

CANADIAN OFFERING MEMORANDUM

This Canadian offering memorandum constitutes an offering of the securities described herein only in those Canadian jurisdictions and to those persons where and to whom they may be lawfully offered for sale, and therein only by persons permitted to sell such securities. This Canadian offering memorandum is not, and under no circumstances is to be construed as, an advertisement or a public offering of the securities described herein. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence under applicable securities laws.

BAY AREA TOLL AUTHORITY

San Francisco Bay Area Subordinate Toll Bridge Revenue Bonds 2010 Series S-1

The Offering

The securities being offered hereby are part of an offering of San Francisco Bay Area Subordinate Toll Bridge Revenue Bonds 2010 Series S-1 ("Bonds") of the Bay Area Toll Authority, a public agency created in 1997 by California law (the "Authority").

Attached to this Canadian offering memorandum and forming a part hereof is a copy of the information statement and supplement. The offering in Canada is being made by this Canadian offering memorandum and any decision to purchase the Bonds should be made solely on the information contained herein.

The offering in Canada is being made solely in the Provinces of Ontario, Québec, British Columbia, Alberta and Manitoba (the "Offering Provinces").

Resale Restrictions

The distribution of the Bonds in Canada is being made on a private placement basis. Accordingly, any resale of such Bonds must be made in accordance with an exemption from prospectus requirements and in compliance with the registration requirements of applicable securities laws, which vary depending on the province or pursuant to a discretionary exemption granted by the applicable Canadian securities regulatory authority. The Authority is not a reporting issuer in any province or territory of Canada. Purchasers of the Bonds are advised to seek legal advice prior to any resale of the Bonds.

Relationship between the Authority and Certain Underwriters

For the reasons described below, the Authority may be considered a "connected issuer" of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), J.P. Morgan Securities Inc. ("J.P. Morgan") and Morgan Stanley & Co. Incorporated ("Morgan Stanley"), for the purposes of Canadian securities laws.

For more information please see "Other Authority Obligations" in the attached information statement and "Underwriting", "Relationship of Certain Parties" and "Appendix IV" in the attached supplement.

Standby Bond Purchase Agreements

The Authority has entered into a standby bond purchase agreement dated June 1, 2008 (the "First Standby Bond Purchase Agreement"), a standby bond purchase agreement dated August 1, 2008 (the "Second Standby Bond Purchase Agreement") and a standby bond purchase agreement dated August 20, 2009 (the "Third Standby Bond Purchase Agreement", and collectively with the First Standby Bond Purchase Agreement and the Second Standby Bond Purchase Agreement, the "Standby Bond Purchase Agreements"). Under the Standby Bond Purchase Agreements, various banks have agreed (subject to

conditions specified in the agreements) to purchase the Authority's senior bonds that are variable rate demand bonds which have been tendered for purchase and are not successfully remarketed. An affiliate of J.P. Morgan is the agent for the liquidity providers under each of the Standby Bond Purchase Agreements and is a liquidity provider under the Third Standby Purchase Agreement. An affiliate of Merrill Lynch is a liquidity provider under each of the Standby Bond Purchase Agreements.

Qualified Swap Agreements

The Authority has entered into certain qualified swap agreements that as of May 1, 2010 had an aggregate notional amount of \$2,265,700,000 (the "Qualified Swap Agreements"). Affiliates of Merrill Lynch, J.P. Morgan and Morgan Stanley are parties to certain of the Qualified Swap Agreements.

None of the net proceeds received by the Authority from the offering of the Bonds are intended by the Authority to be used to pay amounts due or outstanding under the Standby Bond Purchase Agreements or the Qualified Swap Agreements. The decision to distribute the Bonds, including the determination of the terms of this offering, was made through negotiations between the Authority and the underwriters. Entities affiliated with the underwriters did not have any involvement in such decision or determination in such negotiation.

Representation and Agreement by Purchasers

Confirmations of the acceptance of offers to purchase the Bonds will be sent to purchasers in Canada who have not withdrawn their offers to purchase prior to the issuance of such confirmations.

Each purchaser who receives a purchase confirmation will, by the purchaser's receipt thereof, be deemed to represent to the Authority and the dealer from whom such purchase confirmation is received that:

- (a) such purchaser is purchasing as principal, and not as agent, and meets one or more of the criteria to be classified an "accredited investor" as defined in National Instrument 45-106 - *Prospectus and Registration Exemptions* ("NI 45-106") but was not created and is not being used solely to purchase or hold securities as an "accredited investor"; and
- (b) if the dealer from whom the purchaser is purchasing Bonds is not registered in the relevant province where such purchaser resides as an "investment dealer" or "exempt market dealer", each as defined in National Instrument 31-103 - *Registration Requirements and Exemptions* ("NI 31-103"), the purchaser is not an individual but otherwise meets one or more of the criteria set out in section 1.1 of NI 31-103 in order to be classified a "permitted client" pursuant to that instrument, or the purchaser is an individual who owns financial assets (as defined in NI 45-106) with an aggregate realizable value before taxes in excess of Cdn.\$5,000,000.

In addition, each purchaser of Bonds who receives a purchase confirmation, by the purchaser's receipt thereof, will be deemed to have represented to the Authority and the dealer from whom such purchase confirmation was received, that the purchaser (a) has been notified by the Authority (i) that the Authority is required to provide information ("personal information") pertaining to the purchaser as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the number and value of Bonds purchased), which Form 45-106F1 is required to be filed by the Authority under NI 45-106, (ii) that the personal information will be delivered to the Ontario Securities Commission (the "OSC") in accordance with NI 45-106, (iii) that such personal information is being collected indirectly by the OSC under the authority granted to it in securities legislation, (iv) that such personal information is being collected for the purposes of the administration and enforcement of the

securities legislation of Ontario, and (v) that the public official in Ontario who can answer questions about the OSC's indirect collection of the personal information is the Administrative Support Clerk at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-8314, and (b) has authorized the indirect collection of the personal information by the OSC.

Further, by purchasing these Bonds, the purchaser acknowledges that its name and other specified information, including the number of Bonds it has purchased, may be disclosed to other Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable laws. The purchaser consents to the disclosure of that information.

Canadian Federal Income Tax Considerations

Prospective purchasers of Bonds should consult their own tax advisors regarding the Canadian federal income tax considerations relevant to the purchase of Bonds having regard to their particular circumstances.

Rights of Action for Damages or Rescission

The Authority, its members, its officers and any experts named herein may be located outside Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the Authority or such persons. All of the assets of the Authority and such persons are located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the Authority or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Authority or such persons outside of Canada.

Rights for Purchasers in Ontario

Securities legislation in Ontario provides an Ontario purchaser (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) with a statutory right of action for damages or rescission against an issuer and any selling security holder where the related offering memorandum contains a misrepresentation without regard to whether the purchaser relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the securities. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the securities. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the issuer or any selling security holder. In no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, the issuer and any selling security holder will have no liability. In the case of an action for damages, the issuer and any selling security holder will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the securities as a result of the misrepresentation relied upon.

The foregoing summary is subject to the express provisions of the *Securities Act* (Ontario) and the rules and regulations thereunder and reference is made thereto for the complete text of such provisions.

The rights discussed above are in addition to and without derogation from any other right or remedy which purchasers may have at law and are intended to correspond to the provisions of the relevant securities legislation and are subject to the defences contained therein.

Notice Regarding Non-Resident Underwriters

Each of Merrill Lynch, J.P. Morgan and Barclays Capital Inc. (collectively, the "Non-Resident Underwriters") has a head office or principal place of business outside Canada and is relying on the "international dealer" exemption in NI 31-103 from registration requirements in the Offering Provinces for which it has listed an agent for service of process below in connection with the offer of Bonds to purchasers.

In accordance with NI 31-103, each of the Non-Resident Underwriters hereby notifies purchasers in the Offering Provinces that (i) it is not registered in any jurisdiction for which it has listed an agent for service of process below in respect of activities for which the international dealer exemption is being relied upon, (ii) it is resident outside of Canada and, (iii) all or a substantial portion of its assets may be located outside of Canada. As a result, Canadian purchasers may have difficulty enforcing their legal rights against the Non-Resident Underwriters.

Merrill Lynch's jurisdiction of residence is the State of New York, USA and the name and address of the agent for service of process in each of the Offering Provinces for which it is relying on the international dealer exemption in NI 31-103 is as follows:

Alberta	Merrill Lynch Canada Inc. Bow Valley Square 3 255-5 th Avenue S.W., Suite 2620 Calgary, Alberta T2P 3G6 Attention: Legal Department
British Columbia	Merrill Lynch Canada Inc. Cathedral Place 925 West Georgia Street, Suite 708 Vancouver, British Columbia V6C 3L2, Attention: Legal Department
Manitoba	Thompson Dorfman Sweatman LLP 2200-201 Portage Avenue Winnipeg, Manitoba R3B 3L3 Attention: Bruce S. Thompson, Partner
Quebec	Merrill Lynch Canada Inc. 1250 Rene-Levesque Blvd. West Suite 3715 Montreal, Quebec H3B 4W8 Attention: Legal Department

J.P. Morgan's jurisdiction of residence is the State of New York, USA and the name and address of the agent for service of process in each of the Offering Provinces for which it is relying on the international dealer exemption in NI 31-103 is as follows:

Alberta	152928 Canada Inc. c/o Stikeman Elliott LLP 4300 Bankers Hall 888-3rd Street S.W. Calgary, Alberta T2P 5C5 Attention: President
British Columbia	152928 Canada Inc. c/o Stikeman Elliott LLP 666 Burrard Street

	Suite 1700, Park Place Vancouver, British Columbia V6C 2X8 Attention: President
Manitoba	Aikins, MacAulay & Thorvaldson LLP 30th Floor Commodity Exchange Tower, 3000 360 Main Street Winnipeg, Manitoba R3C 4G1 Attention: Richard L. Yaffe
Ontario	152928 Canada Inc. c/o Stikeman Elliott LLP 5300 Commerce Court West, 199 Bay Street Toronto, Ontario M5L 1B9 Attention: President
Quebec	152928 Canada Inc. c/o Stikeman Elliott LLP 1155 Rene-Levesque Blvd., 40th Floor Montréal, Quebec H3B 3V2 Attention: Président

Barclays' jurisdiction of residence is the State of New York, USA and the name and address of the agent for service of process in each of the Offering Provinces for which it is relying on the international dealer exemption in NI 31-103 is as follows:

Alberta	Barclays Capital Canada, Inc. 140 – 4th Avenue SW, Suite 1700 Calgary, Alberta T2P 3N3 Attention: Managing Director
British Columbia	Blakes Vancouver Services Inc. 595 Burrard Street, P.O. Box 49314 Suite 2600, Three Bentall Centre Vancouver, British Columbia V7Z 1L3
Manitoba	Aikins, MacAulay & Thorvaldson LLP 30th Floor, Commodity Exchange Tower 360 Main Street Winnipeg, Manitoba R3C 4G1
Ontario	Barclays Capital Canada Inc. Brookfield Place – TD Canada Trust Tower 161 Bay St. Suite 4230 Toronto ON M5J 2S1 Attention: Director, Compliance
Québec	Services Blakes Quebec Inc. 600 de Maisonneuve Boulevard West Suite 2200, Tour KPMG Montreal, Quebec H3A 3J2

(This page intentionally left blank)

Supplement No. 1 Dated June 24, 2010 to Information Statement Dated May 1, 2010

NEW ISSUE—BOOK-ENTRY ONLY

Investors must review the Authority's Information Statement dated May 1, 2010 attached hereto together with this Supplement No. 1 to make an informed investment decision concerning the securities described herein.

RATINGS:

Moody's: A1
Standard & Poor's: A+
(See "RATINGS")

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, 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 2010 Series S-1 Bonds is exempt from State of California personal income taxes and interest on the 2010 Series S-1 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2010 Series S-1 Bonds. See "TAX MATTERS RELATING TO THE 2010 SERIES S-1 BUILD AMERICA BONDS."

\$1,500,000,000

BAY AREA TOLL AUTHORITY

SAN FRANCISCO BAY AREA SUBORDINATE TOLL BRIDGE REVENUE BONDS

2010 SERIES S-1

(Federally Taxable Build America Bonds)

Dated: Date of Delivery

Due: April 1, as shown on inside cover

The Bay Area Toll Authority (the "Authority") Information Statement dated May 1, 2010 and this Supplement No. 1 together comprise the Official Statement (collectively, the "Official Statement") for the Authority's San Francisco Bay Area Subordinate Toll Bridge Revenue Bonds, 2010 Series S-1 (the "2010 Series S-1 Bonds") offered hereby. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Authority administers the toll revenues from the seven state-owned toll bridges in the San Francisco Bay area. Information about the Authority, the Authority's bridge system, the Authority's capital projects and the security and sources of payment for the 2010 Series S-1 Bonds is contained in the Information Statement. The Authority will use money from the sale of the 2010 Series S-1 Bonds to (i) fund capital projects, (ii) make a cash deposit to the Reserve Fund for the benefit of the 2010 Series S-1 Bonds and (iii) pay the costs of issuing the 2010 Series S-1 Bonds.

The Authority will issue the 2010 Series S-1 Bonds pursuant to the Subordinate Indenture, dated as of June 1, 2010 (as supplemented by a First Supplemental Indenture dated as of June 1, 2010, the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee. The 2010 Series S-1 Bonds will be dated their date of delivery and will mature on the dates, in the principal amounts and bear interest as shown on the inside cover page. Investors may purchase 2010 Series S-1 Bonds in book-entry form only. The Depository Trust Company ("DTC") will act as securities depository for the 2010 Series S-1 Bonds.

The Series 2010 Series S-1 Bonds are subject to mandatory sinking fund redemption by the Authority prior to maturity as described in the Official Statement. The 2010 Series S-1 Bonds also are subject to optional redemption by the Authority prior to maturity as described in the Official Statement.

The Authority is not obligated to pay the 2010 Series S-1 Bonds except from Revenue as defined and provided in the Indenture. The 2010 Series S-1 Bonds are limited obligations of the Authority and do not constitute an obligation of the State of California (the "State"), the Metropolitan Transportation Commission or of any other political subdivision of the State other than the Authority, or a pledge of the full faith and credit of the State or of any other political subdivision of the State or of any other entity, including the Authority.

The 2010 Series S-1 Bonds are offered when, as and if issued by the Authority and received by the Underwriters, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and other conditions. Certain legal matters will be passed upon for the Authority by its general counsel, and for the Underwriters by their counsel, Nixon Peabody LLP. The Authority expects that the 2010 Series S-1 Bonds will be available for delivery through DTC on or about July 1, 2010.

BofA Merrill Lynch

Citi

J.P. Morgan

Barclays Capital

Morgan Stanley

Stone & Youngberg

\$1,500,000,000
BAY AREA TOLL AUTHORITY
SAN FRANCISCO BAY AREA SUBORDINATE TOLL BRIDGE REVENUE BONDS
(Federally Taxable Build America Bonds)

\$250,000,000 6.793% 2010 Series S-1 Term Bonds due April 1, 2030 — PRICE: 100%
CUSIP[†]: 072024NT5 ISIN[†]: US072024NT52 COMMON CODES[‡]: 052275415

\$400,000,000 6.918% 2010 Series S-1 Term Bonds due April 1, 2040 — PRICE: 100%
CUSIP[†]: 072024NU2 ISIN[†]: US072024NU26 COMMON CODES[‡]: 052275733

\$850,000,000 7.043% 2010 Series S-1 Term Bonds due April 1, 2050 — PRICE: 100%
CUSIP[†]: 072024NV0 ISIN[†]: US072024NV09 COMMON CODES[‡]: 052275954

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP and ISIN data herein are provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP and ISIN numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of investors. Neither the Authority nor the Underwriters are responsible for the selection or uses of these CUSIP or ISIN numbers, and no representation is made as to their correctness on the 2010 Series S-1 Bonds or as included herein. The CUSIP or ISIN number for a specific maturity is subject to being changed after the issuance of the 2010 Series S-1 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2010 Series S-1 Bonds.

[‡] The Common Codes are provided herein by Euroclear Bank S.A./N.V. Common Codes are provided for convenience of reference only. Neither the Authority nor the Underwriters take any responsibility for the accuracy of such numbers.

IMPORTANT NOTICES

The Authority is providing information about the 2010 Series S-1 Bonds in two related documents: (1) the accompanying Information Statement dated May 1, 2010 attached hereto, which provides information about BATA, and (2) this Supplement No. 1, which describes the specific terms of the 2010 Series S-1 Bonds. Together, these documents and all appendices thereto comprise the Official Statement for the 2010 Series S-1 Bonds offered hereby and are referred to collectively as the “Official Statement.” **All references to the “Information Statement” mean the Information Statement dated May 1, 2010.**

The Information Statement includes a detailed discussion of the revenues pledged as security for the 2010 Series S-1 Bonds, the outstanding Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds (senior lien Bonds) and Parity Obligations, the Authority’s rights to issue additional senior lien and subordinate Bonds, the financial tests that are imposed as preconditions to their issuance, and other matters relating to the Authority and the Bridge System.

The Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2010 Series S-1 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. The information set forth herein has been provided by the Authority, the State of California Department of Transportation (“Caltrans”) and other sources that are believed by the Authority to be reliable. The Underwriters have provided the following sentence for inclusion in the Official Statement. The Underwriters have reviewed the information in the Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in the Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the Underwriters.

The Official Statement is not to be construed as a contract with the purchasers of the 2010 Series S-1 Bonds.

This Supplement No. 1 speaks only as of its date and the Information Statement speaks only as of its date. The information and expressions of opinion herein are subject to change without notice and neither delivery of the Official Statement nor any sale made in conjunction herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or other matters described herein since the respective dates hereof. The Official Statement is submitted with respect to the sale of the 2010 Series S-1 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Authority. Preparation of the Official Statement and its distribution have been duly authorized and approved by the Authority.

All descriptions and summaries of documents and statutes hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document and statute for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and statute. Capitalized terms used but not defined herein are defined in the Information Statement in APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE–Definitions” or APPENDIX B – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE–Definitions.”

In connection with the offering of the 2010 Series S-1 Bonds, the Underwriters may over-allot or effect transactions that stabilize or maintain the market prices of the 2010 Series S-1 Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the 2010 Series S-1 Bonds to dealers, institutional investors and others at prices lower than the public offering prices stated in the Summary of Offering on the inside cover page and such public offering prices may be changed from time to time by the Underwriters.

2010 SERIES S-1 BONDS NOT REGISTERED

The 2010 Series S-1 Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities laws in reliance upon exemptions contained in such laws. The 2010 Series S-1 Bonds will not have been recommended by the Securities and Exchange Commission or any other federal, state or foreign securities commission or regulatory authority, and no such commission or regulatory authority will have reviewed or passed upon the accuracy or adequacy of this Official Statement. The registration or qualification of the 2010 Series S-1 Bonds in accordance with the applicable provisions of securities laws of any jurisdiction in which the 2010 Series S-1 Bonds may have been registered or qualified and the exemption therefrom in other jurisdictions cannot be regarded as a recommendation thereof by any such jurisdiction. Any representation to the contrary may be a criminal offense.

No action has been taken by the Authority that would permit a public offering of the 2010 Series S-1 Bonds or possession or distribution of the Official Statement or any other offering material in any foreign jurisdiction where action for that purpose is required. Accordingly, each of the Underwriters has agreed that it will comply with all applicable laws and regulations in force in any foreign jurisdiction in which it purchases, offers or sells the 2010 Series S-1 Bonds or possesses or distributes this Official Statement or any other offering material and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Authority Bonds under the laws and regulations in force in any foreign jurisdiction to which it is subject or in which it makes such purchases, offers or sales and the Authority shall have no responsibility therefor.

**INFORMATION CONCERNING OFFERING RESTRICTIONS
IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES**

MINIMUM UNIT SALES

The 2010 Series S-1 Bonds will trade and settle on a unit basis (one unit equaling one bond of \$5,000 principal amount). For any sales made outside the United States, the minimum purchase and trading amount is 20 units (being 20 bonds in an aggregate principal amount of \$100,000).

EEA

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “*Relevant Member State*”), each Underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “*Relevant Implementation Date*”) it has not made and will not make an offer of any 2010 Series S-1 Bonds which are the subject of the offering contemplated by this Official Statement to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such 2010 Series S-1 Bonds to the public in that Relevant Member State:

- (a) at any time to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR43,000,000; and (3) an annual net turnover of more than EUR50,000,000, as shown in its last annual or consolidated accounts;
- (c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Authority; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of any 2010 Series S-1 Bonds referred to in (a) through (d) above shall require the Authority or any Underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression “an offer of 2010 Series S-1 Bonds to the public” in relation to any 2010 Series S-1 Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the 2010 Series S-1 Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the 2010 Series S-1 Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Underwriter has represented and agreed that:

- (a) in relation to any 2010 Series S-1 Bonds having a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any 2010 Series S-1 Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the 2010 Series S-1 Bonds would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (“*FSMA*”) by the Authority;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the *FSMA*) received by it in connection with the issue or sale of any 2010 Series S-1 Bonds in circumstances in which section 21(1) of the *FSMA* does not apply to the Authority; and
- (c) it has complied and will comply with all applicable provisions of the *FSMA* with respect to anything done by it in relation to such 2010 Series S-1 Bonds in, from or otherwise involving the United Kingdom.

Australia

No prospectus, product disclosure statement or other disclosure document (as defined in the Corporations Act) in relation to the 2010 Series S-1 Bonds has been lodged with the Australian Securities and Investments Commission (“*ASIC*”). Each Joint Lead Manager has represented and agreed that it: (a) has not made or invited, and will not make or invite, an offer of any 2010 Series S-1 Bonds for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and (b) has not distributed or published, and will not distribute or publish, any draft, preliminary or definitive offering or information memorandum, advertisement or other offering material relating to the 2010 Series S-1 Bonds in Australia, unless (i) the minimum aggregate consideration payable by each offeree or invitee is at least A\$500,000 (or its equivalent in other currencies, but disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Chapter 7 of the Corporations Act and is not an offer to a “retail client” under Chapter 7 of the Corporations Act, and (ii) such action complies with all applicable laws and directives and does not require any document to be lodged with *ASIC*.

Belgium

This Official Statement is not intended to constitute a public offer in Belgium and may not be distributed to the Belgian public. The Belgian Commission for Banking, Finance and Insurance (Commission Bancaire, Financière et des Assurances) has not been notified of the offer under this Official Statement pursuant to Article 32 of the Belgian law of 16 June 2006 on the Public Offering of Securities and the Admission of Securities to Trade on Regulated Markets (the “*Prospectus Law*”) nor has this Official Statement been, or will it be, approved by the Belgian Banking, Finance and Insurance Commission pursuant to Article 23 of the *Prospectus Law*. Accordingly, each Underwriter has represented and agreed that it will not offer or sell the 2010 Series S-1 Bonds or distribute this Official

Statement or any other information, document, brochure or similar document, directly or indirectly, to any person in Belgium other than to (i) qualified investors referred to in Article 3, §2 a) of the Prospectus Law, acting for their own account or (ii) investors wishing to acquire 2010 Series S-1 Bonds for an amount of at least €50,000 (or its equivalent in foreign currencies) per transaction, as specified in article 3, §2 c) of the Prospectus Law.

Brazil

The 2010 Series S-1 Bonds have not been, and will not be, registered with the Brazilian Securities Commission (Comissão de Valores Mobiliários - CVM). The 2010 Series S-1 Bonds may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations.

Denmark

The Official Statement is not intended to constitute a public offering in Denmark and will not be registered with and has not been approved by or otherwise published by the Danish Financial Supervisory Authority, the Danish Securities Council or the Danish Commerce and Companies Agency under the relevant Danish acts and regulations. The 2010 Series S-1 Bonds have not been offered or sold and may not be offered or sold or delivered directly or indirectly in Denmark by way of a public offering, unless in compliance with chapter 6 of the Danish Securities Trading Act and Executive Orders, including Executive Order no 233 of 10 March 2010 issued pursuant thereto from time to time.

Dubai International Financial Centre

Each Underwriter has represented and agreed that it has not offered and will not offer the 2010 Series S-1 Bonds to be issued to any person in the Dubai International Financial Centre unless such offer is:

- (a) deemed to be an “Exempt Offer” in accordance with the offered securities rules of the Dubai Financial Services Authority (the “DFSA”); and
- (b) made only to persons who meet the professional client criteria set out in rule 2.3.2 of the DFSA conduct of business module.

France

Each of the Underwriters has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any 2010 Series S-1 Bonds to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Official Statement or any other offering material relating to the 2010 Series S-1 Bonds and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French *Code monétaire et financier*.

Germany

Each of the Underwriters has represented and agreed that in Germany the 2010 Series S-1 Bonds will be offered only to qualified investors within the meaning of section 2 No. 6 of the German Securities

Prospectus Act (*Wertpapierprospektgesetz*) or otherwise in compliance with German law and that in making any such offers any applicable German laws or regulations will be complied with.

Hong Kong

Each Underwriter has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any 2010 Series S-1 Bonds other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (iii) in other circumstances which do not result in the Official Statement being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the 2010 Series S-1 Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to 2010 Series S-1 Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

India

Each Underwriter has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in India, by means of this Official Statement or any other document, any 2010 Series S-1 Bonds in circumstances which would constitute an offering to the public within the meaning of the (Indian) Companies Act, 1956;
- (b) this Official Statement and any document by means of which it offers the 2010 Series S-1 Bonds will not be generally distributed or circulated in India and will be for the sole consideration and exclusive use of the persons permitted to acquire 2010 Series S-1 Bonds under Indian law to whom it is issued; and
- (c) the 2010 Series S-1 Bonds will not be offered, directly or indirectly, to persons exceeding 49 in number in India or any other number as may be specified under the (Indian) Companies Act, 1956 from time to time.

This Official Statement is strictly personal to the recipient and neither this Official Statement nor the issue is calculated to result, directly or indirectly, in the securities becoming available for subscription or purchase by persons other than those receiving the invitation or offer.

The 2010 Series S-1 Bonds have not been approved by the Securities and Exchange Board of India, reserve bank of India or any other regulatory authority of India, nor have the foregoing authorities approved this Official Statement or confirmed the accuracy or determined the adequacy of the

information contained in this Official Statement. This Official Statement has not been and will not be registered as a prospectus or a statement in lieu of prospectus with the Registrar of Companies in India.

Prospective investors from India must seek legal advice as to whether they are entitled to subscribe to the 2010 Series S-1 Bonds and must comply with all relevant Indian laws in this respect. Each investor is deemed to have acknowledged and agreed that it is eligible and permitted to invest in the 2010 Series S-1 Bonds under applicable laws and regulations in India and that it is not prohibited under any law or regulation in India from acquiring, owning or selling the 2010 Series S-1 Bonds.

Ireland

The 2010 Series S-1 Bonds may be offered, sold or placed in Ireland only in the circumstances described in Regulation 9(1)(a), (b) or (c) of the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland. The 2010 Series S-1 Bonds may not be offered, sold or placed in Ireland in any other circumstances.

Italy

The offering of the 2010 Series S-1 Bonds has not been registered pursuant to Italian securities legislation and, accordingly, each Underwriter has represented and agreed that it has not offered, sold or delivered, will not offer, sell or deliver, has not distributed and will not distribute and has not made and will not make available in Italy any 2010 Series S-1 Bonds, the Official Statement nor any other offering material relating to the 2010 Series S-1 Bonds other than:

- (a) to qualified investors (investitori qualificati), as defined pursuant to Articles 100 of Legislative Decree no. 58 of February 24, 1998, as amended (the “Financial Services Act”) and article 34-ter, first paragraph, letter b) of Consob Regulation no. 11971 of May 14, 1999, as amended from time to time (“Regulation no. 11971”); or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation no. 11971.

Any offer, sale or delivery of the 2010 Series S-1 Bonds or distribution of copies of the Official Statement or any other document relating to the bonds in Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree no. 385 of September 1, 1993, as amended from time to time (“the Banking Act”), and Consob Regulation no. 16190 of October 29, 2007 (as amended);
- (ii) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the bank of Italy, as amended from time to time, pursuant to which the bank of Italy may request information on the issue or the offer of securities in Italy; and
- (iii) in accordance with any other applicable laws and regulations or requirement imposed by Consob or other Italian authority.

Please note that in accordance with Article 100-Bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (a) and (b) above, the subsequent distribution of the 2010 Series S-1 Bonds on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and

Regulation no. 11971. Failure to comply with such rules may result in the sale of such 2010 Series S-1 Bonds being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

Japan

The 2010 Series S-1 Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act no. 25 of 1948, as amended; the “FIEA”). Accordingly, the 2010 Series S-1 Bonds may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under item 5, paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act no. 228 of 1949, as amended)), or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws and regulations of Japan.

For the primary offering of the 2010 Series S-1 Bonds, the 2010 Series S-1 Bonds and the solicitation of an offer for acquisition thereof have not been and will not be registered under Paragraph 1, Article 4 of the FIEA. As it is a primary offering, the 2010 Series S-1 Bonds may only be offered, sold, resold or otherwise transferred, directly or indirectly to, or for the benefit of, (i) a person who is not a resident of Japan or (ii) a Qualified Institutional Investor (“QII”) defined in Article 10 of the Cabinet Ordinance Concerning definitions under Article 2 of the FIEA (Ordinance no. 14 of 1993, as amended). A person who purchased or otherwise obtained the 2010 Series S-1 Bonds cannot resale or otherwise transfer the 2010 Series S-1 Bonds in Japan to any person except another QII.

Korea

No registration statement for the offering and sale of the 2010 Series S-1 Bonds has been filed with the Financial Services Commission of Korea. Accordingly, no 2010 Series S-1 Bonds may be offered, sold or delivered, directly or indirectly, in Korea or to, or for the benefit of any Korean resident (as such term is defined in the Foreign Exchange Transaction law of Korea), except as otherwise permitted by applicable Korean laws and regulations. Furthermore, a holder of the 2010 Series S-1 Bonds will be prohibited from offering, delivering or selling any 2010 Series S-1 Bonds, directly or indirectly, in Korea or to any Korean resident, except as may be permitted by applicable Korean laws and regulations.

Luxembourg

In addition to the cases described in the section “EEA” in which each Underwriter can make an offer of the 2010 Series S-1 Bonds to the public in an European Economic Area Member State (including the Grand Duchy of Luxembourg) (Luxembourg), each Underwriter can also make an offer of the 2010 Series S-1 Bonds to the public in Luxembourg:

- (a) at any time, to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organizations;
- (b) at any time, to legal entities which are authorized or regulated to operate in the financial markets (including credit institutions, investment firms, other authorized or regulated financial institutions, undertakings for collective investment and their management companies, pension and investment funds and their management companies, insurance undertakings and commodity dealers) as well as entities not so authorized or regulated whose corporate purpose is solely to invest in securities; and

- (c) at any time, to certain natural persons or small and medium-sized enterprises (as defined in the Luxembourg act dated July 10, 2005 on prospectuses for securities implementing the Prospective Directive into Luxembourg law) recorded in the register of natural persons or small and medium-sized enterprises considered as qualified investors as held by the Commission de surveillance du secteur financier as competent authority in Luxembourg in accordance with the Prospectus Directive.

Netherlands

Each Underwriter has undertaken that in relation to the issue of the 2010 Series S-1 Bonds it has not and will not, directly or indirectly, offer, sell, transfer or deliver any 2010 Series S-1 Bond as part of their initial distribution or at any time thereafter (including rights representing an interest in a global bond) to individuals or legal entities who or which are established, domiciled or have their residence in the Netherlands other than for a minimum consideration of € 50,000, or the equivalent in another currency than Euro, per investor.

Norway

This Official Statement has not been approved by, or registered with, any Norwegian securities regulators pursuant to the Norwegian Securities Trading Act of 29 June 2007. Accordingly, neither this Official Statement nor any other offering material relating to the offering or the 2010 Series S-1 Bonds constitutes, or shall be deemed to constitute, an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007. The 2010 Series S-1 Bonds may not be offered or sold, directly or indirectly, in Norway except;

- (a) in respect of an offer of 2010 Series S-1 Bonds addressed to investors subject to a minimum purchase of 2010 Series S-1 Bonds for a total consideration of not less than €50,000 per investor;
- (b) to “professional investors” as defined in the Norwegian Securities Regulation of 29 June 2007 no. 876, being:
 - (i) legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in 2010 Series S-1 Bonds ;
 - (ii) any legal entity which is registered as a professional investor with the Oslo Stock Exchange (No. *Oslo Børs*) and which has two or more of; (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
 - (iii) any natural person which is registered as a professional investor with the Oslo Stock Exchange (No. *Oslo Børs*) and which has two or more of; (1) an average execution of at least ten – 10 – transactions in securities of significant volume per quarter for the last four quarters; (2) a portfolio of securities with a market value of at least €500,000; (3) worked or works, for at least one (1) year, within the financial markets in a position which presuppose knowledge of investing in securities;

- (c) to fewer than 100 natural or legal persons (other than “professional investors” as defined in the Norwegian Securities Regulation of 29 June 2007 no. 876), subject to obtaining the prior consent of the Underwriters for any such offer; or
- (d) in any other circumstances provided that no such offer of 2010 Series S-1 Bonds shall result in a requirement for the registration, or the publication by the Authority or any Underwriter, of a prospectus pursuant to the Norwegian Securities Trading Act of 29 June 2007.

Portugal

The offer Prospectus has not been and will not be registered or approved by the Portuguese Securities Market Commission (“Comissão do Mercado dos Valores Mobiliários”) nor has a Prospectus recognition procedure been commenced with the Portuguese Securities Market Commission and therefore the offer is not addressed to investors resident and/or located in Portugal and can not be made to the public in Portugal or under circumstances which are deemed to be a public offer under the Portuguese Securities Code (“Código dos Valores Mobiliários”) and other securities legislation and regulations applicable in Portugal. In addition, the offer Prospectus and other offer materials are only being publicly distributed in the jurisdictions where lawful and may not be publicly distributed in Portugal, nor may any publicity or marketing activities related to the offer be conducted in Portugal.

