore, Inc.
Denver, Colorado

IN CONNECTION WITH THE OFFERING OF THE SERIES 2010 BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2010 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 UNDERWRITER MAY OFFER AND SELL THE SERIES 2010 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 UNDERWRITER.

This Official Statement does not constitute an offer to sell the Series 2010 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 Underwriter identified on the cover page of this Official Statement (the "Underwriter") 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 Series 2010 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 Series 2010 Bonds implies that the information herein is correct as of any time subsequent to the date hereof. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2010 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 Underwriter. No representation, warranty or guarantee is made by the Financial Advisor as to the accuracy or completeness of any information in this Official Statement, including, without limitation, the information contained in the appendices hereto, and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Financial Advisor.

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

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

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

The Series 2010 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein, and have not been registered or qualified under the securities laws of any state.

The District maintains a website. Unless specifically indicated otherwise, the data and information presented on that website is not incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Series 2010 Bonds.

OFFICIAL STATEMENT

$131,375,000*
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Sales Tax Revenue Bonds, Refunding Series 2010

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to set forth certain information in connection with the issuance by the San Francisco Bay Area Rapid Transit District (the "District" or "BART") of $131,375,000* principal amount of San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Refunding Series 2010 (the "Series 2010 Bonds").

The District was created in 1957 pursuant to the laws of the State of California (the "State") to provide rapid transit service in the San Francisco Bay area. The District is composed of all of the area in the Counties of Alameda and Contra Costa and the City and County of San Francisco and owns additional property and extends service in the County of San Mateo. The District is governed by an elected board of directors consisting of nine members. For additional information concerning the District, see APPENDIX A - "SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT FINANCIAL AND OPERATING INFORMATION."

Authority for Issuance and Purpose and Application of Proceeds

The Series 2010 Bonds are to be issued pursuant to the laws of the State of California, including Article 2, Chapter 7, Part 2, Division 10 of the California Public Utilities Code, as amended from time to time, and applicable portions of the Revenue Bond Law of 1941, as amended from time to time (collectively, the "Act") and pursuant to an Indenture, dated as of July 1, 1990, between the District and U.S. Bank National Association, successor by merger to U.S. Bank Trust National Association, formerly known as First Trust of California, National Association, successor to Bank of America National Trust and Savings Association, successor by merger to Security Pacific National Bank, as trustee (the "Trustee"), as supplemented and amended by the First Supplemental Indenture, dated as of August 7, 1990, the Second Supplemental Indenture, dated as of August 29, 1991, the Third Supplemental Indenture, dated as of June 7, 1995, the Fourth Supplemental Indenture, dated as of April 1, 1997, the Fifth Supplemental Indenture, dated as of March 12, 1998, the Sixth Supplemental Indenture, dated as of October 7, 1999, the Seventh Supplemental Indenture, dated as of July 12, 2001, the Eighth Supplemental Indenture, dated as of September 7, 2005, the Ninth Supplemental Indenture, dated as of June 29, 2006, the Tenth Supplemental Indenture, dated as of November 30, 2006 (collectively, the "Original Indenture"), and the Eleventh Supplemental Indenture, dated as of May __, 2010, each between the District and the Trustee. The Original Indenture, as so supplemented and as further supplemented and amended from time to time, is hereinafter collectively referred to as the "Indenture."

Security

General. The Series 2010 Bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues derived from a seventy-five percent (75%) portion of a transactions and use tax levied by the District in Alameda and Contra Costa Counties and the City and County of San

* Preliminary, subject to change.

Francisco in an amount equal to one-half of one percent (0.5%) of gross retail receipts, as more fully described herein. See "SECURITY FOR THE SERIES 2010 BONDS."

Outstanding Bonds. The Series 2010 Bonds are issued on a parity with the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Refunding Bonds, Series 1990 (the "Series 1990 Bonds") issued in the principal amount of $158,478,429.95, $28,775,000 of which are Outstanding, the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Series 1998 (the "Series 1998 Bonds") issued in the principal amount of $348,510,000, $145,450,000 of which are Outstanding, the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Series 2001 (the "Series 2001 Bonds") issued in the principal amount of $168,650,000, $43,765,000 of which are Outstanding, the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Refunding Series 2005 A (the "Series 2005 A Bonds") issued in the principal amount of $352,095,000, $296,530,000 of which are Outstanding, the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Series 2006 (the "Series 2006 Bonds") issued in the principal amount of $64,915,000, all of which are Outstanding, and the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Refunding Series 2006 A (the "Series 2006 A Bonds") issued in the principal amount of $108,110,000, $107,545,000 of which are Outstanding. The Series 1990 Bonds, the Series 1998 Bonds, the Series 2001 Bonds, the Series 2005 A Bonds, the Series 2006 Bonds, the Series 2006 A Bonds and the Series 2010 Bonds, together with any future series of parity Bonds, are hereinafter collectively referred to as the "Bonds."

References

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to the entire contents of this Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein, a full review of which should be made by potential investors. All descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. The offering of the Series 2010 Bonds is made only by means of this entire Official Statement and is subject in all respects to the information contained herein. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE– Definitions" or, if not defined therein, in the Indenture.

PLAN OF FINANCE

The District intends to apply the proceeds of the Series 2010 Bonds to refund all or a portion of the Series 1998 Bonds currently outstanding (the "Refunded Series 1998 Bonds"), to fund a deposit to the Bond Reserve Fund and to pay costs of issuance of the Series 2010 Bonds. The Series 1998 Bonds that potentially will be defeased upon issuance of the Series 2010 Bonds are listed below. The resolution authorizing the Series 2010 Bonds authorizes refunding Refunded Series 1998 Bonds such that such refunding shall provide present value debt service savings in an amount not less than 4% of the principal amount of the Bonds to be refunded. See "ESTIMATED SOURCES AND USES OF FUNDS" and "VERIFICATION OF MATHEMATICAL ACCURACY."

The moneys required to refund the Refunded Series 1998 Bonds will be derived from the net proceeds of the Series 2010 Bonds and other available funds. The District expects to fund the deposit to the Bond Reserve Fund from District funds. Pursuant to an Escrow Agreement to be entered into between the District and the U.S. Bank National Association, as trustee and escrow agent (the "Escrow Agent"), such moneys will be deposited in an escrow fund (the "Escrow Fund") and applied to purchase direct obligations of the United States of America (the "Government Securities"). The Government Securities will be purchased and held by the Trustee and Escrow Agent in an amount sufficient to redeem the

Refunded Series 1998 Bonds on July 1, 2010, at a redemption price equal to the principal amount of the Refunded Series 1998 Bonds to be refunded, plus interest thereon. See "VERIFICATION OF MATHEMATICAL ACCURACY."

The Refunded Series 1998 Bonds that will be defeased in whole upon issuance of the Series 2010 Bonds are set forth below.

San Francisco Bay Area Rapid Transit District
Sales Tax Revenue Bonds, Series 1998
Redemption Date: July 1, 2010
Redemption Price: 100%

Maturity Date (July 1)	Interest Rate	Principal Amount*	CUSIP† **(797669)**
2011	5.25%	$ 3,325,000	PA0
2012	5.25	3,675,000	PB8
2013	5.25	1,910,000	PC3
2014	5.25	2,015,000	PD4
2015	5.25	2,115,000	PE2
2016	5.25	3,465,000	PF9
2017	5.25	3,650,000	PG7
2018	5.25	3,840,000	PH5
2023	4.75	79,105,000	GD4
2028	5.00	40,725,000	PJ1

* Preliminary, subject to change.

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

DESCRIPTION OF THE SERIES 2010 BONDS

General

The Series 2010 Bonds will be dated as of their date of issuance and mature at the times and in the principal amounts as set forth on the cover page of the Official Statement. Interest on the Series 2010 Bonds shall be payable on January 1 and July 1 of each year, commencing January 1, 2011. Interest on the Series 2010 Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

The Series 2010 Bonds will be delivered in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2010 Bonds. Ownership interests in the Series 2010 Bonds may be purchased by or through a DTC Participant (as described below) in book-entry form only in denominations of $5,000 or any integral multiple thereof. See APPENDIX F – "BOOK-ENTRY-ONLY SYSTEM."

Optional Redemption

The Series 2010 Bonds maturing on or before July 1, 2020 are not subject to redemption prior to their stated maturities. The Series 2010 Bonds maturing on or after July 1, 2021 will be subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after July 1, 2020, at the principal amount of

Series 2010 Bonds called for redemption plus interest accrued thereon to the date fixed for redemption without premium.

Purchase In Lieu of Redemption

Pursuant to the Indenture, the District has the option to purchase the Series 2010 Bonds, at any time the Series 2010 Bonds are subject to optional redemption as provided in the Indenture at a purchase price equal to the redemption price then applicable to such Series 2010 Bonds in which case such Series 2010 Bonds purchased in lieu of redemption may be remarketed and will remain outstanding after such purchase. See APPENDIX D — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Notwithstanding the foregoing, the District always retains the right to purchase the Series 2010 Bonds in the open market, at market rates, for cancellation.

Mandatory Redemption

The Series 2010 Bonds which are Term Bonds maturing on July 1, 20__ will also be subject to redemption in part, by lot, from Mandatory Sinking Account Payments required by the Indenture on each July 1 on or after July 1, 20__, at the principal amount of the Series 2010 Bonds to be redeemed plus accrued interest, if any, to the redemption date. Such Mandatory Sinking Account Payments will be sufficient to redeem (or pay at maturity) the following principal amounts of such Series 2010 Bonds on the dates set forth below:

Sinking Account Payment Date (July 1)	Sinking Account Payment

* Final Maturity.

The Series 2010 Bonds maturing on July 1, 20__, will also be subject to redemption, in part, by lot, from Mandatory Sinking Account Payments required by the Indenture on each July 1 on or after July 1, 20__, at the principal amount of the Series 2010 Bonds to be redeemed plus accrued interest, if any, to the redemption date. Such Mandatory Sinking Account Payments will be sufficient to redeem (or pay at maturity) the following principal amounts of such Series 2010 Bonds on the dates set forth below:

Sinking Account Payment Date (July 1)	Sinking Account Payment

* Final Maturity.

Pursuant to the Indenture, money in the Sinking Accounts may be used to purchase Series 2010 Bonds which are Term Bonds maturing on July 1, 20__, and on July 1, 20__, respectively, in lieu of mandatory redemption.

Notice of Redemption

Notice of any redemption of Series 2010 Bonds will be mailed by the Trustee by first class mail to the Owner of any Series 2010 Bonds designated for redemption at least 30 but not more than 60 days prior to the redemption date (but failure to receive any such notice or any defect therein shall not affect the sufficiency of the redemption proceedings).

With respect to any notice of optional redemption of Series 2010 Bonds delivered pursuant to the Indenture, unless, upon the giving of such notice, such Series 2010 Bonds shall be deemed to have been paid within the meaning of the Indenture, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, such Series 2010 Bonds to be redeemed, and that if such amounts shall not have been so received said notice shall be of no force and effect and the District shall not be required to redeem such Series 2010 Bonds. In the event that such notice of redemption contains such a condition and such amounts are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice to the Owners to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the same manner and to the same parties, as notice of such redemption was given pursuant to the Indenture.

Any notice of optional redemption of the Series 2010 Bonds may be conditional and if any condition stated in the notice of redemption is not satisfied on or prior to the redemption date, said notice will be of no force and effect and the Authority will not redeem such Series 2010 Bonds. The Trustee will within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled.

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

Book-Entry-Only System

As noted above, DTC will act as securities depository for the Series 2010 Bonds. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

Payments of interest on, principal of and premium, if any, on the Series 2010 Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the Series 2010 Bonds. Each such payment to DTC or its nominee will be valid and effective to fully discharge all liability of the District or the Trustee with respect to the principal, redemption price of or interest on the Series 2010 Bonds to the extent of the sum or sums so paid.

The District and the Trustee cannot and do not give any assurances that DTC Participants or DTC Indirect Participants will distribute to the Beneficial Owners (i) payments of interest and principal with respect to the Series 2010 Bonds, (ii) confirmation of ownership interests in the Series 2010 Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as Owner of the Series 2010 Bonds, or that they will do so on a timely basis.

Payments Upon Abandonment of Book-Entry-Only System

In the event that the book-entry-only system ceases to be used with respect to the Series 2010 Bonds, payment of interest on the Series 2010 Bonds will be made by check mailed by first class mail on each interest payment date to the Owners thereof as of the close of business on the fifteenth (15th) day of the calendar month immediately preceding such interest payment date; provided, however, that Owners of at least $1,000,000 aggregate principal amount of Series 2010 Bonds may, at any time prior to the fifteenth day of the calendar month immediately preceding such interest payment date, give the Trustee written instructions for payment of such interest on each succeeding interest payment date by wire transfer. Principal of, and premium, if any, on the Series 2010 Bonds will be payable at the corporate trust office of the Trustee designated for such purpose. The Series 2010 Bonds will be in the form of fully registered Bonds and will be issued in denominations of $5,000 or any integral multiple thereof.

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

The book-entry system for registration of the ownership of the Series 2010 Bonds in book-entry form may be discontinued at any time if: (1) after notice to the District and the Trustee, DTC determines to resign as securities depository for the Series 2010 Bonds; or (2) after notice to DTC and the Trustee, the District determines that a continuation of the system of book-entry transfers through DTC (or through a successor securities depository) is not in the best interests of the District. In each of such events (unless, in the case described in clause (1) above, the District appoints a successor securities depository), the Series 2010 Bonds shall be delivered in such denominations and registered in the names of such persons as are requested in a certificate of the District, but without any liability on the part of the District or the Trustee for the accuracy of such designation. Whenever DTC requests the District and the Trustee to do so, the District and the Trustee shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of or to print bonds evidencing the Series 2010 Bonds. Thereafter, all Series 2010 Bonds are transferable or exchangeable as described in the Indenture.

ESTIMATED SOURCES AND USES OF FUNDS

Set forth below are the estimated sources and uses of funds:

<u>Sources of Funds:</u>	
Principal Amount of Bonds	$__________
Plus: Net Original Issue Premium	__________
Equity Deposit	__________
Total Sources:	$__________
<u>Uses of Funds:</u>	
Deposit to Escrow Fund[(1)]	$__________
Costs of Issuance[(2)]	__________
Deposit to Bond Reserve Fund	__________
Total Uses:	$__________

(1) See "PLAN OF FINANCE."
(2) Includes Underwriter's compensation, rating agency fees, trustee fees, trustee counsel fees, escrow agent fees and expenses, verification agent fees, printing costs, Co-Bond Counsel and Financial Advisor fees and expenses and other miscellaneous expenses.

DEBT SERVICE REQUIREMENTS

The debt service requirements for the Outstanding Series 1990 Bonds, the Series 1998 Bonds, the Series 2001 Bonds, the Series 2005 A Bonds, the Series 2006 Bonds, the Series 2006 A Bonds and the Series 2010 Bonds are shown in the following table.

		Series 2010 Refunding Bonds			
Calendar Year	Outstanding Bonds[(1), (2)]	Principal	Interest	Total[(2)]	Total Bond Debt Service[(2)]
2010	$ 55,813,886				
2011	58,686,849				
2012	51,011,549				
2013	48,344,411				
2014	48,492,505				
2015	48,779,440				
2016	49,059,853				
2017	49,335,975				
2018	49,623,181				
2019	49,635,739				
2020	49,739,451				
2021	49,842,614				
2022	49,937,806				
2023	50,057,131				
2024	50,162,769				
2025	50,265,269				
2026	50,400,519				
2027	50,530,394				
2028	50,668,669				
2029	24,635,094				
2030	24,768,131				
2031	24,912,894				
2032	25,060,456				
2033	25,218,450				
2034	25,376,294				
2035	16,571,263				
2036	16,728,750				
TOTAL[(2)]	$1,143,659,342				

(1) Outstanding Bonds include the Series 1990 Bonds, the Series 1998 Bonds, the Series 2001 Bonds, the Series 2005 A Bonds, the Series 2006 Bonds, and the Series 2006 A Bonds. See "INTRODUCTION – Security – Outstanding Bonds."
(2) Totals may not add due to rounding.

SECURITY FOR THE SERIES 2010 BONDS

General

The Series 2010 Bonds are special obligations of the District payable from and secured by a pledge of sales tax revenues, comprised of seventy-five percent (75%) of the amounts derived from a one-half of one percent (0.5%) transactions and use tax (the "Sales Tax" or the "District Sales Tax") imposed within Alameda and Contra Costa Counties and the City and County of San Francisco (collectively, the

"Three BART Counties") pursuant to Section 29140 of the California Public Utilities Code, after deduction by the California State Board of Equalization (the "State Board of Equalization") of its fee for administering the Sales Tax (such sales tax revenues being hereinafter referred to as the "Sales Tax Revenues"). See "— Sales Tax Revenues."

Only Sales Tax Revenues are pledged by the District for the payment of principal of, redemption premiums, if any, and interest on the Series 2010 Bonds and no other revenues of the District are pledged to repayment of the Bonds, including the Series 2010 Bonds. The payment of principal of, redemption premiums, if any, and interest on the Series 2010 Bonds is on a parity with the payment of principal of, redemption premiums, if any, and interest on all Bonds Outstanding under the Indenture and any Additional Bonds and Parity Debt hereafter issued by the District. Currently, the District has $686,980,000 principal amount of Bonds Outstanding.

"Parity Debt" means any indebtedness, installment sale obligation, lease obligation or other obligation of the District for borrowed money or interest rate swap agreement having an equal lien and charge upon the Sales Tax Revenues and therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding). The District currently has no Parity Debt outstanding and all its outstanding issues of Bonds bear interest at fixed rates.

The District has covenanted in the Indenture not to create any pledge, lien or charge on Sales Tax Revenues having priority over the lien of the Bonds. The District has also covenanted in the Indenture not to create any pledge, lien or charge on Sales Tax Revenues on a parity with the lien of the Bonds and Parity Debt except as described under "SECURITY FOR THE SERIES 2010 BONDS – Additional Bonds; Refunding Bonds; Parity Debt; Subordinated Obligations."

Sales Tax Revenues

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

Collection of the Sales Tax is administered by the State Board of Equalization. The State Board of Equalization is authorized to charge a fee for collection of the Sales Tax, and the fee is determined pursuant to State legislation. For Fiscal Year 2008-09, the State Board of Equalization fee was $2,141,000. The State Board of Equalization fee for collection of the Sales Tax for Fiscal Year 2009-10 is estimated to be $2,253,000.

After deducting its fee, the State Board of Equalization is required by statute to allocate seventy-five percent (75%) of the Sales Tax receipts to the District. The remaining twenty-five percent (25%) of the Sales Tax collected by the State Board of Equalization is allocated by the Metropolitan Transportation Commission ("MTC"), on the basis of regional priorities established by MTC, among the District, the City and County of San Francisco for the San Francisco Municipal Railway System, which includes buses, street cars, cable cars and electric trolley buses, and the Alameda-Contra Costa Transit District ("AC Transit") for transit service.

In addition to the Sales Tax and other sales taxes levied at the county level or the city and county level, the State also imposes a 8.25% sales tax. The Series 2010 Bonds are secured only by Sales Tax

Revenues and not other sales taxes levied by the State or counties. The current breakdown of the State's basic 8.25% rate imposed on a Statewide basis is as set forth below.

- 6.00% represents the State general fund tax rate (increased from 5.00% effective April 1, 2009).
- 1.0% is imposed under the State's uniform local sales and use tax law (decreased from 1.25% before July 1, 2004), with 0.75% dedicated to cities and counties and 0.25% dedicated to county transit systems.
- 0.5% is dedicated to local governments for health and welfare program realignment.
- 0.5% is dedicated to local governments for public safety employees.
- 0.25% is deposited into the State Fiscal Recovery Fund to repay the State's Economic Recovery Bonds (as described below).

Legislation in July 1991 raised the State sales tax rate by 1.25%. Of this amount, 0.25% was added to the State general fund tax rate, and the balance was dedicated to cities and counties. Of the amount dedicated to cities and counties, 0.5% was a permanent addition to counties, but such amount is earmarked for trust funds to pay for the administration of health and welfare programs transferred to counties. Another 0.5% of the State general fund tax rate that was scheduled to terminate after June 30, 1993, was extended until December 31, 1993, and allocated to local agencies for public safety programs. Subsequently, in a special election on November 2, 1993, voters approved a constitutional amendment to permanently extend this 0.5% State sales tax for local public safety programs.

Pursuant to State law, 0.25% of the State general fund tax rate may be suspended upon certification by the State's Director of Finance by November 1 in any year that: (i) the balance in the budget reserve (excluding revenues derived from the 0.25% sales and use tax rate) is expected to exceed 3% of general fund revenues in that fiscal year; and (ii) actual revenues for the period May 1 through September 30 equal or exceed the State's May revision to its January proposed budget for that year. The 0.25% rate can be reinstated if the Director of Finance subsequently determines that the reserve will not exceed 4% of general fund revenues. Pursuant to this law, a 0.25% cut in the State sales tax occurred on January 1, 2001 but was reinstated as of January 1, 2002.

The California Economic Recovery Bond Act ("Proposition 57") was approved by voters at a statewide primary election on March 2, 2004. Proposition 57 authorizes the issuance of up to $15 billion in economic recovery bonds ("Economic Recovery Bonds") to finance the negative State General Fund reserve balance as of June 30, 2004, and other State General Fund obligations undertaken prior to June 30, 2004. Repayment of the economic recovery bonds is secured by a pledge of revenues from a one-quarter cent increase in the State's sales and use tax (through a one-quarter cent reduction in sales and use tax dedicated to cities and counties) starting July 1, 2004, as shown above.

Legislation in 2009 raised the State sales tax rate 1.00% to 6.00%. The 1.00% tax increase will cease July 1, 2011, unless the Director of Finance makes a notification, pursuant to Section 99040 of the California Government Code of the receipt of insufficient additional federal funds for State general fund expenditures, in which case the tax will expire July 1, 2012.

In addition to the sales tax levied Statewide and the 0.5% District Sales Tax, the Three BART Counties have local transportation authorities which each collect a 0.5% sales tax. Currently, the total sales tax levied in each of the Three BART Counties is as follows: City and County of San Francisco, 9.5% (including a 0.25% sales tax for school services); County of Alameda, 9.75% (including a 0.5% essential health care services transactions and use tax); County of Contra Costa, 9.25% (9.75% for the cities of El Cerrito, Pinole and Richmond).

In general, the Statewide sales tax applies to the gross receipts of retailers from the sale of tangible personal property and the statewide use tax is imposed on the storage, use or other consumption in the State of property purchased from a retailer for such storage, use or other consumption. The Statewide use tax does not apply to cases where the sale of the property is subject to the Statewide sales tax. Therefore, the Statewide use tax is generally applied to purchases made outside of the State for use within the State. The District Sales Tax is imposed upon the same transactions and items subject to the statewide sales tax and the statewide use tax (hereinafter collectively referred to as the "State Sales Tax"), with the same exceptions.

Many categories of transactions are exempt from the State Sales Tax and from the District Sales Tax. The most important are: sales of food products for home consumption; prescription medicine; edible livestock and their feed; seed and fertilizer used in raising food for human consumption; and gas, electricity and water when delivered to consumers through mains, lines, and pipes. In addition, "Occasional Sales" (i.e., sales of property not held or used by a seller in the course of activities for which he or she is required to hold a seller's permit) are generally exempt from the State Sales Tax and from the District Sales Tax; however, the "Occasional Sales" exemption does not apply to the sale of an entire business and other sales of machinery and equipment used in a business. Sales of property to be used outside the District which are shipped to a point outside the District, pursuant to the contract of sale, by delivery to such point by the retailer, or by delivery by the retailer to a carrier for shipment to a consignee at such point, are also exempt from the State Sales Tax and from the District Sales Tax.

Action by the State Legislature or by voter initiative could change the transactions and items upon which the State Sales Tax and the District Sales Tax are imposed. Such changes could have either an adverse or beneficial impact on the District Sales Tax Revenues. Senate Bill 671 which was adopted by the State Legislature in 1993 (1993 Reg. Session, Chapter 881), exempts from the State Sales Tax, but not the District Sales Tax, manufacturing equipment purchases of start-up firms.

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

The following table shows the Sales Tax Revenues received by the District for Fiscal Years ended June 30, 1996 through June 30, 2009.

SALES TAX REVENUES

Fiscal Year Ended June 30	Sales Tax Revenues[1]	Percentage Change
1996	$126,077,000	9.46%
1997	134,984,000	7.06
1998	144,675,000	7.18
1999	151,806,000	4.93
2000	170,911,000	12.58
2001	191,648,000	12.13
2002	172,774,000	(9.84)
2003	167,441,000	(3.08)
2004	170,566,000	1.86
2005	178,392,000	4.58
2006	191,680,000	7.44
2007	198,805,000	3.72
2008	202,632,000	1.93
2009	184,286,000	(9.05)
2010	162,500,000[2]	(11.82)

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

For the first eight months of the fiscal year ending June 30, 2010, the District has received $113,265,000 in Sales Tax Revenues that are 13% less than Sales Tax Revenues received for the same period in the last fiscal year.

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

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

Application of Sales Tax Revenues

Pursuant to an agreement between the District and the State Board of Equalization, dated August 5, 1982, as amended, the State Board of Equalization remits all Sales Tax receipts directly to the Trustee on a monthly basis. The Indenture provides that Sales Tax Revenues remitted to the Trustee will be deposited in the Revenue Fund and will be applied by the Trustee to the following funds established by the Indenture in the following order of priority; provided that on a parity with such deposits the Trustee may set aside or transfer amounts with respect to outstanding Parity Debt (which shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Debt):

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

Interest Fund. The Trustee shall set aside in the Interest Fund as soon as practicable in each month an amount equal to one-sixth of the aggregate half-yearly amount of interest becoming due and payable on the Outstanding Current Interest Bonds during the next ensuing six months, until the requisite half-yearly amount of interest on all such Outstanding Current Interest Bonds is on deposit in the Interest Fund; provided that from the date of delivery of the Current Interest Bonds until the first interest payment date with respect to the Current Interest Bonds the amounts so paid shall be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on said interest payment date. No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest to become due and payable on the interest payment dates falling within the next six months upon all the Bonds then Outstanding and on July 1 of each year any excess amounts in the Interest Fund not needed to pay interest on such date shall be transferred to the District. See APPENDIX D — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" for an explanation of how interest on Variable Rate Indebtedness is calculated.

Principal Fund; Sinking Accounts. The Trustee shall deposit in the Principal Fund as soon as practicable in each month an amount equal to at least one-twelfth of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds having annual maturity dates within the next 12 months, plus one-twelfth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next twelve-month period into the respective Sinking Accounts for the Term Bonds of all Series for which a Sinking Account shall have been created and for which annual mandatory redemption is required from such Sinking Account (See "DESCRIPTION OF THE SERIES 2010 BONDS – Mandatory Redemption"); provided that if the District certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in the Bond Reserve Fund that would be in excess of the Bond Reserve Requirement upon such payment, no amounts need be set aside towards such principal to be so refunded or paid.

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

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

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

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

Bond Reserve Fund

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

The Series 2010 Reserve Account. The Series 2010 Bonds shall have a separate reserve account within the Bond Reserve Fund (the "Series 2010 Reserve Account"). The Series 2010 Reserve Account will be funded in the amount of approximately $14.3 million* with funds provided by the District based upon 125% of average annual debt service on the Series 2010 Bonds. All other amounts and instruments on deposit in the Bond Reserve Fund, including the Reserve Policies, will also be available for payments with respect to the Series 2010 Bonds. The Series 2010 Reserve Account will be available to pay only the principal of and interest on the Series 2010 Bonds until such time as the amount on deposit in the Bond Reserve Fund, excluding any Reserve Policies held therein issued by insurance companies that are not rated in one of the two highest rating categories of Moody's or Standard & Poor's, is equal to the Bond Reserve Requirement. At such time the Series 2010 Reserve Account will be combined with other cash deposits in the Reserve Fund and be available to pay principal of and interest on all Bonds as part of the

* Preliminary, subject to change.

Bond Reserve Fund. At all times other moneys and instruments in the Bond Reserve Fund are available to pay principal of and interest on the Series 2010 Bonds pursuant to Section 5.05 of the Indenture and such other amounts and Reserve Policies shall be used prior to amounts on deposit in the Series 2010 Reserve Account.

Bond Reserve Requirement. The Bond Reserve Requirement following issuance of the Series 2010 Bonds will be approximately $_________ based on 125% of average Annual Debt Service on all Bonds Outstanding. No deposit to the Bond Reserve Fund will be required in connection with the issuance of the Series 2010 Bonds; however, the District has determined to increase cash holdings by making a deposit in the amount of $14.3 million* to a Series 2010 Reserve Account within the Bond Reserve Fund. The District estimates that the Reserve Policies described below and the funds remaining in the Bond Reserve Fund will be sufficient, assuming such funds are maintained and no additional Bonds are issued, to satisfy the Bond Reserve Requirement for the term of the Series 2010 Bonds. The District is not required to maintain funds in the Bond Reserve Fund in excess of the Bond Reserve Requirement; provided that the District shall maintain the Series 2010 Reserve Account until the Bond Reserve Requirement is fully funded with cash and Reserve Policies issued by providers rated in one of the two highest rating categories by Moody's or Standard & Poor's.

Cash on deposit in the Bond Reserve Fund is currently invested in money market securities and is permitted to be invested in Investment Securities as defined in the Indenture. SEE APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions."