The offer is not addressed to investors resident and/or located in Portugal, and no tenders from investors resident and/or located in Portugal will be accepted, except if those investors are all qualified investors (“investidores qualificados”), as defined in articles 30.º and 110.º-A of the Portuguese Securities Code, or 99 or fewer non-qualified investors, in which case the offer can be made through a private placement (“oferta particular”), in accordance with the relevant provisions of the Portuguese Securities Code.

Singapore

The Official Statement has not been registered as a prospectus with the Monetary Authority of Singapore, and any offering of the 2010 Series S-1 Bonds will be made pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the “*Securities and Futures Act*”). Accordingly, the 2010 Series S-1 Bonds may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Official Statement or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any 2010 Series S-1 Bonds be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person under Section 275(1) of the Securities and Futures Act or to any person pursuant to Section 275(1A) of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following persons specified in Section 275 of the Securities and Futures Act which has subscribed or purchased the 2010 Series S-1 Bonds, is a person who is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor;

- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interests in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the 2010 Series S-1 Bonds under Section 275 of the Securities and Futures Act except:

- (i) to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person or to any person pursuant to Section 275(1) and Section 275(1A) of the Securities and Futures Act, respectively and in accordance with the conditions specified in Section 275 of the Securities and Futures Act;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law; or
- (iv) pursuant to Section 276(7) of the Securities and Futures Act.

Spain

Neither the 2010 Series S-1 Bonds nor this Official Statement have been or will be verified or registered in the administrative registries of the Spanish Securities Markets Commission (Comisión Nacional de Mercado de Valores), and therefore this Official Statement is not intended for any public offer of the 2010 Series S-1 Bonds in Spain.

Accordingly, the 2010 Series S-1 Bonds may not be offered, sold or distributed in the Kingdom of Spain except in circumstances which do not constitute a public offering of securities in the Kingdom of Spain within the meaning of section 30-Bis of law 24/1988, of 28 July, on the securities market (ley 24/1988, de 28 de Julio, del mercado de valores) as amended and restated, and Royal Decree 1310/2005, of 4 November 2005, partially developing law 24/1988, of 28 July, on the securities market in connection with listing of securities in secondary official markets, initial purchase offers, rights issues and the prospectus required in these cases (real decreto 1310/2005, de 4 de Noviembre, por el que se desarrolla parcialmente la ley 24/1988, de 28 de Julio, del mercado de valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos) and the supplemental rules enacted thereunder or in substitution thereof from time to time.

Sweden

Each Underwriter has represented and agreed, that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy 2010 Series S-1 Bonds or distribute any draft or definitive document in relation to any such offer, invitation or sale in the Kingdom of Sweden except in circumstances that will not result in a requirement to prepare a prospectus pursuant to the provisions of the Swedish Financial Instruments Trading Act (Sw. *Lag (1991:980) om handel med finansiella instrument*).

Switzerland

This Official Statement is not an issue prospectus pursuant to article 1156 of the Swiss Code of Obligations or a listing prospectus pursuant to articles 27 et seq. of the Listing Rules of the SIX Swiss

Exchange and may not comply with the information standards required thereunder. Accordingly, the 2010 Series S-1 Bonds will not be listed on any Swiss stock exchange and may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the 2010 Series S-1 Bonds with a view to distribution.

Taiwan

The 2010 Series S-1 Bonds have not been and will not be registered with the Financial Supervisory Commission of Taiwan, the Republic of China pursuant to relevant securities laws and regulations and may not be offered or sold in Taiwan, the Republic of China through a public offering or in circumstance which constitutes an offer within the meaning of the Securities and Exchange Law, the Republic of China that requires a registration or approval of the Financial Supervisory Commission of Taiwan, the Republic of China. No person or entity in Taiwan, the Republic of China has been authorized to offer or sell the 2010 Series S-1 Bonds in Taiwan, the Republic of China.

In making an investment decision, investors must rely on their own examination of the Authority and the terms of the offering, including the merits and the risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of the Official Statement. Any representation to the contrary is a criminal offense.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Underwriter has represented and agreed that the 2010 Series S-1 Bonds to be issued have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Each Underwriter has acknowledged that the information contained in this Official Statement does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies law (Federal law no.8 of 1984 (as amended)) or otherwise and is not intended to be a public offer and the information contained in this official statement is not intended to lead to the conclusions of any contract within the territory of the United Arab Emirates.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THE OFFICIAL STATEMENT

Some statements contained in the Official Statement reflect not historical facts but forecasts and “forward-looking statements.” In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe,” “plan,” “budget,” and similar expressions are intended to identify forward-looking statements. Projections, forecasts, assumptions, expressions of opinions, estimates and other forward-looking statements are not to be construed as representations of fact and are qualified in their entirety by the cautionary statements set forth in the Official Statement.

The achievement of results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that 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 Authority does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur or do not occur.

TABLE OF CONTENTS
Supplement No. 1 to Information Statement

	Page
INTRODUCTION AND PURPOSE OF THE 2010 SERIES S-1 BONDS	1
DESCRIPTION OF THE 2010 SERIES S-1 BONDS	1
General	1
Redemption Terms of the 2010 Series S-1 Bonds	2
Purchase In Lieu of Redemption	5
General Redemption Provisions	5
SUMMARY OF FINANCING PLAN	7
Proceeds of 2010 Series S-1 Bonds	7
Estimated Sources and Uses of Funds	7
Reserve Fund	7
Outstanding Senior Bonds and Senior Obligations	7
Anticipated Bond Issuances of the Authority	8
Investment Portfolio	8
Projected Revenue, Operations & Maintenance Expenses and Debt Service Coverage	9
RECENT DEVELOPMENTS	11
Motor Vehicle Traffic	11
Bridge Eyebars	11
Seismic Retrofit Program Completion	12
Foreign Currency-Denominated Bonds	12
ABSENCE OF MATERIAL LITIGATION	12
TAX MATTERS RELATING TO THE 2010 SERIES S-1 BUILD AMERICA BONDS	12
For U.S. Holders	13
For Non-U.S. Holders	14
Circular 230	16
LEGAL MATTERS	16
RATINGS	16
2010 Series S-1 Bonds	16
Meaning of Ratings	16
UNDERWRITING	16
FINANCIAL ADVISOR	17
RELATIONSHIP OF CERTAIN PARTIES	17
CONTINUING DISCLOSURE	18
MISCELLANEOUS	18
APPENDIX I BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES	I-1

TABLE OF CONTENTS
(continued)

	Page
APPENDIX II PROPOSED FORM OF OPINION OF BOND COUNSEL	II-1
APPENDIX III PROJECTED DEBT SERVICE SCHEDULE	III-1
APPENDIX IV SENIOR BONDS AND SENIOR OBLIGATIONS	IV-1
APPENDIX V VARIABLE RATE DEMAND BONDS	V-1

BAY AREA TOLL AUTHORITY INFORMATION STATEMENT DATED MAY 1, 2010

Including the following Appendices thereto:

APPENDIX A	METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2009
APPENDIX B	DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE
APPENDIX C	DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE
APPENDIX D	FORM OF CONTINUING DISCLOSURE AGREEMENT
APPENDIX E	REGIONAL MEASURE 2 PROJECTS

SUPPLEMENT NO. 1 TO INFORMATION STATEMENT DATED MAY 1, 2010

\$1,500,000,000

**BAY AREA TOLL AUTHORITY
SAN FRANCISCO BAY AREA SUBORDINATE TOLL BRIDGE REVENUE BONDS
(Federally Taxable Build America Bonds)**

INTRODUCTION AND PURPOSE OF THE 2010 SERIES S-1 BONDS

The Official Statement, consisting of the Information Statement dated May 1, 2010 including all Appendices thereto (the "Information Statement") attached hereto and this Supplement No. 1 including all Appendices hereto (collectively, the "Official Statement"), provides information concerning the issuance and sale by the Bay Area Toll Authority (the "Authority") of \$1,500,000,000 aggregate principal amount of Bay Area Toll Authority San Francisco Bay Area Subordinate Toll Bridge Revenue Bonds, 2010 Series S-1 (the "2010 Series S-1 Bonds"). Investors must review the entire Official Statement to make an informed investment decision concerning the 2010 Series S-1 Bonds.

The Authority administers toll revenue collections and finances improvements for seven state-owned toll bridges in the San Francisco Bay area: the Antioch Bridge, the Benicia-Martinez Bridge, the Carquinez Bridge, the Dumbarton Bridge, the Richmond-San Rafael Bridge, the San Francisco-Oakland Bay Bridge and the San Mateo-Hayward Bridge (the "Bridge System"). Information about the Authority, its finances, its projects, the Bridge System and security for the Bonds appears in the Information Statement.

The Authority will apply the proceeds of the 2010 Series S-1 Bonds to (i) fund capital projects, (ii) make a cash deposit to the Reserve Fund for the benefit of the 2010 Series S-1 Bonds and (iii) pay the costs of issuing the 2010 Series S-1 Bonds. See "SUMMARY OF FINANCING PLAN."

DESCRIPTION OF THE 2010 SERIES S-1 BONDS

General

Chapters 4, 4.3 and 4.5 of Division 17 of the California Streets and Highways Code and the provisions of the Revenue Bond Law of 1941 made applicable to the Authority by Streets and Highways Code section 30961 (collectively, as amended from time to time, the "Act") authorize the Authority to issue toll bridge revenue bonds, including the 2010 Series S-1 Bonds, to finance and refinance the construction, improvement and equipping of the Bridge System and other transportation projects authorized by the Act.

The Authority is issuing the 2010 Series S-1 Bonds pursuant to the Subordinate Indenture, dated as of June 1, 2010, as supplemented by a First Supplemental Indenture, dated as of June 1, 2010 (the "Supplemental Indenture" and, together with the Subordinate Indenture, the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The 2010 Series S-1 Bonds and any other bonds issued under the Indenture are sometimes referred to in this Supplement as "Subordinate Bonds."

The 2010 Series S-1 Bonds will be dated their date of delivery, will mature on the dates and will bear interest on the basis of a 360-day year comprised of twelve 30-day months at the rates per annum shown on the inside cover of this Supplement No. 1. Interest on the 2010 Series S-1 Bonds will be payable on April 1 and October 1 of each year commencing on October 1, 2010 (each an "Interest

Payment Date”) and at maturity or upon the prior redemption thereof. Each 2010 Series S-1 Bond will bear interest from the latest of: (i) its initial date of delivery, (ii) the most recent Interest Payment Date to which interest has been paid thereon or duly provided for, or (iii) if the date of authentication of such Bond is after a record date but prior to the immediately succeeding Interest Payment Date, the Interest Payment Date immediately succeeding such date of authentication. The record date for 2010 Series S-1 Bonds will be the fifteenth day (whether or not a Business Day) of the month preceding the Interest Payment Date. The 2010 Series S-1 Bonds will be issued in fully registered form in the denominations of \$5,000 and any integral multiple thereof.

The Authority will issue the 2010 Series S-1 Bonds in book-entry form only. The Authority will register the 2010 Series S-1 Bonds in the name of a nominee of The Depository Trust Company (“DTC”), which will act as securities depository for the 2010 Series S-1 Bonds. Investors may purchase 2010 Series S-1 Bonds in book-entry form only. Beneficial Owners of the 2010 Series S-1 Bonds will not receive certificates representing their ownership interests in the 2010 Series S-1 Bonds purchased. The Authority will make payments of principal and interest on the 2010 Series S-1 Bonds to DTC, and DTC is to distribute such payments to its Direct Participants. Disbursement of such payments to Beneficial Owners of the 2010 Series S-1 Bonds is the responsibility of DTC’s Direct and Indirect Participants and not the Authority. See APPENDIX I – “BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES.”

The 2010 Series S-1 Bonds will be Bonds the interest on which is included in gross income for United States federal tax purposes and will be accorded “Build America Bonds” status under the provisions of the federal American Recovery and Reinvestment Act of 2009. The Authority will elect to receive “Subsidy Payments” from the United States Treasury with respect to the 2010 Series S-1 Bonds pursuant to Sections 54AA or 6431 of the Code in an amount equal to 35% of the interest due thereon on each Interest Payment Date.

Redemption Terms of the 2010 Series S-1 Bonds

Optional Redemption with Make-Whole Premium. The 2010 Series S-1 Bonds are subject to redemption prior to their stated maturity dates, at the option of the Authority, from any source of available funds, as a whole or in part on any date, at a redemption price equal to 100% of the principal amount of 2010 Series S-1 Bonds to be redeemed plus the Make-Whole Premium, if any, plus accrued interest to the date fixed for redemption.

The “Make-Whole Premium” is the amount calculated by the Calculation Agent equal to the positive difference, if any, between:

(a) The sum of the present values, calculated as of the date fixed for redemption of:

(1) Each interest payment that, but for the redemption, would have been payable on the 2010 Series S-1 Bond or portion thereof being redeemed on each regularly scheduled Interest Payment Date occurring after the date fixed for redemption through the maturity date of such 2010 Series S-1 Bond (excluding any accrued interest for the period prior to the date fixed for redemption); provided, that if the date fixed for redemption is not a regularly scheduled Interest Payment Date with respect to such 2010 Series S-1 Bond, the amount of the next regularly scheduled interest payment will be reduced by the amount of interest accrued on such 2010 Series S-1 Bond to the date fixed for redemption; plus

(2) The principal amount that, but for such redemption, would have been payable on the maturity date of the 2010 Series S-1 Bond or portion thereof being redeemed; minus

- (b) The principal amount of the 2010 Series S-1 Bond or portion thereof being redeemed.

The present values of the interest and principal payments referred to in (a) above will be determined by discounting the amount of each such interest and principal payment from the date that each such payment would have been payable but for the redemption to the date fixed for redemption on a semiannual basis (assuming a 360-day year consisting of twelve (12) 30-day months) at a discount rate equal to the Comparable Treasury Yield, plus the Spread.

For purposes of calculating the Make-Whole Premium:

“Calculation Agent” means a commercial bank or an investment banking institution of national standing that is a primary dealer of United States government securities (which may be one of the institutions that served as underwriters for the 2010 Series S-1 Bonds) designated by the Authority.

“Comparable Treasury Issue” means the United States Treasury security selected by the Calculation Agent as having a maturity comparable to the remaining term to maturity of the 2010 Series S-1 Bond being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the 2010 Series S-1 Bond being redeemed.

“Comparable Treasury Price” means, with respect to any date on which a 2010 Series S-1 Bond or portion thereof is being redeemed, either (a) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations, and (b) if the Calculation Agent is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations will be the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of principal amount) quoted in writing to the Calculation Agent, at 5:00 p.m. New York City time at least three business days but not more than 45 calendar days preceding the date fixed for redemption.

“Comparable Treasury Yield” means the yield that represents the weekly average yield to maturity for the preceding week appearing in the most recently published statistical release designated “H.15(519) Selected Interest Rates” under the heading “Treasury Constant Maturities,” or any successor publication selected by the Calculation Agent that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the 2010 Series S-1 Bond being redeemed. The Comparable Treasury Yield will be determined at least three business days but not more than 45 calendar days preceding the date fixed for redemption. If the H.15(519) statistical release sets forth a weekly average yield for United States Treasury securities that have a constant maturity that is the same as the remaining term to maturity of the 2010 Series S-1 Bond being redeemed, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis, between the weekly average yields on the United States Treasury securities that have a constant maturity (i) closest to and greater than the remaining term to maturity of the 2010 Series S-1 Bond being redeemed; and (ii) closest to and less than the remaining term to maturity of the 2010 Series S-1 Bond being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward. If, and only if, weekly average yields for United States Treasury securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (each as defined herein) as of the date fixed for redemption.

“Reference Treasury Dealer” means a primary dealer of United States Government securities (which may be one of the institutions that served as underwriters for the 2010 Series S-1 Bonds) appointed by the Authority and reasonably acceptable to the Calculation Agent.

“Spread” means for optional redemptions 0.45% and for extraordinary optional redemptions 1.00%.

Extraordinary Optional Redemption. The 2010 Series S-1 Bonds are subject to redemption prior to their respective stated maturity dates, at the option of the Authority upon the occurrence of a Tax Law Change, from any source of available funds, as a whole or in part on any date, at a redemption price equal to 100% of the principal amount of 2010 Series S-1 Bonds to be redeemed plus the Make-Whole Premium, if any, together with accrued interest to the date fixed for redemption.

For purposes of an Extraordinary Optional Redemption, a “Tax Law Change” means legislation has been enacted by the Congress of the United States or passed by either House of the Congress, or a decision has been rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement has been made by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency of appropriate jurisdiction, the effect of which, as reasonably determined by the Authority, would be to suspend, reduce or terminate the Subsidy Payments or any similar payments to state or local government issuers generally with respect to obligations of the general character of the 2010 Series S-1 Bonds; provided, that such suspension, reduction or termination of the Subsidy Payments is not due to a failure by the Authority to comply with the requirements under the Internal Revenue Code to receive such Subsidy Payments.

“Subsidy Payments” means payments from the United States Treasury with respect to the 2010 Series S-1 Bonds pursuant to Sections 54AA and 6431 of the Code in an amount equal to 35% of the interest due thereon on each Interest Payment Date.

Mandatory Sinking Fund Redemption. The 2010 Series S-1 Term Bonds maturing on April 1, 2030 are also subject to mandatory redemption by the Authority prior to their stated maturity, in part, from Sinking Fund Installments on each April 1 a Sinking Fund Installment is due as set forth below in the principal amount equal to the Sinking Fund Installment due on such date and at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium:

2010 Series S-1 Bonds Maturing April 1, 2030

<i>Redemption Date (April 1)</i>	<i>Sinking Fund Installment (\$)</i>	<i>Redemption Date (April 1)</i>	<i>Sinking Fund Installment (\$)</i>
2020	18,130,000	2026	23,510,000
2021	18,935,000	2027	24,555,000
2022	19,770,000	2028	25,640,000
2023	20,650,000	2029	26,775,000
2024	21,560,000	2030 [†]	27,960,000
2025	22,515,000		

[†] Final Maturity

The 2010 Series S-1 Term Bonds maturing on April 1, 2040 are also subject to mandatory redemption by the Authority prior to their stated maturity, in part, from Sinking Fund Installments on each April 1 a Sinking Fund Installment is due as set forth below in the principal amount equal to the Sinking Fund Installment due on such date and at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium:

2010 Series S-1 Bonds Maturing April 1, 2040

<i>Redemption Date (April 1)</i>	<i>Sinking Fund Installment (\$)</i>	<i>Redemption Date (April 1)</i>	<i>Sinking Fund Installment (\$)</i>
2031	30,350,000	2036	37,830,000
2032	31,715,000	2037	39,540,000
2033	33,145,000	2038	41,320,000
2034	34,635,000	2039	43,180,000
2035	36,200,000	2040 [†]	72,085,000

[†] Final Maturity

The 2010 Series S-1 Term Bonds maturing on April 1, 2050 are also subject to mandatory redemption by the Authority prior to their stated maturity, in part, from Sinking Fund Installments on each April 1 a Sinking Fund Installment is due as set forth below in the principal amount equal to the Sinking Fund Installment due on such date and at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium:

2010 Series S-1 Bonds Maturing April 1, 2050

<i>Redemption Date (April 1)</i>	<i>Sinking Fund Installment (\$)</i>	<i>Redemption Date (April 1)</i>	<i>Sinking Fund Installment (\$)</i>
2041	51,550,000	2046	57,275,000
2042	52,830,000	2047	55,940,000
2043	54,105,000	2048	54,285,000
2044	55,365,000	2049	50,665,000
2045	56,610,000	2050 [†]	361,375,000

[†] Final Maturity

Purchase In Lieu of Redemption

The Authority may surrender to the Trustee for cancellation 2010 Series S-1 Bonds purchased by it, and such 2010 Series S-1 Bonds shall be cancelled by the Trustee. Upon such cancellation, the Authority will designate the Sinking Fund Installments that are to be reduced in an aggregate amount equal to the principal amount of 2010 Series S-1 Bonds purchased and cancelled.

General Redemption Provisions

Selection of 2010 Series S-1 Bonds for Redemption. In the case of redemptions of 2010 Series S-1 Bonds at the option of the Authority, the Authority will select the maturities of the 2010 Series S-1 Bonds to be redeemed.

If the 2010 Series S-1 Bonds are not registered in book-entry only form, any redemption of less than all of a maturity of the 2010 Series S-1 Bonds shall be effected by the Trustee among owners on a pro-rata basis subject to minimum Authorized Denominations. The particular 2010 Series S-1 Bonds to be redeemed shall be determined by the Trustee, using such method as it shall deem fair and appropriate.

If the 2010 Series S-1 Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the 2010 Series S-1 Bonds, if less than all of the 2010 Series S-1 Bonds of a maturity are called for prior redemption, the particular 2010 Series S-1 Bonds or portions thereof to be redeemed shall be selected on a "Pro Rata Pass-Through Distribution of

Principal” basis in accordance with DTC procedures, provided that, so long as the 2010 Series S-1 Bonds are held in book-entry form, the selection for redemption of such 2010 Series S-1 Bonds shall be made in accordance with the operational arrangements of DTC then in effect that currently provide for adjustment of the principal by a factor provided by the Trustee pursuant to DTC operational arrangements. If the Trustee does not provide the necessary information and identify the redemption as on a Pro Rata Pass-Through Distribution of Principal basis, the 2010 Series S-1 Bonds will be selected for redemption in accordance with DTC procedures by lot.

It is the Authority’s intent that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the Authority and the Beneficial Owners be made on a “Pro Rata Pass-Through Distribution of Principal” basis as described above. However, the Authority can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such basis. If the DTC operational arrangements do not allow for the redemption of the 2010 Series S-1 Bonds on a Pro Rata Pass-Through Distribution of Principal basis as discussed above, then the 2010 Series S-1 Bonds will be selected for redemption in accordance with DTC procedures by lot.

Notice of Redemption. Each notice of redemption is to be mailed by the Trustee not less than 30 nor more than 60 days prior to the redemption date to DTC. 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 of 2010 Series S-1 Bonds will be governed by arrangements among them, and the Authority and the Trustee will not have any responsibility or obligation to send a notice of redemption except to DTC. Failure of DTC to receive any notice of redemption or any defect therein will not affect the sufficiency of any proceedings for redemption.

Conditional Notice of Redemption; Rescission. Any notice of optional redemption of the 2010 Series S-1 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 2010 Series S-1 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.

In addition, the Authority may, at its option, prior to the date fixed for redemption in any notice of redemption, rescind and cancel such notice of redemption by Written Request of the Authority to the Trustee, and the Trustee is to mail notice of such cancellation to DTC.

Any optional redemption of the 2010 Series S-1 Bonds and notice thereof will be rescinded and cancelled if for any reason on the date fixed for redemption moneys are not available in the Redemption Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, and interest and any premium due on, the 2010 Series S-1 Bonds called for redemption.

Effect of Redemption. Notice of redemption having been duly given pursuant to the Indenture and moneys for payment of the redemption price of, together with interest accrued to the redemption date on, the 2010 Series S-1 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice the 2010 Series S-1 Bonds (or portions thereof) so called for redemption shall become due and payable at the redemption price specified in such notice, together with interest accrued thereon to the date fixed for redemption. Thereafter, interest on such 2010 Series S-1 Bonds (or portions thereof) shall cease to accrue. 2010 Series S-1 Bonds so called for redemption shall cease to be entitled to any benefit or security under the Indenture.

SUMMARY OF FINANCING PLAN

Proceeds of 2010 Series S-1 Bonds

Proceeds of the 2010 Series S-1 Bonds will be used to (i) fund capital projects, (ii) make a cash deposit to the Reserve Fund for the benefit of the 2010 Series S-1 Bonds and (iii) pay the costs of issuing the 2010 Series S-1 Bonds.

Estimated Sources and Uses of Funds

The following are the estimated sources and uses of funds with respect to the 2010 Series S-1 Bonds:

SOURCES:

Principal Amount	\$1,500,000,000
TOTAL SOURCES	<u>\$1,500,000,000</u>

USES:

Project Fund	\$1,413,061,640
Debt Service Reserve Fund Deposit	67,938,000
Costs of Issuance ⁽¹⁾	<u>19,000,360</u>
TOTAL USES	<u>\$1,500,000,000</u>

⁽¹⁾ Costs of issuance include rating agency, legal and financial advisory fees and printing costs and expenses; underwriters' discount; fees of the trustee; and other miscellaneous expenses.

Reserve Fund

Upon the issuance of the Authority's 2010 Series S-1 Bonds, the Reserve Requirement for the 2010 Series S-1 Bonds in the amount of \$67,938,000, representing the maximum annual amount of interest payable on the 2010 Series S-1 Bonds as of their date of issue, net of the Build America Bonds interest subsidy, will be deposited in the Reserve Fund in an account solely for the benefit of the 2010 Series S-1 Bonds.

Outstanding Senior Bonds and Senior Obligations

At the time of issuance of the 2010 Series S-1 Bonds, the Authority will have outstanding bonds secured by a pledge of Revenue that is senior to the pledge of Revenue securing the 2010 Series S-1 Bonds (the "Senior Bonds") in the aggregate principal amount of \$5,595,125,000 comprised of \$1,457,760,000 aggregate principal amount of variable rate demand bonds and \$4,137,365,000 aggregate principal amount of fixed rate bonds. The Authority also has outstanding interest rate swaps in the aggregate notional amount of \$2,265,700,000, the scheduled payments on which are on a parity with the Senior Bonds and senior to the 2010 Series S-1 Bonds. Any swap termination payments are subordinate to the Senior Bonds and on parity with the 2010 Series S-1 Bonds. See APPENDIX IV – "SENIOR BONDS AND SENIOR OBLIGATIONS," APPENDIX III – "PROJECTED DEBT SERVICE SCHEDULE" and APPENDIX V – "VARIABLE RATE DEMAND BONDS" to this Supplement No. 1,

and the information in the Information Statement under the caption “OTHER AUTHORITY OBLIGATIONS.”

Anticipated Bond Issuances of the Authority

The Authority anticipates issuing additional toll bridge revenue bonds to fund capital projects under its current capital project programs. The Authority has authorized the issuance of up to \$4.0 billion of Subordinate Bonds (including the 2010 Series S-1 Bonds) under the Indenture prior to December 31, 2010 and may authorize the issuance of additional Subordinate Bonds thereafter. Toll bridge revenue bonds may be issued on a parity with the outstanding Senior Bonds under the Senior Indenture, as Subordinate Bonds on a parity with the 2010 Series S-1 Bonds under the Indenture or as toll bridge revenue bonds subordinate to the Subordinate Bonds. Additional toll bridge revenue bonds could be issued for refunding or restructuring purposes, additional work on the Bridges or other purposes authorized by the Act.

The principal amount of additional toll bridge revenue bonds (and any senior obligations or subordinate obligations) to be issued by the Authority and the timing of any such issuance or issuances will be determined by the Authority based on the actual costs of its programs (which are subject to modification by the Authority and by state law) and the resources then available. The Act does not limit the principal amount of Authority obligations that may be issued. The Senior Indenture and the Subordinate Indenture limit the issuance of Senior Bonds, obligations of the Authority that are payable on a parity with the Senior Bonds, Subordinate Bonds, and obligations that are payable on a parity with the Subordinate Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS – Certain Provisions of the Senior Indenture – Toll Rate Covenants” and “—Additional Bonds Test” and “— Certain Provisions of the Subordinate Indenture – Toll Rate Covenant” and “—Additional Bonds Test” in the Information Statement.

Investment Portfolio

For information concerning the Authority’s investment policies, see “LIQUIDITY AND CASH RESERVES — Investment Portfolio” in the Information Statement. As of April 30, 2010, the average maturity of the investment portfolio was 115 days, with an average annual yield of approximately 0.38%.

INVESTMENT PORTFOLIO INFORMATION⁽¹⁾
as of April 30, 2010 (Unaudited)

<u>Investments</u>	<u>Percent of Portfolio</u>	<u>Par Value</u>	<u>Market Value</u>
Cash	5.1%	\$ 157,839,056	\$ 157,839,056
Government Sponsored Enterprises ⁽²⁾	72.6%	2,236,358,353	2,236,348,043
Municipal Bonds	9.7%	299,755,000	300,068,348
Mutual Funds	4.2%	128,377,257	128,377,257
Government Pools ⁽³⁾	0.1%	1,696,460	1,696,460
California Asset Management Program	8.3%	253,776,257	253,776,257
TOTAL INVESTMENTS	100.0%	\$3,077,802,383	\$3,078,105,421

(1) The investment portfolio includes funds of MTC and related entities and trustee held funds. However, substantially all of the funds in the investment portfolio belong to the Authority.

(2) Federal Home Loan Mortgage Corp., Federal Home Loan Banks, Federal National Mortgage Association, Federal Farm Credit Bank and Tennessee Valley Authority.

(3) Local Agency Investment Fund maintained by the Treasurer of the State of California and the County of Alameda, California Treasurer's Investment Pool.

Source: MTC Monthly Investment Report.

Projected Revenue, Operations & Maintenance Expenses and Debt Service Coverage

The following table sets forth projected revenues and expenditures of the Authority and projected debt service coverage for its fiscal years ending June 30, 2010 through 2013.

The prospective financial information was not prepared with a view toward compliance with published guidelines of the United States Securities and Exchange Commission or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information.

The projections set forth below represent the Authority's forecast of future results based on information currently available to the Authority as well as estimates, trends and assumptions that are inherently subject to economic, political, regulatory, competitive and other uncertainties, all of which are difficult to predict and many of which will be beyond the control of the Authority. As a result, projected results may not be realized and actual results could be significantly higher or lower than projected. The Authority is not obligated to update, or otherwise revise the financial projections or the specific portions presented to reflect circumstances existing after the date when made or to reflect the occurrence of future events, even in the event that any or all of the assumptions are shown to be in error. The projected financial information was not prepared in accordance with generally accepted accounting principles and could differ from comparable presentations by other similar organizations.

The prospective financial information included in the Official Statement has been prepared by, and is the responsibility of, the Authority's management. PricewaterhouseCoopers LLP has neither examined, compiled nor performed any procedures with respect to the accompanying prospective financial information and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto. The PricewaterhouseCoopers LLP report included in Appendix A to the Information Statement relates to the Authority's historical financial information. It does not extend to the prospective financial information and should not be read to do so.

**PROJECTED REVENUE, OPERATIONS & MAINTENANCE
EXPENSES AND DEBT SERVICE COVERAGE⁽¹⁾**
(\$ in thousands)

		Fiscal Year Ending June 30,			
		2010	2011	2012	2013
Senior Obligation Debt Service					
A	Bridge Toll Revenues ⁽²⁾	\$466,287	\$596,635	\$619,775	\$643,775
B	Interest Earnings ⁽³⁾	19,657	22,066	22,731	39,640
C	Other Revenues ⁽⁴⁾	13,625	14,854	14,929	15,003
D	Senior Bond Subsidy Payments ⁽⁵⁾	11,557	28,497	28,497	28,497
E	Total Revenue Under Senior Indenture	<u>\$511,126</u>	<u>\$662,051</u>	<u>\$685,932</u>	<u>\$726,915</u>
F	Debt Service on Senior Bonds and Parity Obligations ⁽⁶⁾	\$253,007	\$307,160	\$316,223	\$326,681
	Gross Senior Debt Service Coverage (E/F)	2.02	2.16	2.17	2.23
Projected Subordinate Bond Debt Service					
E	Total Revenue Under Senior Indenture	\$511,126	\$662,051	\$685,932	\$726,915
D	Less: Senior Bond Subsidy Payments	<u>(11,557)</u>	<u>(28,497)</u>	<u>(28,497)</u>	<u>(28,497)</u>
G	Total Revenue Under Subordinate Indenture	<u>\$499,569</u>	<u>\$633,555</u>	<u>\$657,435</u>	<u>\$698,418</u>
H	Net Debt Service on Senior Bonds and Parity Obligations (F-D)	\$241,450	\$278,663	\$287,726	\$298,185
I	2010 Series S-1 Debt Service ⁽⁷⁾	—	50,954	67,938	67,938
J	2010 Series S-2 Debt Service ⁽⁸⁾	—	55,715	111,430	111,430
K	Aggregate Debt Service	<u>\$241,450</u>	<u>\$385,332</u>	<u>\$467,093</u>	<u>\$477,552</u>
	Gross Aggregate Debt Service Coverage (G/K)	2.07	1.64	1.41	1.46
G	Total Revenue Under Subordinate Indenture	\$499,569	\$633,555	\$657,435	\$698,418
L	Less: Maintenance & Operations Expenses ⁽⁹⁾	<u>(66,822)</u>	<u>(66,988)</u>	<u>(73,943)</u>	<u>(74,535)</u>
M	Net Available Revenue Under Subordinate Indenture	<u>\$432,747</u>	<u>\$566,567</u>	<u>\$583,492</u>	<u>\$623,883</u>
	Net Aggregate Debt Service Coverage (M/K)	1.79	1.47	1.25	1.31

(1) Assumes no change in the current schedule for construction of capital projects, issuance of approximately \$3.5 billion of additional bonds in 2010 (which includes the 2010 Series S-1 Bonds), and prepayment of funds to MTC as described in the Information Statement under “THE BRIDGE SYSTEM — Payments to MTC.” This table does not calculate coverage ratio covenants or additional bonds tests that are discussed in the Information Statement under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS” and in “APPENDIX B — DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE” and “APPENDIX C — DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE.”

(2) The projected Bridge Toll Revenues assume that toll-paying traffic will decrease by 1.0% in Fiscal Year 2010, be flat in Fiscal Year 2011 and increase by 0.5% in Fiscal Year 2012 and annually thereafter on all System Bridges. Reflects toll increases effective on July 1, 2010 and as phased in thereafter for multi-axle vehicles. See “THE BRIDGE SYSTEM — Bridge Tolls” and “— Motor Vehicle Traffic” in the Information Statement.