Reserve Policies. The Indenture authorizes the District to obtain a letter of credit or a Reserve Policy in place of funding all or a portion of the Bond Reserve Fund. As of the date of issuance of the Series 2010 Bonds, there will be on deposit in the Bond Reserve Fund a surety bond issued by Ambac Assurance Corporation ("Ambac") in the principal amount of $41,571,225.21 that reduces to $26,163,250.00 after July 1, 2011 and expires on July 1, 2028 (the "Ambac Reserve Policy") issued in connection with the Series 1990 Bonds and the Series 1998 Bonds, which is available to pay debt service on any Bonds, a separate surety bond issued by Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company ("FGIC") in the principal amount of $8,789,837.50 (the "FGIC Reserve Policy") issued in connection with the Series 1999 Bonds, which is available to pay debt service on any Bonds and expires on July 1, 2034, and a municipal bond debt service reserve insurance policy issued by Financial Security Assurance Inc. ("FSA") (now known as Assured Guaranty Municipal Corp.) in the principal amount of $4,410,874 (the "FSA Reserve Policy") that was issued in connection with the issuance of the Series 2006 Bonds and expires on July 1, 2036 and is available to pay debt service on any Bonds. The reimbursement obligations of the District to Ambac with respect to the Ambac Reserve Policy, to FGIC with respect to the FGIC Reserve Policy and to FSA with respect to the FSA Reserve Policy, are subordinate to the District's obligations with respect to the Bonds.

At the time of issuance of the Reserve Policies, the issuer thereof was rated in the highest Rating Category of Moody's and Standard and Poor's. Currently, only FSA is rated in one of the two highest Rating Categories of Moody's or Standard & Poor's. Each of Moody's, Standard & Poor's and Fitch (collectively, the "Rating Agencies") has downgraded or withdrawn their respective ratings on the claims-paying ability and financial strength ratings of Ambac and FGIC. The Rating Agencies could announce changes in rating outlook, or a review for downgrade or further downgrades of bond insurers. For the current ratings, if any, of the issuers of the Reserve Policies, the holders should contact the Rating Agencies. In the event that a Reserve Policy lapses or expires, the District shall immediately replace such Reserve Policy or make the required deposits to the Bond Reserve Fund. SEE APPENDIX D –

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* Preliminary, subject to change.

"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Establishment and Application of Funds and Accounts."

The Reserve Policies and current cash and securities expected to be on deposit in the Bond Reserve Fund following issuance of the Series 2010 Bonds are summarized as follows:

BOND RESERVE FUND HOLDINGS[1]

Series 2010 Reserve Account [2]	$14,300,000.00
Cash and Securities	13,382,267.00
Reserve Policies:	
FSA Reserve Policy [3]	4,410,874.00
Ambac Reserve Policy [4]	41,571,255.21
FGIC Reserve Policy [5]	8,789,837.50
Total	$82,454,233.71

[1] Bond Reserve Requirement is currently $53,644,423.
[2] Preliminary, subject to change. To be funded in an amount approximately 125% of average annual debt service of 2010 Bonds.
[3] FSA Reserve Policy expires on July 1, 2036. FSA is now known as Assured Guaranty Municipal Corp.
[4] Ambac Reserve Policy amount reduces to $26,163,250.00 after July 1, 2011, and the Policy expires on July 1, 2028.
[5] FGIC Reserve Policy expires on July 1, 2034.

Additional Bonds and Parity Debt

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

The District may, by Supplemental Indenture, establish one or more Series of Bonds and the District may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as shall be determined by the District, as well as Parity Debt, but only upon compliance by the District with certain provisions of the Indenture and subject to certain specific conditions precedent to the issuance of any series of Bonds set forth in the Indenture. Additional Bonds issued by the District for the purpose of refunding Bonds need not comply with the foregoing coverage test. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Additional Bonds; Refunding Bonds; Parity Debt; Subordinated Obligations."

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

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

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

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

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

(e) if any Bonds feature an option, on the part of the Bondowners or an obligation under the terms of such Bonds, to tender all or a portion of such Bonds to the District, the Trustee, or other fiduciary or agent and require that such Bonds or portion thereof be purchased if properly presented, then for purposes of determining the amounts of principal and interest due in any Fiscal Year on such Bonds, the options or obligations of the Owners of such Bonds to tender the same for purchase or payment prior to their stated maturity or maturities shall be treated as a principal maturity occurring on the first date on which Owners of such Bonds may or are required to tender such Bonds except that any such option or obligation to tender Bonds shall be ignored and not treated as a principal maturity, if (1) such Bonds are rated in one of the two highest long-term Rating Categories by Moody's and by Standard & Poor's or such Bonds are rated in the highest short-term, note or commercial paper Rating Categories by Moody's and by Standard & Poor's and (2) funds for the purchase price of such Bonds have been set aside by the District and pledged to such payment or are to be provided by a letter of credit or standby bond purchase agreement and the obligation of the District with respect to the provider of such letter of credit or standby bond purchase agreement, other than its obligations on such Bonds, shall be subordinated to the obligation of the District on the Bonds or, if not subordinate, shall be incurred (assuming such immediate tender) under the conditions and meeting the tests for the issuance of Parity Debt set forth in the Indenture, in which latter case, such repayment obligations of the District to the provider of such letter of credit or standby bond purchase agreement shall be included in the computation of the Maximum Annual Debt Service in accordance with the terms of such obligation.

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

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

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

The District currently has no Parity Debt, Variable Rate Indebtedness or Interest Rate Swap Agreement relating to any Bonds outstanding. All outstanding Bonds of the District bear interest at fixed rates to maturity.

Subordinate Obligations

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

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

Special Obligations

The Series 2010 Bonds are special obligations of the District payable solely from Sales Tax Revenues and no other revenues of the District are pledged to the payment thereof. The Series 2010 Bonds are not a general obligation of the District, the State or any political subdivision thereof and the District is not obligated to levy any form of taxation, other than the Sales Tax, for the payment of the Series 2010 Bonds.

INVESTMENT CONSIDERATIONS

Economy of the Three BART Counties and the State

The Series 2010 Bonds are secured by a pledge of Sales Tax Revenues, which consist primarily of the Sales Tax less an administrative fee paid to the State Board of Equalization. The level of Sales Tax Revenues collected at any time is dependent upon the level of retail sales within the Three BART Counties, which level of retail sales is, in turn, dependent upon the level of economic activity in the Three BART Counties and in the State generally.

The economy of the Three BART Counties has been in a recession as evidenced by a decrease in Sales Tax Revenues, an increased unemployment rate, a decrease in total personal income and taxable sales, a drop in residential and commercial building permits, a decline in the rate of home sales and the median price of single-family homes and condominiums, and an increase in foreclosures resulting from such defaults.

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

Any further substantial deterioration in the level of economic activity within the Three BART Counties or in the State could have a material adverse impact upon the level of Sales Tax Revenues and therefore upon the ability of the District to pay principal of and interest on the Series 2010 Bonds. For information relating to current economic conditions within the Three BART Counties and the State see APPENDIX E – "THE ECONOMY OF THE THREE BART COUNTIES."

Risk of Earthquake

The Bay Area's historical level of seismic activity and its proximity to a number of significant known earthquake faults (including most notably the San Andreas Fault and the Hayward Fault) increases the likelihood that an earthquake originating in the region could disrupt economic activity in the Three BART Counties and adversely affect Sales Tax Revenues for an undetermined period of time.

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

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

Other Force Majeure Events

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

Threats and Acts of Terrorism

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

Changes in Taxable Items

With limited exceptions, the Sales Tax is imposed upon the same transactions and items subject to the sales tax levied statewide by the State. The State Legislature or the voters within the State, through the initiative process, could change or limit the transactions and items upon which the State Sales Tax and the Sales Tax are imposed. Any such change or limitation could have an adverse impact on the Sales Tax Revenues collected. For a further description of the Sales Tax, see "SECURITY FOR THE SERIES 2010 BONDS – Sales Tax Revenues." See also APPENDIX E – "THE ECONOMY OF THE THREE BART COUNTIES" for data relating to taxable transactions in the Three BART Counties.

Effect of Growth in Internet Commerce

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

Constitutional Limitations on Appropriations

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

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

Section 7900 et seq. of the Government Code of the State of California defines certain terms used in Article XIII B and sets forth the methods for determining the appropriations limits for local jurisdictions. The District's appropriations limit for the Fiscal Year ending June 30, 2010 is $465,684,000. Pursuant to the Fiscal Year 2010 budget, "appropriations subject to the limitation" are $280,011,000, or $185,673,000 under the limit. It is not anticipated that the District will ever reach its appropriations limit. However, if it were ever to reach such limit, it is arguable that amounts appropriated to pay debt service on the Bonds are appropriations for capital outlay projects and therefore not subject to the limit.

Proposition 218

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

Further Initiatives

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

No Acceleration Provision

The Indenture does not contain a provision allowing for the acceleration of the Series 2010 Bonds in the event of a default in the payment of principal and interest on the Series 2010 Bonds when due. In the event of a default by the District, each Series 2010 Bondholder will have the rights to exercise the remedies, subject to the limitations thereon, set forth in the Indenture. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Loss of Tax Exemption

As discussed under "TAX MATTERS," interest on the Series 2010 Bonds could become includable in federal gross income, possibly from the date of issuance of the Series 2010 Bonds, as a result of acts or omissions of the District subsequent to the issuance of the Series 2010 Bonds. Should interest become includable in federal gross income, the Series 2010 Bonds are not subject to redemption by reason thereof and will remain outstanding until maturity or earlier redemption.

LEGAL MATTERS

The validity of the Series 2010 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California and Lofton & Jennings, San Francisco, California, Co-Bond Counsel to the District. A complete copy of the proposed form of the opinion to be delivered by Co-Bond Counsel is attached hereto as APPENDIX H. Compensation of Co-Bond Counsel is contingent upon the issuance of the Series 2010 Bonds. Co-Bond Counsel takes no responsibility for the accuracy, completeness or fairness of this Official Statement. Approval of certain other legal matters will be passed upon for the District by Matthew Burrows, Esq., General Counsel to the District.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP and Lofton & Jennings ("Co-Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2010 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 Series 2010 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 H hereto.

To the extent the issue price of any maturity of the Series 2010 Bonds is less than the amount to be paid at maturity of such Series 2010 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2010 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 Series 2010 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 Series 2010 Bonds is the first price at which a substantial amount of such maturity of the Series 2010 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of Underwriter, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2010 Bonds accrues daily over the term to maturity of such Series 2010 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 Series 2010 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2010 Bonds. Owners of the Series 2010 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2010 Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series 2010 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2010 Bonds is sold to the public.

Series 2010 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 Series 2010 Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2010 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 Series 2010 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2010 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 Series 2010 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2010 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 Series 2010 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 Series 2010 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, clarification of the Code or court decisions may cause interest on the Series 2010 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. 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 Series 2010 Bonds. Prospective purchasers of the Series 2010 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, 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 Series 2010 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.

The IRS has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the IRS, interest on such tax-exempt obligations is includable in the gross income of the beneficial owners thereof for federal income tax purposes. Co-Bond Counsel is not obligated to defend the District or the beneficial owners regarding the tax-exempt status of the Series 2010 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 Series 2010 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 Series 2010 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 Series 2010 Bonds, the District will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending with respect to which the District has been served with process or, to the knowledge of the District, threatened against the District in any way affecting the existence of the District or the titles of its officers to their respective offices or seeking to restrain or to enjoin the issuance, sale or delivery of the Series 2010 Bonds, the application of the proceeds thereof in accordance with the Indenture, or the levy or collection of the Sales Tax or application of the Sales Tax Revenues or other moneys to be pledged to pay the principal of and interest on the Series 2010 Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Series 2010 Bonds, the Indenture, the Continuing Disclosure Agreement or in any way contesting the completeness or accuracy of this Official Statement.

RATINGS

Standard & Poor's Ratings Services ("S&P") and Fitch Ratings ("Fitch") have assigned ratings of "AA+" and "AA," respectively, to the Series 2010 Bonds with Fitch indicating that its rating is expected to be recalibrated on April 30, 2010 to AA+. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from such rating agencies furnishing the same at the following addresses: Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., 55 Water Street, New York, New York 10041 and Fitch Ratings, One State Street Plaza, New York, New York 10004. Generally a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any credit ratings given to the Series 2010 Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by such rating agencies, if, in their judgment, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2010 Bonds.

FINANCIAL ADVISORS

KNN Public Finance, a Division of Zions First National Bank, Oakland, California, serves as Financial Advisor to the District with respect to the sale of the Series 2010 Bonds. The Financial Advisor has not conducted a detailed investigation of the affairs of the District to determine the completeness or accuracy of this Official Statement and have not independently verified any of the data contained herein and have no responsibility for the accuracy or completeness thereof.

The compensation of the Financial Advisor is contingent upon the issuance of the Series 2010 Bonds.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners and Beneficial Owners of the Series 2010 Bonds to cause to be provided certain financial information and operating data relating to the District by not later than eight months following the end of the District's fiscal year (presently June 30), commencing with the report for the 2009-10 Fiscal Year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material, to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access website ("EMMA") for purposes of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"). When provided by the District, the Annual Report will be filed by the Trustee on behalf of the District with the MSRB. When directed to do so by the District, the notices of material events will be filed by the Trustee on behalf of the District with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of material events is described in "APPENDIX G - FORM OF CONTINUING DISCLOSURE AGREEMENT."

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

SALE OF SERIES 2010 BONDS

The Series 2010 Bonds are being offered pursuant to a competitive bid on May 5, 2010 pursuant to the terms set forth in the Official Notice of Sale relating to the Series 2010 Bonds. The Official Notice of Sale provides that all Series 2010 Bonds will be purchased if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice of Sale, the approval of certain legal matters by Co-Bond Counsel and certain other conditions.

VERIFICATION OF MATHEMATICAL ACCURACY

Upon delivery of the Series 2010 Bonds, the arithmetical accuracy of certain computations included in the schedules provided by the Financial Advisor on behalf of the District relating to the: (i) adequacy of forecasted receipts of principal and interest on the escrow securities and cash held in the escrow fund relating to the Refunded Series 1998 Bonds; (ii) the scheduled payments of principal and interest with respect to the Refunded Series 1998 Bonds on and prior to their projected maturity and/or redemption dates; and (iii) yields on the securities to be deposited pursuant to the escrow fund relating to the Refunded Series 1998 Bonds upon delivery of the Series 2010 Bonds, will be verified by Causey Demgen & Moore, Inc., independent certified public accountants (the "Verification Agent"). Such verification shall be based solely upon information and assumptions supplied the Verification Agent by the Financial Advisor. The Verification Agent has not made a study or evaluation of the information and assumptions on which such computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

FINANCIAL STATEMENTS

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

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 Series 2010 Bonds. All of the preceding summaries of the Series 2010 Bonds, the Indenture, applicable legislation and other agreements and documents are made subject to the provisions of the Series 2010 Bonds and such documents, respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the District for further information in connection therewith.

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

The execution and delivery of this Official Statement by the Controller/Treasurer of the District has been duly authorized by the District. Concurrently with the delivery of the Series 2010 Bonds, the District will furnish to the Underwriter 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 Series 2010 Bonds, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading.

SAN FRANCISCO BAY AREA RAPID
TRANSIT DISTRICT

By:____________________________________
Controller/Treasurer

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APPENDIX A

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
FINANCIAL AND OPERATING INFORMATION

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SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

General Description of the District

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

All capitalized terms used and not otherwise defined in this Appendix A shall have the meanings assigned to such terms in Appendix D – Summary of Certain Provisions of the Indenture, or, if not defined in Appendix D, in the Indenture, as such term is defined in the front portion of this Official Statement, to which this Appendix A is attached. References to "Fiscal Years" refer to fiscal years ending June 30 of the designated year.

Powers of the District

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

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

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

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

Administration

Governance of the District is vested in a Board of Directors (the "Board" or the "Board of Directors") composed of nine members, each representing an election district within the District.

The boundaries of the election districts have been set on the basis of, as nearly as practicable, equal population and, among other things, community of interest of the population within the election district. The election districts are adjusted to reflect population changes after every national census. The boundaries of the District election districts do not conform to the boundaries of the three BART counties.

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

The District Directors are:

Director	**City of Residence**	**Term Expiration (December)**
James Fang President	San Francisco	2010
Bob Franklin Vice President	Oakland	2012
Carole Ward Allen	Oakland	2010
Thomas M. Blalock	Fremont	2010
Joel Keller	Brentwood	2010
John McPartland	Castro Valley	2012
Gail Murray	Walnut Creek	2012
Tom Radulovich	San Francisco	2012
Lynette Sweet	San Francisco	2012

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

The four statutory officers are:

Dorothy W. Dugger, 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, and in August, 2007 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.

Scott L. Schroeder, Controller/Treasurer

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

Matthew Burrows, General Counsel

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

Kenneth A. Duron, District Secretary

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

Principal executive management staff appointed by the General Manager include:

Marcia deVaughn, Deputy General Manager

Ms. deVaughn joined the District in 2002. She served as Executive Assistant to then General Manager Tom Margo, Acting Executive Manager of the Office of Planning and Budget, and Executive Manager of Transit System Compliance. Prior to joining the District, Ms. deVaughn worked for the City and County of San Francisco as Deputy Director of Public Works for Operations and Director of the Solid Waste Management Program. Ms. deVaughn received a Master of Business Administration in international management from Golden Gate University and a Bachelor of Science from the University of San Francisco.

Paul Oversier, Assistant General Manager, Operations

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

Employees and Labor Relations

As of January 31, 2010, the District had 3,122 employees, of which 3,027 were full-time and 95 were part-time. Most District employees are represented by recognized employee organizations. Some supervisors and professionals are represented by the American Federation of State, County and Municipal Employees ("AFSCME"), Local 3993. Station agents, train operators and some clerical employees and foreworkers supportive of the train operators and station agents are represented by the Amalgamated Transit Union ("ATU"), Local 1555. Maintenance and some clerical staff and foreworkers supportive of the maintenance and associated clerical staff are represented by the Service Employees International Union ("SEIU"), Local 1021. In addition, BART police officers and police managers are represented by the BART Police Officers Association ("BPOA") and the BART Police Managers Association ("BPMA"), respectively.

As of January 31, 2010, the average BART employee had been with the District 13.25 years and earned an annualized salary of $75,650. 73% were male, and 27% were female. The youngest employee was–21 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 38% white, 24% black, 24% Asian or Pacific Islander, 14% Hispanic, and 1% American Indian.[1] As of January 31, 2010, the District had approximately 1,758 retirees.

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

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

premium co-payments by employees was reached to assist the District with the cost of employee health benefits. The 2001 union agreements were negotiated following a request for a Governor's fact-finding panel and a cooling-off period 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.

Litigation

The District is involved in various lawsuits, claims and disputes, which for the most part are expected in connection with operations such as the District's. An atypical incident occurred on January 1, 2009, New Year's Day, in connection with disturbances on a BART platform involving a fatal shooting by a BART policeman of a suspect. Recently, BART agreed to a settlement payment of $1.5 million to the child of the deceased. Claims brought by the decedent's mother and others are still outstanding. BART as a public agency is not liable for punitive damages. The District is also engaged in civil litigation relating to its automatic train control system. See "CAPITAL PROGRAMS – System Reinvestment Program" herein.

BART SYSTEM FINANCINGS

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

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

Pursuant to voter approval in the Three BART Counties of Measure AA ("Measure AA") at the November 2, 2004 election, the District is authorized to issue General Obligation Bonds, in one or more series, in an amount not to exceed $980 million, in order to make earthquake safety improvements to the BART System. In May 2005, the District issued the General Obligation Bonds (Elections 2004), 2005 Series A with an aggregate principal amount of $100,000,000. On July 25, 2007, the District issued the General Obligation Bonds (Election of 2004), 2007 B with a principal amount of $400,000,000. The 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 General Obligation Bonds are general obligations of the District, payable from and secured solely by ad valorem taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except for certain personal property which is taxable at limited rates) levied in Alameda and Contra Costa Counties and the City and County of San Francisco. No other revenues of the District are pledged to the payment of the General Obligation Bonds.

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

Sales Tax Revenue Bonds. Commencing in 1970, the District has issued bonds from time to time (the "Sales Tax Revenue Bonds"). The Sales Tax Revenue Bonds are special obligations of the District payable from and collateralized 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. The following issues are outstanding in the amounts and at the rates indicated in the table below:

Issue	Original Principal Amount	Amount Outstanding[1]	Final Maturity	Interest Rates
Series 1990 Bonds	$ 158,478,000	$ 28,775,000	2011	6.75%
Series 1998 Bonds	348,510,000	145,450,000	2028	4.75-5.5%
Series 2001 Bonds	168,650,000	43,765,000	2036	4.375-5.25%
Series 2005A Bonds	352,095,000	296,530,000	2030	3.25-5.00%
Series 2006 Bonds	64,915,000	64,915,000	2036	4.00-5.00%
Series 2006A Bonds	108,110,000	107,545,000	2036	4.00-5.00%

[1] As of March 1, 2010

Leaseback Transactions. The District currently has three outstanding leaseback obligations relating to rail traffic control equipment and rail cars. On January 11, 1991, the District entered into an agreement with the French car manufacturer (Soferval) to sell 120 refurbished rail cars and simultaneously lease them back (collectively, the Wilson Credit Bail Transaction). The transaction continues through January 2011. This transaction was to satisfy manufacturer contractual claims against the District. On March 30, 1995, the District entered an agreement with Morrison-Knudsen (Morrison-Knudsen Transaction), a car manufacturer, to sell and simultaneously lease back 26 railcars. The transaction also runs through January 2011.

On March 19, 2002, the District entered into a lease financing transaction (consisting of three separate tranches) (the "Network Lease Transaction") to lease rail traffic control equipment (the "Network") to investors under head lease agreements that expire March 19, 2042, January 25, 2050 and March 19, 2042, respectively, and to simultaneously sublease the Network back from the investors under sublease agreements that each expire January 2, 2018, at which point the District has the option to purchase the head lease interests in the Network from the investors. At the closing, the investors prepaid their entire rent obligations to the District under the head lease agreements in the amount of approximately $206,000,000 (which amount represented the fair market value of the Network at closing), of which the District paid approximately $146,000,000 to a payment undertaker in consideration for the payment undertaker's agreement to make rent payments on the District's behalf under the subleases. The net cash benefit the District received from this lease/leaseback transaction at closing amounted to approximately $23,000,000. See Appendix B – "San Francisco Bay Area Rapid Transit District Report on Audits of Financial Statements for the Years Ended June 30, 2009 and 2008. (Note #7)." On September 2, 2009, the District terminated one of the three tranches of the Network Lease Transaction (representing $104,990,500 of the $206,000,000 fair market value of equipment in the Network Lease Transaction at closing) and acquired the head lease interest for the equipment that was leased under such tranche.

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

SFO Extension. The extension of the BART System into the San Francisco International Airport and to the Millbrae Station (the "SFO Extension") was completed in 2003 and the District commenced revenue service on the SFO Extension. The final cost of the SFO Extension of $1.582 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 provided a combined $56 million of up-front funding over several years, first used to fund operating deficits on the SFO Extension, then to complete the funding commitment of $145 million to the Warm Springs Extension project. See "CAPITAL PROGRAMS – System Expansion Program – Warm Springs Extension" below. BART also receives two forms of ongoing subsidy. Two percent of San Mateo County's Measure A half-cent sales tax, which is currently equal to approximately $1.2 million per year, was allocated to BART for 25 years beginning in Fiscal Year 2009. BART also receives 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 and is subject to reduction or elimination by State budget action that reduces the sales tax. See "CAPITAL PROGRAMS – Funding Developments" herein.

MTC MOU. On June 28, 2006, BART reached agreement with MTC relating to $60 million in funding previously made available to the District for the SFO Extension by MTC from certain bridge toll reserve funds held by MTC to fund rail extension projects in the East Bay. Such funding was a loan to the District, to be repaid by the District upon receipt of the final payment from the FTA under a full funding grant agreement (which final payment was received in June 2007). MTC agreed to extend the repayment period and amortize the principal for the loan over a nine-year term, charging 3% simple interest, with the final payment due in June 2014. As of February 28, 2010, the outstanding balance of the loan was $37,000,000.

Premium Fare Financing. On October 31, 2002, the Association of Bay Area Governments ("ABAG") issued BART SFO Extension Bonds ("Airport Premium Fare Bonds"), 2002 Series, in the amount of $56,715,000. The Airport Premium Fare Bonds were issued to finance a portion of the costs of the SFO extension project, including all system-wide and associated improvements and expenditures related to the 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 total number of entries and exits from the San Francisco International Airport station for Fiscal Year 2009 was 3,900,177, which produced revenues sufficient to cover debt service on the Premium Fare Bonds. 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 Ambac Assurance Corporation. As of February 28, 2010, the 2002 Airport Premium Fare Bonds consist of $19,040,000 in serial bonds due August 1, 2010 through August 1, 2022, inclusive, with interest rates ranging from 3.25% to 5.00%, a $11,230,000 term bond due August 1, 2026 with an interest rate of 5%, and a $23,970,000 term bond due August 1, 2032 with an interest rate of 5%.

Fleet Replacement Program. This program consists of replacement of the District's current fleet of A2, B2,C1 and C2 rail vehicles. The District has issued a Request for proposals for the Procurement of the Vehicles. Notice to Proceed is estimated to occur in 2011, and the first pilot car is estimated to be delivered for testing in December 2014. To set aside funding for this future need, the District and MTC entered into the BART Car Replacement Funding Exchange Agreement in 2006. Under the agreement, MTC agrees to program federal funds to eligible BART projects that are ready to be delivered within the year of MTC's programming action. In exchange for MTC programming funds for ready-to-go BART projects, the District will deposit an equal amount of local unrestricted funds into a restricted account established to fund BART's car replacement program. MTC is the exclusive administrator of the restricted account and any withdrawal of funds from the account requires prior approval from the MTC Commission and the District's Board. In accordance with the agreement, MTC allocated Federal Section 5307 Grants of $22,683,000 in Fiscal Year 2010, $22,682,000 in Fiscal Year 2009, $22,681,000 in Fiscal Year 2008 and $22,680,000 in Fiscal Year 2007 to fund the District's preventative maintenance expenses. Accordingly, the District remitted to MTC the equivalent amount of its own funds, which was deposited by MTC to the restricted account. The federal grant is shown as nonoperating revenue – operating financial assistance and the District's remittance to MTC is shown as nonoperating expense in the District's financial statements. The restricted account for BART's car replacement program, which is excluded from the District's financial statements, showed a total cash and investment balance, at market value, of $71,130,000 as of February 28, 2010. The total cost of the Fleet Replacement Program is expected to exceed $3 billion. The first $1 billion of such amount is planned by MTC to come from federal funds in its Resolution 3918, to be adopted by the MTC Commission in May, 2010. See "CAPITAL PROGRAMS – Funding Developments" herein.

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 are located in San Mateo County on the San Francisco Peninsula. BART is powered by an electric third rail at 1,000 volts AC. The rail right-of-way is fully protected and has no grade crossings. Automatic fare collection equipment is located in each station to vend and process passenger tickets. As of June 30, 2009, the District owned 669 rail cars. Trains are from three to 10 cars in length and contain one control-equipped vehicle (an A-car or C-car) at each end with mid-train vehicles (B-cars or C-cars) making up the remainder of each train. Control-equipped C-cars can be used as lead, mid-train, or trail vehicles. All station platforms are constructed to accommodate trains of up to 10 cars. Trains are operated from the lead A-car or C-car. Computers located along the right-of-way automatically control train movements. BART System train supervision is provided by the BART train control computer located at the BART Operations Control Center at the Lake Merritt station. Should the need arise, train operators aboard each train may override the automatic system. The District's 669-car operating fleet currently consists of 59 A-cars, 380 B-cars and 150 C-cars, and 80 C2 cars.

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

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

In addition, a bus shuttle service is operated between BART Oakland Coliseum Station and the Oakland Airport by ShuttlePort under a contract with the Port of Oakland (the "Port"). The Port and BART have an agreement that the Port operates this service, and revenues and expenses are 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 ending June 30, 2009, total AirBART revenue collected was $2,393,679, operating and capital expenses were $1,971,984, net revenues were $421,695, and BART's share of net revenues net of BART's share of the Port's administrative cost was $176,660. In calendar year 2009, AirBART carried 836,427 passengers, a decrease of 28.2% over calendar year 2008.

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

Revenue Hours

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

Passenger Fares

BART rail fares are computed using a distance-based formula. Distance-based fares are then adjusted based on the scheduled travel time versus travel time based on a system wide average speed. In addition, surcharges apply to transbay trips and trips originating from or destined to stations located in San Mateo County, and a premium applies to trips to and from the San Francisco International Airport station. As of the date of this Official Statement, the transbay surcharge, applied to transbay trips, is equal to $0.88; the Daly City surcharge, applied to trips between the Daly City station and San Francisco stations, is equal to $1.02; 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 $1.28. In addition, a premium of $4.00 is applied to trips to or from the San Francisco International Airport (SFO) station, which premium is reduced to $1.50 for SFO employees using the Millbrae station. A capital surcharge equal to $0.12 is applied to all trips within the three BART counties, 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 $1.75 and the current maximum one-way fare is $10.90. Fare increases during the District's history are summarized below. In May 2003, the Board of Directors approved a series of productivity-adjusted Consumer-Price Index-based fare increases to take effect in January of each even-numbered year from 2006 through 2012. The 3.7% increase effective January 1, 2006 was the first of these productivity-adjusted Consumer-Price Index-based fare increases. The second such increase of 5.4% was effective January 1, 2008. The third fare increase took effect July 1, 2009, and included a CPI based increase of 6.1% on all fares, an increase of the minimum fare from $1.50 to $1.75, and an increase of $2.50 to the premium fare for trips to or from SFO, raising the premium fare to $4.00.

Average District Fare Increases

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

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

The District currently offers fare discounts ranging from 6.25% to 62.5%. 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, BART complies with the requirements of Title VI of the Civil Rights Act of 1964. Public hearings are held before any increase in fares or any substantial reduction in service is made. Such change is made only after proper consideration has been given to the views and comments expressed by the public, including those who are minority low-income, or have limited English proficiency, in public meetings and at public hearings and after consideration has been given to the effects on energy conservation and the economic, environmental and social impact of such change.

Ridership

Average weekday passenger trips for the Fiscal Years ended June 30, 2005 and through the third quarter (March 31, 2010) of Fiscal Year 2010 are set forth below.