(3) Assumes average interest earnings of 1.08% in Fiscal Year 2010, 0.81% in Fiscal Year 2011, 0.77% in Fiscal Year 2012 and 1.82% in Fiscal Year 2013.

(4) Other Revenues include revenues from toll violations and Electronic Toll Collection reimbursements.

(5) Includes a 35% federal interest subsidy in Fiscal Years 2010, 2011, 2012 and 2013 for the outstanding 2009 Series F-2 Bonds issued under the Build America Bond program.

(Footnotes continued on following page)

- (6) Reflects the actual interest rates for outstanding fixed rate Bonds. Assumes an interest rate per annum for hedged variable rate Senior Bonds equal to the fixed rate payable under related interest rate swap arrangements. See Note 5 starting on page 57 of “METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009” attached to the Information Statement as Appendix A. Does not include ongoing remarketing fees, liquidity facility fees and any basis risk for those Senior Bonds. The annual remarketing and liquidity facility fees in Fiscal Year 2009 were \$13.9 million.
- (7) Assumes actual issuance of \$1.5 billion of 2010 Series S-1 Bonds under the Build America Bond program bearing an interest rate of 6.99% per annum. Debt service shown is net of the 35% federal interest subsidy.
- (8) Assumes issuance of \$2.015 billion of 2010 Series S-2 Bonds in Fiscal Year 2011 under the Build America Bond program bearing an interest rate of 8.50% per annum. Debt service shown is net of the 35% federal interest subsidy.
- (9) Includes Maintenance and Operation Expenses as defined in the Subordinate Indenture. See “APPENDIX C — DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE” in the Information Statement. Assumes annual increases of 3.0%.

Source: The Authority.

The levels of traffic assumed and toll revenue projected in the foregoing are based solely upon estimates and assumptions made by the Authority. Actual levels of traffic and toll revenue will differ, and may differ materially, from the levels projected. Actual interest earnings, debt service interest rates, interest subsidy payments, swap revenues and operations and maintenance expenses could also differ from the forecast.

The debt service coverage ratios set forth in the foregoing table are for information purposes only. The Authority is only required to meet the coverage ratios specified in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS – Certain Provisions of the Senior Indenture – Toll Rate Covenants” and “—Certain Provisions of the Subordinate Indenture – Toll Rate Covenant” in the Information Statement. Coverage ratios are also taken into account in determining the amount of toll bridge revenue bonds and parity obligations the Authority can issue. See “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS – Certain Provisions of the Senior Indenture – Additional Bonds Test” and “—Certain Provisions of the Subordinate Indenture – Additional Bonds Test” in the Information Statement.

RECENT DEVELOPMENTS

Motor Vehicle Traffic

Total toll-paying traffic for the first ten months of the Authority’s current fiscal year decreased an estimated 0.8% from the same period in the prior fiscal year. The Authority is unable to predict whether this downward trend will continue. For more information concerning motor vehicle traffic, see “THE BRIDGE SYSTEM – Motor Vehicle Traffic” in the Information Statement.

Bridge Eyebars

The Information Statement disclosed that one of the eyebars on the east span of the San Francisco-Oakland Bay Bridge was discovered to be cracked in 2009 and that closures of the Bridge were needed to repair the eyebar. See “THE BRIDGE SYSTEM—General” in the Information Statement. Caltrans has determined that none of the other Bridges has eyebars of the vintage, type and placement as the one that cracked.

Seismic Retrofit Program Completion

Fabrication of the last roadway sections at the east end of the new east span of the San Francisco-Oakland Bay Bridge is behind schedule due to delays in the fabrication drawing preparation process and the fabrication process. While steps have been taken to ensure completion of the drawings, efforts are now focused on mitigating delay in the fabrication of the steel tower and roadway boxes described in the Information Statement under “THE BRIDGE SYSTEM—Seismic Retrofit Program Capital Projects.”

Absent further delays, the new east span is currently scheduled to be open for traffic in 2013. Completion of the new east span construction contracts is scheduled for 2015. Demolition of the existing east span will follow with completion expected later in 2015. However, as disclosed in the Information Statement under “RISK FACTORS—Risk of Earthquake” and “—Construction Delays and Cost Escalation,” a number of other factors could contribute to construction delays in the future, and no assurance can be given that this schedule will be achieved.

Foreign Currency-Denominated Bonds

All of the Authority’s 2010 Series S-1 Bonds will be payable in lawful currency of the United States of America. The Indenture will permit the Authority to issue additional Subordinate Bonds payable in a currency other than currency of the United States of America (with governing board approval). California law would currently require the Authority to enter into a currency swap or similar agreement for payments in United States currency that covers the entire amount of its debt service obligation payable in other currency; if the term of that agreement is less than the term of the bonds, the law would require the Authority to covenant to enter into additional agreements as may be necessary to cover the entire amount of the debt service payment obligation. Calculations for the additional bonds test and toll rate covenant described in the Information Statement under “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS—Certain Provisions of the Subordinate Indenture” will assume that Subordinate Bonds payable in a currency other than United States currency are or will be payable at the rate payable by the Authority pursuant to the Authority’s related currency swap or contract or, in the absence of such a swap or contract, at the rate determined by the Authority using a currency market conversion factor selected by the Authority.

ABSENCE OF MATERIAL LITIGATION

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 or, to the knowledge of the Authority, threatened against the Authority in any way affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to restrain or to enjoin the issuance, sale or delivery of the 2010 Series S-1 Bonds, the application of the proceeds thereof in accordance with the Indenture, the collection or application of the Bridge Toll Revenues (as defined in the Information Statement), or the statutory lien thereon, in any way contesting or affecting the validity or enforceability of the 2010 Series S-1 Bonds or the Indenture, in any way contesting the completeness or accuracy of the Official Statement or the powers of the Authority with respect to the 2010 Series S-1 Bonds or the Indenture, or which could, if adversely decided, have a materially adverse impact on the Authority’s financial position or the Authority’s ability to collect Bridge Toll Revenues.

TAX MATTERS RELATING TO THE 2010 SERIES S-1 BUILD AMERICA BONDS

The following describes certain federal income and state tax matters relating to the 2010 Series S-1 taxable Build America Bonds.

In the opinion of 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 Build America Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is of the opinion that interest on the Build America Bonds is exempt from State personal income taxes. Bond Counsel expresses no opinion regarding any other federal or state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Build America Bonds.

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

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

For U.S. Holders

The Build America Bonds may be issued with original issue discount (“OID”). In general, the excess of the stated redemption price at maturity of a Build America Bond over its issue price will constitute OID for U.S. federal income tax purposes. The stated redemption price at maturity of a Build America Bond is the sum of all scheduled amounts payable on the Build America Bond (other than

qualified stated interest). U.S. Holders of the Build America Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

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

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

For Non-U.S. Holders

Interest. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," payments of principal of, and interest on, any Build America Bond to a Non-U.S. Holder, other than a bank which acquires such Build America Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the beneficial owner of the Build America Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

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

U.S. Federal Estate Tax. A Build America Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that at the time of such individual's death, payments of interest

with respect to such Build America Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

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

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

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

custodian, agent or broker with an appropriate certification as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

Circular 230

Investors are urged to obtain independent tax advice based upon their particular circumstances. The tax discussion above was not intended or written to be used, and cannot be used, for the purposes of avoiding taxpayer penalties. The discussion was written to support the promotion or marketing of the Build America Bonds.

LEGAL MATTERS

The validity of the 2010 Series S-1 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A complete copy of the proposed form of opinion of Bond Counsel is contained in APPENDIX II hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement. Certain legal matters will be passed upon for the Authority by its general counsel, and for the Underwriters by their counsel, Nixon Peabody LLP.

RATINGS

2010 Series S-1 Bonds

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services ("S&P") have assigned ratings to the 2010 Series S-1 Bonds of "A1" and "A+," respectively.

Meaning of Ratings

The ratings described above reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007; and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. Such ratings could be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price of the 2010 Series S-1 Bonds.

UNDERWRITING

The Authority has entered into a Purchase Contract (the "Purchase Contract") with respect to the 2010 Series S-1 Bonds with Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets Inc., on behalf of themselves and as the representatives of J.P. Morgan Securities Inc., Barclays Capital Inc., Morgan Stanley & Co. Incorporated, and Stone & Youngberg LLC, (collectively, the "Underwriters") pursuant to which the Underwriters have agreed, subject to conditions, to purchase the 2010 Series S-1 Bonds for reoffering, at a purchase price of \$1,484,740,030, which represents the aggregate principal amount of the 2010 Series S-1 Bonds less an underwriters' discount of \$15,259,970.

The Underwriters will purchase all of the 2010 Series S-1 Bonds if any are purchased. The Underwriters have agreed to make a public offering of the 2010 Series S-1 Bonds at the prices or yields shown on the cover hereof.

Citigroup Inc. and Morgan Stanley, the respective parent companies of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated, each an underwriter of the 2010 Series S-1 Bonds, have entered into a retail brokerage joint venture. As part of the joint venture, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors in the United States through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with their respective allocations of 2010 Series S-1 Bonds.

J.P. Morgan Securities Inc. (“JPMSI”), one of the Underwriters of the 2010 Series S-1 Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of UBS Financial Services Inc. (“UBSFS”) and Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution in the United States of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS& Co. will purchase 2010 Series S-1 Bonds from JPMSI at the original issue price less a negotiated portion of the selling concession applicable to any 2010 Series S-1 Bonds that such firm sells.

FINANCIAL ADVISOR

The Authority has retained Public Financial Management Inc., San Francisco, California, as financial advisor (the “Financial Advisor”) in connection with the issuance of the 2010 Series S-1 Bonds. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement.

RELATIONSHIP OF CERTAIN PARTIES

The Bank of New York Mellon Trust Company, N.A. is the Trustee for the 2010 Series S-1 Bonds. The Bank of New York Mellon has entered into Qualified Swap Agreements with the Authority. The Bank of New York Mellon Trust Company, N.A. and The Bank of New York Mellon are affiliated and are subsidiaries of The Bank of New York Mellon Corporation. Bank of America, N.A. is a party to some of the Standby Bond Purchase Agreements and has entered into Qualified Swap Agreements with the Authority. Merrill Lynch, Pierce, Fenner & Smith Incorporated is an underwriter with respect to 2010 Series S-1 Bonds. Merrill Lynch, Pierce, Fenner & Smith Incorporated and Bank of America, N.A. are affiliated and are subsidiaries of Bank of America Corporation. Citibank, N.A. and Citigroup Financial Products Inc. have entered into Qualified Swap Agreements with the Authority. Citigroup Global Markets Inc. is an underwriter with respect to 2010 Series S-1 Bonds. Citigroup Global Markets Inc., Citigroup Financial Products Inc. and Citibank, N.A. are affiliated and are subsidiaries of Citigroup Inc. JPMorgan Chase Bank, National Association is a party to each of the Standby Bond Purchase Agreements and has entered into Qualified Swap Agreements with the Authority. J.P. Morgan Securities Inc. is an underwriter with respect to 2010 Series S-1 Bonds. J.P. Morgan Securities Inc. and JPMorgan Chase Bank, National Association are affiliated and are subsidiaries of JPMorgan Chase & Co. Morgan Stanley Capital Services Inc. has entered into a Qualified Swap Agreement with the Authority. Morgan Stanley & Co. Incorporated is an underwriter with respect to 2010 Series S-1 Bonds. Morgan Stanley Capital Services Inc. and Morgan Stanley & Co. Incorporated are affiliated and are subsidiaries of Morgan Stanley. See APPENDIX IV “SENIOR BONDS AND SENIOR OBLIGATIONS” and APPENDIX V “VARIABLE RATE DEMAND BONDS” to this Supplement No. 1 and the information under the captions “OTHER AUTHORITY OBLIGATIONS — Standby Bond Purchase Agreements” and “— Qualified Swap Agreements” in the Information Statement.

The Authority's capital improvement projects and related activities, including the sale of the 2010 Series S-1 Bonds, have been made possible, in part, by hiring underwriters, remarketing agents, bond insurers, reserve surety providers, liquidity providers, trustees and interest rate swap counterparties to assist the Authority. Certain of these entities or their affiliates have and continue to participate in more than one capacity in financings for, and contractual relationships with, the Authority.

CONTINUING DISCLOSURE

The Authority has never failed to comply in all material respects with any previous undertakings with regard to Rule 15c2-12 promulgated by the Securities and Exchange Commission to provide annual reports or notices of material events. See "CONTINUING DISCLOSURE" in the Information Statement and APPENDIX D to the Information Statement entitled "FORM OF CONTINUING DISCLOSURE AGREEMENT."

MISCELLANEOUS

The Official Statement is not to be construed as a contract or agreement between the Authority and holders of any of the 2010 Series S-1 Bonds. All quotations from and summaries and explanations of the Indenture, and of other statutes and documents contained herein, do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions.

Any statements in the Official Statement involving matters of opinion are intended as such and not as representations of fact.

The execution and delivery of the Official Statement by an authorized officer of the Authority has been duly authorized by the Authority.

BAY AREA TOLL AUTHORITY

By: /s/ Steve Heminger
Executive Director

APPENDIX I

BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

BOOK-ENTRY ONLY SYSTEM

The following information concerning The Depository Trust Company (“DTC”) and DTC’s book-entry system has been obtained from sources that the Authority and the Underwriters believe to be reliable, but neither the Authority nor the Underwriters take responsibility for the accuracy thereof. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Official Statement and in APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE” in the Information Statement.

DTC will act as securities depository for the 2010 Series S-1 Bonds. The 2010 Series S-1 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 2010 Series S-1 Bond certificate will be issued for the 2010 Series S-1 Bonds, in the aggregate principal amount of such 2010 Series S-1 Bonds, and will be deposited with DTC.

DTC 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.

Purchases of the 2010 Series S-1 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2010 Series S-1 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2010 Series S-1 Bond (“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 2010 Series S-1 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 the 2010 Series S-1 Bonds, except in the event that use of the book-entry system for the 2010 Series S-1 Bonds is discontinued.

To facilitate subsequent transfers, all 2010 Series S-1 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 2010 Series S-1 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 2010 Series S-1 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2010 Series S-1 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. The Authority and the Trustee will not have any responsibility or obligation to such DTC Participants or the persons for whom they act as nominees with respect to the 2010 Series S-1 Bonds.

Redemption notices shall be sent to DTC. If less than all of the 2010 Series S-1 Bonds 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 the 2010 Series S-1 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2010 Series S-1 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, premium, if any, and interest payments on the 2010 Series S-1 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 Authority or the Trustee, on each payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the Authority 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 2010 Series S-1 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2010 Series S-1 Bonds are required to be printed and delivered as described in the Subordinate Indenture.

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

No Assurance Regarding DTC Practices

AS LONG AS CEDE & CO. OR ITS SUCCESSOR IS THE REGISTERED HOLDER OF THE 2010 SERIES S-1 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED HOLDERS OF THE 2010 SERIES S-1 BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2010 SERIES S-1 BONDS. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTEXT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2010 SERIES S-1 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE. Each person for whom a Participant acquires an interest in the 2010 Series S-1 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such person, forwarded in writing by such Participant and to receive notification of all interest payments.

NONE OF THE AUTHORITY, THE TRUSTEE OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION WITH RESPECT TO THE PAYMENTS TO THE DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS, THE SELECTION OF THE BENEFICIAL INTERESTS IN THE 2010 SERIES S-1 BONDS TO BE REDEEMED IN THE EVENT OF REDEMPTION OF LESS THAN ALL 2010 SERIES S-1 BONDS OF A PARTICULAR MATURITY OR THE PROVISION OF NOTICE TO THE DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE 2010 SERIES S-1 BONDS. NO ASSURANCE CAN BE GIVEN BY THE AUTHORITY, THE TRUSTEE OR THE UNDERWRITERS THAT DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR OTHER NOMINEES OF THE BENEFICIAL OWNERS WILL MAKE PROMPT TRANSFER OF PAYMENTS TO THE BENEFICIAL OWNERS, THAT THEY WILL DISTRIBUTE NOTICES, INCLUDING REDEMPTION NOTICES (REFERRED TO ABOVE), RECEIVED AS THE REGISTERED OWNER OF THE 2010 SERIES S-1 BONDS TO THE BENEFICIAL OWNERS, THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THE OFFICIAL STATEMENT.

In the event the Authority or the Trustee determines not to continue the book-entry system or DTC determines to discontinue its services with respect to the 2010 Series S-1 Bonds, and the Authority does not select another qualified securities depository, the Authority shall deliver one or more 2010 Series S-1 Bonds in such principal amount or amounts, in authorized denominations, and registered in whatever name or names, as DTC shall designate. In such event, transfer and exchanges of 2010 Series S-1 Bonds will be governed by the provisions of the Subordinate Indenture.