	2005	2006	2007	2008	2009	2010 (9 mos.)
East Bay	**75,390**	**78,568**	**80,387**	**82,840**	**82,872**	**75,098**
West Bay	**87,800**	**91,948**	**99,238**	**106,482**	**107,089**	**94,286**
Transbay	**147,526**	**152,449**	**159,734**	**168,452**	**166,751**	**160,427**
Average Total Weekday Trips	**310,717**	**322,965**	**339,359**	**357,775**	**356,712**	**329,811**
Percentage Annual Change(1)	**1.4%**	**3.9%**	**5.1%**	**5.4%**	**(0.3%)**	**(7.5%)**

(1) Percentage Annual Change for Average Total Weekday Trips and for the change from the first 9 months of Fiscal Year 2009.

BART ridership grew steadily between Fiscal Year 2005 and Fiscal Year 2008, including a 5.4% increase in Fiscal Year 2008, partially attributed to high gas prices during that year. Ridership peaked in September 2008 with 380,166 average weekday trips. Ridership then fluctuated during the next Fiscal Year. Then, as the recession began and gas prices declined, ridership followed suit, bottoming out in the fall of 2009.

On the evening of October 27, 2009, high winds and heavy traffic created vibrations which caused a 5,000-pound steel beam and two steel tie rods that were holding together a cracked structural support to fail and crash down onto the upper deck of the San Francisco-Oakland Bay Bridge (the "Bay Bridge"). The bridge was abruptly shut down, leaving an estimated 280,000 weekday drivers who rely on the Bay Bridge no easy access into or out of San Francisco. BART responded by bringing in extra train operators and adding more 10-car trains to cope with the thousands of additional riders flocking to the system. As a result of the emergency closure, BART set its single day record ridership of 442,067 on October 29, 2009. The top three single day ridership records in BART's 37-year history were set during this closure. The structural repairs were made and the Bay Bridge reopened to traffic six days later on November 2, 2009.

Since the beginning of Fiscal Year 2010, Transbay ridership has been the strongest market segment, due in part to the week-long Bay Bridge closure in October and early November 2009. Transbay trips, on average, have a higher net fare than other market areas (East Bay or West Bay) and are the longest trips.

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 commenced charging for parking to enhance revenues in 2005. The District offers a paid monthly reserved parking program system-wide and a paid airport/long term parking program at most of its stations. The monthly reserved parking program allows passengers to purchase guaranteed parking near the entrance to a station. Monthly parking fees vary from station to station within a range of $30 to $115.50 based on demand. The number of spaces set aside for monthly reserved parking under current authorization cannot exceed 25% at East Bay stations and 40% at stations located on the west side of San Francisco Bay (the "West Bay stations"). The airport/long term parking program allows passengers traveling to either San Francisco International Airport or Oakland Airport to purchase permits to park their vehicles at some BART stations for periods of time greater than 24 hours. Long Term permits can be purchased via the BART web site for $5.00/day for East Bay Stations and $6.00/day for West Bay stations. At many stations, a number of spaces are set aside for carpoolers and for passengers who arrive at stations after 10 a.m.

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

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

Parking Revenue for Fiscal Year 2009 was $11.3 million. An additional $1.5 million in citation revenue, which varies year-to-year, was collected in for Fiscal Year 2009.

Power Supply; Participation in NCPA's Lodi Energy Center

The operations of the BART System require a substantial amount of electricity. The District's current annual electric energy requirement is approximately 390,000 megawatt hours and its current peak electric load is approximately 80 megawatts ("MW").

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

The District's authority to purchase electricity from other supplies was expanded in 2004 to permit the District to obtain electrical power supply from local publicly-owned electric utilities. Pursuant to these provisions, the District has entered into long-term power supply agreements with Northern California Power Agency ("NCPA"), a California joint powers authority of which the District is a member, for all of its electrical power supply requirements above the WAPA supplies. NCPA presently sells power to the District at wholesale market rates under a ten-year supply arrangement. These arrangements provide significant savings to the District compared to the cost of standard retail service from PG&E.

The District utilizes PG&E transmission facilities for its power needs.

The District has elected participation in NCPA's Lodi Energy Center, a natural gas generation plant being developed by NCPA with fourteen public agency participants. Construction on the plant is scheduled to start construction in July 2010 and operation is targeted for June 2012. NCPA will be selling revenue bonds to finance a portion of the estimated $451 million cost of the Lodi Energy Center. The District has authorized an initial Generation Entitlement Share ("GES") of 6.25%, representing 17.5 MW of capacity from the plant. The District, pursuant to a power sale agreement, will have an unconditional obligation related to its group share of the cost of the project that is subject to a 35% maximum "step-up" provision. The electric energy available to the District from its GES is expected to meet about 30% of the District's present annual energy requirements. The District's participation in the Lodi Energy Center is expected to diversify its power supply portfolio and provide an efficient and reliable source of power at average cost lower than the market alternative.

CAPITAL PROGRAMS

Federal transportation statutes require that the Metropolitan Transportation Commission ("MTC"), in partnership with state and local agencies, develop and periodically update a long-range Regional Transportation Plan ("RTP"), and a Transportation Improvement Program ("TIP") which implements the RTP by programming federal funds to transportation projects contained in the RTP. In order to effectively execute these planning and programming responsibilities, MTC requires each transit operator in its region which receives federal funding through the TIP, prepare, adopt and submit to MTC a Short Range Transit Plan. In conforming with MTC requirements, 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 current Short Range Transit Plan (hereinafter referred to as the "Fiscal Year 08 SRTP") and Capital Improvement Program (hereinafter referred to as the "Fiscal Year 08 CIP") were adopted by the Board of Directors in 2007 and relate to Fiscal Year 2008 through Fiscal Year 2017. A revised version of the SRTP is currently under production and will be available in 2010.

Major program areas of the Fiscal Year 08 CIP include System Reinvestment, Earthquake Safety, Security, Service and Capacity Enhancement and System Expansion. The System Reinvestment Program consists of numerous infrastructure rehabilitation and replacement projects designed to improve the reliability of the District's rail cars and other BART System elements. The Earthquake Safety Program is intended to address the earthquake risk from several major fault lines in the immediate vicinity of the BART rail lines. The Security

Program is comprehensive in nature, covering various operating and capital programs, including the following categorical projects: surveillance, locks and alarms, structural augmentation, emergency communications and operations, detective systems and preparedness. The Service Capacity and Enhancement Program includes a variety of elements, including accessibility improvements to better accommodate disabled riders, general access to stations through a variety of modes, station area development to attract and accommodate increased ridership, and projects to increase the passenger-carrying capacity of the BART System, including station and line-haul capacity. The System Expansion Program consists of various extension projects being studied, designed and/or constructed within the BART System.

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.

Next Generation Renovation Program. The Fiscal Year 2008 CIP, which covers the 25-year period from Fiscal Year 2008 through Fiscal Year 2032, 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.

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® has been operating in revenue service on BART gates since August 2009.

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 was conducted in late 2008. Trial is scheduled to start in August 2010.

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 switch, 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. 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 the redesign of printed circuit boards and software; the procurement of boards based on the new design 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 Fiscal Year 06 CIP begun to address this critical system need by staging a reinvestment program starting in 2006 to repair and replace this equipment with annual allocations from 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 – *State Proposition 1B General Obligation Bonds*" 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 – *State Proposition 1B General Obligation Bonds*" 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

State Proposition 1B General Obligation Bonds. 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.

MTC RTIP 2030. BART continues to receive approximately $50 million per year in capital renovation funds from the FTA Sections 5307 and 5309 Formula Funding programs, which are programmed regionally by MTC. Under its current policy, MTC funds only the District's highest scoring transit capital reinvestment needs in the MTC Regional Transportation Plan 2030 ("T2030"). Under T2030, MTC and participating counties fund these from a combination of Federal formula funds, "STP/CMAQ" and State Transportation Improvement Program ("STIP") funds. For the District, this means approximately 76% of the District's 25-

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

State Transit Funding. This year the Governor enacted the "gas tax swap" which decreases the sales tax and increases the excise tax on gasoline to provide the State with additional revenue to pay State general obligation bond debt service, and decreases the excise tax and increases the sales tax on diesel fuel, thereby providing approximately $118 million in additional revenue for the Public Transportation Account to fund the State Transit Assistance Program beginning in fiscal year 2011-2012. The gas tax swap is revenue neutral, but will result in approximately $22 million in additional funds per year to BART commencing in Fiscal Year 2011-12. In addition, the gas tax swap gives a one-time $400 million appropriation to transit in this fiscal year and the next, through the State Transit Assistance ("STA") program, which will result in BART receiving approximately $26 million over fiscal years 2009-2010 and 2010-2011. While the newly approved STA legislation provides the District with an ongoing revenue stream, the funding is vulnerable to State budget diversions, and will be subject to annual appropriations by the legislature.

The District's preliminary 2011-2012 budget allocates $9 million of the fiscal year 2011 STA payment to increasing the District's operating reserve to $24 million and allocates $5 million to the fiscal year 2011 projected deficit and $5 million to restoring feeder bus subsidies.

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 Program's funding plan and scope have been changed due to current and projected cost savings from favorable construction bids on project components. The current budgeted value of the Earthquake Safety Program is $1.22 billion. The Program will still be able to achieve its original objectives, as well as construct additional retrofits prescribed by the BART Board in January 2009.

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

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

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 system wide 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 nonprofit 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

Planned or 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 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. Concerns with the welds on the pedestrian bridge structures required further construction and supervision, resulting in project delays. Completion of the construction of the public project is now scheduled for spring 2011.

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 3.1-mile, aerial and at-grade alignment from the Coliseum BART station to the OIA, and is designed to accommodate a potential future intermediate station. The total cost to build the Project is approximately $492 million. Although there is a strong local funding commitment from several sources, other funds are necessary to meet project funding requirements. Feasibility studies found that projected OAC ridership could generate sufficient revenue such that BART could contribute a portion of the funding to the project by issuing debt that would be paid back from the long-term revenue generated by the OAC ridership.

Due to the sudden 2008 economic downturn and financial crisis, a proposed OAC Public Private Partnership procurement ended in October with no proposals received. In February

2009, the MTC allocated $70 million in American Reconstruction and Recovery Act ("ARRA") funding to the project subject to a contract award being made prior to the end of 2009. In May the BART Board approved the OAC financial plan which assumed a conservative ridership estimate (90% confidence level), a $6 fare, and a TIFIA loan of up to $102 million. BART issued a Request for Qualification/Proposal to interested parties for a Design-Build construction and startup project followed by a 20 year Operations and Maintenance contract (DB+OM) in May 2009. Four proposals were received in October 2009. On December 10, 2009, the Board authorized the award of the DB Contract for $361 million to Flatiron/Parsons JV and the 20 year OM Contract to Doppelmayr Cable Car Inc. subject to the FTA allocation of its funding. In February 2010, the FTA rescinded the allocation of $70 million in ARRA funds. Flatiron/Parsons JV has extended their bid while staff is working with the funding partners to identify the funding necessary to award the contract.

Warm Springs Extension. This $890 million extension 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 2014. The project broke ground in 2009.

Silicon Valley Rapid Transit Project. This potential extension would extend the BART to the cities of Milpitas, San Jose and Santa Clara in the County of Santa Clara. This project will extend the current system 16 miles along the existing Union Pacific Railroad corridor south of the future Warm Springs Station in Fremont. 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.

When completed, the train service will be completely isolated from car traffic. The new line will include: six stations - one in Milpitas, four in San Jose and one in Santa Clara; a 5-mile tunnel in downtown San Jose; and a new maintenance and storage facility in Santa Clara. The project will be constructed in two segments. The first segment is a 10 mile extension of BART service with two stations – one in Milpitas and one at Berryessa that is in San Jose. This first segment is a New Starts Candidate Project with construction anticipated to begin in 2011 and revenue service to start in 2018. The second segment with the remaining four stations will be constructed as soon after the first segment as funding is available. The estimated capital cost of the first segment, the two station extension, is $2.108 billion in 2009 dollars and for the entire six station extension the cost is estimated at $5.211 billion.

The Santa Clara Valley Transportation Authority (VTA) acquired the right-of-way in December 2002 from the Union Pacific Railroad (UPRR) securing a vital north/south transit corridor for Santa Clara County. The Freight Railroad Relocation (FRR) project spans approximately eight miles of railroad from Fremont to Milpitas and included eight creek crossing plus multiple intersecting road. The purpose of the FRR project is to relocate existing freight rail tracks to a parallel location within the railroad right-of-way and facilitate key maintenance activities. This project will help secure vital space for BART tracks be built alongside the existing railroad tracks.

As of October 2009, the first stage of the FRR was completed. During the winter of 2009-2010, work continued in the area, strengthening and stabilizing a bridge, which will allow BART to be built below. In April of 2010, the second stage of the work will resume. The FRR is expected to last until 2013.

eBART/East Contra Costa Rail Extension. The eBART extension, designed to improve transit service in the congested California State Highway Route 4 ("State Route 4") corridor, consists of a 10-mile extension eastward from the Pittsburg/Bay Point BART station to the City of Antioch utilizing a Diesel Multiple Unit (DMU) technology. The eBART Project alignment will be in the median of State Route 4 with a transfer platform in the existing Pittsburg/Bay Point station BART tailtrack and will include stations at Railroad Avenue in Pittsburg and Hillcrest Avenue in Antioch. The eBART Project is estimated to cost approximately $462 million (in 2012 dollars). Environmental review was completed and approved by the BART Board in April 2009. Final design is underway in cooperation with Caltrans and the Contra Costa Transportation Authority. The District plans to advertise the first construction contract for this project in second quarter of 2010, and break ground in the summer of 2010. Project service is expected to commence in 2015, but construction is dependent on the State Route 4 widening schedule. 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). Bart released a Draft Program Environmental Impact Report in November, 2009, but no funding has yet 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, 2009 and 2008." 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 table on the following page summarizes BART's historical financial operating results for its General Operating Fund for the Fiscal Years ending June 30, 2005 through June 30 2009. This summary for the Fiscal Years ending June 30, 2005 through June 30, 2009 is derived from BART audited financial statements for the Fiscal Years indicated therein (excluding certain non-cash items and after certain other adjustments, as summarized in the footnotes to the table) and are qualified in their entirety by reference to such statements, including the notes thereto. The income and expenses reported in the audited financial statements were based on consolidated information which included transactions pertaining to Other District Funds - Capital Funds and Debt Service Funds. Generally, income and expenses associated with the Other District Funds include investment income, interest expense and debt issue costs. However, in the table below summarizing historical financial operating results, only transactions related to the District's General Operating Fund are shown.

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HISTORICAL FINANCIAL RESULTS OF GENERAL OPERATING FUND
(in 000s)

	(Fiscal Years Ending June 30)				
	2005	2006	2007	2008	2009
Annual Passengers	92,756	96,852	101,704	107,488	106,874
Operating Revenues					
Passenger Revenues	$233,651	$256,239	$282,080	$309,457	$318,094
Investment Income[1]	2,120	4,548	5,434	4,581	1,069
Other	14,993	18,886	25,290	27,751	30,144
Total Operating Revenues	$250,764	$279,673	$312,804	$341,789	$349,307
Financial Assistance:					
Sales Tax Revenues	$178,392	$191,680	$198,805	$202,632	$184,286
Property Tax Revenues[2]	22,412	24,325	27,419	28,955	30,356
Other[3] [8]	16,680	15,749	55,546	57,617	34,068
Total Financial Assistance	$217,484	$231,754	$281,770	$289,204	$248,710
Total Operating Revenues and Financial Assistance	$468,248	$511,427	$594,574	$630,993	$598,017
Operating Expenses:					
Labor[4]	$313,052	$315,039	$326,732	$381,906	$386,847
Electrical Power	18,104	20,861	34,776	34,636	36,784
Express Feeder Bus	2,429	0	0	0	833[5]
Other Non-Labor	85,914	91,981	105,598	102,739	105,151
Total Operating Expenses[6]	$419,499	$427,881	$467,106	$519,281	$529,615
Net Revenues	$ 48,749	$ 83,546	$127,468	$111,712	$ 68,402
Bond Debt Service[7]	$ 54,979	$ 58,198	$ 65,802	$ 61,263	$ 65,312
Rail Car Replacement Funding Exchange[8]			$ 22,680	$ 22,681	$ 22,682
Excess Revenues/(Deficit)	$ (6,230)	$ 25,348	$ 38,986	$ 27,768	$(19,592)[9]
Operating Ratio[10]	60%	65%	67%	66%	66%
Farebox Ratio[11]	56%	60%	60%	60%	60%

(1) 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.

(2) Excludes property tax revenue earmarked for the debt service of the General Obligation Bonds issued in 2005.

(3) Increase in Other Financial Assistance in 2007 were driven primarily by increase in State Transit Assistance (STA) ($18.2M), increase in financial assistance from FTA related to the Rail Fund Swap with MTC ($22.68M), other FTA financial assistance for preventive maintenance ($4.2M), and offset by decrease in financial assistance from SAMTRANS ($8.0M). The decrease in FY 2009 compared to 2008 was caused primarily by the significant reduction in the STA funds received. In FY 2008, the District recognized revenue of $ 23.1M from STA funds.

(4) The substantial increase in labor costs in FY 2008 from FY 2007 was largely due to the increase in postemployment benefit (PEB) expenses arising from the implementation of GASB 45, which required that OPEB costs be accounted for on an accrual instead of the pay as you go basis – see footnote 13 on Appendix B.

(5) Relates to District's share of expenses paid to local operators associated with providing passenger access to BART not covered by STA funds. There was no Feeder Bus Expense prior to Fiscal Year 2009 due to availability of STA funds.

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

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

(8) Rail Car Replacement Funding Exchange represents a transfer to MTC in exchange for the same amount in Federal preventive maintenance grant provided by MTC to the District. The Federal grant is shown as part of Financial Assistance – Other.

(9) The deficit in revenues in FY 2009 was covered by the District's operating reserves and other available funds.

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

(11) Farebox Ratio is defined as total passenger revenues divided by total operating expenses.

Management's Discussion of Historical Financial Results

Through the end of Fiscal Year 2009, total passenger trips decreased to 106.9 million, a 1% decrease over the same period in Fiscal Year 2008. See also "The BART System – Ridership," above. Due to BART's program of regular, CPI-based fare increases BART's passenger ("farebox") revenues were maintained at 60% of its total revenues—one of the highest farebox recovery ratios of any major transit district nationally. Although the national recession impacted the Bay Area and BART riders, BART was able to retain many passengers through Fiscal Year 2009 due to high gasoline prices and continued construction on the San Francisco-Oakland Bay Bridge, which impacts auto traffic in the Transbay corridor.

In Fiscal Year 2009, total operating revenues increased by $7,518,000 primarily due to an increase of $8,630,000 in passenger fares due to a full year of the January 1, 2008 fare increase and an increase of $958,000 in parking revenue, offset by a reduction in investment income discussed below.

Sales tax revenues decreased $18,346,000 in Fiscal Year 2009 due to the economic slowdown, but property tax revenues increased by $1,401,000 due to property reassessments from prior years. Investment income decreased by $3,512,000 due to lower balances and yields, and State Transit Assistance (STA), at $21,726,000 in Fiscal Year 2008, was completely eliminated in the Fiscal Year 2009 State budget process.

Operating expenses increased by $10,334,000 in Fiscal Year 2009 due to an increase in employee salaries and benefits, costs of repairs and maintenance, and traction electrical supply costs.

The reduced sales tax revenues and other financial assistance required the District to resort to use of reserves to balance the Fiscal Year 2009 budget. The District accelerated the planned January 1, 2010 fare increase to take effect July 1, 2009 to offset the negative impact of the recession on revenues in Fiscal Year 2010.

In recent fiscal years the District has addressed its revenue constraints by not only seeking increases to revenue sources, but also by reducing expenses, including the number of operating positions and non-labor expenses. Operating positions budgeted for Fiscal Year 2005 through Fiscal Year 2010 declined by 204.4 positions over the six fiscal year period. Full time equivalent positions that were actually filled declined by 45.9 positions between June 2005 and December 2009.

Although the number of employees has been reduced in recent fiscal years, through Fiscal Year 2009, labor costs have increased due to previously negotiated wage increases and increases in pension and health care costs. However, labor expenses through the first two quarters of Fiscal Year 2010 were approximately the same as compared to the same period in Fiscal Year 2009, due to a strict hiring freeze, the elimination of 100 positions as part of the Fiscal Year 2010 budget process, no contractual wage increases in Fiscal Year 2010, and changes to benefits starting in Fiscal Year 2010.

In each Fiscal Year's budget process, management establishes an operating ratio goal (percentage of operating revenue to operating expense). Through the first two quarters of Fiscal Year 2010, the operating ratio was 72.3%, a level that exceeds that of most urban rail systems. The District's operating ratio has steadily increased over the years, going from 59.8% in Fiscal Year 2005 to 66.0% in Fiscal Year 2009.

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, 2009 and 2008."

The District currently budgets approximately 400,000 megawatt hours of annual electric power supply to operate the BART System. Through the second quarter of Fiscal Year 2010, power-related expenditures amounted to $20.8 million. For Fiscal Year 2011 and the following three 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 2010. This will result in a decrease of approximately $3.8 million in the cost of the District's electrical power supply from the Fiscal Year 2010 level. For power supply costs after this four-year period, the SRTP forecasts that the cost will increase at the general rate of inflation through 2020. Increased power supply needs due to the Warm Springs, e-BART or San Jose extensions have not been factored into these estimates.

Adopted Budget for Fiscal Year 2010

In June, 2009, BART's nine-member Board of Directors adopted an interim $642 million, unbalanced budget for the Fiscal Year ending June 30, 2010 ("Fiscal Year 2010") while the District proceeded with labor negotiations with its five labor unions. The interim budget was revised and balanced upon the conclusion of the District's labor negotiations. This revised budget was adopted by the Board in January 2010 and addressed declines in operating sources due to the recession and savings resulting from the new labor contracts. The four year labor contracts produced a partial year of savings for Fiscal Year 2010 of $11.3 million from lower medical and other benefit costs and work rule changes, including the elimination of 36 positions. However, these savings were more than offset by projected declines in revenue, primarily passenger revenue and sales tax, which are expected to generate revenues of $329.4 million and $162.5 million, respectively, for Fiscal Year 2010. There were other budget adjustments, both positive and negative (such as higher advertising revenue, lower parking and interest revenue, and lower than budgeted costs for a medical rate increase), which together resulted in a revised Fiscal Year 2010 deficit of $25.2 million.

To address the projected deficit, staff proposed budget cuts of $6.0 million ($3.1 million in labor and $2.9 million in non-labor) and the use of one-time ARRA grants and federal flexible funds with a net impact of $19.2 million ($17.8 million in grant funds and a reduction of matching funds of $1.4 million in capital allocations). The value of both the contract savings and the proposed budget cuts will increase in Fiscal Year 2011 because a full twelve months of labor and benefit savings will be realized.

The proposed reductions included the elimination of 69 operating positions and the conversion of 5 positions to capital funding, in addition to the elimination of 100 positions in the Interim Budget and 36 positions as a result of the work rule changes. The total is thus 210 fewer operating positions for Fiscal Year 2010 as compared to Fiscal Year 2009.

The second measure to address the deficit was the use of one-time ARRA stimulus funds and federal "flexible" grants. Use of one-time funding was recommended to minimize impacts on customers and employees. The District has eliminated a large number of positions in the past seven years to address the prior "dot-com" recession. Maintaining service with substantially less staff requires carefully managed cuts in order to focus available resources where they are most needed. Use of the one-time funds helps the District to manage this process, in order to achieve as much of the staffing reduction through attrition as possible, and, by placing impacted employees in vacant positions not slated for elimination. Also, the use of one-time funds gives the District additional time to better gauge the effect of the recession on revenue sources, and the extent of any ongoing "structural" deficit from the vantage point of the end of Fiscal Year 2010.

Preliminary Budget for Fiscal Year 2011

On March 31, 2010, the General Manager presented the Board of Directors a preliminary budget for fiscal year ending June 30, 2011 that projects a deficit of $10.6 million prior to taking into account recommended budgetary solutions, primarily consisting of STA funding allocations. The preliminary budget includes proposed expense reductions of $5.3 million in labor and non-labor expenses to address this deficit. The recently available STA funding is estimated to provide $26.2 million to the District, less $5 million to feeder bus operators not including a transfer to the Alameda-Contra Costa Transit District ("AC Transit") for feeder bus service. Due to the availability of the STA funds to meet feeder bus payments, the District will not need to contribute $2.5 million from other operating funds to feeder bus operators, making the net impact of the STA funds $23.7 million. $9.3 million of such amount is suggested to be utilized to replenish the District's operating reserve to its policy level of 5% of annual operating expense or $24 million. $5.3 million of the STA funds would be allocated to address the budget deficit, leaving $9.1 million (less an amount to be negotiated for AC Transit feeder bus service) remaining to be allocated during the budget process.

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 3% rate and are based, in part, upon the independent adjustment firms' estimate of reserves necessary for the settlement of outstanding claims and related administrative costs, and included estimates of claims that have been incurred but not yet reported. Such reserves are reviewed by professional actuaries and are subject to periodic adjustments as conditions warrant.

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

Investment Policy

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

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

1. Preservation of capital.

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

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

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

Set forth in the below table are the carrying values and types of investment securities in BART's General Fund as of March 31, 2010.

INVESTMENT DISTRIBUTION
as of March 31, 2010

US Treasury Bills	$225,828,000
Local Agency Investment Fund	20,000,000
Certificates of Deposit	608,000
Total	$246,436,000

As of March 31, 2010, the average duration of the District's investments (average days to maturity) was between 60-180 days.

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

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

Employee Retirement Benefits

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

Plan Description. All eligible employees may participate in the Public Employees' Retirement Fund (the "Fund") administered by CalPERS under the Miscellaneous Plan and the Safety Plan of the District. The Safety Plan covers all sworn police officers of the District; all other District employees are covered by the Miscellaneous Plan. The Fund is an agent multiple-employer public sector employee defined-benefit retirement plan that acts as a common investment and administrative agent for approximately 2,626 local public agencies and school districts within the State of California, including the District. The Fund provides retirement, disability and death benefits based on the employee's years of service, age and compensation. Employees vest after five years of service and may receive retirement benefits at age 50. These benefit provisions and all other requirements are established by State statute and District contractual agreements.

Annual Actuarial Valuation Reports. CalPERS prepares an Annual Actuarial Valuation Report ("CalPERS Actuarial Report") for its members. The District receives the annual report for its Miscellaneous Plan, and a separate annual report for its Safety Plan. The latest CalPERS Actuarial Reports were received by the District in October 2009, which were based on financial data available from the District and from various CalPERS databases as of June 30, 2008. These Reports established the District's required employer contribution rates for Fiscal Year 2011, which are 9.446% of covered payroll for the Miscellaneous Plan and 32.321% of covered payroll for the Safety Plan. The Reports also included for District's Miscellaneous and Safety Plans the latest Schedule of Funding Progress, which shows a five-year history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of unfunded actuarial accrued liability to payroll, as discussed herein below.

The District's employer required contribution rates for Fiscal Year 2010 were determined by an actuarial valuation of the Plans as of June 30, 2007. The employer required contribution rates for Fiscal Year 2010 are 9.311% of covered payroll for the Miscellaneous Plan and 33.448% 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, 2008, the average remaining amortization period is 13 years for the Miscellaneous Plan and 22 years for the Safety Plan. There are two components to this cost. The employer cost and the employee cost. District payment for the employer portion of the contributions for the Fiscal Year ended June 30, 2009 to cover normal cost and to amortize the unfunded actuarial accrued liability are 9.741% (9.850% in 2008) and 32.977% (32.249% in 2008) of covered payroll for the Miscellaneous Plan and the Safety Plan, respectively. In accordance with agreements with the labor organizations representing District employees and District policy applicable to non-represented employees, the District also pays the employee portion of the normal contributions, which are 7% of covered payroll for Miscellaneous Plan employees and 9% of covered payroll for Safety Plan personnel. Total covered payroll and all payroll of the District are shown below.

	Fiscal Year 2009	**Fiscal Year 2008**
Covered Payroll	$242,071,000	$233,027,000
All Payroll	$278,804,000	$266,229,000

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 2010 (through January 31, 2010) was $12,043,000 and $3,559,000 for Miscellaneous Plan employees and Safety Plan employees, respectively. The significant actuarial economic assumptions that CalPERS used in determining the Fiscal Year 2010 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.

Schedule of Funding Progress. The funding status applicable to the District's Plans at June 30, 2008 (the most current available for the Fund) is summarized as follows:

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

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a Percentage of Payroll
6/30/06	$1,227,056	$1,162,531	$64,524	94.7%	$211,146	30.6%
6/30/07	1,307,372	1,263,851	43,521	96.7	210,109	20.7
6/30/08	1,391,792	1,349,563	42,229	97.0	218,889	19.3

Source: CalPERS Annual Valuation Report as of June 30, 2008.

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

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a Percentage of Payroll
6/30/06	$140,160	$108,568	$31,592	77.5%	$15,155	208.5%
6/30/07	151,616	120,493	31,123	79.5	16,172	192.4
6/30/08	164,993	131,846	33,147	79.9	17,721	187.0

Source: CalPERS Annual Valuation Report as of June 30 2008.

Money Purchase Pension Plan

Most District employees participate in the Money Purchase Pension Plan, which is a supplemental retirement defined contribution plan. In January 1981, the District's employees elected to withdraw from the Federal Social Security System ("FICA") and established the Money Purchase Pension Plan. Pursuant to its collective bargaining agreements and District policy, the District contributes an amount equal to 6.65% of eligible employee's annual compensation (up to $29,700 after deducting the first $133 paid during each month) up to a maximum annual contribution of $1,868. Up through December 31, 2009, the District contributed an additional 1.627% of payroll for non-represented employees, subject to the

Internal Revenue Code Section 401(a)(17) limits on compensation which may be taken into account.

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

The District's total expense and funded contribution for this Plan for Fiscal Year 2009 was $6,807,000 and for the Fiscal Year 2008 was $6,811,000. The Money Purchase Pension Plan assets at June 30, 2009 and 2008 (excluded from the financial statements in Appendix B), as shown in the Plan administrator's unaudited report, were $222,368,000 and $260,878,000, respectively. At December 31, 2009, there were approximately 606 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. Pursuant to a Keenan Associates report dated March 30, 2010 entitled "Post-Employment Benefit Valuation Report, under GASB 43/45 as of June 30, 2009" (the "Keenan Report"), 1,539 retirees and surviving spouses are provided this benefit. The District made payments in Fiscal Year 2009 on a pay-as-you-go basis, net of retirees' and surviving spouses' share, medical insurance premiums totaling $12,561,000 in Fiscal Year 2009 and $11,844,000 in Fiscal Year 2008, and life insurance premiums amounting to $58,000 in Fiscal Year 2009 and $57,000 in Fiscal Year 2008.

Retiree Health Benefit Trust. In 2004, the Government Accounting Standards Board ("GASB") issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions ("GASB 45"). GASB 45 requires the District to change its accounting for other postemployment benefits ("OPEB") from pay-as-you-go to an accrual basis. Pursuant to Section 53620 of the California Government Code, a local agency may create a trust to fund postretirement health benefits. The assets of such a trust will qualify as an offset against liability under GASB 45. On May 18, 2004, the District created the Retiree Health Benefit Trust for the San Francisco Bay Area Rapid Transit District (the "Health Benefit

Trust") in order to provide a vehicle for prefunding of portions of retiree health benefits. Pursuant to the terms of the Health Benefit Trust, the assets of the Health Benefit Trust are to be held for the sole and exclusive purpose of providing benefits to participants and beneficiaries and to defray the reasonable expenses of administering the Health Benefit Trust and designated plans. Assets placed into the Health Benefit Trust cannot be used for any other purposes and are not available to satisfy general creditors of the District. The Health Benefit Trust is administered by a trustee appointed by the Board of Directors. The current trustee is the Controller/Treasurer of the District.

At December 31, 2009, assets held in the Health Benefit Trust included money market mutual funds, U.S. Treasury obligations, corporate obligations, foreign obligations, domestic common stocks, equity mutual funds, and foreign stocks with a fair market value of approximately $87,672,000.

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

Funding projections are based on the Keenan Report, the most recent actuarial analysis prepared for the District. These funding projections are based on certain assumptions and are inherently subject to a variety of risks and uncertainties, including increases in the cost and duration of health care benefits, which could cause actual results to differ materially from those that have been projected. Pursuant to its labor agreements, effective January 1, 2010, the District's contribution toward medical coverage was limited to the highest Bay Area HMO rate under CalPERS minus the applicable retiree contribution,. This negotiated limit as reflected in the Keenan Report reduced the actuarial accrued liability ("AAL") by approximately $51.6 million and decreased the ARC from a previous valuation. The report also contained projected per capita claims cost updates based on Calendar Years 2009 and 2010 CalPERS premiums, further decreasing the AAL by approximately $21.4 million. Changes to actuarial assumptions including lowered trend rates decreased the AAL by approximately $36.3 million; and updating demographic information with information from the latest census increased the AAL by approximately $2.2 million.

Following is the summary of results of the valuation:

	(in $ Millions)		
	Retiree Medical Plan	Additional OPEB Plan	Total
June 30, 2009 Valuation Results			
Actuarial Accrued Liability	$335	$27	$362
Actuarial Value of Assets	$ 68	$ 0	$ 68
Unfunded Actuarial Accrued Liability	$267	$27	$294
Results for FYE 2011			
ARC (Percentage of Pay)	11.77%	0.80%	12.57%
ARC (Dollar Amount)	$29.4	$2.0	$31.4
Estimated BART Payments			
Benefit Payments from General Assets	$12.9	$0.6	$13.5
Contributions to Trust	$11.9	$0.0	$11.9
Total	$24.8	$0.6	$25.4

Source: Keenan Report dated March 30, 2010.

APPENDIX B

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
REPORT ON AUDITS OF FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

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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, 2009 and 2008

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

For the Years Ended June 30, 2009 and 2008

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Certified Public Accountants & Management Consultants

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2121 N. California Blvd., Suite 750
Walnut Creek, CA 94596
925.274.0190

SACRAMENTO

OAKLAND

LOS ANGELES

NEWPORT BEACH

SAN DIEGO

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the Enterprise Fund and the Retiree Health Benefit Trust Fund of the San Francisco Bay Area Rapid Transit District (the District) as of and for the years ended June 30, 2009 and 2008, 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 50, *Pension Disclosures – an amendment of GASB Statement No. 25 and No. 27,* effective July 1, 2007 and GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective July 1, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2009 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the schedules of funding progress as listed in the table of contents are not a required part of the basic financial statements but are 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. However, we did not audit the information and express no opinion on it.

Macias Gini & O'Connell LLP

Certified Public Accountants

Walnut Creek, California
November 24, 2009

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, 2009 and 2008. This discussion was prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

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

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

Overview of the Enterprise Fund Financial Statements
The *Statement of Net Assets* reports assets, liabilities and the difference as *net assets*. The entire equity section is combined to report total *net assets* and is displayed in three components - *invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets*.

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

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

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

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

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

Financial Highlights

Statements of Revenues, Expenses and Changes in Net Assets
A summary of the District's *Statements of Revenues, Expenses and Changes in Net Assets* for fiscal years 2009, 2008 and 2007 is as follows (dollar amounts in thousands):

	2009	2008	2007
Operating revenues	$ 348,238	$ 337,304	$ 307,370
Operating expenses, net	(666,379)	(653,219)	(593,652)
Operating loss	(318,141)	(315,915)	(286,282)
Nonoperating revenues, net	239,111	284,525	269,345
Capital contributions	190,513	144,096	75,283
Change in net assets	111,483	112,706	58,346
Net assets, beginning of year	4,497,340	4,384,634	4,326,288
Net assets, end of year	$ 4,608,823	$ 4,497,340	$ 4,384,634

Operating Revenues
In fiscal year 2009, operating revenues increased by $10,934,000 which is primarily due to (1) an increase of $8,637,000 in passenger fares due to the whole year effect in fiscal year 2009, as compared to six months in fiscal year 2008 of the 5.4% rate increase on January 1, 2008; (2) increase of $710,000 in support costs reimbursements received from telecommunication projects; (3) increase of $958,000 in parking revenue; and (4) receipt of medicare reimbursements from CalPERS amounting to $914,000.

The increase of $29,934,000 in operating revenues in fiscal year 2008 is mainly credited to an increase of $27,377,000 from passenger fares and an increase of $1,555,000 in parking revenues. The increase in passenger fares is due to a 5.4% increase in average weekday passenger trips from 339,359 in fiscal year 2007 to 357,775 in fiscal year 2008 and a 5.4% increase in passenger fare effective January 1, 2008.

Operating Expenses
In fiscal year 2009, operating expenses increased by $13,160,000 which is primarily due to (1) an increase of $13,071,000 in employee salaries and benefits which include $7,951,000 for 3% contractual salary increase on July 1, 2008, $2,344,000 increase in medical health insurance premiums and $2,766,000 increase in pension and other post employment benefit contributions; (2) increase in repairs and maintenance cost of $4,247,000; (3) increase of $3,655,000 in other operating expenses primarily for traction electrical supply for $2,149,000 and express bus and paratransit expenses totaling $1,507,000; (4) increase of $2,826,000 in depreciation expense; and (5) with offsetting expense reductions coming from an increase of $5,400,000 in labor costs reimbursed by capital projects and an estimated insurance recovery from Hayward fire amounting to $5,565,000.

The net operating expenses in fiscal year 2008 increased by $59,567,000 which is largely due to (1) an increase of $30,793,000 in other postemployment benefit (OPEB) expenses due to the implementation of

GASB 45, which required that OPEB costs be accounted for on an accrual instead of the pay-as-you-go basis (Note 13); (2) an increase of $5,128,000 in salaries and wages mainly due to the 2% contractual pay increase on July 1, 2007; (3) an increase of $2,844,000 primarily due to a 2% increase in employer contributions rate to CalPERS; (4) an increase of $3,692,000 in medical health insurance premiums consistent with industry norm; (5) a decrease of $3,808,000 in labor costs charged to completed capital projects in the prior year; (6) an increase of $3,509,000 in materials and supplies usage mainly for the repairs and maintenance of system structures and revenue vehicles; and (7) an increase of $7,391,000 in depreciation expense.

Nonoperating Revenues
In fiscal year 2009, nonoperating revenues decreased by 16% or $45,414,000. The decrease is mainly due to (1) a decrease of $18,347,000 in sales tax revenues due to the general economic slowdown; (2) the District received $801,000 operating state transit assistance fund in fiscal year 2009 which is a decrease of $22,311,000 from fiscal year 2008; (3) decrease in investment income amounting to $14,307,000 due to lesser amounts of monies invested; and (4) offset by an increase in property tax revenues of $1,401,000 earmarked for operations and $9,353,000 for the debt service of the general obligation bonds.

The nonoperating revenues in fiscal year 2008 had an increase of $15,180,000 which is primarily due to (1) an increase in property tax revenues of $13,353,000 earmarked for debt service of the General Obligation Bonds; and (2) an increase in sales tax revenues amounting to $3,827,000; which was offset by an increase of $6,786,000 in debt service and interest expenses due to the full payments of some long term debts in fiscal year 2007.

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 2009 showed an increase of $46,417,000 and $68,813,000 in fiscal year 2008. The capital contributions in fiscal year 2009 include donated assets received by the District from the Surplus Property Authority of Alameda County consisting of a fully completed parking garage and approximately 10.533 acres of land located in BART's East Dublin/Pleasanton station. The parking garage was booked at a value of $39,413,000, which is equal to its construction cost as reported by the developer. The donated land was booked at a value of $10,235,000. (Note 5). The major additions in fiscal year 2009 to capital projects are detailed on pages 6 and 7.

The increase in fiscal year 2008 came from increases in federal grants amounting to $5,892,000, state grants of $29,027,000 and local grants of $33,888,000.

Statements of Net Assets
A comparison of the District's *Statements of Net Assets* as of June 30, 2009, 2008 and 2007 is as follows (dollar amounts in thousands):

	2009	2008	2007
Current assets	$ 661,320	$ 713,765	$ 643,176
Noncurrent assets - capital assets, net	5,283,987	5,080,746	4,967,443
Noncurrent assets - other	554,761	589,910	174,661
Total assets	6,500,068	6,384,421	5,785,280
Current liabilities	325,406	302,315	215,629
Noncurrent liabilities	1,565,839	1,584,766	1,185,017
Total liabilities	1,891,245	1,887,081	1,400,646
Net assets			
Invested in capital assets, net of related debt	4,324,423	4,193,943	4,084,589
Restricted net assets	139,939	80,513	71,077
Unrestricted net assets	144,461	222,884	228,968
Total net assets	$ 4,608,823	$ 4,497,340	$ 4,384,634

Current Assets
In fiscal year 2009, current assets decreased by $52,445,000 which is mainly due to (1) a decrease of $78,837,000 in cash, cash equivalents and investments; offset by (2) increases in the following receivables: capital grants for $15,591,000, insurance recovery on the Hayward fire of $5,425,000, property tax revenue amounting to $1,653,000 and unreimbursed operating and capital expenses of Capital Corridor Joint Powers Authority for $1,472,000.

Current assets in fiscal year 2008 showed an increase of $70,589,000. The increase in fiscal year 2008 can be attributed to an increase of $31,715,000 in cash, cash equivalents and investments-current and to an increase of $37,378,000 in capital grants receivable.

Noncurrent Assets - Other
In fiscal year 2009, noncurrent assets- other has a decrease of $35,149,000 which is all attributed to the decrease in noncurrent restricted investments which is mainly due to the use of bond proceeds to pay for capital expenditures.

Noncurrent assets – other in fiscal year 2008 showed an increase of $415,249,000 which is principally due to the increase in restricted investments coming from the proceeds of the 2007 General Obligation Bonds amounting to $413,047,000.

Current Liabilities
In fiscal year 2009, current liabilities increased by $23,091,000 which is accounted for as follows: (1) an increase of $6,107,000 in payables to vendors and contractors; (2) an increase of $9,199,000 in accruals for employee salaries and benefits; (3) a $15,871,000 increase in the current portion of long-term debt, which is mainly from the lease/leaseback obligation; and (4) a decrease of $8,540,000 in advances received from grantors.

The current liabilities as of June 30, 2008 showed an increase of $86,686,000 which is mostly due to (1) an increase in payables to vendors and contractors for operating and capital expenditures amounting to $25,199,000; (2) an increase of $21,274,000 in unfunded liabilities for other postemployment benefits; (3) an increase of $27,000,000 attributed to advance payments received from grant agreements mainly from Proposition 1B grants to fund the District's seismic retrofit program, extension, and other projects; and (4) an increase in interest expense payable of $5,824,000 largely from the General Obligation Bonds and the lease/leaseback obligation.

Noncurrent Liabilities

The noncurrent liabilities in fiscal year 2009 showed a decrease of $18,927,000 which is mainly attributed to (1) principal payments of long term obligations amounting to $51,980,000; (2) increase of $15,870,000 in the current portion of long-term debt; (3) an increase in deferred revenue in the form of a parking structure located in BART's Pleasant Hill station with a value of $51,236,000 received from the Pleasant Hill BART Station Leasing Authority and which is considered as a prepayment of its ground lease up to year 2105 on certain land owned by BART (Note 16); (4) decrease of $7,104,000 for the amortization for the year of other deferred revenues; and (5) increase of $3,206,000 in the long-term portion of compensated absences.

The noncurrent liabilities as of June 30, 2008 showed an increase of $399,749,000 which is largely due to (1) the issuance in July 2007 of a $400,000,000 General Obligation Bond as additional funding for the District's seismic project; (2) offset by the annual principal payments of $52,588,000 of the District's other long term debts; and (3) increase in advance from grant agreements of $39,865,000 coming from the Proposition 1B grants to fund the District's seismic retrofit program, extension and other projects.

Capital Assets

Details of the capital assets, net of accumulated depreciation, as of June 30, 2009, 2008 and 2007 are as follows (dollar amounts in thousands):

	2009	2008	2007
Land	$ 540,004	$ 530,623	$ 530,509
Stations, track, structures and improvements	2,997,464	2,926,965	2,907,322
Buildings	5,609	5,559	5,652
Revenue transit vehicles	401,102	447,243	493,401
Other	371,014	369,075	313,378
Construction in progress	968,794	801,281	717,181
Total capital assets	$ 5,283,987	$ 5,080,746	$ 4,967,443

The District has entered into contracts for the construction of various facilities and equipment totaling approximately $884,558,000 at June 30, 2009 and $647,751,000 at June 30, 2008.

The District's capital assets, before accumulated depreciation, increased by $338,696,000 in 2009 and by $244,811,000 in 2008. The major additions, including construction in progress, during the years included capital expenditures for the acquisition and/or major improvements on the following assets:

- core system and extensions amounting to $193,732,000 in 2009 and $205,754,000 in 2008;
- train control equipment totaling $15,072,000 in 2009 and $10,602,000 in 2008;
- revenue transit vehicles in the amount of $13,773,000 in 2009 and $7,320,000 in 2008;
- automatic fare collection and other equipment amounting to $20,977,000 in 2009 and $19,977,000 in 2008;
- Business Advancement Plan (BAP) which is a project to replace the information technology systems supporting the District's administrative business totaling $3,090,000 in 2009 and $3,773,000 in 2008.

The 2009 additions also included (1) donated assets from the Surplus Property Authority of Alameda County in the form of a newly constructed parking garage in BART's East Dublin/Pleasanton station with a cost of $39,413,000 and land valued at $10,235,000 (Note 5); and (2) the District took ownership from the Pleasant Hill BART Station Leasing Authority of a new parking garage located in BART's Pleasant Hill station with a cost of $51,236,000 received as a ground lease payment for certain real property owned by BART (Notes 5 and 16).

Long-Term Debt

The outstanding balance of total long-term debt (including current portion but excluding unamortized balance of bond premium/discounts) showed a decrease of $50,728,000 in fiscal year 2009 and an increase of $351,124,000 in fiscal year 2008. Below is a summary of total long-term debt as of June 30, 2009, 2008 and 2007 (dollar amounts in thousands):

	2009	2008	2007
Bonds payable from and collateralized by a pledge of sales tax revenues	$ 708,345	$ 728,725	$ 748,095
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	37,000	42,000	47,000
Lease/leaseback obligation, including accumulated accretion, for rail traffic control equipment	125,876	124,624	128,695
Bonds payable from the premium fare imposed on the passengers who board on or depart from the San Francisco International Airport Station	54,955	55,595	56,165
General obligation bonds	441,360	467,320	87,185
Total long-term debt	$ 1,456,036	$ 1,506,764	$ 1,155,640

There are no additions to long-term debt in fiscal year 2009.

Addition to Long-Term Debt in Fiscal Year 2008

In July 2007, the District issued the General Obligation (GO) Bonds (Election of 2004), 2007 Series B with an aggregate principal amount of $400,000,000. The 2007 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 2007 GO Bonds constitute the second issue of general obligation bonds pursuant to the Measure AA authorization. The Bonds were issued to finance earthquake safety improvements to BART facilities and structures. The 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. The national rating agencies of Standard & Poor's, Moody's and Fitch Ratings rated the 2007 GO Bonds at AAA, Aa1 and AAA, respectively.

Statements of Cash Flows/Cash, Cash Equivalents and Investments

A comparative presentation of the major sources and uses of cash for 2009, 2008 and 2007 is as follows (dollar amounts in thousands):

	2009	2008	2007
Net cash used in operating activities	$ (178,659)	$ (145,150)	$ (158,273)
Net cash provided by noncapital financing activities	190,827	230,899	230,080
Net cash provided by (used in) capital and related financing activities	(149,270)	329,007	(229,420)
Net cash provided by (used in) investing activities	(217,112)	(410,748)	383,004
Net change in cash and cash equivalents	(354,214)	4,008	225,391
Cash and cash equivalents, beginning of year	557,644	553,636	328,245
Cash and cash equivalents, end of year	203,430	557,644	553,636
Investments, end of year	730,388	492,595	47,628
Cash, cash equivalents and investments, end of year	$ 933,818	$ 1,050,239	$ 601,264

Cash, Cash Equivalents and Investments

The total cash, cash equivalents and investments held by the District Treasury and trustee banks as of June 30, 2009 decreased by $116,421,000 to $933,818,000 from $1,050,239,000 as of June 30, 2008. The decrease can be primarily attributed to expenditures of about $46,000,000 related to seismic project funded from the proceeds of the General Obligation Bonds and the use of approximately $25,000,000 of capital allocation funds to pay the expenses of various capital projects and the use of $22,493,000 from cash operating reserves to fund the operating shortfall in fiscal year 2009.

The total cash, cash equivalents and investments held by the District and trustee banks at June 30, 2008 amounted to $1,050,239,000, an increase of $448,975,000 compared to $601,264,000 reported as of June 30, 2007. The increase is primarily due to the total investments of $415,736,000 purchased from the proceeds of the 2007 GO Bonds.

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, 2009 and 2008
(dollar amounts in thousands)

	2009	2008
Assets		
Current assets		
Unrestricted assets		
Cash and cash equivalents	$ 67,841	$ 333,528
Investments	208,265	24,125
Capital grants receivable	84,750	69,159
Receivables and other assets	29,399	20,204
Current portion of capital lease receivable	3,155	3,154
Materials and supplies	31,602	29,997
Total unrestricted current assets	425,012	480,167
Restricted assets		
Cash and cash equivalents	135,589	224,116
Investments	100,719	9,482
Total restricted current assets	236,308	233,598
Total current assets	661,320	713,765
Noncurrent assets		
Capital assets		
Nondepreciable	1,508,798	1,331,904
Depreciable, net of accumulated depreciation	3,775,189	3,748,842
Unrestricted assets		
Long-term portion of capital lease receivable	1,577	4,732
Receivables and other assets	12,764	13,575
Restricted assets		
Investments	421,404	458,988
Receivables and other assets	52,990	45,877
Deposits for sublease obligation	66,026	66,738
Total noncurrent assets	5,838,748	5,670,656
Total assets	6,500,068	6,384,421
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable and other liabilities	200,186	190,704
Current portion of long-term debt	75,149	59,279
Self-insurance liabilities	10,441	8,478
Deferred revenue	36,475	40,700
Current portion of capital lease liability	3,155	3,154
Total current liabilities	325,406	302,315
Noncurrent liabilities		
Accounts payable and other liabilities	42,686	39,699
Long-term debt, net of current portion	1,382,048	1,448,477
Self-insurance liabilities	18,929	19,768
Deferred revenue	120,599	72,090
Capital lease liability, net of current portion	1,577	4,732
Total noncurrent liabilities	1,565,839	1,584,766
Total liabilities	1,891,245	1,887,081
Net assets		
Invested in capital assets, net of related debt	4,324,423	4,193,943
Restricted net assets		
For debt service and other liabilities	139,939	80,513
Unrestricted net assets	144,461	222,884
Total net assets	$ 4,608,823	$ 4,497,340

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, 2009 and 2008
(dollar amounts in thousands)

	2009	2008
Operating revenues		
Fares	$ 318,094	$ 309,457
Other	30,144	27,847
Total operating revenues	348,238	337,304
Operating expenses		
Transportation	167,241	154,720
Maintenance	210,410	200,306
Police services	49,607	44,665
Construction and engineering	23,876	19,772
General and administrative	121,399	136,538
Depreciation	136,764	133,938
Total operating expenses	709,297	689,939
Less - capitalized costs	(42,918)	(36,720)
Net operating expenses	666,379	653,219
Operating loss	(318,141)	(315,915)
Nonoperating revenues (expenses)		
Transactions and use tax - sales tax	184,286	202,632
Property tax	76,096	65,341
Operating financial assistance	34,068	57,616
Contribution for BART car replacement funding exchange program	(22,682)	(22,681)
Investment income	34,875	49,183
Interest expense	(68,159)	(68,460)
Other income (expense), net	627	894
Total nonoperating revenues, net	239,111	284,525
Change in net assets before capital contributions	(79,030)	(31,390)
Capital contributions	190,513	144,096
Change in net assets	111,483	112,706
Net assets, beginning of year	4,497,340	4,384,634
Net assets, end of year	$ 4,608,823	$ 4,497,340

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, 2009 and 2008
(dollar amounts in thousands)

	2009	2008
Cash flows from operating activities		
Receipts from customers	$ 315,137	$ 311,066
Payments to suppliers	(146,366)	(128,846)
Payments to employees	(377,353)	(353,312)
Other operating cash receipts	29,923	25,942
Net cash used in operating activities	(178,659)	(145,150)
Cash flows from noncapital financing activities		
Transactions and use tax (sales tax) received	126,365	145,739
Property tax received	28,702	29,882
Financial assistance received	35,760	55,278
Net cash provided by noncapital financing activities	190,827	230,899
Cash flows from capital and related financing activities		
Transactions and use tax (sales tax) received	57,921	56,893
Property tax received	44,025	36,277
Capital grants received	114,087	111,328
Proceeds from issuance of 2007 General Obligation Bonds	-	400,000
Expenditures for facilities, property and equipment	(230,081)	(232,130)
Principal paid on long-term debt	(51,980)	(44,805)
Payments of long-term debt issuance and service costs	(192)	(1,440)
Premium received from issuance of long-term debt	-	12,335
Interest paid on long-term debt	(59,076)	(52,566)
Principal payments received from installment receivable	119	144
Advances from local funding agencies	-	66,593
Deposit - Lodi Power Plant	(1,411)	(941)
Contribution for BART car replacement funding exchange program	(22,682)	(22,681)
Net cash provided by (used in) capital and related financing activities	(149,270)	329,007
Cash flows from investing activities		
Proceeds from sale and maturity of investments	325,009	35,417
Purchase of investments	(562,802)	(477,120)
Investment income	20,681	30,955
Net cash provided by (used in) investing activities	(217,112)	(410,748)
Net change in cash and cash equivalents	(354,214)	4,008
Cash and cash equivalents, beginning of year	557,644	553,636
Cash and cash equivalents, end of year	$ 203,430	$ 557,644
Reconciliation of cash and cash equivalents to the Statements of Net Assets		
Current, unrestricted assets - cash and cash equivalents	$ 67,841	$ 333,528
Current, restricted assets - cash and cash equivalents	135,589	224,116
Total cash and cash equivalents	$ 203,430	$ 557,644

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, 2009 and 2008
(dollar amounts in thousands)

	2009	2008
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (318,141)	$ (315,915)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	136,764	133,938
Amortization of deferred settlement costs	325	101
Net effect of changes in		
Receivables and other assets	(10,693)	588
Materials and supplies	(1,605)	(455)
Accounts payable and other liabilities	11,557	36,088
Self-insurance liabilities	1,124	456
Deferred revenue	2,010	49
Net cash used in operating activities	$ (178,659)	$ (145,150)
Noncash transactions		
Capital assets acquired with a liability at year-end	$ 58,881	$ 52,460
Deferred ground lease	51,236	-
Donated capital assets	49,648	-
Lease/leaseback obligation additions	8,550	8,741
Lease/leaseback obligation amortization	7,298	12,812
Reduction in capital lease receivable and liability	3,155	3,154
Increase (decrease) in fair value of investments	34	4,204
Amortization of long-term debt premium, discount and issue costs	(443)	33
Amortization of deferred interest on early debt retirement	1,330	714
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, 2009 and 2008
(dollar amounts in thousands)

	2009	2008
Assets		
Cash and cash equivalents	$ 78	$ 140
Receivables and other assets	1,272	471
Pending trades receivable	1,700	7,255
Investments		
Domestic common stocks	31,958	19,549
U.S. Treasury obligations	6,635	12,546
Money market mutual funds	4,736	7,527
Mutual funds - equity	8,227	5,762
Corporate obligations	13,147	8,490
Foreign stocks	863	629
Foreign obligations	1,177	376
Total investments	66,743	54,879
Total assets	69,793	62,745
Liabilities		
Accounts payable	78	46
Pending trades payable	1,628	14,235
Total liabilities	1,706	14,281
Net assets held in trust for retiree health benefits	$ 68,087	$ 48,464

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, 2009 and 2008
(dollar amounts in thousands)

	2009	2008
Additions		
Employer contributions		
Cash contributions	$ 24,940	$ 8,136
Pay-as-you-go contributions	12,561	11,844
Total employer contributions	37,501	19,980
Investment income (expense)		
Interest income	1,858	1,362
Realized gain (loss)	(4,884)	(256)
Net appreciation (decrease) in fair value of investments	(1,994)	(4,500)
Investment expense	(249)	(174)
Net investment expense	(5,269)	(3,568)
Total additions	32,232	16,412
Deductions		
Pay-as-you-go benefit payments	12,561	11,844
Legal fees	9	14
Audit fees	18	17
Insurance expense	21	21
Total deductions	12,609	11,896
Increase in trust net assets	19,623	4,516
Net assets held in trust for retiree health benefits:		
Beginning of year	48,464	43,948
End of year	$ 68,087	$ 48,464

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 (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 are recognized in the fiscal year for which the taxes are levied; revenue from sales taxes are recognized in the fiscal year when the underlying exchange takes place; revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied; and revenue from investments is recognized when earned.

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

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

The 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 (nonnegotiable 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 for the District's investments is generally measured by quoted market prices. As a matter of policy, the District usually holds investments until their maturity.

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

Capital Grants/Contributions
The District receives grants from the Federal Transit Administration ("FTA") and other agencies of the U.S. Department of Transportation, the State of California, and local transportation funds for the acquisition of transit-related equipment and improvements. 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 $190,513,000 and $144,096,000 for fiscal years 2009 and 2008, respectively. Capital grants receivables represent amounts expected from governmental agencies to reimburse the District for costs incurred for capital projects (Notes 9 and 10).

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

Bond Issuance Costs, Discounts, Premiums and Deferred Amounts on Refundings
The bond issuance costs, discounts, premiums and deferred amounts on refundings, are deferred and amortized over the term of the bonds as a component of interest expense. The unamortized portion of these items except the deferred bond issuance costs, which are classified as part of receivables and other assets, are presented as a reduction of the face amount of bonds payable.

Capital Assets
Capital assets are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 80 years. The District's policy is to capitalize acquisitions of capital assets with a cost 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 expense of $1,175,000 in fiscal year 2009 and $1,878,000 in fiscal year 2008.

Deferred Revenue
Deferred revenue consists of (1) the cash gain received by the District from the lease/leaseback of certain rail traffic control equipment in 2002 (Note 7) and from the sale/leaseback of 25 C-2 rail cars in 1995 (Note 4); (2) prepayments of revenues related to license fees paid by telecommunication companies for the use of the District's right of way for wireless accessibility to their customers; (3) estimated passenger tickets sold but unused; (4) advances received from grant agreements; and (5) prepayments of ground lease revenues (Note 16).

Compensated Absences
Compensated absences are reported and accrued as a liability in the period incurred. Compensated absences has a total balance of $59,393,000 as of June 30, 2009 and $54,594,000 in June 30, 2008 and is shown in the statements of net assets in accounts payable and other liabilities as follows (dollar amounts in thousands):

	2009	2008
Current liabilities	$ 19,481	$ 17,889
Noncurrent liabilities	39,912	36,705
Total	$ 59,393	$ 54,594

Pollution Remediation
In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the statement excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning. There are no material remediation obligations that the District is currently or potentially involved in.

Net Assets
Net assets invested in capital assets, net of related debt include capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Net assets are restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation and include amounts restricted for

debt service and other liabilities. All other net assets are unrestricted. Generally, the District's policy is to spend restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

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

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

Operating Financial Assistance
Financial assistance grants for operations from federal, state and local agencies are reported as nonoperating revenue in the period to which the grant applies and, for cost reimbursement grants, to the period in which the related expenditures are incurred (Notes 9 and 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 1021
- BART Police Officers Association (BPOA)
- BART Police Managers Association (BPMA)

Capitalized Costs
The District initially charges employee salaries, wages and benefits to operating expenses by functional expense category. Labor costs included in those amounts that are associated with capital projects are subsequently 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 $42,918,000 and $36,720,000 were capitalized during the years ended June 30, 2009 and 2008, 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.