GLOBAL CLEARANCE PROCEDURES

The information set out below has been obtained from sources that the Authority believes to be reliable, but prospective investors are advised to make their own inquiries as to such procedures. In particular, such information is subject to any change in or interpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg (together, the “Clearing Systems”) currently in effect and investors wishing to use the facilities of any of the Clearing Systems are therefore advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Authority nor the Underwriters will have any responsibility for the performance by the Clearing Systems, the Clearstream Participants or the Euroclear Operator or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described below. No representation is made as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

CLEARSTREAM

Clearstream Banking, société anonyme, 42 Avenue J.F. Kennedy, L-1855 Luxembourg (“Clearstream, Luxembourg”), was incorporated in 1970 as “Cedel S.A.,” a company with limited liability under Luxembourg law (a société anonyme). Cedel S.A. subsequently changed its name to Cedelbank. On January 10, 2000, Cedelbank’s parent company, Cedel International, société anonyme (“CI”) merged its clearing, settlement and custody business with that of Deutsche Börse AG (“DBAG”). The merger involved the transfer by CI of substantially all of its assets and liabilities (including its shares in Cedelbank), and the transfer by DBAG of its shares in Deutsche Börse Clearing (DBC), to a new Luxembourg company, which with effect January 14, 2000 was renamed Clearstream International, société anonyme, and was then 50% owned by CI and 50% owned by DBAG. Following this merger, the subsidiaries of Clearstream International were also renamed to give them a cohesive brand name. On January 18, 2000, Cedelbank was renamed “Clearstream Banking, société anonyme,” and Cedel Global Services was renamed “Clearstream Services, société anonyme.” On January 17, 2000, Deutsche Börse Clearing AG was renamed “Clearstream Banking AG.” Today Clearstream International is 100% owned by DBAG. The shareholders of DBAG are comprised of mainly banks, securities dealers and financial institutions.

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Transactions may be settled by Clearstream, Luxembourg in any of 36 currencies, including United States Dollars. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in over 30 countries through established depository and custodial relationships. Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier, “CSSF,” and the Banque Centrale du Luxembourg (“BCL”) which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg’s customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

Clearstream, Luxembourg’s U.S. customers are limited to securities brokers and dealers and banks. Currently, Clearstream, Luxembourg has approximately 2,000 customers located in over 80

countries, including all major European countries, Canada, and the United States. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear Bank S.A./N.V. as the Operator of the Euroclear System (the “Euroclear Operator”) in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

EUROCLEAR BANK

Euroclear Bank S.A./N.V. (“Euroclear Bank”) holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear Participants, and between Euroclear Participants and Participants of certain other securities intermediaries through electronic book-entry changes in accounts of such Participants or other securities intermediaries.

Euroclear Bank provides Euroclear Participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear Participants are investment banks, securities brokers and dealers, banks, central banks, supnationals, custodians, investment managers, corporations, trust companies and certain other organizations. Certain of the managers or underwriters for this offering, or other financial entities involved in this offering, may be Euroclear Participants. Non-Participants in the Euroclear System may hold and transfer book-entry interests in the Securities through accounts with a Participant in the Euroclear System or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear Bank.

Clearance and Settlement. Although Euroclear Bank has agreed to the procedures provided below in order to facilitate transfers of securities among Participants in the Euroclear System, and between Euroclear Participants and Participants of other intermediaries, it is under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time.

Initial Distribution. Investors electing to acquire securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of new issues of securities. Securities to be acquired against payment through an account with Euroclear Bank will be credited to the securities clearance accounts of the respective Euroclear Participants in the securities processing cycle for the business day following the settlement date for value as of the settlement date, if against payment.

Secondary Market. Investors electing to acquire, hold or transfer securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of secondary market transactions in securities. Please be aware that Euroclear Bank will not monitor or enforce any transfer restrictions with respect to the securities offered herein.

Custody. Investors who are Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with Euroclear Bank. Investors who are not Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with a securities intermediary who holds a book-entry interest in the securities through accounts with Euroclear Bank.

Custody Risk. Investors that acquire, hold and transfer interests in the securities by book-entry through accounts with Euroclear Bank or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the individual securities.

Euroclear Bank has advised as follows:

Under Belgian law, investors that are credited with securities on the records of Euroclear Bank have a co-property right in the fungible pool of interests in securities on deposit with Euroclear Bank in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear Bank, Euroclear Participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear Bank. If Euroclear Bank did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all Participants credited with such interests in securities on Euroclear Bank's records, all Participants having an amount of interests in securities of such type credited to their accounts with Euroclear Bank would have the right under Belgian law to the return of their pro-rata share of the amount of interests in securities actually on deposit.

Under Belgian law, Euroclear Bank is required to pass on the benefits of ownership in any interests in securities on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records.

Initial Settlement; Distributions; Actions Upon Behalf of Owners

All of the Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depository, which, in turn, holds such positions in customers' securities accounts in its U.S. Depository's name on the books of DTC. Citibank, N.A. acts as depository for Clearstream and JPMorgan Chase Bank acts as depository for Euroclear (the "U.S. Depositories"). Holders of the 2010 Series S-1 Bonds may hold their 2010 Series S-1 Bonds through DTC (in the United States) or Clearstream or Euroclear (in Europe) if they are participants of such systems, or directly through organizations that are participants in such systems. Investors electing to hold their 2010 Series S-1 Bonds through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional EuroBonds in registered form. Securities will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Distributions with respect to the 2010 Series S-1 Bonds held beneficially through Clearstream will be credited to the cash accounts of Clearstream customers in accordance with its rules and procedures, to the extent received by its U.S. Depository. Distributions with respect to the 2010 Series S-1 Bonds held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by its U.S. Depository. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations. Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by an owner of the 2010 Series S-1 Bonds on behalf of a Clearstream customer or Euroclear Participant only in accordance with the relevant rules and procedures and subject to the U.S. Depository's ability to effect such actions on its behalf through DTC.

Secondary Market Trading

Secondary market trading between Participants (other than U.S. Depositories) will be settled using the procedures applicable to U.S. corporate debt obligations in same-day funds. Secondary market trading between Euroclear Participants and/or Clearstream customers will be settled using the procedures applicable to conventional EuroBonds in same-day funds. When securities are to be transferred from the account of a Participant (other than U.S. Depositories) to the account of a Euroclear Participant or a Clearstream customer, the purchaser must send instructions to the applicable U.S. Depository one business day before the settlement date. Euroclear or Clearstream, as the case may be, will instruct its U.S. Depository to receive the securities against payment. Its U.S. Depository will then make payment to the Participant's account against delivery of the securities. After settlement has been completed, the securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear participant's or Clearstream customers' accounts. Credit for the securities will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Bonds will accrue from the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Euroclear or Clearstream cash debit will be valued instead as of the actual settlement date.

Euroclear Participants and Clearstream customers will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream. Under this approach, they may take on credit exposure to Euroclear or Clearstream until the securities are credited to their accounts one day later. As an alternative, if Euroclear or Clearstream has extended a line of credit to them, participants/customers can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear Participants or Clearstream customers purchasing securities would incur overdraft charges for one day, assuming they cleared the overdraft when the securities were credited to their accounts. However, interest on the securities would accrue from the value date. Therefore, in many cases, the investment income on securities earned during that one day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's/customer's particular cost of funds. Because the settlement is taking place during New York business hours, Participants can employ their usual procedures for sending securities to the applicable U.S. Depository for the benefit of Euroclear Participants or Clearstream customers. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the Participant, a cross-market transaction will settle no differently from a trade between two Participants.

Due to time zone differences in their favor, Euroclear Participants and Clearstream customers may employ their customary procedure for transactions in which securities are to be transferred by the respective clearing system, through the applicable U.S. Depository to another Participant's. In these cases, Euroclear will instruct its U.S. Depository to credit the securities to the Participant's account against payment. The payment will then be reflected in the account of the Euroclear Participant or Clearstream customer the following business day, and receipt of the cash proceeds in the Euroclear Participants' or Clearstream customers' accounts will be backvalued to the value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear Participant or Clearstream customer has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear Participant's or Clearstream customer's accounts would instead be valued as of the actual settlement date.

Procedures May Change

Although DTC, Clearstream and Euroclear have agreed to these procedures in order to facilitate transfers of securities among DTC and its Participants, Clearstream and Euroclear, they are under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by any of them.

General Statement

THE AUTHORITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE 2010 SERIES S-1 BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE 2010 SERIES S-1 BONDS (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE 2010 SERIES S-1 BONDS OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE 2010 SERIES S-1 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THE OFFICIAL STATEMENT.

THE AUTHORITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR, EUROCLEAR PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE 2010 SERIES S-1 BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE SUBORDINATE INDENTURE; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE 2010 SERIES S-1 BONDS.

APPENDIX II

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Bay Area Toll Authority
Oakland, California

Bay Area Toll Authority
San Francisco Bay Area Subordinate Toll Bridge Revenue Bonds
2010 Series S-1

(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Bay Area Toll Authority (the “Issuer”) in connection with issuance of \$1,500,000,000 aggregate principal amount of Bay Area Toll Authority San Francisco Bay Area Subordinate Toll Bridge Revenue Bonds, 2010 Series S-1 (the “2010 Series S-1 Bonds”), issued pursuant to a Subordinate Indenture, dated as of June 1, 2010, as supplemented by a First Supplemental Indenture, dated as of June 1, 2010 (hereinafter collectively referred to as the “Indenture”), between the Issuer and The Bank of New York Mellon Trust Company, N.A., 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 of the Issuer for the 2010 Series S-1 Bonds dated the date hereof (the “Tax Certificate”), opinions of counsel to the Issuer and the Trustee, certificates of the Issuer, 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 2010 Series S-1 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 Issuer. 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. We call attention to the fact that the rights and obligations under the 2010 Series S-1 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 entities 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 Information Statement, dated May 1, 2010, or Supplement No. 1 thereto, dated June 24, 2010, or any other offering material relating to the 2010 Series S-1 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 2010 Series S-1 Bonds constitute the valid and binding special obligations of the Issuer.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer.
3. Interest on the 2010 Series S-1 Bonds is exempt from State of California personal income taxes. Interest on the 2010 Series S-1 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2010 Series S-1 Bonds.

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

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX III

PROJECTED DEBT SERVICE SCHEDULE

The table below shows the projected annual debt service requirements for the Authority's outstanding Senior Bonds and the 2010 Series S-1 Bonds.

Fiscal Year Ending (June 30)	Outstanding Senior Bonds Debt Service⁽¹⁾	2010 Series S-1 Bonds Debt Service		Total Debt Service⁽³⁾
		Principal	Interest⁽²⁾	
2011	\$ 332,373,295	\$ -	\$ 78,390,000	\$ 410,763,295
2012	332,286,334	-	104,520,000	436,806,334
2013	332,404,466	-	104,520,000	436,924,466
2014	336,136,429	-	104,520,000	440,656,429
2015	336,098,661	-	104,520,000	440,618,661
2016	342,606,843	-	104,520,000	447,126,843
2017	342,661,812	-	104,520,000	447,181,812
2018	342,639,396	-	104,520,000	447,159,396
2019	342,662,746	-	104,520,000	447,182,746
2020	358,664,093	18,130,000	104,520,000	481,314,093
2021	358,666,612	18,935,000	103,288,429	480,890,042
2022	358,664,471	19,770,000	102,002,175	480,436,646
2023	358,665,721	20,650,000	100,659,198	479,974,920
2024	358,663,306	21,560,000	99,256,444	479,479,750
2025	358,663,375	22,515,000	97,791,873	478,970,248
2026	358,666,171	23,510,000	96,262,429	478,438,600
2027	358,662,696	24,555,000	94,665,395	477,883,091
2028	358,664,518	25,640,000	92,997,374	477,301,892
2029	358,649,232	26,775,000	91,255,649	476,679,881
2030	358,464,611	27,960,000	89,436,823	475,861,434
2031	358,243,626	30,350,000	87,537,500	476,131,126
2032	357,339,237	31,715,000	85,437,887	474,492,124
2033	356,292,258	33,145,000	83,243,843	472,681,101
2034	355,200,906	34,635,000	80,950,872	470,786,778
2035	354,063,362	36,200,000	78,554,823	468,818,185
2036	352,876,255	37,830,000	76,050,507	466,756,762
2037	351,897,302	39,540,000	73,433,428	464,870,729
2038	350,928,036	41,320,000	70,698,050	462,946,086
2039	349,918,744	43,180,000	67,839,533	460,938,277
2040	321,915,217	72,085,000	64,852,340	458,852,557
2041	320,824,435	51,550,000	59,865,500	432,239,935
2042	319,693,080	52,830,000	56,234,834	428,757,914
2043	318,522,971	54,105,000	52,514,017	425,141,988
2044	317,300,095	55,365,000	48,703,401	421,368,496
2045	316,035,512	56,610,000	44,804,045	417,449,556

(Table continued on following page)

Fiscal Year Ending (June 30)	Outstanding Senior Bonds Debt Service⁽¹⁾	2010 Series S-1 Bonds Debt Service		Total Debt Service⁽³⁾
		Principal	Interest⁽²⁾	
2046	315,451,673	57,275,000	40,817,002	413,543,675
2047	314,956,318	55,940,000	36,783,124	407,679,442
2048	314,883,837	54,285,000	32,843,270	402,012,106
2049	314,883,835	50,665,000	29,019,977	394,568,812
2050	—	361,375,000	25,451,641	386,826,641
TOTAL⁽³⁾	<u>\$13,346,191,488</u>	<u>\$1,500,000,000</u>	<u>\$3,182,321,382</u>	<u>\$18,028,512,870</u>

⁽¹⁾ Assumes an interest rate of 5.25% per annum for the Series 2001 Variable Rate Bonds (based on interest rate swap arrangements and inclusive of liquidity facility and remarketing fees), the actual interest rates for the Series 2001 Fixed Rate Bonds, an interest rate of 4.80% per annum for the Series 2006 Variable Rate Bonds (based on interest rate swap arrangements and inclusive of liquidity facility and remarketing fees), the actual interest rates for the Series 2006F Fixed Rate Bonds, an interest rate of 5.13% per annum for the Series 2007-1 Variable Rate Bonds (based on interest rate swap arrangements and inclusive of liquidity facility and remarketing fees), the actual interest rates for the Series 2007F Fixed Rate Bonds, an interest rate of 4.88% per annum for the Series 2007-2 Variable Rate Bonds (based on interest rate swap arrangements and inclusive of liquidity facility and remarketing fees), an interest rate of 4.97% for \$500 million of the Series 2008-1 Bonds subject to an interest rate swap (based on interest rate swap arrangements and inclusive of liquidity facility and remarketing fees), and an interest rate of 3.28% for the \$7.76 million of the Series 2008-1 Bonds not subject to an interest rate swap agreement (inclusive of liquidity facility and remarketing fees) and the actual interest rates on the Series 2008F-1 Bonds, the actual interest rates on the 2009 Series F-1 Bonds and the actual interest rates on the 2009 Series F-2 Bonds.

⁽²⁾ The actual interest rate on the 2010 Series S-1 Bonds.

⁽³⁾ Totals may not add due to independent rounding of numbers.

APPENDIX IV

SENIOR BONDS AND SENIOR OBLIGATIONS

At the time of issuance of the 2010 Series S-1 Bonds, there will be outstanding \$5,595,125,000 principal amount of Senior Bonds secured on a basis senior to the 2010 Series S-1 Bonds as indicated below.

<u>Bonds</u>	<u>Outstanding Principal Amount</u>	<u>Interest Rate</u>
San Francisco Bay Area Toll Bridge Revenue Bonds, 2001 Series A	\$150,000,000	Variable
San Francisco Bay Area Toll Bridge Revenue Bonds, 2001 Series D	\$7,160,000	Fixed
San Francisco Bay Area Toll Bridge Revenue Bonds, 2006 Series C-1, 2006 Series C-2, 2006 Series C-3 and 2006 Series C-4	\$275,000,000	Variable
San Francisco Bay Area Toll Bridge Revenue Bonds, 2006 Series F	\$1,043,260,000	Fixed
San Francisco Bay Area Toll Bridge Revenue Bonds, 2007 Series A-1, 2007 Series C-1 and 2007 Series G-1	\$150,000,000	Variable
San Francisco Bay Area Toll Bridge Revenue Bonds, 2007 Series F	\$310,495,000	Fixed
San Francisco Bay Area Toll Bridge Revenue Bonds, 2007 Series A-2, 2007 Series B-2, 2007 Series C-2, 2007 Series D-2 and 2007 Series E-3	\$375,000,000	Variable
San Francisco Bay Area Toll Bridge Revenue Bonds 2008 Series A-1, 2008 Series B-1, 2008 Series C-1, 2008 Series D-1, 2008 Series E-1 and 2008 Series G-1	\$507,760,000	Variable
San Francisco Bay Area Toll Bridge Revenue Bonds 2008 Series F-1	\$707,730,000	Fixed
San Francisco Bay Area Toll Bridge Revenue Bonds 2009 Series F-1	\$768,720,000	Fixed
San Francisco Bay Area Toll Bridge Revenue Bonds 2009 Series F-2	\$1,300,000,000	Fixed (Taxable)
TOTAL	<u>\$5,595,125,000</u>	

In addition to its outstanding Senior Bonds, the Authority has Senior Obligations outstanding, including the scheduled payment obligations under Qualified Swap Agreements listed below. Termination payments and payments of fees and expenses under the Qualified Swap Agreements are Subordinate Obligations and not Senior Obligations. See “OTHER AUTHORITY OBLIGATIONS — Qualified Swap Agreements” in the Information Statement for information concerning recent termination of certain other Qualified Swap Agreements.