Reclassifications
Certain reclassifications have been made to the prior year financial statements to conform to the current year's presentation.

Recent Accounting Pronouncements That Have Not Been Adopted
In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. Application of this statement is effective for the District's fiscal year ending June 30, 2010.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* The statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. The statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. Application of this statement is effective for the District's fiscal year ending June 30, 2010.

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):

	2009			2008		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Current assets						
Cash and cash equivalents	$ 67,841	$ 135,589	$ 203,430	$ 333,528	$ 224,116	$ 557,644
Investments	208,265	100,719	308,984	24,125	9,482	33,607
Noncurrent assets						
Investments	-	421,404	421,404	-	458,988	458,988
Total	$ 276,106	$ 657,712	$ 933,818	$ 357,653	$ 692,586	$ 1,050,239

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,
- Money market mutual funds,
- California Local Agency Investment Fund, and
- Securities of the U.S. Government and its agencies.

The District's investments include amounts invested in the State of California Local Agency Investment Fund ("LAIF"). The total amount invested by all public agencies in LAIF is $25.2 billion at June 30, 2009 and 2008. LAIF is part of the State of California Pooled Money Investment Account ("PMIA"), whose balance at June 30, 2009 and 2008 was $50.9 billion and $70.0 billion, respectively. Of these amounts, 14.71% and 14.72% were invested in structured notes and asset-backed securities and the remaining balance was invested in non-derivative instruments as of June 30, 2009 and 2008, respectively. PMIA is not SEC-registered, but is required to invest according to the California Government Code. The average maturity of PMIA investments was 235 days and 224 days as of June 30, 2009 and 2008, respectively. The Local Investment Advisory Board ("Board") has oversight responsibility for LAIF. The Board consists of five members as designated by state statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the pooled treasury's portion in the pool. Withdrawals from LAIF are made on a dollar to dollar basis.

Interest rate risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. One of the District's primary objectives is to provide sufficient liquidity to meet its cash outflow needs, however, the District does not have any policies specifically addressing interest rate risk. A summary of investments by type of investments and by segmented time distribution as of June 30, 2009 and 2008 is as follows (dollar amounts in thousands):

	2009	Investment Maturities (in Years)		
	Fair Value	Less Than 1	1 - 5	6 - 10
Money market mutual funds	$ 160,526	$ 160,526	$ -	$ -
U.S. government agencies	46,010	-	10,816	35,194
Repurchase agreements	375,395	-	375,395	-
U.S. Treasury bills	305,282	305,282	-	-
Local Agency Investment Fund	20,000	20,000	-	-
Total investments	907,213	$ 485,808	$ 386,211	$ 35,194
Deposits with banks	22,525			
Certificates of deposit	3,702			
Imprest funds	378			
Total cash and investments	$ 933,818			

	2008	Investment Maturities (in Years)		
	Fair Value	Less Than 1	1 - 5	6 - 10
Money market mutual funds	$ 171,831	$ 171,831	$ -	$ -
U.S. government agencies	205,529	159,588	10,234	35,707
Repurchase agreements	445,228	32,180	413,048	-
U.S. Treasury bills	164,574	164,574	-	-
Local Agency Investment Fund	20,000	20,000	-	-
Total investments	1,007,162	$ 548,173	$ 423,282	$ 35,707
Deposits with banks	38,898			
Certificates of deposit	3,800			
Imprest funds	379			
Total cash and investments	$ 1,050,239			

Credit Risk

The District's credit rating risk is governed by Section 53601 of the California Government Code which, among others, limits investments in money market mutual funds to those funds with the highest evaluations granted by the rating agencies, which is Aaam. The District has investments in U.S. Treasury and government agencies, bank repurchase agreements (underlying of U.S. Treasury securities and others), money market mutual funds, and in LAIF. There are no investment limits on the securities of U.S. Treasury or certain U.S. government agencies that are backed by the full faith and credit of the United States government. The following is a summary of the credit quality distribution for securities with credit exposure as rated by Standard & Poor's, Fitch Ratings and/or Moody's as of June 30, 2009 and 2008 (dollar amounts in thousands):

	2009	Credit Ratings			
	Fair Value	AAA	A	BB	Not Rated
Money market mutual funds	$ 160,526	$ 160,526	$ -	$ -	$ -
U.S. Government agencies	46,010	9,318	683	-	36,009
Repurchase agreements	375,395	187,662	-	187,733	-
U.S. Treasury bills	305,282	305,282	-	-	-
Local Agency Investment Fund	20,000	-	-	-	20,000
Total investments	907,213	$ 662,788	$ 683	$ 187,733	$ 56,009
Deposits with banks	22,525				
Certificates of deposit	3,702				
Imprest funds	378				
Total cash and investments	$ 933,818				

	2008	Credit Ratings			
	Fair Value	AAA	AA	A	Not Rated
Money market mutual funds	$ 171,831	$ 171,831	$ -	$ -	$ -
U.S. Government agencies	205,529	9,094	-	160,271	36,164
Repurchase agreements	445,228	206,509	206,539	32,180	-
U.S. Treasury bills	164,574	164,574	-	-	-
Local Agency Investment Fund	20,000	-	-	-	20,000
Total investments	1,007,162	$ 552,008	$ 206,539	$ 192,451	$ 56,164
Deposits with banks	38,898				
Certificates of deposit	3,800				
Imprest funds	379				
Total cash and investments	$1,050,239				

Concentration of credit risk

The District does not have a policy to limit investments in any one issuer to no more than 5% of the total portfolio. However, the California Government Code Section 53601.7 generally recommends that investments in one issuer do not exceed 5% of the entity's total portfolio, except obligations of the United States government, United States government agencies, and United States government-sponsored enterprises and no more than 10% of the entity's total portfolio may be invested in any one mutual fund. The following investments exceeded 5% of the District's total investment portfolio (dollar amounts in thousands):

	2009		2008	
	Amount	Percentage of Total Investment Portfolio (%)	Amount	Percentage of Total Investment Portfolio (%)
MBIA Repurchase Agreement	$ 187,733	21%	$ 206,539	20%
FSA Cap Repurchase Agreement	187,662	21%	206,509	20%
Federal National Mortgage Association	-	-	114,605	11%

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, 2009 and 2008 is as follows (dollar amounts in thousands):

	2009	Investment Maturities (in Years)			
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Treasury obligations	$ 6,635	$ 2,190	$ 2,815	$ 866	$ 764
Money market mutual funds	4,736	4,736	-	-	-
Corporate obligations	13,147	-	1,521	5,723	5,903
Foreign obligations	1,177	-	7	641	529
Investments subject to interest rate risk	25,695	$ 6,926	$ 4,343	$ 7,230	$ 7,196
Domestic common stocks	31,958				
Mutual funds- equity	8,227				
Foreign stocks	863				
Total investments	$ 66,743				

	2008	Investment Maturities (in Years)			
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Treasury obligations	$ 12,546	$ 3,159	$ 247	$ 610	$ 8,530
Money market mutual funds	7,527	7,527	-	-	-
Corporate obligations	8,490	-	2,265	1,377	4,848
Foreign obligations	376	-	79	156	141
Investments subject to interest rate risk	28,939	$ 10,686	$ 2,591	$ 2,143	$ 13,519
Domestic common stocks	19,549				
Mutual funds- equity	5,762				
Foreign stocks	629				
Total investments	$ 54,879				

Credit Risk

The Trust's credit risk policy is defined in its Statement of Investment Policy approved by the District's Board of Directors. The policy states that the Board recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Trust's objectives and that the Trust's investment managers are expected to make reasonable efforts to control risk. The investment policy requires that all of the Trust's assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Trust, with minimal impact on market prices. The investment policy also demands that no single investment shall exceed five percent of the total Trust assets, at market value, except obligations of the U.S. Government, short-term money market funds, index funds and other diversified commingled accounts; and for actively managed equity accounts, where, for issues that comprise more than 4% of the account's stated benchmark, the limit shall be 125% of the weight of the common stock benchmark. The following is a summary of the credit quality distribution for securities with credit exposure as rated by Standard & Poor's and/or Moody's as of June 30, 2009 and 2008 (dollar amounts in thousands):

	2009	Credit Ratings					
	Fair Value	AAA	AA	A	BBB	BB	Not Rated
U.S. Treasury obligations	$ 6,635	$ 6,635	$ -	$ -	$ -	$ -	$ -
Money market mutual funds	4,736	4,736	-	-	-	-	-
Corporate obligations	13,147	2,353	636	5,830	4,011	287	30
Foreign obligations	1,177	-	198	-	971	8	-
Investments subject to credit risk	25,695	$ 13,724	$ 834	$ 5,830	$ 4,982	$ 295	$ 30
Domestic common stocks	31,958						
Mutual funds - equity	8,227						
Foreign stocks	863						
Total investments	$ 66,743						

	2008 Fair Value	Credit Ratings AAA	AA	A	BBB
U.S. Treasury obligations	$ 12,546	$ 12,546	$ -	$ -	$ -
Money market mutual funds	7,527	7,527	-	-	-
Corporate obligations	8,490	4,143	804	1,979	1,564
Foreign obligations	376	-	-	50	326
Investments subject to credit risk	28,939	$ 24,216	$ 804	$ 2,029	$ 1,890
Domestic common stocks	19,549				
Mutual funds - equity	5,762				
Foreign stocks	629				
Total investments	$ 54,879				

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

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

3. Receivables and Other Assets

The District reports the following aggregated accounts as receivables and other assets in the statements of net assets as of June 30, 2009 and 2008 (dollar amounts in thousands):

	2009	2008
Interest receivable - trust for sublease obligation	$ 34,645	$ 32,192
Interest receivable - other investments	4,666	3,762
Unamortized issuance costs	12,807	13,525
Deferred charges	767	864
Deposit for power supply	11,219	9,309
Off-site ticket vendor receivable	5,317	4,512
Notes receivable	4,123	4,139
Capitol Corridor Joint Powers Authority receivable (Note 16)	3,856	2,384
Property tax receivable	4,208	840
Prepaid expenses	2,031	2,249
Imprest deposits for self-insurance liabilities	518	623
Other	11,095	5,316
Allowance for doubtful accounts	(99)	(59)
Total receivables and other assets	$ 95,153	$ 79,656
Current, unrestricted portion	$ 29,399	$ 20,204
Noncurrent, unrestricted portion	12,764	13,575
Noncurrent, restricted portion	52,990	45,877
Total receivables and other assets, as presented in the basic financial statements	$ 95,153	$ 79,656

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, 2009 and 2008, the balance of the deferred gain was $888,000 and $943,000, respectively. The balance of both the receivable and the liability was $4,732,000 and $7,886,000 as of June 30, 2009 and 2008, 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, 2009 and 2008 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):

	2009	2008
Amounts at beginning of year	$ 7,886	$ 11,041
Amortization during the year	(3,154)	(3,155)
Balance at end of year	4,732	7,886
Less - current portion	(3,155)	(3,154)
Net noncurrent portion	$ 1,577	$ 4,732

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

Fiscal Year Year Ending June 30	Annual Installments
2010	$ 3,155
2011	1,577
	$ 4,732

Accumulated depreciation related to the C-2 rail cars covered by the sale/leaseback agreement totaled $26,085,000 and $24,232,000 as of June 30, 2009 and 2008, respectively.

5. Capital Assets

Changes to capital assets during the year ended June 30, 2009 were as follows (dollar amounts in thousands):

	Lives (Years)	2008	Additions and Transfers	Retirements and Transfers	2009
Capital assets, not being depreciated					
Land	N/A	$ 530,623	$ 10,235	$ (854)	$ 540,004
Construction in progress	N/A	801,281	244,487	(76,974)	968,794
Total capital assets, not being depreciated		1,331,904	254,722	(77,828)	1,508,798
Capital assets, being depreciated					
Stations, track, structures and improvements	80	3,651,075	118,737	(46)	3,769,766
Buildings	80	7,472	-	-	7,472
System-wide operation and control	20	548,721	23,837	-	572,558
Revenue transit vehicles	30	1,042,346	-	-	1,042,346
Revenue transit vehicles under capital lease	30	55,593	-	-	55,593
Service and miscellaneous equipment	3-20	202,802	14,181	(532)	216,451
Capitalized construction and start-up costs	30	98,305	-	-	98,305
Repairable property items	30	17,341	6,653	(1,028)	22,966
Total capital assets, being depreciated		5,623,655	163,408	(1,606)	5,785,457
Less accumulated depreciation		(1,874,813)	(136,764)	1,309	(2,010,268)
Total capital assets, being depreciated, net		3,748,842	26,644	(297)	3,775,189
Total capital assets, net		$ 5,080,746	$ 281,366	$ (78,125)	$ 5,283,987

Changes to capital assets during the year ended June 30, 2008 were as follows (dollar amounts in thousands):

	Lives (Years)	2007	Additions and Transfers	Retirements and Transfers	2008
Capital assets, not being depreciated					
Land	N/A	$ 530,509	$ 114	$ -	$ 530,623
Construction in progress	N/A	717,181	245,483	(161,383)	801,281
Total capital assets, not being depreciated		1,247,690	245,597	(161,383)	1,331,904
Capital assets, being depreciated					
Stations, track, structures and improvements	80	3,582,842	68,187	46	3,651,075
Buildings	80	7,472	-	-	7,472
System-wide operation and control	20	543,763	5,361	(403)	548,721
Revenue transit vehicles	30	1,042,346	-	-	1,042,346
Revenue transit vehicles under capital lease	30	55,593	-	-	55,593
Service and miscellaneous equipment	3-20	117,522	87,571	(2,291)	202,802
Capitalized construction and start-up costs	30	98,305	-	-	98,305
Repairable property items	30	15,215	2,142	(16)	17,341
Total capital assets, being depreciated		5,463,058	163,261	(2,664)	5,623,655
Less accumulated depreciation		(1,743,305)	(133,938)	2,430	(1,874,813)
Total capital assets, being depreciated, net		3,719,753	29,323	(234)	3,748,842
Total capital assets, net		$ 4,967,443	$ 274,920	$ (161,617)	$ 5,080,746

With the completion of the San Francisco International Airport Extension in 2004, the District completed construction of Phase I of an extension program that added 38 miles of track and 10 new stations to the system. The District has now embarked in three expansion projects which include the East Contra Costa BART Extension ("eBART") in Contra Costa County, the Oakland Airport Connector ("OAC") in Alameda County and the Warm Springs Extension ("WSX") also in Alameda County. The OAC Project is expected to be in revenue operation in 2013, the WSX Extension in 2014 and the eBART Extension in 2015.

On May 26, 2009, the Surplus Property Authority of Alameda County ("Alameda Authority") conveyed to the District the ownership of a completed structured parking garage located at BART's East Dublin/Pleasanton station. The new garage has an actual construction cost, as reported by its developer, of $39,413,000. The Alameda Authority was responsible for the construction of the garage including all planning, all financing and all environmental, engineering, feasibility and other studies. The Alameda Authority took responsibility on the construction of the garage in exchange for an option to purchase approximately seven acres of land owned by the District located to the north of BART's East Dublin/Pleasanton station which is intended to be the site of a transit center which will include high-density housing and other transit-oriented uses suitable for a site adjacent to the station. The Alameda Authority also donated to the District approximately three acres of land upon which a portion of the garage was located, and an adjacent parcel of land of approximately eight acres with a total of established value of $10,235,000. The donated assets were booked as capital assets with a credit to capital contributions.

On June 30, 2009, the District took ownership of a new parking structure located in BART's Pleasant Hill station, from the Pleasant Hill BART Station Leasing Authority, as its full payment of a 99-year ground lease on certain real property owned by the District located in the same station. The new parking structure was recorded as a capital asset at a value of $51,236,000, which is its final construction cost as reported by its developer, with a credit to deferred revenue. (Note 16).

The District has entered into contracts for the construction of various facilities and equipment totaling approximately $884,558,000 at June 30, 2009, and $647,751,000 in 2008.

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, 2009 and 2008 (dollar amounts in thousands):

	2009	2008
Payable to vendors and contractors	$ 99,668	$ 98,758
Employee salaries and benefits	114,438	102,166
Accrued interest payable	28,766	29,479
Liabilities at the end of year	242,872	230,403
Less noncurrent portion	(42,686)	(39,699)
Net current portion	$ 200,186	$ 190,704

7. Long-Term Debt

Long-term debt activity for the year ended June 30, 2009 is summarized as follows (dollar amounts in thousands):

	2008	Additions/ Accretion	Payments/ Amortization	2009
1990 Sales Tax Revenue Refunding Bonds	$ 28,775	$ -	$ -	$ 28,775
1998 Sales Tax Revenue Bonds	157,550	-	(5,895)	151,655
2001 Sales Tax Revenue Bonds	43,765	-	-	43,765
2005 Sales Tax Revenue Refunding Bonds	325,790	-	(14,295)	311,495
2006 Sales Tax Revenue Bonds	64,915	-	-	64,915
2006 Sales Tax Revenue Refunding Bonds	107,930	-	(190)	107,740
Construction Loans	130,500	-	(5,000)	125,500
Lease/Leaseback Obligation	103,643	-	(712)	102,931
2002 SFO Extension Premium Fare Bonds	55,595	-	(640)	54,955
2005 General Obligation Bonds	67,320	-	(25,960)	41,360
2007 General Obligation Bonds	400,000	-	-	400,000
	1,485,783	-	(52,692)	1,433,091
Add (less):				
Accumulated Accretion on Lease/Leaseback Obligation	20,981	8,550	(6,586)	22,945
Debt related items*	992	-	169	1,161
Long-term debt net of accumulated accretion and debt related items	1,507,756	$ 8,550	$ (59,109)	1,457,197
Less: current portion of long-term debt	(59,279)			(75,149)
Net long-term debt	$ 1,448,477			$ 1,382,048

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

Long-term debt activity for the year ended June 30, 2008 is summarized as follows (dollar amounts in thousands):

	2007	Additions/ Accretion	Payments/ Amortization	2008
1990 Sales Tax Revenue Refunding Bonds	$ 28,775	$ -	$ -	$ 28,775
1998 Sales Tax Revenue Bonds	163,090	-	(5,540)	157,550
2001 Sales Tax Revenue Bonds	43,765	-	-	43,765
2005 Sales Tax Revenue Refunding Bonds	339,440	-	(13,650)	325,790
2006 Sales Tax Revenue Bonds	64,915	-	-	64,915
2006 Sales Tax Revenue Refunding Bonds	108,110	-	(180)	107,930
Construction Loans	135,500	-	(5,000)	130,500
Lease/Leaseback Obligation	111,426	-	(7,783)	103,643
2002 SFO Extension Premium Fare Bonds	56,165	-	(570)	55,595
2005 General Obligation Bonds	87,185	-	(19,865)	67,320
2007 General Obligation Bonds	-	400,000	-	400,000
	1,138,371	400,000	(52,588)	1,485,783
Add (less):				
Accumulated Accretion on Lease/Leaseback Obligation	17,269	8,741	(5,029)	20,981
Debt related items*	(11,376)	12,335	33	992
Long-term debt net of accumulated accretion and debt related items	1,144,264	$ 421,076	$ (57,584)	1,507,756
Less: current portion of long-term debt	(57,584)			(59,279)
Net long-term debt	$ 1,086,680			$ 1,448,477

* Debt related items consist of deferred amounts on refundings, 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, 2009, 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%.

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, 2009, the 1998 Bonds consist of $31,825,000 in serial bonds due from 2010 to 2018 with interest rates ranging from 5.25% 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 at the option of the District at prices ranging from 100% to 101%.

2001 Sales Tax Revenue Bonds (the 2001 Bonds)
In July 2001, the District issued sales tax revenue bonds totaling $168,650,000 to fund the rehabilitation of District rail cars and certain other capital improvements, to fund capital reserves to be utilized in connection with the SFO Extension project and to refund certain outstanding bonds with principal amounts of $41,175,000. The 2001 Bonds are special obligations of the District payable from and secured by a pledge of sales tax revenues. In August 2005, 2001 Bonds with principal amounts totaling $19,640,000 were refunded from the proceeds of the 2005 Bonds. Another refunding of the 2001 Bonds occurred in July 2006 when 2001 Bonds with principal amounts totaling $102,560,000 were refunded from the proceeds of the 2006 Refunding Bonds. At June 30, 2009, the 2001 Bonds consist of $15,310,000 in serial bonds due from 2012 to 2021 with interest rates ranging from 4.375% to 5.250%, a $7,225,000 term bond due July 1, 2026 with an interest rate of 5%, a $9,275,000 term bond due July 1, 2031 with an interest rate of 5%, and a $11,955,000 term bond due July 1, 2036 with an interest rate of 5.125%. The District is required to make sinking fund payments on the term bond due July 1, 2026 beginning on July 1, 2022, on the term bond due July 1, 2031 beginning July 1, 2027, and on the term bond due on July 1, 2036 beginning on July 1, 2032. In addition, the 2001 Bonds maturing on or after July 1, 2012 may be redeemed prior to their respective stated maturities, at the option of the District, as a whole or in part, on any date on or after July 1, 2011, at the principal amount called for redemption plus interest accrued thereon to the date fixed for redemption without premium.

2005 Sales Tax Revenue Refunding Bonds (the 2005 Bonds)
In August 2005, the District issued the Sales Tax Revenue Bonds, Refunding Series 2005A totaling $352,095,000. The 2005 Bonds were used to advance refund $349,925,000 in aggregate principal amount of sales tax revenue bonds related to the Sales Tax Revenue Bonds, Series 1995, 1998, 1999, and 2001. The 2005 Bonds are special obligations of the District, payable from and collateralized by a pledge of sales tax revenues. At June 30, 2009, the 2005 Bonds consist of $222,375,000 in serial bonds due from 2009 to 2026 with interest rates ranging from 3.25% to 5.00%, two 5.00% term bonds in the amounts of $55,685,000 and $31,785,000 due in 2030 and 2034, respectively, and one 4.50% term bond for $1,650,000 due in 2030.

2006 Sales Tax Revenue Bonds (the 2006 Bonds)
In June 2006, the District issued sales tax revenue bonds with an aggregate principal amount of $64,915,000 to finance a portion of the cost of construction of a new transit station, the West Dublin/Pleasanton Station including two parking facilities, pedestrian bridges, a bus intermodal facility and related improvements. The 2006 Bonds are special obligations of the District payable from and secured by a pledge of sales tax revenues. At June 30, 2009, the 2006 Bonds outstanding consist of $20,110,000 in serial bonds due from 2014 to 2026 with interest rates ranging from 4.0% to 4.625%, $17,995,000 in term bonds due July 1, 2031 with 5.0% interest rate and $26,810,000 in term bonds due July 1, 2036 at 5.0% interest rate. The term bonds are subject to mandatory sinking account payments beginning in 2027 for the term bonds due in 2031 and 2032 for the term bonds due in 2036.

2006 Sales Tax Revenue Refunding Bonds (the 2006 Refunding Bonds)
On November 30, 2006, the District issued the Sales Tax Revenue Bonds, Refunding Series 2006A, with a principal amount of $108,110,000 to advance refund a portion of the 2001 Bonds with an aggregate principal amount of $102,560,000. The 2006 Refunding Bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues. At June 30, 2009, the 2006 Refunding Bonds consist of serial bonds amounting to $53,170,000 with interest rates ranging from 4.0% to 5.0%, and term bonds totaling $54,570,000 of various maturity dates from 2029 to 2036 with an interest rate of 4.25%. The term bonds are subject to redemption in part, by lot, from Mandatory Sinking Account Payments required by the Indenture on certain dates, at the principal amount of the 2006 Refunding Bonds to be redeemed plus accrued interest, if any, to the redemption date.

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

As of June 30, 2009, the construction loans consist of funds received for the SFO Extension project costs from SamTrans for $72,000,000 and MTC for $16,500,000 and $37,000,000 from MTC for the project’s temporary cash requirements. The District provided $50,000,000 of its own funds to assist with the financing of the SFO Extension project costs. The terms and conditions of the MOU provide that the loans for project costs will be repaid, without interest, from the future net operating surplus generated by the SFO Extension. Such repayments of the loans for project costs from SamTrans and MTC totaling $88,500,000 plus reimbursement of the District’s $50,000,000, will commence after SamTrans’ capital contribution to the District’s Warm Springs Extension project is fully paid. MTC’s loan for the project’s temporary cash requirements of $37,000,000 is repaid from the District’s general funds amortized over a nine-year period ending in June 2015, with a 3% simple interest rate.

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

At closing, the Network had a fair market value of approximately $206,000,000 and a book value of $203,000,000. Under the terms of the head lease, the District received a prepayment equivalent to the net present value of the head lease obligation totaling approximately $206,000,000, of which the District paid approximately $146,000,000 to a Payment Undertaker. Under the terms of the agreement, the Payment Undertaker committed to pay the debt portion of the District’s sublease obligation and to set aside funds to enable the District to exercise its purchase option of the head lease interest, if it chooses to do so. Of the remaining head lease proceeds, approximately $37,000,000 was deposited to a trust account to be used to pay the remaining equity portion of the District’s sublease obligation and to set aside additional funds to enable the District to exercise its purchase option of the head lease interest, if it chooses to do so. The District received cash from the lease/leaseback transaction amounting to approximately $23,000,000. The cash gain was deferred and is being amortized over a period of 15.75 years through January 2, 2018. In accordance with generally accepted accounting principles in the United States of America, the District has reflected this transaction as a financing transaction. The District has recorded the payment to the Payment Undertaker as a deposit for sublease obligation and the deposit to the trust account as investments, and the net present value of the future sublease payments and exercise price of the purchase option as long-term debt.

Under the terms of the agreement, if the credit rating of the Payment Undertaker falls below Baa1 for Moody’s Investor or BBB+ for Standard & Poor’s, the District will be required to replace the Payment Undertaker with a AAA Moody’s Investor and Standard & Poor’s rated entity. Failure to replace the Payment Undertaker will result in a default penalty. As of June 30, 2009, the Payment Undertaker's credit rating was A3 for Moody's Investor and A- for Standard & Poor's.

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

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

	2009	2008
Long-term debt at beginning of year	$ 124,624	$ 128,695
Interest expense incurred during the year	8,550	8,741
Amortization of principal	(712)	(7,783)
Amortization of accumulated accretion	(6,586)	(5,029)
Total long-term debt at end of year	125,876	124,624
Lease amortization in one year	(23,709)	(7,298)
Net long-term debt at end of year	$ 102,167	$ 117,326

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, 2009, the 2002 Airport Premium Fare Bonds consist of $19,755,000 in serial bonds due from 2009 to 2022 with interest rates ranging from 3.00% to 5.00%, a $11,230,000 term bond due August 1, 2026 with an interest rate of 5.00%, and a $23,970,000 term bond due August 1, 2032 with an interest rate of 5.00%. The District is required to make sinking fund payments on the term bond due August 1, 2026 beginning on August 1, 2023 and on the term bond due August 1, 2032 beginning on August 1, 2027.

2005 General Obligation Bonds (the 2005 GO Bonds)
In May 2005, the District issued the General Obligation Bonds (Elections 2004), 2005 Series A with an aggregate principal amount of $100,000,000. The 2005 GO Bonds constitute a portion of the total authorized amount of $980,000,000 of general obligation bonds of the District duly authorized by at least two-thirds of the qualified voters of the District voting on a ballot measure ("Measure AA") at an election held on November 2, 2004. The 2005 GO Bonds constitute the first issue of general obligation bonds being issued pursuant to the Measure AA authorization. The 2005 GO Bonds were issued to finance earthquake safety improvements to BART facilities, including aerial trackway structures, underground trackway structures, including the Transbay Tube, and at-grade trackway structures, stations, and administrative, maintenance, and operations facilities and to finance additional retrofits to facilitate a rapid return to service after an earthquake or other disasters. The 2005 GO Bonds are

general obligations of the District, payable from and secured solely by ad valorem taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except for certain personal property which is taxable at limited rates) levied in Alameda and Contra Costa Counties and the City and County of San Francisco. No other revenues of the District are pledged to the payment of the 2005 GO Bonds. At June 30, 2009, the 2005 GO Bonds consist of $21,745,000 in serial bonds due from 2009 to 2026 with interest ranging from 3.00% to 5.00%, a $7,720,000 term bond at 4.50% due in 2030 and a $11,895,000 term bond at 5.00% due in 2035. The District is required to make sinking fund payments on the term bond due in 2030 beginning in 2027 and on the term bond due in 2035 beginning in 2031.

2007 General Obligation Bonds (the 2007 GO Bonds)

On July 25, 2007, the District issued the General Obligation Bonds (Election of 2004), 2007 Series B with a principal amount of $400,000,000. The 2007 GO Bonds constitute the second issue of general obligation bonds being issued pursuant to the Measure AA authorization as discussed in the preceding paragraph regarding the 2005 GO Bonds. Similar to the 2005 GO Bonds, the 2007 GO Bonds were issued to finance earthquake safety improvements to BART facilities in the three BART Counties, including strengthening tunnels, bridges, overhead tracks and the underwater Transbay Tube. The 2007 GO Bonds are general obligations of the District payable from and secured solely by ad valorem taxes upon all property subject to taxation by the District levied in Alameda and Contra Costa Counties and the City and County of San Francisco. No other revenues of the District are pledged to the payment of the 2007 GO Bonds. At June 30, 2009, the 2007 GO Bonds consist of $135,550,000 in serial bonds due from 2009 to 2027 with interest rates ranging from 3.6% to 5.0%, and three term bonds totaling $264,450,00 due in 2032, 2035 and 2037 with interest rates ranging from 4.75% to 5.0%. The bonds maturing in 2032, 2035 and 2037 are subject to mandatory sinking fund redemptions starting in 2028, 2033 and 2036, respectively.

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

Defeased Bonds

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

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

The outstanding principal balance of the defeased bonds as of June 30, 2009 and 2008 is $245,205,000 and $387,195,000, respectively and consists of (dollar amounts in thousands):

	2009	2008
August 2005 defeasance	$ 142,645	$ 284,635
November 2006 defeasance	102,560	102,560
	$ 245,205	$ 387,195

The District deferred, and amortized as a component of interest, the difference between the reacquisition price and the net carrying amount of the old debts and amortized over the life of the defeased bonds. The unamortized balance of deferred loss on early debt retirement is $28,265,000 at June 30, 2009 and $29,596,000 on June 30, 2008. Amortization expense on these deferred charges was $1,330,000 in fiscal year 2009 and 2008.

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, 2009, the District has recorded an estimated arbitrage liability amounting to $1,677,000 and $1,589,000 in 2008, which is included in accounts payable and other liabilities in the statements of net assets.

Sales Tax Revenue Bonds
The District issues sales tax revenue bonds primarily to finance a portion of its capital projects. The sales tax revenue bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues derived from a seventy-five percent (75%) portion of a transactions and use tax levied by the District in Alameda and Contra Costa Counties and the City and County of San Francisco in an amount equal to one-half of one percent (0.5%) of gross retail receipts. The sales tax revenue bonds outstanding as of June 30, 2009 consist of the 1990 Bonds, the 1998 Bonds, the 2001 Bonds, the 2005 Bonds, the 2006 Bonds and the 2006 Refunding Bonds. Interest on the sales tax revenue bonds are payable on January 1 and July 1 of each year, and the principal on July 1 of the scheduled year until 2036. The total principal and interest remaining on these sales tax revenue bonds is $1,165,024,000 which is 17% of the total projected sales tax revenues of $6,943,480,000. The pledged sales tax revenues recognized in fiscal year 2009 was $184,286,000 ($202,632,000 in fiscal year 2008) as against a total debt service payment of $57,327,000 in fiscal year 2009 ($57,145,000 in fiscal year 2008).

Premium Fare Bonds
The SFO Airport premium fare bonds were issued in 2002 to provide financing for a portion of the construction costs of the SFO Extension project, which was completed and started revenue operations in 2004. The premium fare bonds are payable from and secured by a pledge of premium fares generated by BART's SFO station. Interests on the premium fare bonds are payable on February 1 and August 1 of each year, and the principal on August 1 of the scheduled year until 2032. The total principal and interest remaining on the premium fare bonds is $96,475,000 which is 27% of the total projected SFO station premium fare revenues of $363,575,000. The pledged SFO station premium fare revenues recognized in fiscal year 2009 was $5,850,000 ($5,102,000 in fiscal year 2008) as against a total debt service payment of $3,333,000 in fiscal year 2009 ($3,279,00 in fiscal year 2008).

Debt Repayments

The following is a schedule of long-term debt principal and interest payments required as of June 30, 2009 (dollar amounts in thousands):

	Sales Tax Revenue Bonds											
	1990 Bonds		1998 Bonds		2001 Bonds		2005 Refunding Bonds		2006 Bonds		2006 Refunding Bonds	
Year ending June 30:	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ -	$ 1,942	$ 6,205	$ 7,139	$ -	$ 2,200	$ 14,965	$ 14,227	$ -	$ 3,131	$ 195	$ 4,635
2011	13,870	1,006	1,625	7,053	-	2,200	6,840	14,005	-	3,131	205	4,627
2012	14,905	-	3,325	6,879	-	2,200	8,225	13,593	-	3,131	210	4,619
2013		-	3,675	6,686	2,020	2,111	9,010	13,242	-	3,131	5,885	4,324
2014	-	-	1,910	6,586	2,120	2,005	12,630	12,651	-	3,131	2,190	4,215
2015-2019	-	-	15,085	30,825	7,625	8,670	78,970	52,464	3,680	15,321	7,230	19,970
2020-2024	-	-	79,105	18,815	6,220	7,172	33,535	38,758	8,830	13,795	18,950	17,135
2025-2029	-	-	40,725	4,272	7,985	5,362	101,805	21,849	7,600	11,104	23,395	12,588
2030-2034	-	-	-	-	10,260	3,028	36,975	6,003	17,995	6,615	28,930	6,930
2035-2039	-	-	-	-	7,535	399	8,540	-	26,810	908	20,550	898
Thereafter	-	-	-	-	-	-	-	-	-	-	-	-
	$ 28,775	$ 2,948	$ 151,655	$ 88,255	$ 43,765	$ 35,346	$ 311,495	$ 186,791	$ 64,915	$ 63,397	$ 107,740	$ 79,942

	Construction Loans		Lease/ Leaseback Obligation	
Year ending June 30:	Principal	Interest	Principal	Interest
2010	$ 8,000	$ 1,110	$ 17,086	$ 9,116
2011	8,000	870	5,192	2,923
2012	8,000	630	-	257
2013	8,000	390	-	508
2014	5,000	150	-	1,077
2015-2019	-	-	80,653	85,302
2020-2024	-	-	-	-
2025-2029	-	-	-	-
2030-2034	-	-	-	-
2035-2039	-	-	-	-
Thereafter	88,500	-	-	-
	$ 125,500	$ 3,150	$ 102,931	$ 99,182

	2002 SFO Extension Premium Fare Bonds		2005 General Obligation Bonds		2007 General Obligation Bonds		Total	
Year ending June 30:	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ 715	$ 2,672	$ 870	$ 1,856	$ 20,490	$ 18,556	$ 68,526	$ 66,584
2011	795	2,647	895	1,829	5,240	18,301	42,662	58,591
2012	875	2,617	920	1,801	405	18,270	36,865	53,996
2013	965	2,583	950	1,770	900	18,237	31,405	52,983
2014	1,055	2,532	980	1,737	1,435	18,182	27,320	52,265
2015-2019	7,080	11,669	5,460	8,090	16,855	89,189	222,638	321,499
2020-2024	10,775	9,381	6,750	6,677	38,350	82,603	202,515	194,336
2025-2029	15,665	6,001	8,610	4,752	68,545	68,844	274,330	134,772
2030-2034	17,030	1,419	10,820	2,442	111,260	45,770	233,270	72,207
2035-2039	-	-	5,105	152	136,520	11,264	205,060	13,621
Thereafter	-	-	-	-	-	-	88,500	-
	$ 54,955	$ 41,520	$ 41,360	$ 31,105	$ 400,000	$ 389,216	$ 1,433,091	$ 1,020,853

8. Risk Management

The District is partially self-insured for workers' compensation, public liability and property damage claims. The self-insured retention for workers' compensation is $4,000,000 per accident and the limit of liability is $10,000,000. The self-insured retention for public liability and property damage is $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 3% rate, which was reduced from the 5% rate used in fiscal year 2008, 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 estimated by professional actuaries through March 31 and are subject to periodic adjustments as conditions warrant.

The estimated liability for insurance claims at June 30, 2009 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, 2009 and 2008, the estimated amounts of these liabilities were $29,370,000 and $28,246,000, respectively. Changes in the reported liabilities since the beginning of the respective fiscal years are as follows (dollar amounts in thousands):

	2009	2008
Liabilities at beginning of year	$ 28,246	$ 28,702
Current year claims and changes in estimates	9,267	8,741
Payments of claims	(8,143)	(9,197)
Liabilities at the end of year	29,370	28,246
Less current portion	(10,441)	(8,478)
Net noncurrent portion	$ 18,929	$ 19,768

9. Federal Capital Contributions and Operating Financial Assistance

The U.S. Department of Transportation and other Federal agencies provide capital funding to the District for construction projects, planning and technical assistance. Cumulative information for grants which were active during the years ended June 30, 2009 and 2008 are summarized as follows (dollar amounts in thousands):

	2009	2008
Total approved project costs	$ 2,267,335	$ 2,120,813
Cumulative amounts of project costs incurred and earned	$ 1,155,690	$ 1,123,948
Less: approved federal allocations received	(1,139,698)	(1,113,839)
Capital grants receivable - Federal	$ 15,992	$ 10,109

The District's fleet replacement program consisting of construction for the A, B, C1 and C2 fleet replacement is scheduled to begin in 2013. To set aside funding for this future need, the District and MTC, on May 24, 2006, entered into the BART Car Replacement Funding Exchange Agreement. Under the agreement, MTC agrees to program federal funds to eligible BART projects that are ready to be delivered within the year of MTC's programming action. In exchange for MTC programming funds for ready-to-go BART projects, the District will deposit an equal amount of local unrestricted funds into a restricted account established to fund BART's car replacement program. MTC is the exclusive administrator of the restricted account and any withdrawal of funds from the account requires prior approval from the MTC Commission and the District's Board. In accordance with the agreement, MTC allocated Federal Section 5307 Grants for $22,682,000 in fiscal year 2009 and $22,681,000 in fiscal year 2008 to fund the District's preventive maintenance expenses. Accordingly, the District remitted to MTC the equivalent amount of its own funds, which was deposited by MTC to the restricted account. The federal grant is shown as nonoperating revenue – operating financial assistance and the District's remittance to MTC is shown as nonoperating expense in the District's financial statements.

The restricted account for BART's car replacement program, which is excluded from the District's financial statements, showed a total cash and investment balance, at market value, of $71,024,000 as of June 30, 2009 and $47,234,000 as of June 30, 2008.

10. State and Local Operating and Capital Financial Assistance

The District is eligible to receive local operating and capital assistance from the Transportation Development Act Funds ("TDA"). There was no TDA operating or capital assistance received in fiscal years 2009 or 2008.

The District may be entitled to receive state operating and capital assistance from the State Transit Assistance Funds ("STA"). These funds are allocated by MTC based on the ratio of the District's transit operation revenue and local support to the revenue and local support of all state transit agencies. The District received STA operating allocations of $801,000 in fiscal year 2009, and $23,112,000 in fiscal year 2008. The District also received STA capital allocations amounting to $1,170,000 awarded in fiscal year 2004, $150,000 awarded in fiscal year 2008 and $227,000 awarded in fiscal year 2009 of which $228,000 was earned during fiscal year 2009 and $181,000 in fiscal year 2008.

The District receives Paratransit funds provided to cities and transit operators from Alameda County Measure B funds to be used for services aimed at improving mobility for seniors and persons with disabilities. The Alameda County Transportation Improvement Authority ("ACTIA") is the administrator of Measure B funds. In fiscal year 2009, the District's revenues that relate to the Measure B funds were $1,494,000 ($1,644,000 in fiscal year 2008) for the annual assistance for paratransit operating funds and $69,000 (none in fiscal year 2008) for a new rider care specialist position in the paratransit broker's office to address complex rider problems, initiate education and outreach programs, improve new rider orientation and improve service planning.

On February 28, 2007, the District, SamTrans, and MTC entered into a Tri-Party Financial Agreement establishing the new operational and financial arrangement regarding the BART San Francisco International Airport Extension. To fund the operating costs of the SFO Extension, the agreement provided that (1) the District will receive up-front funding of $24,000,000 from MTC and $32,000,000 from SamTrans from their shares of Proposition 1B funds; (2) the District will also receive 2% of the San Mateo County half cent sales tax, Measure A, which was reauthorized by the voters of San Mateo County in 2004, for 25 years beginning in fiscal year 2009; this amount is currently equal to approximately $1,200,000 per year; and (3) MTC shall allocate to the District additional STA revenue-based funds beginning in fiscal year 2009, which would otherwise be available for allocation to SamTrans as a result of the completion of the Traffic Congestion Relief Program projects, in an amount of $801,000 annually. The above funds will be used first to cover any operating deficit on the SFO Extension and then to complete SamTrans' funding commitment of $145,000,000 to the District's Warm Springs Extension Project. In accordance with the Tri-Party Financial Agreement, the District recognized contributions in fiscal year 2009, amounting to $521,000 ($8,069,000 in fiscal year 2008) from SamTrans and $801,000 ($1,386,000 in fiscal year 2008) from MTC representing STA funds reallocated from SamTrans to BART. As of June 30, 2009, the balance of the reserve account is as follows (dollar amounts in thousands):

	2009	2008
Reserve account at beginning of year	$ 3,476	$ -
Received	540	8,970
Accrued	782	485
Add interest earnings	13	4
Total	$ 4,811	$ 9,459
Less: amount used to cover SFO Extension operating shortfall	(2,802)	(5,983)
Reserve account at end of year	$ 2,009	$ 3,476

The upfront funding of $24,000,000 from MTC was allocated to the District in 2008 in the form of a capital grant funded by Regional Measure 2 (RM2) revenues. For the purpose of the Tri-Party Agreement, the District is required to make a deposit to the reserve account in an amount equal to the capital reimbursement received from MTC/RM2 revenues. There was no capital reimbursement received from the MTC/RM2 allocations in fiscal years 2009 and 2008, hence the District did not make any deposits to the reserve account. The amount of $5,504,000 advanced by the District to cover a portion of the SFO Extension operating shortfall in fiscal year 2007 will be reimbursed to the District from the reserve account when cash is received from the MTC/RM2 revenues.

PTMISEA Grants

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

The District had received a total $71,287,000 in PTMISEA grant funds - $6,090,000 in fiscal year 2009 and $65,197,000 in fiscal year 2008 – to fund various BART capital projects. The grants received in fiscal year 2009 are in the form of cash for $5,375,000 and a reimbursement grant for $715,000 and all cash for the fiscal year 2008 grant.

The following schedules show the changes in activities related to the PTMISEA grant funds during the fiscal years 2009 and 2008 (dollar amounts in thousands):

2009	**Grant Fund Balance at Beginning of Year**	**Grants Received**	**Project Costs Incurred**	**Grant Fund Balance at End of Year**
eBART Extension	$ 2,998	$ -	$ 2,765	$ 233
Ashby Elevator	2,000	-	121	1,879
Station Modernization	35,595	-	5,029	30,566
Seismic Retrofit	24,000	-	6,329	17,671
Critical Infrastructure Barriers	-	5,375	-	5,375
Stations Way Finding Signs	-	715	36	679
	$ 64,593	$ 6,090	$ 14,280	$ 56,403

2008	**Grant Fund Balance at Beginning of Year**	**Grants Received**	**Project Costs Incurred**	**Grant Fund Balance at End of Year**
eBART Extension	$ -	$ 3,000	$ 2	$ 2,998
Ashby Elevator	-	2,000	-	2,000
Station Modernization	-	36,197	602	35,595
Seismic Retrofit	-	24,000	-	24,000
	$ -	$ 65,197	$ 604	$ 64,593

As of June 30, 2009 and 2008, the cash available, which includes the unused portion of grant funds received in cash and the associated interest earnings (excluding the remaining grant allocation of $679,000) are shown on the statements of net assets as a component of deferred revenues as follows (dollar amounts in thousands):

	2009	2008
Cash available, end of year	$ 56,559	$ 64,754
Less noncurrent portion	(35,544)	(39,865)
Net current portion	$ 21,015	$ 24,889

At the end of fiscal year 2009, the PTMISEA funds had earned a total interest income of $836,000 - $675,000 in fiscal year 2009 and $161,000 in fiscal year 2008.

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 2,626 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 a closed period of 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, 2009 and 2008 was $242,071,000 and $233,027,000, respectively. The District's 2009 and 2008 payroll for all employees was $278,804,000 and $266,229,000, 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 contributions for fiscal year 2009 and 2008 were determined by an actuarial valuation of the Plans as of June 30, 2006 and 2005, respectively. The contribution rates were 9.741% in 2009 and 9.850% in 2008 for the Miscellaneous Plan and 32.977% in 2009 and 32.249% in 2008 for the Safety Plan.

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

	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed (%)	Net Pension Obligation
Miscellaneous Plan:	June 30, 2007	$ 19,382	100	$ -
	June 30, 2008	21,236	100	-
	June 30, 2009	21,663	100	-
	June 30, 2007	4,786	100	-
Safety Plan:	June 30, 2008	5,622	100	-
	June 30, 2009	6,052	100	-

Funded Status and Funding Progress of the Miscellaneous Plan

As of June 30, 2008, based on CalPERS most recent actuarial report, the Miscellaneous Plan is 97.0% funded. The actuarial accrued liability for benefits was $1,391,792,000, and the actuarial value of assets was $1,349,563,000, resulting in an unfunded actuarial accrued liability (UAAL) of $42,229,000. The covered payroll (annual payroll of active miscellaneous employees covered by the plan) was $218,889,000, and the ratio of the UAAL to the covered payroll was 19.3%.

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

Funded Status and Funding Progress of the Safety Plan

As of June 30, 2008, based on CalPERS most recent actuarial report, the Safety Plan is 79.9% funded. The actuarial accrued liability for benefits was $164,993,000, and the actuarial value of assets was $131,846,000, resulting in an unfunded actuarial accrued liability (UAAL) of $33,147,000. The covered payroll (annual payroll of active safety employees covered by the plan) was $17,721,000, and the ratio of the UAAL to the covered payroll was 187.0%.

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

Actuarial Assumptions and Methods

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

Valuation Date	June 30, 2008	June 30, 2006	June 30, 2005
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Average remaining period	Closed; 13 years as of the valuation date for Miscellaneous Plan; and 22 years for the Safety Plan	Closed; 19 years as of the valuation date for Miscellaneous Plan; and 24 years for the Safety Plan	Closed; 21 years as of the valuation date for Miscellaneous Plan; and 24 years for the Safety Plan
Asset valuation method	15 year smoothed market	15 year smoothed market	15 year smoothed market
Investment rate of return	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected salary increases	3.25% to 14.45% depending on age, service and type of employment for the Miscellaneous Plan; and 3.25% to 13.15% for the Safety Plan	3.25% to 14.45% depending on age, service and type of employment for the Miscellaneous Plan; and 3.25% to 13.15% for the Safety Plan	3.25% to 14.45% depending on age, service and type of employment for the Miscellaneous Plan; and 3.25% to 13.15% for the Safety Plan
Inflation	3.00%	3.00%	3.00%
Payroll growth	3.25%	3.25%	3.25%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

12. Money Purchase Pension Plan

Most District employees participate in the Money Purchase Pension Plan, which is a supplemental retirement defined contribution plan. In January 1981, the District's employees elected to withdraw from the Federal Social Security System ("FICA") and established the Money Purchase Pension Plan. The District contributes an amount equal to 6.65% of eligible employees' annual compensation (up to $29,700 after deducting the first $133 paid during each month) up to a maximum annual contribution of $1,868. The non-represented employees receive an additional contribution equal to 1.627% of their annual compensation. The annual compensation limit subject to the additional contribution is established by the Internal Revenue Code Section 401(a) (17). Each employee's account is available for distribution upon such employee's termination.

The District's total expense and funded contribution for this plan for the years ended June 30, 2009 and 2008 were $6,807,000 and $6,811,000, respectively. The Money Purchase Pension Plan assets at June 30, 2009 and 2008 (excluded from the accompanying financial statements) per the plan administrator's unaudited report were $222,368,000 and $260,878,000, respectively. At June 30, 2009, there were approximately 156 (256 in 2008) participants receiving payments under this plan.

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

13. Other Postemployment Benefits

In addition to the retirement benefits described in Notes 11 and 12, and specified in the District's contractual agreements, the District provides other postemployment benefits ("OPEB") to employees, which include medical benefits to retirees and surviving spouses, retiree life insurance, survivor dental and vision benefits, and medical benefits to survivors of active employees. Most employees who retire directly from the District or their surviving spouses are eligible for medical benefits if the employee retires at or after age 50 with a minimum of 5 years of service with the District, elects to take an annuity from CalPERS and makes a timely election of retiree medical.

In 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new GASB statement requires 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 implemented 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 ("retiree medical benefits") for the qualifying retirees of the District; to provide the means for financing the costs and expenses of operating and administering such benefits; to hold Trust assets for the sole and exclusive purpose of providing benefits to participants and beneficiaries; and to defray the reasonable expenses of administering the Trust and designated plans. Assets placed into the Trust cannot be used for any other purposes and are not available to satisfy general creditors of the District. Under California state law, the restrictions on the use of any proceeds from liquidation of the Trust are significant enough to render the Trust effectively irrevocable. The Trust is administered by one or more Trustees appointed by the District's Board of Directors. Currently, the Board has appointed the District's Controller-Treasurer as the Trustee. The Trust issues a publicly available audited financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to Retiree Health Benefit Trust, San Francisco Bay Area Rapid Transit District, 300 Lakeside Drive, P.O. Box 12688, Oakland, California 94604.

Currently, the Trust covers the funding only for the "retiree medical benefits" which include retiree health medical benefits and the survivors benefits provided to widows and widowers of retirees. It does not fund the "additional OPEB" which include the retiree life insurance premiums and the survivors dental and vision benefits and the medical liability from survivors of active employees. The District has not yet made the decision whether the additional OPEB will be incorporated in the existing Trust or whether a new and separate trust will be established.

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

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

Funding Policy and Long Term Contract for Contributions. The District's current collective bargaining agreements with its unions ("CBA") describe the District's funding commitments to the Trust. Beginning fiscal year 2008, the District will fund the Trust with a "ramp up" (increasing) percentage of the "full" annual required contribution ("ARC") in addition to funding the pay-as-you-go amount outside of the Trust every year for the following six years. Including fiscal years 2007 and 2008, this "ramp-up" contribution funds an eight-year period covering fiscal years 2007 through 2013. The CBAs include the baseline "ramp-up" percentages, which is the minimum amount that the District is committed to contribute to the Trust during the "ramp-up" period. The District shall commission an actuarial study of the retiree medical insurance plan liabilities and funding needs, including the ARC, every year. The revised "ramp-up" percentage shall be the basis of the District's contribution to the Trust, except when it is less than the baseline "ramp-up" percentage. In addition, the District will, at a minimum, contribute into the Trust a lump sum make up payment no later than June 30, 2009, reflecting the amounts it would have contributed for fiscal years 2006 and 2007. The lump sum makeup payment is equal to the sum of 3.36% of fiscal year 2007 payroll and 3.22% of fiscal year 2006 payroll, which is actuarially calculated to be $14,629,000. Beginning fiscal year 2013, the District shall, at minimum, contribute to the Trust each pay period an amount equal to the full GASB compliant ARC. The CBAs further state that no retiree health insurance premiums will be paid from the Trust prior to July 1, 2013 and that effective July 1, 2013, the District shall direct the Trustee of the Trust to pay the premiums from the Trust.

Funded Status.

The actuarially calculated ARC for fiscal year 2009, as a percent of covered payroll for the year, are 16.83% for retiree medical benefits and 0.87% for additional OPEB, which amounted to $40,740,000 and $2,106,000, respectively. In fiscal year 2009, the District contributed cash to the Trust amounting to $24,940,000 for the retiree medical benefits and zero for the additional OPEB to partially fund the OPEB cost for the year. In fiscal year 2008, the District contributed cash to the Trust amounting to $8,136,000 for the retiree medical benefits and zero for the additional OPEB to partially fund the OPEB cost for the year. In addition, the District made payments in fiscal year 2009 on a pay-as-you-go basis, net of retirees' and surviving spouses' share, medical insurance premiums totaling $12,561,000 for 1,462 retirees and surviving spouses ($11,844,000 for 1,388 retirees and surviving spouses in fiscal year 2008) and life insurance premiums amounting to $58,000 ($57,000 in fiscal year 2008). The District does not charge any administration cost to the Trust. Currently, the retiree pays $81.95 per month and the survivor $15.00 per month for their share of the health care premium; the balance is paid by the District. The following tables show the components of the District's annual OPEB cost, the amount contributed to the Trust, pay-as-you-go payments and changes in the net OPEB obligation for fiscal years 2009 and 2008 (dollar amounts in thousands):

Retiree Medical Benefits

	2009	2008
Annual Required Contribution (ARC)	$ 40,740	$ 38,839
Interest on net OPEB obligation	1,273	-
Adjustments to ARC	(1,273)	-
Annual OPEB Cost	40,740	38,839
Contributions made	(37,501)	(19,979)
Increase in Net OPEB obligation	3,239	18,860
Net OPEB obligation, beginning of year	18,860	-
Net OPEB obligation, end of year	$ 22,099	$ 18,860

Additional OPEB

	2009	2008
Annual Required Contribution (ARC)	$ 2,106	$ 2,471
Interest on net OPEB obligation	103	-
Adjustments to ARC	(103)	-
Annual OPEB Cost	2,106	2,471
Contributions made	(154)	(57)
Increase in Net OPEB obligation	1,952	2,414
Net OPEB obligation, beginning of year	2,414	-
Net OPEB obligation, end of year	$ 4,366	$ 2,414

The total net OPEB obligation of $26,465,000 in fiscal year 2009 and $21,274,000 in fiscal year 2008 are shown on the statements of net assets as a component of accounts payable and other liabilities.

The two-year trend for the OPEB obligation of the actuarially required contribution is as follows (dollar amounts in thousands):

	Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Retiree Medical Benefits	June 30, 2008	$ 38,839	51%	$ 18,859
	June 30, 2009	40,741	92%	22,099
Additional OPEB	June 30, 2008	2,471	2%	2,414
	June 30, 2009	2,106	7%	4,366

At June 30, 2009, assets held in the Trust included investment in money market mutual funds, U.S. Treasury obligations, corporate obligations, foreign obligations, foreign stocks, equity mutual funds and domestic common stocks with an aggregate fair value of $66,743,000 ($54,879,000 in 2008). These investments are included in the District's financial statements and are restricted to use for payment of retiree medical benefits.

Funded Status and Funding Progress of the Retiree Medical Plan. As of June 30, 2008, based on Mercer's most recent actuarial report, the Retiree Medical Plan is 11.7% funded. The actuarial accrued liability for benefits was $413,300,000, and the actuarial value of assets was $48,500,000, resulting in an unfunded actuarial accrued liability (UAAL) of $364,900,000. The covered payroll (annual payroll of active miscellaneous and safety employees covered by the plan) was $238,800,000, and the ratio of the UAAL to the covered payroll was 152.8%.

The Schedule of Funding Progress, presented as RSI, following the Notes to Financial Statements, presents the current year's and prior year's funded progress (since this is the second year GASB 45 was implemented) and will eventually present three-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Funded Status and Funding Progress of the Additional OPEB Plan. As of June 30, 2008, based on Mercer's most recent actuarial report, the Additional OPEB Plan is zero percent funded. The actuarial accrued liability for benefits was $20,600,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $20,600,000. The covered payroll (annual payroll of active miscellaneous and safety employees covered by the plan) was $238,800,000, and the ratio of the UAAL to the covered payroll was 8.6%.

The Schedule of Funding Progress, presented as RSI, following the Notes to Financial Statements, presents the current year's and prior year's funded progress (since this is the second year GASB 45 was implemented) and will eventually present three-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Assumptions and Methods

The latest OPEB actuarial valuation was performed by Mercer in January 2009 using District data as of June 30, 2008. A summary of principal assumptions and methods used by Mercer to determine the District's annual required contributions to the OPEB plans is shown below:

Valuation Date	June 30, 2008	June 30, 2007	June 30, 2006
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Closed, Level percent of payroll	Closed, Level percent of payroll	Closed, Level percent of payroll
Remaining amortization period	26 years	27 years	28 years
Asset valuation method	Market value	Market value	Market value
Discount rate	6.75% for the retiree medical plan; 4.25% for the additional OPEB	6.75% for the retiree medical plan; 4.25% for the additional OPEB	6.75% for the retiree medical plan; 3.50% for the additional OPEB
Projected salary increases	CalPERS assumptions from the June 30, 2004 pension valuation with a minimum increase of 3.75%	CalPERS assumptions from the June 30, 2004 pension valuation with a minimum increase of 3.75%	CalPERS assumptions from the June 30, 2004 pension valuation with a minimum increase of 3.75%
Inflation rate	3.00%	3.00%	3.00%
Payroll growth rate	3.75%	3.75%	3.75%
Health care cost trend rate for the first year	10.50%	10.50%	11.00%
Ultimate trend rate	5.00%	5.00%	5.00%
Year that rate reaches the ultimate rate	2024	2015	2015

14. Board of Directors' Expenses

Total Directors' expenses, consisting of travel and other business related expenses for the years ended June 30, 2009 and 2008 amounted to $38,000 and $36,000, 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):

	2009	2008
Authority's total assets		
Amount	$ 53,500	$ 58,500
As a % of District's total assets	0.8%	0.9%
Authority's total liabilities		
Amount	$ 53,500	$ 58,500
As a % of District's total liabilties	2.8%	3.1%
Authority's total net assets		
Amount	$ -	$ -

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

16. Related Organizations and Joint Venture Projects

Capitol Corridor Joint Powers Authority

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

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

The District charged Capitol Corridor a total of $3,955,000 for marketing and administrative services during 2009 and $4,482,000 during 2008. In addition, Capitol Corridor reimburses the District for its advances for capital project expenditures and other operating expenses. Reimbursements for expenses incurred by the District on behalf of and in providing services to Capitol Corridor are netted against the corresponding expense in the statements of revenues, expenses and changes in net assets.

Unreimbursed expenses and capital project costs from Capitol Corridor amount to $3,856,000 and $2,384,000 as of June 30, 2009 and 2008, respectively. All unreimbursed expenses are included as current receivables and other assets in the statements of net assets. As the District has no ownership involvement or ongoing financial interest or responsibility in Capitol Corridor, its financial statements include only amounts related to the services it provides to Capitol Corridor.

Technology Reinvestment Project

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

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

Phase 1 was completed in 1996, while work on Phase 2 and Phase 3 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 $2,393,000 and the District's own funds of $39,173,000. The total project expenditures through June 30, 2009 for Phase 2 and Phase 3 amount to $88,533,000 ($84,980,000 in 2008).

In June 2002, several issues that needed to be resolved to finish the project were discovered in the design. The contractor submitted notices of potential claim in April 2003. In June 2006, after over three years of unsuccessful negotiations on these claims, BART filed a Complaint with the United States District Court, Northern District of California for Rescission, Breach of Contract, Termination of Contract, Specific Performance and Declaratory Relief. Trial is set to start in August 2010.