Qualified Swap Agreements

Counterparty	Notional Amount	Rate Paid by Authority	Rate Received by Authority
Bank of America, N.A.	\$30,000,000 amortizing to \$0 by April 1, 2045	3.633% per annum	A floating per annum rate based on 68% of the one-month LIBOR Index ⁽¹⁾
Bank of America, N.A.	\$50,000,000 amortizing to \$0 by April 1, 2047	3.6255% per annum	A floating per annum rate based on 68% of the one-month LIBOR Index ⁽¹⁾
Bank of America, N.A.	\$160,000,000 amortizing to \$0 by April 1, 2045 ⁽²⁾	A floating per annum rate based on the SIFMA Swap Index ⁽³⁾	4.013% per annum
Bank of America, N.A.	\$125,000,000 amortizing to \$0 by April 1, 2045	3.6418% per annum	A floating per annum rate based on 68% of the one-month LIBOR Index ⁽¹⁾
Citibank, N.A.	\$225,000,000 amortizing to \$0 by April 1, 2045	3.6375% per annum	A floating per annum rate based on 53.80% of the one-month LIBOR Index ⁽¹⁾ plus 0.74%
Citibank, N.A.	\$260,000,000 amortizing to \$0 by April 1, 2047	3.636% per annum	A floating per annum rate based on 53.8% of the one-month LIBOR Index ⁽¹⁾ plus 0.74%
Citibank, N.A.	\$105,355,000 amortizing to \$0 by April 1, 2047 ⁽²⁾	A floating per annum rate based on the SIFMA Swap Index ⁽³⁾	3.967% per annum
Citigroup Financial Products Inc.	\$75,000,000, amortizing to \$0 by April 1, 2036	4.10% per annum	A floating per annum rate based on 65% of the one-month LIBOR Index ⁽¹⁾
Goldman Sachs Mitsui Marine Derivative Products, L.P.	\$85,000,000 amortizing to \$0 by April 1, 2047	3.6357% per annum	A floating per annum rate based on 68% of the one-month LIBOR Index ⁽¹⁾
Goldman Sachs Mitsui Marine Derivative Products, L.P.	\$60,000,000 amortizing to \$0 by April 1, 2045	3.6418% per annum	A floating per annum rate based on 68% of the one-month LIBOR Index ⁽¹⁾
JPMorgan Chase Bank, N.A.	\$145,400,000 amortizing to \$0 by April 1, 2047 ⁽²⁾	A floating per annum rate based on the SIFMA Swap Index ⁽³⁾	3.9025% per annum
JPMorgan Chase Bank, N.A.	\$245,000,000 amortizing to \$0 by April 1, 2045	4.00% per annum	A floating per annum rate based on 67.8% of the ten-year LIBOR CMS ⁽⁴⁾
JPMorgan Chase Bank, N.A.	\$270,000,000 amortizing to \$0 by April 1, 2046	4.00% per annum	A floating per annum rate based on 69.33% of the five-year LIBOR CMS ⁽⁵⁾

(Table continued on following page)

Counterparty	Notional Amount	Rate Paid by Authority	Rate Received by Authority
Morgan Stanley Capital Services Inc.	\$75,000,000, amortizing to \$0 by April 1, 2036	4.09% per annum	A floating per annum rate based on 65% of the one-month LIBOR Index ⁽¹⁾
The Bank of New York Mellon	\$146,445,000 amortizing to \$0 by April 1, 2047 ⁽²⁾	A floating per annum rate based on the SIFMA Swap Index ⁽³⁾	4.04% per annum
The Bank of New York Mellon	\$170,000,000 amortizing to \$0 by April 1, 2047	3.6357% per annum	A floating per annum rate based on 68% of the one-month LIBOR Index ⁽¹⁾
The Bank of New York Mellon	\$40,000,000 amortizing to \$0 by April 1, 2047	3.6357% per annum	A floating per annum rate based on 68% of the one-month LIBOR Index ⁽¹⁾

⁽¹⁾ Defined, generally, as the rate for United States dollar denominated deposits in the Eurodollar interbank market with a designated maturity of one-month as quoted in a source nominated by the British Bankers' Association.

⁽²⁾ Counterparties have the right to cancel the Qualified Swap Agreement on April 1, 2011.

⁽³⁾ Defined, generally, as a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations as produced by Municipal Market Data and made available by the Securities Industry and Financial Markets Association.

⁽⁴⁾ Amended on 6/1/06 from 75.105% one month LIBOR; swap mode is in 2 legs, converts back to 75.105% one month LIBOR on 4/1/2036.

⁽⁵⁾ Amended on 6/1/06 from 75.08% one month LIBOR; swap mode is in 2 legs, converts back to 75.08% one month LIBOR on 4/1/2041.

The Authority has entered into the Standby Bond Purchase Agreements described in the Information Statement under the caption "OTHER AUTHORITY OBLIGATIONS — Standby Bond Purchase Agreements" with various banks under which banks may purchase outstanding Variable Rate Demand Bonds. Bonds so held by the banks will continue to be Bonds under the Senior Indenture payable on a parity basis with other Bonds. Fees and other payments due to the banks are not Parity Obligations.

(This page intentionally left blank)

APPENDIX V

VARIABLE RATE DEMAND BONDS

Bond Series	Remarketing Agent	Liquidity Bank	Principal Amount	Maturity Date (April 1)	Liquidity Term
2001 Series A	Barclays Capital Inc.	BLB ¹ /CALPERs ²	\$150,000,000	2036	August 26, 2011
2006 Series C-1	J.P. Morgan Securities Inc.	Lloyds ³ CALPERs ²	\$125,000,000	2045	August 26, 2011
2006 Series C-2	Morgan Stanley & Co. Incorporated	Lloyds ³ /CALPERs ²	\$100,000,000	2045	August 26, 2011
2006 Series C-3	Goldman, Sachs & Co.	Lloyds ³ /CALPERs ²	\$25,000,000	2045	August 26, 2011
2006 Series C-4	E. J. De La Rosa & Co., Inc.	Lloyds ³ /CALPERs ²	\$25,000,000	2045	August 26, 2011
2007 Series A-1	J.P. Morgan Securities Inc.	BANA ⁴	\$50,000,000	2047	June 3, 2011
2007 Series C-1	Morgan Stanley & Co. Incorporated	JPM Bank ⁵	\$50,000,000	2047	June 3, 2011
2007 Series G-1	Barclays Capital Inc.	JPM Bank ⁵	\$50,000,000	2047	June 3, 2011
2007 Series A-2	J.P. Morgan Securities Inc.	Union Bank, N.A.	\$75,000,000	2047	June 3, 2011
2007 Series B-2	Citigroup Global Markets Inc.	JPM Bank ⁵	\$75,000,000	2047	June 3, 2011
2007 Series C-2	Stone & Youngberg LLC	BANA ⁴	\$25,000,000	2047	June 3, 2011
2007 Series D-2	Merrill Lynch, Pierce, Fenner & Smith Incorporated	JPM Bank ⁵	\$100,000,000	2047	June 3, 2011
2007 Series E-3	Morgan Stanley & Co. Incorporated	BANA ⁴ /CALPERs ²	\$100,000,000	2047	August 26, 2011
2008 Series A-1	J.P. Morgan Securities Inc.	JPM Bank ⁵	\$110,000,000	2045	June 3, 2011
2008 Series B-1	Citigroup Global Markets Inc.	BANA ⁴	\$110,000,000	2045	June 3, 2011

(Table continued on following page.)

<u>Bond Series</u>	<u>Remarketing Agent</u>	<u>Liquidity Bank</u>	<u>Principal Amount</u>	<u>Maturity Date (April 1)</u>	<u>Liquidity Term</u>
2008 Series C-1	Stone & Youngberg LLC	BNP Paribas ⁶	\$25,000,000	2045	June 3, 2011
2008 Series D-1	Merrill Lynch, Pierce, Fenner & Smith Incorporated	BNP Paribas ⁶	\$155,000,000	2045	June 3, 2011
2008 Series E-1	Morgan Stanley & Co. Incorporated	BANA ⁴	\$57,760,000	2045	June 3, 2011
2008 Series G-1	Banc of America Securities LLC	BNP Paribas ⁶	\$50,000,000	2045	June 3, 2011

¹ Bayerische Landesbank, acting through its New York Branch

² California Public Employees' Retirement System

³ Lloyds TSB Bank PLC, acting through its New York Branch

⁴ Bank of America, N.A.

⁵ JPMorgan Chase Bank, National Association

⁶ BNP Paribas, acting through its San Francisco Branch (BNP Paribas)

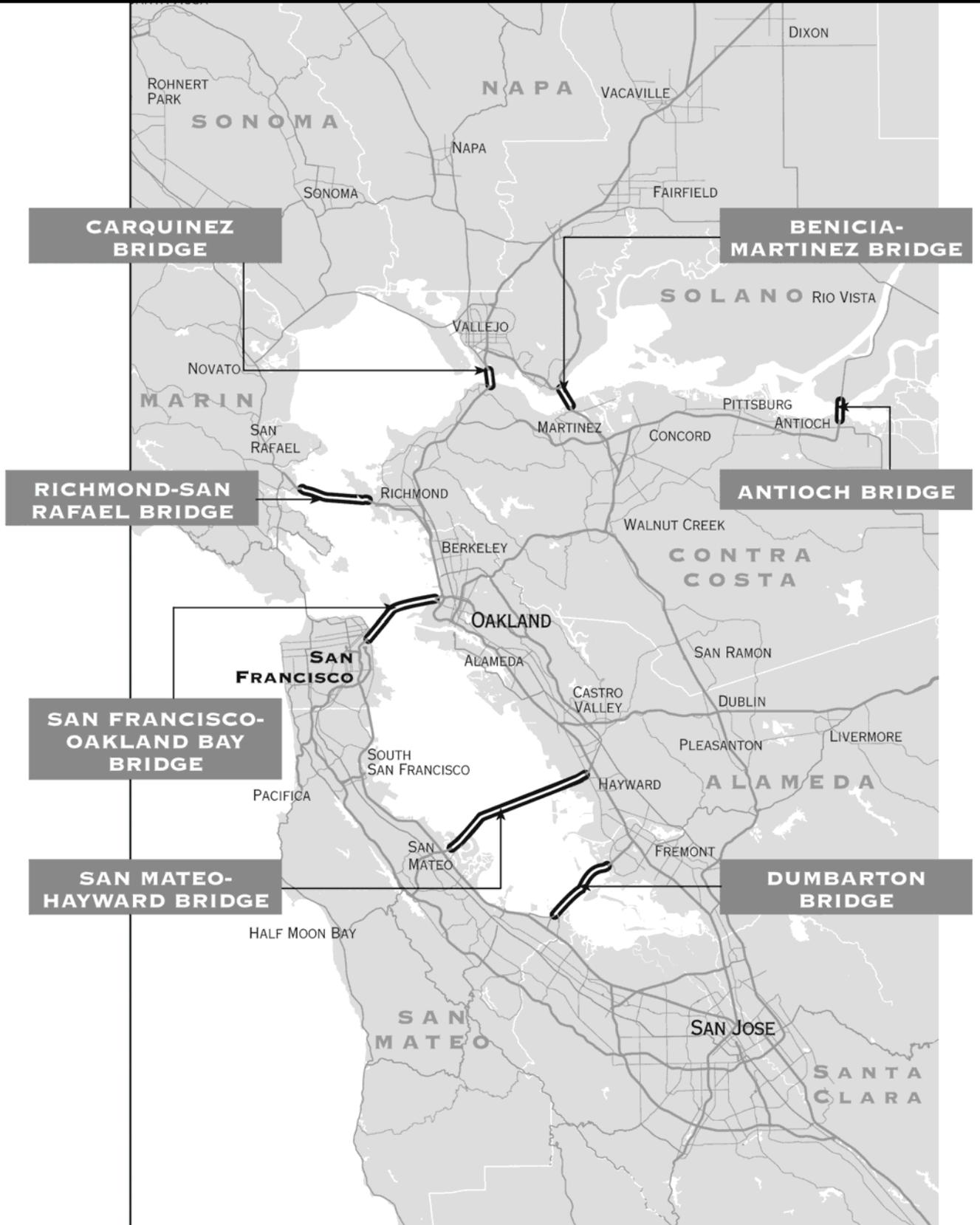


BAY AREA TOLL AUTHORITY INFORMATION STATEMENT

**(Including Metropolitan Transportation Commission
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2009)**

Dated: May 1, 2010

THE BATA BRIDGES



BAY AREA TOLL AUTHORITY

MEMBERS AND OFFICERS

Voting Members

SCOTT HAGGERTY —Chair	Alameda County
ADRIENNE TISSIER— Vice Chair	San Mateo County
TOM BATES	Cities of Alameda County
DEAN J. CHU	Cities of Santa Clara County
DAVE CORTESE	Association of Bay Area Governments
CHRIS DALY	City and County of San Francisco
BILL DODD	Napa County and Cities
FEDERAL D. GLOVER	Contra Costa County
ANNE W. HALSTED	San Francisco Bay Conservation and Development Commission
STEPHEN KINSEY	Marin County
SUE LEMPERS	Cities of San Mateo County
JAKE MACKENZIE	Sonoma County and Cities
JON RUBIN	San Francisco Mayor's appointee
JAMES P. SPERING	Solano County and Cities
AMY REIN WORTH	Cities of Contra Costa County
KEN YEAGER	Santa Clara County

Non-Voting Members

TOM AZUMBRADO	U.S. Department of Housing and Urban Development
DORENE M. GIACOPINI	U.S. Department of Transportation
BIJAN SARTIPI	State Business, Transportation and Housing Agency

STEVE HEMINGER, Executive Director
ANN FLEMER, Deputy Executive Director
ANDREW B. FREMIER, Deputy Executive Director
BRIAN MAYHEW, Chief Financial Officer
RODNEY F. MCMILLAN, Director of Bridge Oversight and Operations
FRANCIS F. CHIN, General Counsel

**SENIOR INDENTURE
TRUSTEE**
Union Bank, N.A.
San Francisco, California

**SUBORDINATE INDENTURE
TRUSTEE**
The Bank of New York Mellon
Trust Company, N.A.
Los Angeles, California

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

FINANCIAL ADVISOR
Public Financial Management Inc.
San Francisco, California

(This page intentionally left blank)

TABLE OF CONTENTS

	Page
INTRODUCTION AND PURPOSE OF THIS INFORMATION STATEMENT.....	1
BAY AREA TOLL AUTHORITY.....	1
FINANCIAL STATEMENTS.....	2
INDEPENDENT ACCOUNTANTS.....	2
THE BRIDGE SYSTEM.....	3
General.....	3
Toll Setting Authority.....	5
Bridge Tolls.....	5
Motor Vehicle Traffic.....	7
Bridge System Operations and Maintenance.....	7
Payments to MTC.....	8
CAPITAL PROJECTS AND FUNDING.....	9
Regional Measure 1 Projects.....	9
Regional Measure 2 Projects.....	10
Summary of RM1 and RM2 Capital Projects.....	11
Seismic Retrofit Program Capital Projects.....	12
Seismic Retrofit Program Status.....	15
Seismic Design Strategies for the Bridge System.....	16
Bridge Rehabilitation Program.....	17
LIQUIDITY AND CASH RESERVES.....	17
Cash Reserves.....	17
Operations and Maintenance Fund.....	18
Investment Portfolio.....	18
HISTORICAL REVENUE AND DEBT SERVICE COVERAGE.....	20
SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS.....	20
Statutory Lien on Bridge Toll Revenues.....	21
Pledge by the State.....	21
Certain Provisions of the Senior Indenture.....	21
Certain Provisions of the Subordinate Indenture.....	24
OTHER AUTHORITY OBLIGATIONS.....	27
Standby Bond Purchase Agreements.....	27
Qualified Swap Agreements.....	28
Further Subordinated Obligations.....	29
REGIONAL EXPRESS LANES LEGISLATION.....	29
RISK FACTORS.....	29
Risk of Faulty Forecast.....	29
Risk of Earthquake.....	29
Other Force Majeure Events.....	30
Threats and Acts of Terrorism.....	30
No Insurance Coverage.....	30
Economic Factors.....	31
Risk of Non-Payment of Direct Subsidy Payments.....	31
Liquidity Facilities Risk.....	31
Rising Tolls Could Result in Reduced Traffic and Lower Total Revenue.....	32

TABLE OF CONTENTS

(continued)

	Page
Construction Delays and Cost Escalation	32
Voter Initiatives	32
CONTINUING DISCLOSURE	33
MISCELLANEOUS	34
APPENDIX A METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009	A-1
APPENDIX B DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE	B-1
APPENDIX C DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE.....	C-1
APPENDIX D FORM OF CONTINUING DISCLOSURE AGREEMENT	D-1
APPENDIX E REGIONAL MEASURE 2 PROJECTS	E-1

IMPORTANT NOTICES

This Information Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of securities by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. The information set forth herein has been provided by the Bay Area Toll Authority (the "Authority"), the State of California Department of Transportation (referred to herein as "Caltrans") and other sources that are believed by the Authority to be reliable.