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

Pleasant Hill BART Station Leasing Authority

In July 2004, the District, the County of Contra Costa ("County") and the Contra Costa County Redevelopment Agency ("Agency") entered into a Joint Exercise of Powers Agreement ("JPA Agreement") to create the Pleasant Hill BART Station Leasing Authority ("Pleasant Hill Authority"). The Pleasant Hill Authority was created as a means of accomplishing the cooperation and coordination among the three agencies to provide for the development of a transit center located in BART's Pleasant Hill station which will include residential rental and retail units. The Pleasant Hill Authority leased for a 99-year term expiring on May 14, 2105, a portion of the property owned by BART adjacent to the Pleasant Hill BART station as the transit center site. As of June 30, 2009, the District had received as ground lease payments for the full term of the lease, a cash base rent of $99 and a noncash base rent in the form of a newly constructed parking structure located at the Pleasant Hill BART station. The District accepted the completion of the new parking structure, and became its new owner, effective June 30, 2009. The new parking structure was recorded as a capital asset at a value of $51,236,000, which is its final construction cost as reported by its developer, and with a credit to deferred revenue.

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

17. 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, 2009 are as follows (dollar amounts in thousands):

Year ending June 30:	Operating Leases
2010	$ 11,417
2011	11,302
2012	11,125
2013	10,957
2014	10,959
2015-2019	13,272
2020-2024	12,622
2025-2029	12,500
2030-2034	12,500
2035-2039	12,500
2040-2044	12,500
2045-2049	12,500
2050-2052	4,792
Total minimum payments	$ 148,946

Rent expenses under all operating leases were $10,852,000 and $11,013,000 for the years ended June 30, 2009 and 2008, respectively.

Fruitvale Development Corp.

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

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

The District provided FDC a Rent Credit with an initial amount of $7,247,000, to acknowledge its assistance in obtaining grants for the construction of a Replacement BART Commuter Parking Garage near the Fruitvale Transit Village. The 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 2009 and 2008 are summarized as follows (dollar amounts in thousands):

	2009	2008
Rent Credit at beginning of year	$ 8,823	$ 8,469
Annual base rent applied against the credit	(112)	(98)
Interest credit during the year	260	452
Rent Credit at end of year	$ 8,971	$ 8,823

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 deferred 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.

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

Miscellaneous Plan

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Status (%)	Annual Covered Payroll	UAAL as a Percentage of Payroll (%)
6/30/06	$ 1,227,056	$ 1,162,531	$ 64,524	94.7	$ 211,146	30.6
6/30/07	1,307,372	1,263,851	43,521	96.7	210,109	20.7
6/30/08	1,391,792	1,349,563	42,229	97.0	218,889	19.3

Safety Plan

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Status (%)	Annual Covered Payroll	UAAL as a Percentage of Payroll (%)
6/30/06	$ 140,160	$ 108,568	$ 31,592	77.5	$ 15,155	208.5
6/30/07	151,616	120,493	31,123	79.5	16,172	192.4
6/30/08	164,993	131,846	33,147	79.9	17,721	187.0

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

Retiree Medical Benefits

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll (%)
6/30/07	$ 418,100	$ 43,900	$ 374,200	10.5	$ 230,800	162.1
6/30/08	413,300	48,500	364,900	11.7	238,800	152.8

Additional OPEB

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll (%)
6/30/07	$ 20,000	$ -	$ 20,000	0.0	$ 230,800	8.7
6/30/08	20,600	-	20,600	0.0	238,800	8.6

APPENDIX C

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
STATEMENT OF INVESTMENT POLICY

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SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
STATEMENT OF INVESTMENT POLICY

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

1. Preservation of Capital
2. Liquidity – funds shall be invested only until date of anticipated need or for a lesser period.
3. Yield – generation of a favorable return on investment without compromise of the first two objectives.

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

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

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

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

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

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

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

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

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

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

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

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture, dated as of July 1, 1990, as supplemented and amended, including as supplemented and amended by the Tenth Supplemental Indenture, to be dated the date of issuance of the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Refunding Series 2010 (the "Tenth Supplemental Indenture"), between the San Francisco Bay Area Rapid Transit District (the "District") and U.S. Bank National Association, as trustee (the "Trustee"). Such summary does not purport to be complete or definitive, is supplemental to the summary of other provisions of the Indenture contained elsewhere in this Official Statement, and is qualified in its entirety by reference to the full terms of the Indenture. All capitalized terms used and not otherwise defined in this Official Statement shall have the meanings assigned to such terms in the Indenture. Copies of the Indenture are available from the Trustee.

Definitions

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

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

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

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

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

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

"Bond Insurer" means any issuer of a Municipal Bond Insurance Policy and which shall be: (i) Ambac Assurance Corporation, formerly known as AMBAC Indemnity Corporation, or any successor thereto, with respect to the Series 1990 Bonds maturing on or after July 1, 2001, the Series 1998 Bonds maturing on or after July 1, 2019, and the Series 2001 Bonds maturing on or after July 1, 2012; (ii) Financial Guaranty Insurance Company, a New York stock insurance company doing business in

California as FGIC Insurance Company, or any successor thereto, with respect to the Series 1991 Bonds and the Series 1995 Bonds and with respect to the Series 1999 Bonds scheduled to mature on July 1, 2010 through and including July 1, 2019, on July 1, 2026 and on July 1, 2034; (ii) MBIA Insurance Corporation, or any successor thereto, with respect to the Series 2005 A Bonds scheduled to mature on or after July 1, 2008; and (iii) Financial Security Assurance Inc., or any successor thereto, with respect to the Series 2006 Bonds and the Series 2006 A Bonds.

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

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

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

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

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

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

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

"Code" means the Internal Revenue Code of 1986, and the regulations applicable thereto or issued thereunder.

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

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

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

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

"Escrow Agreement" means the Escrow Agreement, dated as of May __, 2010, between the District and U.S. Bank National Association, as trustee and escrow agent.

"Escrow Fund" means the fund by that name created pursuant to the Escrow Agreement.

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

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

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

"Indenture" means the indenture, dated as of July 1, 1990, between the Trustee and the District, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Indenture delivered pursuant to the provisions thereof. As of the date of issuance of the Series 2005 A Bonds, "Indenture" includes the First Supplemental Indenture, dated as of August 7, 1990, the Second Supplemental Indenture, dated as of August 29, 1991, the Third Supplemental Indenture, dated as of June 7, 1995, the Fourth Supplemental Indenture, dated as of April 1, 1997, the Fifth Supplemental Indenture, dated as of March 12, 1998, the Sixth Supplemental Indenture, dated as of October 7, 1999, the Seventh Supplemental Indenture, dated as of July 12, 2001, the Eighth Supplemental Indenture, dated as of September 7, 2005, the Ninth Supplemental Indenture, dated as of June 29, 2006, the Tenth Supplemental Indenture, dated as of November 30, 2006 and the Eleventh Supplemental Indenture, to be dated as of the date of issuance of the Series 2010 Bonds.

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

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

"Investment Securities" means the following:

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

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

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

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

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

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

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

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

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

(x) variable rate obligations required to be redeemed or purchased by the obligor or its agent or designee upon demand of the 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 Rating Category for its short-term rating, if any, and in either of the two highest Rating Categories for its long-term rating, if any, by Moody's (if Moody's is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds), and that the corporations providing the liquidity agreement and credit facility have, at the date of acquisition of the variable rate obligation by the Trustee, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations rated in either of the two highest long-term Rating Categories by Moody's (if Moody's is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds);

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

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

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

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

(xv) any investment approved by the Board for which confirmation is received from Moody's (if Moody's is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds) that such investment will not adversely affect such agency's rating on such Bonds.

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

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

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

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

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

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

(e) if any Bonds feature an option, on the part of the Bondowners or an obligation under the terms of such Bonds, to tender all or a portion of such Bonds to the District, the Trustee, or other fiduciary or agent and require that such Bonds or portion thereof be purchased if properly presented, then for purposes of determining the amounts of principal and interest due in any Fiscal Year on such Bonds, the options or obligations of the Owners of such Bonds to tender the same for purchase or payment prior to their stated maturity or maturities shall be treated as a principal maturity occurring on the first date on which Owners of such Bonds may or are required to tender such Bonds except that any such option or obligation to tender Bonds shall be ignored and not treated as a principal maturity, if (1) such Bonds are rated in one of the two highest long-term Rating Categories by Moody's and by Standard & Poor's or such Bonds are rated in the highest short-term, note or commercial paper Rating Categories by Moody's and by Standard & Poor's and (2) funds for the purchase price of such Bonds have been set aside by the District and pledged to such payment or are to be provided by a letter of credit or standby bond purchase agreement and the obligation of the District with respect to the provider of such letter of credit or standby bond purchase agreement, other than its obligations on such Bonds, shall be subordinated to the obligation of the District on the Bonds or, if not subordinate, shall be incurred (assuming such immediate tender) under the conditions and meeting the tests for the issuance of Parity Debt set forth in the Indenture, in which latter case, such repayment obligations of the District to the provider of such letter of credit or standby bond purchase agreement shall be included in the computation of the Maximum Annual Debt Service in accordance with the terms of such obligation.

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

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

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the District and not objected to by the Trustee.

"Municipal Bond Insurance Policy" means the municipal bond new issue insurance policy issued by a Bond Insurer that guarantees payment of principal of and interest on a Series of Bonds or a portion thereof.

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

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the District shall have been discharged in accordance with the provisions of the Indenture; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

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

"Parity Debt" means any indebtedness, installment sale obligation, lease obligation or other obligation of the District for borrowed money or interest rate swap agreement having an equal lien and charge upon the Sales Tax Revenues and therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding).

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

"Policy Costs" means the accrued interest and expenses owed to the provider of a Reserve Policy or letter of credit with respect to a payment thereunder.

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

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

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

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

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

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

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

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

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

"Reserve Policy" means a surety bond or insurance policy satisfying the Bond Reserve Requirement or portion thereof.

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

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

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

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

"Series 2010 Costs of Issuance Fund" means the fund by that name established pursuant to the Tenth Supplemental Indenture.

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

"Standard & Poor's" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the District and not objected to by the Trustee.

"State" means the State of California.

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

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

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

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

"Trustee" means U. S. Bank National Association, successor by merger to U. S. Bank Trust National Association, which was formerly known as First Trust of California, National Association, successor trustee to Bank of America National Trust and Savings Association, which was successor trustee to Security Pacific National Bank, a national banking association organized and existing under the laws of the United States, or its successor as Trustee as provided in the Indenture."

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

Additional Bonds; Refunding Bonds; Parity Debt; Subordinate Obligations

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

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

(b) The Trustee shall have received an Opinion of Bond Counsel to the effect that the Supplemental Indenture authorizing such Series of Bonds has been duly authorized by the District, that the Bonds of the Series, when duly executed by the District and authenticated by the Trustee, will be valid and binding limited obligations of the District, and that upon delivery of such Series of Bonds, the aggregate principal amount of Bonds then Outstanding will not exceed the amount permitted by law or by the Indenture.

(c) The Trustee shall have received a Certificate of the District certifying that: (1) the amount of Sales Tax Revenues received plus the amount of Associated Sales Tax Revenues relating to any recently annexed jurisdiction for any period of 12 consecutive months during the 18 months immediately preceding the date on which such additional Series of Bonds will become Outstanding shall have been at least equal to 1.5 times the amount of Maximum Annual Debt Service on all Series of Bonds and Parity Debt then Outstanding, and the additional Series of Bonds then proposed to be issued; (2) the amount of Sales Tax Revenues for the Fiscal Year in which the Bonds are to be issued and each of the next succeeding 4 Fiscal Years under the laws then in existence at the time of issuance of such additional Series of Bonds are estimated by the District to be at least 1.5 times the amount of Annual Debt Service on all Series of Bonds and Parity Debt then Outstanding, including the additional Series of Bonds then proposed to be issued, in each such Fiscal Year; and (3) Sales Tax Revenues for the Fiscal Year in which the additional Series of Bonds are to be issued under the laws then in existence at the time of the issuance of such additional Series of Bonds shall be at least 1.0 times the amount of the District's obligations with respect to repayment of any withdrawals under a Reserve Policy plus Policy Costs, if any, then due and owing under the Reserve Policy.

(d) The Trustee shall have received the amount, if any, necessary for deposit in the Bond Reserve Fund so that the amount on deposit in such fund immediately after authentication and delivery of such Series of Bonds shall equal the Bond Reserve Requirement with respect to all Bonds considered to be Outstanding upon the issuance of the additional Series of Bonds.

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

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

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

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

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

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

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

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

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

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

(1) Such Parity Debt has been duly and legally authorized for any lawful purpose.

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

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

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

(5) The Trustee shall be designated as paying agent or trustee for such Parity Debt and the District shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Parity Debt.

Subordinate Obligations. The District may also issue obligations which are junior and subordinate to the payment of the principal, premium, interest and reserve fund requirements for the Bonds and all Parity Debt, which subordinated obligations are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Sales Tax Revenues after the prior payment of all amounts then required to be paid under the Indenture from Sales Tax Revenues for principal, premium, interest and reserve fund requirements for the Bonds and all Parity Debt.

Mandatory Purchase In Lieu of Redemption

Each Owner, by purchase and acceptance of any Series 2010 Bond irrevocably grants to the District the option to purchase such Series 2010 Bond, at any time such Series 2010 Bond is subject to optional redemption as provided in the Indenture at a purchase price equal to the Redemption Price then applicable to such Series 2010 Bond. In order to exercise such option, the District shall direct the Trustee to provide notice of mandatory purchase, such notice to be provided, as and to the extent applicable, in accordance with the provisions set forth in the Indenture. On the date fixed for purchase of any Series 2010 Bond as described in this paragraph, the District shall pay the purchase price of such Series 2010 Bond to the Trustee in immediately available funds and the Trustee shall pay the same to the Owners of Series 2010 Bonds being purchased against delivery thereof. Following such purchase, the Trustee shall register such Series 2010 Bonds in accordance with the written instructions of the District. No purchase of any Series 2010 Bond pursuant to this paragraph shall operate to extinguish the indebtedness evidenced by such Series 2010 Bond. No Owner may elect to retain a Series 2010 Bond subject to mandatory purchase pursuant to this paragraph. Notwithstanding the foregoing, nothing contained herein is meant to prevent the District from purchasing Series 2010 Bonds on the open market for cancellation.

Establishment and Application of Funds and Accounts; Investments

The following funds and accounts are established pursuant to the Indenture: the Revenue Fund, the Interest Fund, the Principal Fund, the Bond Reserve Fund, the Redemption Fund, the Rebate Fund and the Expense Account. In addition, the Series 2010 Costs of Issuance Fund is established pursuant to the Eleventh Supplemental Indenture.

For a description of the allocation of Sales Tax Revenues and the Interest Fund, Principal Fund, Bond Reserve Fund and Expense Account see "SECURITY FOR THE SERIES 2010 BONDS" in the front portion of this Official Statement.

Funding and Application of Bond Reserve Fund. In lieu of making the Bond Reserve Requirement deposit, or in replacement of moneys then on deposit in the Bond Reserve Fund (which shall be transferred by the Trustee to the District), or in substitution of any other letter of credit, insurance policy or surety bond comprising part of the Bond Reserve Requirement, the District may, at any time and from time to time, deliver to the Trustee an irrevocable letter of credit issued by a financial institution having unsecured debt obligations rated in one of the two highest Rating Categories of Moody's and Standard & Poor's, in an amount, together with moneys, Investment Securities or surety bonds or insurance policies (as described in the following paragraph) on deposit in the Bond Reserve Fund, equal to the Bond Reserve Requirement. Such letter of credit shall have an original term of no less than three (3) years or, if less, the maturity of the Series of Bonds in connection with which such letter of credit is obtained. At least one year prior to the stated expiration of such letter of credit, the District shall either (i) deliver a replacement letter of credit, (ii) deliver an extension of the letter of credit for at least an additional year or, if less, the maturity of the Series of Bonds in connection with which such letter of credit was obtained, or (iii) deliver to the Trustee a surety bond or an insurance policy satisfying the requirements described in the following paragraph. If the District shall fail to deposit a replacement letter of credit, extended letter of credit or surety bond or insurance policy with the Trustee, the District shall immediately commence to make monthly deposits with the Trustee so that an amount equal to the Bond Reserve Requirement will be on deposit in the Bond Reserve Fund no later than the stated expiration date of the letter of credit. If an amount equal to the Bond Reserve Requirement as of the date following the expiration date of the letter of credit is not on deposit in the Bond Reserve Fund one week prior to the stated expiration date of the letter of credit (excluding from such determination the amount of the letter of credit), the Trustee shall draw on the letter of credit to fund the deficiency resulting therefrom in the Bond Reserve Fund.

In lieu of making the Bond Reserve Requirement deposit, or in replacement of moneys then on deposit in the Bond Reserve Fund (which shall be transferred by the Trustee to the District) or in substitution of any letter of credit, insurance policy or surety bond comprising part of the Bond Reserve Requirement, the District may, at any time and from time to time, deliver to the Trustee a surety bond or an insurance policy securing an amount, together with moneys, Investment Securities or letters of credit on deposit in the Bond Reserve Fund, equal to the Bond Reserve Requirement. Such surety bond or insurance policy shall be issued by an insurance company whose unsecured debt obligations (or obligations secured by such insurance company's insurance policies) are rated in one of the two highest Rating Categories of Moody's or Standard & Poor's. Such surety bond or insurance policy shall have a term of no less than the maturity of the Series of Bonds in connection with which such surety bond or insurance policy is obtained. In the event that such surety bond or insurance policy for any reason lapses or expires, the District shall immediately implement (i) or (iii) of the preceding paragraph or make the required deposits to the Bond Reserve Fund.

All amounts in the Bond Reserve Fund (including all amounts which may be obtained from letters of credit and surety bonds and insurance policies on deposit in the Bond Reserve Fund) shall be used and withdrawn by the Trustee solely for the purpose of making up any deficiency in the Interest Fund or the Principal Fund, or (together with any other moneys available therefor) for the payment or redemption of all Bonds then Outstanding or, for the payment of the final principal and interest payment of a Series of Bonds, if following such payment the amounts in the Bond Reserve Fund (including the amounts which may be obtained from letters of credit and surety bonds and insurance policies on deposit therein) will equal the Bond Reserve Requirement. The Trustee shall, on a pro rata basis with respect to the portion of the Bond Reserve Fund held in cash or Investment Securities and amounts held in the form of letters of credit and amounts held in the form of surety bonds and insurance policies (calculated by reference to the maximum amounts of such letters of credit and surety bonds and insurance policies and the amount of the initial deposit of such cash and Investment Securities), draw under each letter of credit or surety bond or insurance policy issued with respect to the Bond Reserve Fund, in a timely manner and pursuant to the terms of such letter of credit or surety bond or insurance policy to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the Bond Obligation of, Mandatory Sinking Account Payments with respect to, and interest on the Bonds when due. To the extent provided in such letter of credit, insurance policy or surety bond or in the Supplemental Indenture pursuant to which a Series of Bonds is issued, such instrument or portion of the Bond Reserve Fund may be available to pay only the Series of Bonds for which it was obtained. In such event, all other amounts or instruments on deposit in the Bond Reserve Fund shall not be available for payments with respect to such Series of Bonds, but shall be applied by the Trustee to payments with respect to all or such other Series of Bonds not so secured. In the event that the Trustee has notice that any payment of principal of or interest on a Bond has been recovered from a Bondowner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to and provided that the terms of the letter of credit or surety bond or bond insurance policy, if any, securing the Bonds so provide, shall so notify the issuer thereof and draw on such letter of credit or surety bond or policy to the lesser of the extent required or the maximum amount of such letter of credit or surety bond or policy in order to pay to such Bondowners the principal of and interest so recovered. Any amounts in the Bond Reserve Fund in excess of the Bond Reserve Requirement shall be transferred by the Trustee to the District on January 1 and July 1 of each year; provided that such amounts shall be transferred only from the portion of the Bond Reserve Fund held in the form of cash or Investment Securities.

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

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

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

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

Certain Covenants of the District

Collection of Sales Tax Revenues. The District has duly levied a transactions and use tax in accordance with the Act, pursuant to and in accordance with Ordinance No. 1, as amended by Ordinance Nos. 2, 3, 4, 5, 7, 8, 9 and 10. Said Ordinance has not and will not be amended, modified or altered so long as any of the Bonds are Outstanding in any manner which would reduce the amount of or timing of receipt of Sales Tax Revenues, and the District will continue to levy and collect such transactions and use taxes to the full amount permitted by law. The District has entered into an agreement with the State Board of Equalization under and pursuant to which the State Board of Equalization processes and supervises collection of said transactions and use taxes and transmits Sales Tax Revenues directly to the Trustee. Said agreement will be continued in effect so long as any of the Bonds are Outstanding and shall not be amended, modified or altered without the written consent of the Trustee so long as any of the Bonds are Outstanding. The District will receive and hold in trust for (and remit immediately to) the Trustee any Sales Tax Revenues paid to the District by the State Board of Equalization.

The District covenants and agrees to separately account for all Sales Tax Revenues and to provide to the Trustee access to such accounting records at reasonable hours and under reasonable circumstances.

The District covenants that so long as the Bonds are Outstanding, it will not, to the best of its ability, suffer or permit any change, modification or alteration to be made to the legislation authorizing the levy and collection of the transactions and use tax which would materially and adversely affect the rights of Bondholders.

General Covenants. The District has covenanted, among other things, (1) to punctually pay or cause to be paid the principal or Redemption Price of and interest on the Bonds, but only out of Sales Tax Revenues as provided in the Indenture, (2) to maintain and preserve the System in good repair and working order at all times and to operate the System in an efficient and economical manner, (3) to keep proper books of record and accounts, prepared in accordance with generally accepted accounting principles, relating to Sales Tax Revenues, which shall be available for inspection by the Trustee at reasonable hours and under reasonable circumstances, (4) to cause the annual preparation and filing with the Trustee, so long as any of the Bonds are Outstanding, of reasonably detailed financial statements for the preceding Fiscal Year, which financial statements shall be accompanied by an opinion of an independent certified public accountant, (5) to pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges, if any, lawfully imposed upon the System or any part thereof or upon any Sales Tax Revenues, when the same shall become due, and (6) to commence and continue to completion the acquisition and construction of all facilities for which any of the Bonds are issued.

Tax Covenants. The District has covenanted in the Indenture not to take any action, or fail to take any action, if any such action or failure to act would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code. The District has covenanted to comply with the provisions of the Tax Certificate.

The District specifically covenants to pay or cause to be paid to the federal government of the United States of America the Rebate Requirement at the times and in the amounts determined under and as described in the Tax Certificate. This covenant shall survive the defeasance of the Bonds or any Series thereof.

If the District shall receive an Opinion of Bond Counsel to the effect that any action required under the tax covenants of the Indenture is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the District and the Trustee may rely conclusively on such opinion in complying with the provisions of the Indenture, and such tax covenants in the Indenture shall be deemed to be modified to that extent.

Events of Default and Remedies

The following events shall be Events of Default:

(a) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, or default in the redemption from any Sinking Account of any Bonds in the amounts and at the times provided therefor;

(b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) if the District shall fail to observe or perform any covenant, condition, agreement or provision in the Indenture on its part to be observed or performed, other than as described in subsection (a) or (b) above, for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, has been given to the District by the Trustee; except that, if such failure can be remedied but not within such 60-day period and if the District has taken all action reasonably possible to remedy such failure within such 60-day period, such failure shall not become an Event of Default for so long as the District shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee;

(d) if any default shall exist under any agreement governing any Parity Debt and such default shall continue beyond the grace period, if any, provided for with respect to such default;

(e) if the District files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself;

(f) if a court of competent jurisdiction shall enter an order, judgment or decree declaring the District insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the District, or approving a petition filed against the District seeking reorganization of the District under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within 60 days from the date of the entry thereof;

(g) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the District or of the Sales Tax Revenues, and such custody or control shall not be terminated within 60 days from the date of assumption of such custody or control; or

(h) if the Legislature of the State shall repeal or amend all or any portion of the provisions of the Act relating to the retail transactions and use tax, being Section 29140 of the Public Utilities Code, unless the District determines that said repeal or amendment does not materially and adversely affect the rights of Bondholders.

Determination of Events of Default. So long as a Municipal Bond Insurance Policy is in effect with respect to a Series of Bonds, for purposes of determining whether any Event of Default concerning such Bonds, as set forth in clause (a) or (b) above, has occurred, no effect shall be given to payments made under such Municipal Bond Insurance Policy.

Application of Sales Tax Revenues and Other Funds After Default. If and for so long as an Event of Default shall occur and be continuing, the District shall immediately transfer to the Trustee all Sales Tax Revenues held by it and the Trustee shall apply all Sales Tax Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (except as otherwise provided in the Indenture) as follows and in the following order:

(1) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and Parity Debt, including the costs and expenses of the Trustee and the Bondholders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Indenture;

(2) To the payment of the whole amount of Bond Obligation then due on the Bonds and Parity Debt (upon presentation of the Bonds and Parity Debt to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, with interest on such Bond Obligation, at the rate or rates of interest borne by the respective Bonds and Parity Debt, to the payment to the persons entitled thereto of all installments of interest then due and the unpaid principal or Redemption Price of any Bonds and Parity Debt which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue Bond Obligation and Parity Debt at the rate borne by the respective Bonds and Parity Debt, and, if the amount available shall not be sufficient to pay in full all the Bonds and Parity Debt due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or interest or Accreted Value (plus accrued interest) due on such date to the persons entitled thereto, without any discrimination or preference.

(3) To the payment of reimbursement of withdrawals under a Reserve Policy and Policy Costs.

Trustee to Represent Bondholders. The Trustee is irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, the Indenture, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and upon the written request of the Owners of not less than 25% in aggregate amount of Bond Obligation of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Indenture, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Sales Tax Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

Bond Insurer's Direction of Proceedings. So long as a Municipal Bond Insurance Policy is in effect with respect to a Series of Bonds, upon the occurrence and continuance of an Event of Default concerning such Series of Bonds, the rights of the Owners of the Series of Bonds to direct or institute remedies as set forth in the Indenture shall be subject to the prior written consent of the Bond Insurer, and the Bond Insurer, acting alone, shall have the right to direct all remedies upon an Event of Default concerning such Series of Bonds and shall be required to consent in writing to any waiver of an Event of Default concerning such Series of Bonds, pursuant to any provision of the Indenture, so long as the Bond Insurer has not failed to comply with its payment obligations under the Municipal Bond Insurance Policy; provided, however, that such direction from the Bond Insurer shall not materially adversely affect the rights of the Owners of any other Series of Bonds.

Termination of Proceedings. In case any proceedings taken by the Trustee, the Bond Insurer or any one or more Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, the Bond Insurer or the Owners, then in every such case the District, the Trustee, the Bond Insurer and the Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the District, the Trustee, the Bond Insurer and the Owners shall continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee, the Bond Insurer or to the Owners is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

Bondholders' Direction of Proceedings. Except as provided under "Bond Insurer's Direction of Proceedings" anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, all as more fully described in the Indenture.

Limitation on Bondholders' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Act or any other applicable law with respect to such Bond, unless: (1) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Owners of not less than 25% in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (3) such Owner or said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (5) the Trustee shall not have received contrary directions from the Owners of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Indenture, the Act or other applicable law with respect to the Bonds, except in the manner in the Indenture provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner in the Indenture provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Reserve Policy Remedies. If any reimbursement for prior withdrawals and Policy Costs shall not be repaid in accordance with the requirements of the Indenture, the provider of a Reserve Policy delivered in connection with a Series of Bonds shall be entitled to exercise any and all remedies available at law or under the Indenture with respect to such Series of Bonds other than remedies which would adversely affect Bondholders.

Defeasance

Bonds of any Series or a portion thereof may be paid by the District in any of the following ways:

(a) by paying or causing to be paid the Bond Obligations of and interest on such Outstanding Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem such Outstanding Bonds; or

(c) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

If the District shall pay all Bonds Outstanding and also pay or cause to be paid all other sums payable under the Indenture by the District, then and in that case, at the election of the District (evidenced by a Certificate of the District filed with the Trustee, signifying the intention of the District to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Sales Tax Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the District under the Indenture shall cease, terminate, become void and be completely discharged and satisfied.

So long as a Reserve Policy is in effect, the Indenture shall not be discharged until all reimbursement for prior withdrawals and Policy Costs owing to the provider of such Reserve Policy shall have been paid in full.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture and described below under the subcaption "Deposit of Money or Securities with Trustee") to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the District in respect of such Bond shall cease, terminate and be completely discharged, provided that the Owner thereof shall thereafter be entitled to the payment of the principal of and premium, if any, and interest on the Bonds, and the District shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture described below under the subcaption "Payment of Bonds After Discharge of Indenture," and continuing duties of the Trustee thereunder.

Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) Non-callable Investment Securities described in clauses (i), (ii) or (vi) of the definition thereof the principal of and interest on which when due will, in the opinion of an independent certified public accountant delivered to the Trustee, provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by request of the District) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

Payment of Bonds After Discharge of Indenture. Any moneys held by the Trustee in trust for the payment of the principal or Redemption Price of, or interest on, any Bonds and remaining unclaimed for 4 years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption as provided in the Indenture), if such moneys were so held at such date, or 4 years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall, upon Request of the District, be repaid to the District free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the District as aforesaid, the Trustee may (at the cost of the District) first mail to the Owners of any Bonds remaining unpaid at the addresses shown on the registration books maintained by the Trustee a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof. All moneys held by or on behalf of the Trustee for the payment of principal of Accreted Value of or interest or premium on Bonds, whether at redemption or maturity, shall be held in trust for the account of the Owners thereof and the Trustee shall not be required to pay Owners any interest on, or be liable to the Owners or any other person (other than the District) for any interest earned on, moneys so held. Any interest earned thereon shall belong to the District and shall be deposited monthly by the Trustee into the Revenue Fund.

Amendments

The Indenture and the rights and obligations of the District, the Owners of the Bonds and the Trustee may be modified or amended at any time by a Supplemental Indenture, with the written consent of the Owners of a majority in the aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Indenture is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under this caption.

The Indenture and the rights and obligations of the District and of the Owners of the Bonds and of the Trustee may also be modified or amended at any time by a Supplemental Indenture entered into by the District and the Trustee which shall become binding when the written consents of each provider of a letter of credit or a policy of bond insurance for the Bonds shall have been filed with the Trustee, provided that at such time the payment of all the principal of and interest on all Outstanding Bonds shall be insured by a policy or policies of municipal bond insurance or payable under a letter of credit the provider of which shall be a financial institution or association having unsecured debt obligations rated, or insuring or securing other debt obligations rated on the basis of such insurance or letters of credit, in one of the two highest Rating Categories of Moody's or Standard & Poor's.

No such modification or amendment shall (a) extend the fixed maturity of any Bond or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected, or (b) reduce the aforesaid percentage of Bond Obligation the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Sales Tax Revenues or other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Owners of the Bonds of the lien created by the Indenture on such Sales Tax Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding.

The Indenture and the rights and obligations of the District, of the Trustee and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Bondholders, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) To add to the covenants and agreements of the District in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof) or to surrender any right or power reserved to or conferred upon the District;

(2) To make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the District may deem necessary or desirable, and which shall not materially and adversely affect the interests of the Owners of the Bonds;

(3) To modify, amend or supplement the Indenture in such manner as to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially and adversely affect the interests of the Owners of the Bonds;

(4) To make modifications or adjustments necessary, appropriate or desirable to provide for the issuance of Variable Rate Indebtedness, Capital Appreciation Bonds or Parity Debt with such interest rate, payment, maturity and other terms as the District may deem desirable, subject to the provisions of the Indenture described above under the caption "Additional Bonds, Refunding Bonds, Parity Debt, Subordinate Obligations," provided such modifications or adjustments shall not materially and adversely affect the interests of Owners of the Bonds;

(5) To provide for the issuance of Bonds in book-entry form or bearer form, provided that no such provisions shall materially and adversely affect the interest of the Owners of the Bonds;

(6) To make modifications or adjustments necessary, appropriate or desirable to accommodate credit enhancements including letters of credit, surety bonds and insurance policies delivered with respect to the Bond Reserve Fund, provided such modifications or adjustments shall not materially and adversely affect the interests of Owners of the Bonds;

(7) If the District agrees in a Supplemental Indenture to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion;

(8) To provide for the issuance of an additional Series of Bonds pursuant to provisions of the Indenture described above under the caption "Additional Bonds, Refunding Bonds, Parity Debt, Subordinate Obligations;" and

(9) For any other purpose that does not materially and adversely affect the interests of the Owners of the Bonds.

Other Provisions

Waiver of Personal Liability. No Board member, officer, agent or employee of the District or the Trustee shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing in the Indenture contained shall relieve any such Board member, officer, agent or employee of the District or the Trustee from the performance of any official duty provided by law or by the Indenture.

APPENDIX E

THE ECONOMY OF THE THREE BART COUNTIES

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APPENDIX E

THE ECONOMY OF THE THREE BART COUNTIES

This Appendix E 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 2000 and 2009. Population in the Three BART Counties increased approximately 9.74% between 2000 and 2009.

Table 1
HISTORICAL POPULATION
Alameda and Contra Costa Counties and City and County of San Francisco
2000 and 2005 though 2009
(As of January 1)

	2000	2005	2006	2007	2008	2009
Alameda County						
Alameda	72,398	72,761	72,805	73,362	74,015	74,683
Albany	16,422	16,225	16,211	16,358	16,152	16,884
Berkeley	102,540	104,115	105,267	106,022	106,498	107,178
Dublin	28,540	39,775	41,847	43,564	46,859	47,922
Emeryville	6,836	8,226	8,526	9,133	9,712	10,087
Fremont	202,337	209,558	209,890	211,006	213,124	215,636
Hayward	139,124	145,416	146,213	147,393	148,935	150,878
Livermore	72,922	80,378	81,338	82,584	83,451	84,409
Newark	42,250	43,523	43,431	43,556	43,793	44,035
Oakland	398,247	410,188	410,830	413,890	419,095	425,068
Piedmont	10,931	11,009	10,984	11,020	11,079	11,165
Pleasanton	63,317	67,364	67,789	68,563	69,324	70,097
San Leandro	78,983	81,236	81,108	81,351	81,841	82,472
Union City	66,412	70,387	71,063	72,072	73,269	73,977
Balance of County	135,877	138,806	138,874	139,452	140,572	142,166
TOTAL	**1,437,136**	**1,498,967**	**1,506,176**	**1,519,326**	**1,537,719**	**1,556,657**
Contra Costa County						
Antioch	90,091	100,039	99,376	99,357	99,994	100,957
Brentwood	22,003	41,954	45,752	48,667	50,584	51,908
Clayton	10,774	10,906	10,788	10,728	10,778	10,864
Concord	121,445	124,578	123,380	122,923	123,700	124,599
Danville	41,519	42,975	42,515	42,447	42,602	43,043
El Cerrito	23,167	23,244	23,178	23,081	23,306	23,440
Hercules	19,412	23,200	23,535	23,859	24,309	24,480
Lafayette	23,916	24,148	23,887	23,836	23,948	24,087
Martinez	35,824	36,570	36,138	36,009	36,122	36,348
Moraga	16,307	16,334	16,153	16,094	16,128	16,204
Oakley	25,622	28,961	29,341	31,747	33,189	34,468
Orinda	17,590	17,671	17,470	17,428	17,529	17,669
Pinole	19,027	19,469	19,222	19,149	19,260	19,383
Pittsburg	56,513	62,172	62,192	62,696	63,352	63,771
Pleasant Hill	32,802	33,408	33,046	32,957	33,357	33,547
Richmond	99,047	102,309	102,188	103,327	103,899	104,513
San Pablo	30,157	31,130	30,830	30,816	31,172	31,808
San Ramon	44,560	50,672	56,234	59,501	61,187	63,176
Walnut Creek	64,244	66,047	65,293	65,070	65,266	65,860
Balance of County	150,933	160,620	164,991	165,630	168,560	170,310
TOTAL	**944,953**	**1,016,407**	**1,025,509**	**1,035,322**	**1,048,242**	**1,060,435**
City and County of San Francisco	**773,312**	**806,433**	**812,880**	**823,004**	**835,364**	**845,559**
Three BART Counties	**3,155,401**	**3,321,807**	**3,344,565**	**3,377,652**	**3,421,325**	**3,462,651**

Source: California Department of Finance.

Table 2-A shows historical nonagricultural employment for the Three BART Counties by industry sector in calendar year 2008 and Table 2-B shows total nonagricultural employment for the Three BART Counties by industry sector in calendar years 1998 and 2008.

Table 2-A
NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SECTOR
Alameda and Contra Costa Counties and City and County of San Francisco
2008(1)

	Alameda County		Contra Costa County		City and County of San Francisco	
	Number	Percent(2)	Number	Percent(2)	Number	Percent(2)
Mining and Construction	40,200	5.82%	25,900	7.62%	18,300	3.33%
Manufacturing	72,500	10.50	20,800	6.12	10,800	1.97
Trade, Transportation and Utilities						
Wholesale	39,300	5.69	8,700	2.56	12,300	2.24
Retail	66,800	9.68	43,900	12.92	44,100	8.03
Transportation, Warehousing and Utilities	27,700	4.01	8,800	2.59	11,600	2.11
Information	15,900	2.30	11,900	3.50	19,100	3.48
Finance, Insurance, and Real Estate	30,400	4.40	26,300	7.74	57,700	10.51
Services	272,400	39.47	141,800	41.74	284,100	51.74
Government	125,000	18.11	51,600	15.19	91,100	16.59
TOTAL	**690,200**	**100.00%**	**339,700**	**100.00%**	**549,100**	**100.00%**

(1) Most recent data available.
(2) 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
1998 AND 2008(1)

	1998		2008	
	Number	Percent(2)	Number	Percent(2)
Mining and Construction	72,600	4.71%	84,400	5.35%
Manufacturing	140,200	9.10	104,100	6.59
Trade, Transportation and Utilities				
Wholesale	64,800	4.21	60,300	3.82
Retail	149,400	9.70	154,800	9.80
Transportation, Warehousing and Utilities	64,600	4.19	48,100	3.05
Information	57,500	3.37	46,900	2.97
Finance, Insurance, and Real Estate	112,200	7.28	114,400	7.25
Services	632,900	41.09	698,300	44.22
Government	245,900	15.97	267,700	16.95
TOTAL	**1,540,200**	**100.00%**	**1,579,000**	**100.00%**

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

Nonagricultural employment in the Three BART Counties increased approximately 2.52% between 1998 and 2008.

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% of the population as of 2009 and approximately 43.7% of the nonagricultural employment of the Three BART Counties as of 2008. Alameda County's population increased approximately 8.3% between 2000 and 2009.

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 57.6% of total employment as of 2008. The trade sector, including both retail and wholesale, averaged 214,000 jobs, comprising approximately 13.9% of total employment as of 2008. The service industry, averaging 633,000 jobs, comprising approximately 41.1% of total employment, is the largest employment sector as of 2008. 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 30.6% of the population as of 2009 and approximately 21.5% of the nonagricultural employment of the Three BART Counties as of 2008. Contra Costa County's population increased approximately 12.2% between 2000 and 2009.

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 69.9%) 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 24.4% of the population as of 2009 and approximately 34.8% of the nonagricultural employment of the Three BART Counties as of 2008. The population of San Francisco is relatively dense and has increased slowly in recent years, with an overall increase of approximately 9.3% between 2000 and 2009.

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 and for 2005 through 2009.

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%	3.5%	3.4%	4.9%	4.0%
2005	5.1	4.9	5.0	5.4	5.1
2006	4.4	4.3	4.2	4.9	4.6
2007	4.7	4.7	4.2	5.4	4.6
2008	6.2	6.2	5.3	7.2	5.8
2009	10.7(1)	10.3(1)	9.0(1)	11.4(1)	10.3(2)

(1) Reflects the March 2009 benchmark and 2000 Census population controls. Data is not comparable with data for calendar years 2005 through 2008.
(2) Not strictly comparable with prior years.
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, *2010 Book of Lists*.

Table 4-A
MAJOR EMPLOYERS
Alameda and Contra Costa Counties
(2010)

Alameda and Contra Costa County	Employees
University of California, Berkeley	22,277
Kaiser Permanente	17,572
State of California	9,746
Safeway Inc.	9,570
Alameda County	9,000
Contra Costa County	8,423
Chevron Corp.	7,636
John Muir Health	6,335
Wells Fargo Bank	5,685
Alta Bates Summit Medical Center	5,265
Lawrence Livermore National Laboratory	4,765
U.S. Postal Service	4,202
Lawrence Berkeley National Laboratory	3,336
Fremont Unified School District	3,000
PG&E Corp.	2,850
Children's Hospital & Research Center at Oakland	2,725
San Francisco Bay Area Rapid Transit (BART)	2,163
Bayer HealthCare	2,000
Bank of the West	1,880
Comcast	1,704

Source: San Francisco Business Times, *2010 Book of Lists*.

Table 4-B
MAJOR EMPLOYERS
City and County of San Francisco
(2010)

City and County of San Francisco	Employees
City and County of San Francisco	26,554
University of California, San Francisco	24,759
Wells Fargo & Co. Inc.	9,214
California Pacific Medical Center	6,800
Kaiser Permanente	5,629
State of California	5,555
United States Postal Service	4,697
PG&E Corp.	4,394
Gap Inc.	3,804
Charles Schwab & Co. Inc.	3,000
City College of San Francisco	3,000
ABM Industries Inc.	2,637
Catholic Healthcare West	2,472
Safeway Inc.	1,951
University of San Francisco	1,885
Salesforce.com Inc.	1,618
Deloitte	1,548
San Francisco State University	1,227
Hilton San Francisco	1,200
Levi Strauss & Co.	1,200

Source: San Francisco Business Times, *2010 Book of Lists*.

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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 808,100 people between 2010 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 743,760 jobs between 2010 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	2009 (Actual)	2010 (Projected)	2035 (Projected)	Percent Change (2010-2035)
Alameda	1,556,657	1,549,800	1,966,300	26.87%
Contra Costa	1,060,435	1,090,300	1,322,900	21.33
San Francisco	845,559	810,000	969,000	19.63
Three BART counties	3,462,651	3,450,100	4,258,200	23.42%

Employment

County	2009 (Actual)	2010 (Projected)	2035 (Projected)	Percent Change (2010-2035)
Alameda	681,300	712,850	1,039,680	45.85%
Contra Costa	471,700	376,820	555,650	47.46
San Francisco	418,400	568,730	806,830	41.87
Three BART counties	1,571,400	1,658,400	2,402,160	44.85%

Sources: California Department of Finance, Table 2: E-4 Population Estimates for Cities Counties and State, with 2000 Benchmark for 2009 actual population data; State of California Employment Development Department Labor Market Information Division; U.S. Bureau of Labor Statistics for 2009 Employment data; and Association of Bay Area Governments, Projections and Priorities 2009: Building Momentum - San Francisco Bay Area for projected data.

Personal Income

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

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

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Table 6 below presents the latest available total income and per capita personal income for the City, the County, the State and the nation for the calendar years 2004 through 2008 (the most recent annual data available). The County has traditionally had per capita income levels significantly higher than those of the State and the nation.

Table 6
Alameda County Contra Costa County, City and County of San Francisco, State of California and United States
Personal Income
Calendar Years 2004 through 2008†

Year and Area	Personal Income (millions of dollars)	Per Capita Personal Income (dollars)
2008†		
Alameda County	$73,159	$49,757
Contra Costa	59,348	57,874
San Francisco	58,752	72,712
State	1,604,113	43,852
United States	12,035,388	39,582
2007		
Alameda County	$70,761	$48,679
Contra Costa	56,397	55,580
San Francisco	57,016	71,342
State	1,520,755	41,805
United States	11,634,322	38,615
2006		
Alameda County	$66,998	$46,414
Contra Costa	53,876	53,571
San Francisco	52,642	66,944
State	1,445,581	40,020
United States	10,978,053	36,794
2005		
Alameda County	$62,016	$43,074
Contra Costa	50,200	50,097
San Francisco	48,119	61,961
State	1,342,754	37,418
United States	10,252,973	34,690
2004		
Alameda County	$59,339	$41,083
Contra Costa	47,551	47,797
San Francisco	43,538	56,366
State	1,265,970	35,531
United States	9,711,363	33,157

† Preliminary. Most recent year for which data is available for the County, the State and the nation.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Table 7 shows the total dollar volume of sales and other taxable transactions (which correlate with sales tax receipts) in the Three BART Counties for calendar years 2004 through 2008 (the most recent annual data available).

Table 7
HISTORICAL TAXABLE TRANSACTIONS
Alameda and Contra Costa Counties and City and County of San Francisco
Calendar Years 2004 through 2008†
($ in thousands)

				Three BART Counties	
Fiscal Year	**Alameda County**	**Contra Costa County**	**City and County of San Francisco**	**Total**	**Percentage Change**
2004	$22,996,365	$12,990,538	$12,207,507	$48,194,410	–
2005	24,242,981	13,480,075	13,025,974	50,749,030	5.3%
2006	24,949,557	13,721,927	13,459,636	52,131,120	2.7
2007	25,592,761	14,097,916	14,296,583	53,987,260	3.6
2008†	25,284,440	13,910,198	14,990,938	54,185,576	0.4

† Most recent annual data available.
Source: California State Board of Equalization, 2004-2008 Annual Reports.

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Table 8 shows taxable transactions by type of business for the Three BART Counties for the year ended December 31, 2008 (the most recent annual data available).

Table 8
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
Alameda and Contra Costa Counties and the City and County of San Francisco
For Calendar Year Ended December 31, 2008(1)
(in thousands)

Type of Business	Alameda County	Contra Costa County	City and County of San Francisco	Total Three BART Counties	Percentage of Total(2)
Retail Stores					
Women's apparel	$153,523	$115,149	$311,928	$580,600	1.12%
Men's apparel	29,950	25,406	46,921	102,277	0.20
Family apparel	467,332	323,612	749,795	1,540,739	2.96
Shoes	96,840	64,289	119,512	280,641	0.54
Apparel stores group	**747,645**	**528,456**	**1,228,156**	**2,504,257**	**4.82**
General merchandise stores	1,805,217	1,537,590	1,169,571	4,512,378	8.68
Drug stores	321,517	215,534	–	537,051	1.03
General merchandise group	**2,126,734**	**1,753,124**	**1,169,571**	**5,049,429**	**9.71**
Supermarkets	621,703	491,180	416,762	1,529,645	2.94
All other food stores	158,608	103,095	85,118	346,821	0.67
Food stores group	**780,311**	**594,275**	**501,880**	**1,876,466**	**3.61**
Limited-service restaurants	935,778	514,200	687,206	2,137,184	4.11
Full-service eating and drinking places	1,053,628	620,212	2,062,377	3,736,217	7.18
Eating and drinking group	**1,989,406**	**1,134,412**	**2,749,584**	**5,873,402**	**11.29**
Household and home furnishings	507,060	262,101	466,306	1,235,467	2.38
Household appliance dealers	316,016	209,518	150,019	675,553	1.30
Home furnishings and appliances	**823,075**	**471,620**	**616,325**	**1,911,020**	**3.67**
Building materials	**1,309,455**	**747,773**	**411,392**	**2,468,620**	**4.75**
New motor vehicle dealers	1,818,467	1,108,398	321,325	3,248,190	6.25
Used motor vehicle dealers	191,396	110,754	12,174	314,324	0.60
Automotive supplies and parts	205,366	138,522	49,303	393,191	0.76
RV and all other vehicles	114,179	49,258	24,687	188,124	0.36
Automotive group	**2,329,408**	**1,406,932**	**407,489**	**4,143,829**	**7.97**
Service stations	**2,030,681**	**1,514,897**	**625,727**	**4,171,305**	**8.02**
Gifts, art goods, and novelties	52,584	52,677	118,561	223,822	0.43
Sporting goods	161,610	115,454	123,597	400,661	0.77
Florists	29,961	16,610	34,467	81,038	0.16
Photographic equipment and supplies	9,598	–	42,785	52,383	0.10
Musical instruments	47,601	38,402	83,029	169,032	0.33
Stationery and books	186,567	81,319	175,840	443,726	0.85
Jewelry	69,245	70,210	190,090	329,545	0.63
Office supplies, computer stores	687,520	262,985	511,552	1,462,057	2.81
Packaged liquor stores	159,428	86,027	106,925	352,380	0.68
Second-hand merchandise	24,114	14,088	30,470	68,672	0.13
Farm and garden supply stores	64,423	92,843	15,680	172,946	0.33
Fuel and ice dealers	17,959	14,118	–	32,077	0.06
Miscellaneous retail	900,424	488,086	661,516	2,050,026	3.94
Other retail stores	**2,411,035**	**1,332,819**	**2,094,512**	**5,838,366**	**11.23**
Retail Stores Totals	**14,547,749**	**9,484,307**	**9,804,636**	**33,836,692**	**65.06**
Business and Personal Services	959,945	533,701	1,014,379	2,508,025	4.82
All Other Outlets	8,355,262	3,289,673	4,018,674	15,663,609	30.12
TOTALS ALL OUTLETS	**$23,862,957**	**$13,307,681**	**$14,837,689**	**$52,008,327**	**100.00%**

(1) Most recent annual data available.
(2) Numbers may not add due to independent rounding.
Source: California State Board of Equalization, 2008 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 2004 through 2008 (the most recent annual data available).

Table 9
COMPARISON OF TAXABLE TRANSACTIONS TREND
FOR MAJOR CALIFORNIA COUNTIES 2004 through 2008†
($ in thousands)

	2004	2005	2006	2007	2008†	Percentage Change 2007-2008 (%)
Three BART North Counties						
Alameda	$22,996,365	$24,224,981	$25,223,384	$25,831,140	$23,862,957	(8.25%)
Contra Costa	12,990,538	13,480,075	13,867,661	14,086,295	13,307,681	(5.85)
San Francisco	12,207,507	13,025,974	13,892,188	14,614,736	14,837,689	1.53
TOTAL THREE BART NORTHERN COUNTIES	**$48,194,410**	**$50,731,030**	**$52,983,233**	**$54,532,171**	**$52,008,327**	**(4.85%)**
Other Northern Counties						
Sacramento	$20,216,922	$21,266,500	$21,140,386	$20,560,510	$19,331,847	(6.36%)
San Mateo	11,808,074	12,451,350	12,900,391	13,326,306	13,137,913	(1.43)
Santa Clara	28,491,576	30,193,802	32,273,238	33,663,448	32,274,306	(4.30)
Southern Counties						
Los Angeles	$122,533,104	$130,722,373	$136,162,552	$137,820,418	$131,881,744	(4.50%)
Orange	51,682,059	55,063,246	57,202,747	57,293,471	53,606,829	(6.88)
Riverside	25,237,148	28,256,491	29,816,237	29,023,609	26,003,595	(11.61)
San Bernardino	26,206,167	29,744,868	31,309,905	30,450,731	27,777,703	(9.62)
San Diego	44,470,338	46,679,471	47,835,514	47,485,988	45,329,136	(4.76)
Ventura	11,176,821	11,909,068	12,316,912	12,230,207	11,322,410	(8.02)
Statewide	**$390,016,619**	**$417,018,199**	**$433,941,115**	**$436,386,859**	**$412,673,810**	**(5.75%)**

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

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning The Depository Trust Company ("DTC") and DTC's book-entry system has been obtained from sources that the San Francisco Bay Area Rapid Transit District (the "District") believes to be reliable, but neither the District nor the Underwriter takes responsibility for the accuracy thereof. Beneficial Owners (as such term is defined herein) should confirm the following information with DTC or the DTC Participants (as such term is defined herein). All defined terms used and not otherwise defined herein shall have the meanings assigned to such terms in the front portion of this Official Statement.

DTC will act as securities depository for the Series 2010 Bonds. The Series 2010 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each annual maturity of Series 2010 Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

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

Purchases of Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2006 A Bond (each a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2010 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2010 Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2010 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Series 2010 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2010 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the documents. For example, Beneficial Owners of Series 2010 Bonds may wish to ascertain that the nominee holding the Series 2010 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

Redemption notices shall be sent to DTC. If less than all of the Series 2010 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2010 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District or to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2010 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of the DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2010 Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

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

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APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the San Francisco Bay Area Rapid Transit District (the "Issuer") and U.S. Bank National Association, successor by merger to U. S. Bank Trust National Association, formerly known as First Trust of California, National Association, which was successor trustee to Bank of America National Trust and Savings Association which was successor trustee to Security Pacific National Bank, as trustee (the "Trustee") and as dissemination agent (the "Dissemination Agent"), in connection with the issuance of $_________ aggregate principal amount of San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Refunding Series 2010 (the "Bonds"). The Bonds are being issued pursuant to an Indenture, dated as of July 1, 1990, as supplemented and amended by a First Supplemental Indenture, dated as of August 7, 1990, a Second Supplemental Indenture, dated as of August 29, 1991, a Third Supplemental Indenture, dated as of June 7, 1995, a Fourth Supplemental Indenture, dated as of April 1, 1997, a Fifth Supplemental Indenture, dated as of March 12, 1998, a Sixth Supplemental Indenture, dated as of October 7, 1999, a Seventh Supplemental Indenture, dated as of July 12, 2001, an Eighth Supplemental Indenture, dated as of September 7, 2005, a Ninth Supplemental Indenture, dated as of June 29, 2006, a Tenth Supplemental Indenture, dated as of November 30, 2006, and an Eleventh Supplemental Indenture, dated as of the date hereof (hereinafter collectively referred to as the "Indenture"), between the Issuer and the Trustee. The Issuer, the Trustee and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer, the Trustee and the Dissemination Agent for the benefit of the Owners (as such term is defined in the Indenture) 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 Indenture, which apply to any capitalized term used in this Disclosure Agreement and not otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 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 Trustee and the Dissemination Agent from time to time.

"Dissemination Agent" shall mean U. S. Bank National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

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

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

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

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than eight (8) months after the end of the Issuer's fiscal year (presently June 30), commencing with the Annual Report for the fiscal year of the Issuer ending June 30, 2010, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Each Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. Neither the Trustee nor the Dissemination Agent shall have any duties or responsibilities with respect to the contents of the Annual Report. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer and the Trustee to determine if the Issuer is in compliance with the first sentence of this subsection (b).

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

(d) If the Annual Report is delivered to the Dissemination Agent for filing, the Dissemination Agent shall file a report with the Issuer and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided.

SECTION 4. Content of Annual Reports. The Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, dated ________, 2010, relating to the Bonds (the "Official Statement"), and the audited financial statements shall be filed in the same manner as the Annual Report when such audited financial statements become available.

(b) An update (as of the most recently ended fiscal year of the Issuer) for the table entitled "Sales Tax Revenues" set forth in the Official Statement under the caption "Security for the Series 2010 Bonds - Sales Tax Revenues" and an update for the table entitled "Debt Service Requirements" set forth in the Official Statement under the caption "Debt Service Requirements."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been filed with the MSRB or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 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 Trustee 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 Trustee 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), 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 MSRB. 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 Indenture.

SECTION 6. <u>Termination of Reporting Obligation</u>. The obligations of the Issuer, the Trustee and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 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(f).

SECTION 7. <u>Dissemination Agent</u>. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty (30) days written notice to the Issuer and the Trustee. The Dissemination Agent shall not be responsible in any manner for the form or the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

SECTION 8. <u>Amendment; Waiver</u>. Notwithstanding any other provision of this Disclosure Agreement, the Issuer, the Trustee and the Dissemination Agent may amend this Disclosure Agreement (and the Trustee and the Dissemination Agent shall agree to any amendment so requested by the Issuer, provided neither the Trustee nor the Dissemination Agent shall be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 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 either (i) is approved by the Trustee or the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the 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(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer, the Dissemination Agent or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the written request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall) (but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys), or any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer, the Dissemination Agent or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Trustee or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Trustee and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent and the Trustee and their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Trustee's or the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The obligations of the Issuer under this Section shall survive resignation or removal of the Trustee or the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

(i) If to the Issuer:

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

(ii) If to the Trustee or the Dissemination Agent:

U. S. Bank National Association
One California Street, Suite 2100
San Francisco, California 94111
Telephone: (415) 273-4540
Fax: (415) 273-4590

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

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriters and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. <u>Counterparts</u>. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: ________, 2010.

SAN FRANCISCO BAY AREA RAPID
TRANSIT DISTRICT

By____
Controller/Treasurer

U.S. BANK NATIONAL ASSOCIATION,
as Trustee and Dissemination Agent

By____
Authorized Officer

Exhibit A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF
FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	San Francisco Bay Area Rapid Transit District
Name of Bond Issue:	San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Refunding Series 2010
Date of Issuance of Bonds:	________, 2010

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 19.13 of the Indenture, dated as of July 1, 1990, as supplemented and amended by the First Supplemental Indenture, dated as of August 7, 1990, the Second Supplemental Indenture, dated as of August 29, 1991, the Third Supplemental Indenture, dated as of June 7, 1995, the Fourth Supplemental Indenture, dated as of April 1, 1997, the Fifth Supplemental Indenture, dated as of March 12, 1998, the Sixth Supplemental Indenture, dated as of October 7, 1999, the Seventh Supplemental Indenture, dated as of July 12, 2001, an Eighth Supplemental Indenture, dated as of September 7, 2005, a Ninth Supplemental Indenture, dated as of June 29, 2006, a Tenth Supplemental Indenture, dated as of November 30, 2006, and an Eleventh Supplemental Indenture, dated as of ________, 2010, between the Issuer and U. S. Bank National Association, as trustee. [The Issuer anticipates that the Annual Report will be filed by _____________.]

Dated:____________________

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

cc: Issuer

APPENDIX H

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

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[Date of Closing]

San Francisco Bay Area
Rapid Transit District
Oakland, California

San Francisco Bay Area Rapid Transit District
Sales Tax Revenue Bonds, Refunding Series 2010
(Final Opinion)

Ladies and Gentlemen:

We have acted as co-bond counsel to the San Francisco Bay Area Rapid Transit District (the "District") in connection with the issuance by the District of $_______________ aggregate principal amount of San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Refunding Series 2010 (the "Bonds"), issued pursuant to an Indenture, dated as of July 1, 1990, as supplemented and amended by a First Supplemental Indenture, dated as of August 7, 1990, a Second Supplemental Indenture, dated as of August 29, 1991, a Third Supplemental Indenture, dated as of June 7, 1995, a Fourth Supplemental Indenture, dated as of April 1, 1997, a Fifth Supplemental Indenture, dated as of March 12, 1998, a Sixth Supplemental Indenture, dated as of October 7, 1999, a Seventh Supplemental Indenture, dated as of July 12, 2001, an Eighth Supplemental Indenture, dated as of September 7, 2005, a Ninth Supplemental Indenture, dated as of June 29, 2006, a Tenth Supplemental Indenture, dated as of November 30, 2006, and an Eleventh Supplemental Indenture, dated as of _________, 2010 (hereinafter collectively referred to as the "Indenture"), between the District and U. S. Bank National Association, successor by merger to U. S. Bank Trust National Association, formerly known as First Trust of California, National Association, successor to Bank of America National Trust and Savings Association, successor by merger to Security Pacific National Bank, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate, dated the date hereof (the "Tax Certificate"), certificates of the District, the Trustee, and others, opinions of counsel to the District and the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, 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, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated __________, 2010, or other offering material relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute the valid and binding special obligations of the District payable from and secured by a pledge of Sales Tax Revenues.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the District.

3. Interest on the 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,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

LOFTON & JENNINGS

Per

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SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT • SALES TAX REVENUE BONDS, REFUNDING SERIES 2010

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