A wide variety of other information concerning the Bridge System and the Seismic Retrofit Program is available from state and local agencies, publications and websites, including <http://baybridgeinfo.org> and the Authority's website at <http://bata.mtc.ca.gov>. Any such information that is inconsistent with the information set forth in this Information Statement should be disregarded. No such information is a part of or incorporated into this Information Statement. The references to internet websites contained in this Information Statement are shown for reference and convenience only; the information contained in such websites is not incorporated herein by reference and does not constitute a part of this Information Statement.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Information Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the underwriters for any toll bridge revenue bonds. This Information Statement is not to be construed as a contract with the purchasers of any toll bridge revenue bonds.

This Information Statement speaks only as of its date. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Information Statement nor any sale made in conjunction herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or other matters described herein since the date hereof. Investors must read the entire Official Statement (consisting of this Information Statement and the applicable supplement) to obtain information essential to the making of an informed investment decision. This Information Statement is submitted with respect to the sale of the Authority's toll bridge revenue bonds and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Authority. Preparation of this Information Statement and its distribution have been duly authorized and approved by the Authority. The Authority intends to update this Information Statement after MTC's audited financial statements for the fiscal year ending June 30, 2010, become available and annually thereafter; however, other than what is provided in the Continuing Disclosure Agreements relating to toll bridge revenue bonds issued by the Authority, the Authority is not obligated to provide any update hereto and may discontinue its annual updates at any time without notice. See "CONTINUING DISCLOSURE."

All descriptions and summaries of documents and statutes hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document and statute for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and statute. Capitalized terms used but not defined herein are defined in APPENDIX B and APPENDIX C.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS INFORMATION STATEMENT

Some statements contained in this Information Statement reflect not historical facts but forecasts and "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe," "plan," "budget," and similar expressions are intended to identify forward-looking statements. Projections, forecasts, assumptions, expressions of opinions, estimates and other forward-looking statements are not to be construed as representations of fact and are qualified in their entirety by the cautionary statements set forth in this Information Statement.

The achievement of results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that 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 Authority does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur or do not occur.

(This page intentionally left blank)



INTRODUCTION AND PURPOSE OF THIS INFORMATION STATEMENT

This Information Statement dated May 1, 2010 (this "Information Statement") relates to the Bay Area Toll Authority (the "Authority"), which administers the toll revenues from seven state-owned toll bridges in the San Francisco Bay area: the Antioch Bridge, the Benicia-Martinez Bridge, the Carquinez Bridge, the Dumbarton Bridge, the Richmond-San Rafael Bridge, the San Francisco-Oakland Bay Bridge and the San Mateo-Hayward Bridge (each, a "Bridge" and collectively, the "Bridge System"). This Information Statement describes the Authority, the Bridge System, capital projects and programs funded by the Authority, the Authority's toll bridge revenue bonds and the security and sources of payment therefore, and certain other investment considerations.

The Authority has authorized the use of this Information Statement by underwriters offering and selling toll bridge revenue bonds for the Authority and by remarketing agents reoffering and selling toll bridge revenue bonds required by the Authority to be tendered for remarketing. However, this Information Statement may not be used for any such transaction unless it is accompanied by the Authority's Supplement for that transaction. This Information Statement and the appropriate Supplement together are the "Official Statement" of the Authority. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

BAY AREA TOLL AUTHORITY

The Authority is a public agency created in 1997 by California law. It operates pursuant to Chapters 4, 4.3 and 4.5 of Division 17 of the California Streets and Highways Code and the provisions of the Revenue Bond Law of 1941 made applicable to the Authority by California Streets and Highways Code Section 30961 (collectively, as amended from time to time, the "Act").

The governing body of the Authority consists of 16 voting members appointed by local agencies and three nonvoting members appointed by state and federal agencies. The current members are listed in the prefatory pages of this Information Statement. There are two members each from the City and County of San Francisco and from Alameda, Contra Costa, San Mateo, and Santa Clara Counties, one member each from Marin, Napa, Solano and Sonoma Counties, one member each appointed by the Association of Bay Area Governments and the San Francisco Bay Conservation and Development Commission, and one non-voting member each appointed by the Secretary of the Business, Transportation and Housing Agency of the State of California, the United States Department of Transportation, and the United States Department of Housing and Urban Development. Each commissioner's term of office is four years or until a successor is appointed. All of the commissioners are scheduled to be subject to re-appointment in February 2011.

The Authority has the same governing board members as the Metropolitan Transportation Commission ("MTC"). MTC is a public agency created in 1970 by California law for the purpose of providing regional transportation planning and organization for the nine Bay Area counties of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma, sometimes collectively referred to herein as the "Bay Area." As such, it is responsible for regularly updating the regional transportation plan, a comprehensive blueprint for the development of mass transit, highway, airport, seaport, railroad, bicycle and pedestrian facilities. MTC administers state and federal grants for transportation projects and screens requests from local agencies for such grant funding to determine their

compatibility with the regional transportation plan. State legislation adopted in 1997 has given regional transportation planning agencies such as MTC increased decision-making authority over the selection of state highway projects and the allocation of transit expansion funds for the state transportation improvement program. MTC also monitors transit operators' budgets, conducts performance audits and adopts a yearly transit improvement program to ensure that the region's numerous bus, rail and ferry systems are coordinated in terms of their routes, fares, transfer policies, schedules, passenger information and facilities.

The Authority has issued senior toll bridge revenue bonds (the "Senior Bonds") under the Master Indenture, dated as of May 1, 2001 (as amended and supplemented, the "Senior Indenture"), between the Authority and Union Bank, N.A., as trustee (the "Senior Indenture Trustee"). At May 1, 2010, the aggregate principal amount of Senior Bonds outstanding was \$5,595,125,000. The Authority plans to issue subordinate toll bridge revenue bonds (the "Subordinate Bonds") under the Subordinate Indenture, dated as of June 1, 2010 (the "Subordinate Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Subordinate Indenture Trustee"). The governing board of the Authority has authorized issuing up to \$4 billion aggregate principal amount of Subordinate Bonds in 2010.

The Authority's Senior Bonds, together with other obligations payable on a parity with the Senior Bonds, are referred to herein as the "Senior Obligations." The Authority's Subordinate Bonds, together with other obligations payable on a parity with the Subordinate Bonds, are referred to herein as the "Subordinate Obligations." The Senior Obligations, the Subordinate Obligations, and any obligations of the Authority that are secured by a pledge of revenue on a basis subordinate to the Subordinate Obligations are referred to herein collectively as the "Secured Obligations."

FINANCIAL STATEMENTS

Audited financial information relating to the Authority is included in MTC's financial statements. MTC does not prepare separate financial statements for the Authority. MTC's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009, including MTC's Financial Statements For Years Ended June 30, 2009 and 2008, is attached as APPENDIX A.

INDEPENDENT ACCOUNTANTS

The financial statements included in APPENDIX A to this Information Statement have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in MTC's Financial Statements For Years Ended June 30, 2009 and 2008 appearing in APPENDIX A.

The prospective financial information included in this Information Statement has been prepared by, and is the responsibility of, MTC's management. PricewaterhouseCoopers LLP has neither examined, compiled nor performed any procedures with respect to the accompanying prospective financial information and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance on such information or its achievability. PricewaterhouseCoopers LLP assumes no responsibility for and denies any association with the prospective financial information. The PricewaterhouseCoopers LLP report included in APPENDIX A relates to historical financial information. It does not extend to the prospective financial information and should not be read to do so.

THE BRIDGE SYSTEM

General

The Bridge System consists of the seven bridges described below. The Golden Gate Bridge, which connects San Francisco with Marin County, is not owned or operated by the State, nor is it administered by the Authority. A map of the Bridge System appears in the prefatory pages of this Information Statement. For selected demographic statistics for the Bay Area, see Table 13 on page 123 of APPENDIX A—“METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009.”

San Francisco-Oakland Bay Bridge. The San Francisco-Oakland Bay Bridge opened to traffic in 1936 and connects San Francisco with Oakland and neighboring cities and suburban areas. The San Francisco-Oakland Bay Bridge provides the most direct connection between downtown San Francisco and the main transcontinental highways in the Bay Area.

The San Francisco-Oakland Bay Bridge is a double deck structure. Each deck has five traffic lanes with westbound traffic on the upper deck and eastbound traffic on the lower deck. Elevated approaches to the bridge carry through-traffic to and from Route 101 south of San Francisco without use of local San Francisco streets. At the eastern terminus, approaches connect through-traffic with Interstate Highways 80, 580 and 880.

The San Francisco-Oakland Bay Bridge has an overall length of approximately 8.5 miles consisting of two major bridge structures and a connecting tunnel on Yerba Buena Island, which is located at the midpoint of the bridge. The west span consists of two suspension bridges with a common central anchorage and a truss span at the San Francisco end; the length of the western crossing is 10,300 feet. A 520 foot long tunnel on Yerba Buena Island connects the western crossing to the eastern crossing. The east span consists of a 1,800 foot long steel detour viaduct connected to a 2,418 foot long steel cantilever truss followed by five 509 foot long steel trusses and 14 additional shorter spans that bring the roadways down to the East Bay shoreline.

The State of California Department of Transportation (“Caltrans”) is constructing a replacement for the east span. See “CAPITAL PROJECTS AND FUNDING—Seismic Retrofit Program Capital Projects.” The existing east span is constructed using a number of structural steel elements, including eyebars. One of the eyebars on the east span cracked during 2009 and closures of the Bridge in both directions were needed to implement repairs to the eyebar. Other eyebars on the east span may need to be reinforced before the replacement east span is open to traffic. Caltrans and the Authority are unable to predict whether or how many (if any) repairs, retrofits or bridge closures for the eyebars will be needed. See “RISK FACTORS – Risk of Earthquake” and “—Other Force Majeure Events.”

Carquinez Bridge. The Carquinez Bridge consists of two parallel spans that cross the Carquinez Strait between the Cities of Vallejo and Crockett and carry Interstate 80, linking the Bay Area and the Napa Valley. The spans are 28 miles north-east of San Francisco and 65 miles south-west of Sacramento. The east span is the older of the two bridges and opened in 1958. The east span is a through-truss superstructure 3,350 feet long with cantilever spans of 1,100 feet consisting of welded members of high strength steel bolted together and carries four lanes of northbound Interstate 80 traffic. A seismic retrofit of the east span was completed in 2002. The east span is of similar construction to the existing east span of the San Francisco-Oakland Bay Bridge with similar eyebars. Caltrans and the Authority are unable to predict whether or how many (if any) repairs, retrofits or bridge closures for the eyebars will be needed. The west span is a recently constructed suspension bridge with concrete towers and steel orthotropic box girder decks that opened to traffic in 2003 and carries four lanes of southbound traffic.

Benicia-Martinez Bridge. The Benicia-Martinez Bridge consists of two parallel spans that cross the Carquinez Strait approximately six miles east of the Carquinez Bridge and carry Interstate 680. The bridge provides a direct connection from the north bay and Sacramento regions to central and eastern Contra Costa and Alameda and Santa Clara Counties. The bridge corridor is a major interstate route and links U.S. Interstate Highways 80, 680 and 780. The west span, opened to traffic in 1962, is a 6,215 foot-long, deck-truss, with seven 528-foot spans. The west span was originally designed to carry four lanes of traffic (two in each direction) and was subsequently expanded to carry six lanes (three in each direction) in the early 1990's. Following the opening of the new east span in 2007 carrying five lanes of northbound traffic, the west span has been modified to carry four lanes of southbound traffic and a pedestrian/bicycle lane. The new east span features the Bay Area's first open road tolling FasTrak Express Lanes. The new east span is a cast-in-place reinforced concrete structure 8,790 feet long including approaches. See "CAPITAL PROJECTS AND FUNDING—Regional Measure 1 Projects."

San Mateo-Hayward Bridge. The San Mateo-Hayward Bridge is approximately 17 miles south of the San Francisco-Oakland Bay Bridge and crosses the San Francisco Bay, connecting Route 101 and the City of San Mateo on the San Francisco peninsula to Interstate Highway 880 and the east shore of the San Francisco Bay in Alameda County, approximately five miles southwest of Hayward. The current bridge was built in 1967 and seismically retrofitted in 2000. The high-level steel section of the current structure is approximately two miles long and carries six lanes of traffic. The low-rise trestle section of the bridge was widened to carry six lanes of traffic as well in 2003.

Richmond-San Rafael Bridge. The Richmond-San Rafael Bridge opened to traffic in 1956 and carries Interstate 580 across the San Francisco Bay from a point about three miles west of the City of Richmond in Contra Costa County to the Marin County shore three miles southeast of the City of San Rafael. The Richmond-San Rafael Bridge is approximately 5.5 miles long and of cantilever-truss construction. Its major spans are 1,070 feet long. As originally constructed, a single three-lane deck carried two-way traffic. A lower two-lane deck was constructed later, resulting in a two-deck structure carrying traffic in opposite directions. The Richmond-San Rafael Bridge is of similar construction to the existing east span of the San Francisco-Oakland Bay Bridge with similar eyebars. Caltrans and the Authority are unable to predict whether or how many (if any) repairs, retrofits or bridge closures for the eyebars will be needed.

Dumbarton Bridge. The current Dumbarton Bridge opened in 1982. It is situated approximately 10 miles south of the San Mateo-Hayward Bridge and crosses the San Francisco Bay. The western end of the Bridge is five miles northeast of the City of Palo Alto, and the eastern end is five miles west of the City of Newark, midway between the Cities of San Jose and Oakland. The Dumbarton Bridge is a six-lane structure that is 1.6 miles long with a pedestrian/bicycle lane. The bridge connects Highway 101 and Palo Alto to Interstate 880 in Alameda County. The approach spans are composed of pre-stressed lightweight concrete girders that support a lightweight concrete deck. The center spans are twin steel trapezoidal girders that also support a lightweight concrete deck. This bridge has been the subject of recent seismic vulnerability study and analysis, and Caltrans has determined that a seismic retrofit is needed. California law was amended effective on January 1, 2010 at the request of the Authority to add the Dumbarton Bridge to the state toll bridge seismic retrofit program and require the Authority to fund the seismic retrofit of the Dumbarton Bridge. See "Toll Setting Authority" below and "CAPITAL PROJECTS AND FUNDING—Seismic Retrofit Program Capital Projects."

Antioch Bridge. Located 25 miles east of the Benicia-Martinez Bridge, the Antioch Bridge is the only northerly highway connection across the San Joaquin River linking east Contra Costa County to the delta communities of Rio Vista and Lodi. In 1978, a 1.8 mile long high-level fixed-span structure replaced the original bridge constructed in 1926. The Antioch Bridge spans the 3,600-foot wide San Joaquin River and extends 4,000 feet onto Sherman Island in Sacramento County to the north and 1,000

feet into Contra Costa County to the south. Traffic lanes consist of two 12-foot wide lanes for motor vehicles and two shoulders for pedestrians and bicyclists. This bridge has been the subject of recent seismic vulnerability study and analysis, and Caltrans has determined that a seismic retrofit is needed. California law was amended effective on January 1, 2010 at the request of the Authority to add the Antioch Bridge to the state toll bridge seismic retrofit program and require the Authority to fund the seismic retrofit of the Antioch Bridge. See “Toll Setting Authority” below and “CAPITAL PROJECTS AND FUNDING—Seismic Retrofit Program Capital Projects.”

Toll Setting Authority

California law provides the Authority with broad toll setting authority. Toll rate increases are not limited in amount or duration. No legislation or consent or approval by any other entity is required to increase tolls. The Authority is required to hold a public hearing and two public meetings at least 45 days before increasing tolls and is also required to provide at least 30 days’ notice to the Legislature before increasing tolls.

California law requires the Authority to increase the toll rates specified in its adopted toll schedule in order to meet its obligations and covenants under any toll bridge revenue bond resolution or indenture of the Authority for any outstanding toll bridge revenue bonds issued by the Authority and the requirements of bond-related interest rate swap, credit and liquidity agreements. California law also authorizes the Authority to increase the toll rates specified in its adopted toll schedule to provide funds for the planning, design, construction, operation, maintenance, repair, replacement, rehabilitation, and seismic retrofit of the Bridges, to provide funding to meet the requirements of the voter-approved regional measures described under “Bridge Tolls” below and “CAPITAL PROJECTS AND FUNDING—Regional Measure 1 Projects” and “—Regional Measure 2 Projects,” and to make the fund transfers to MTC described below under “Payments to MTC.”

All bridge tolls are treated as a single revenue source for accounting and administrative purposes and for the purposes of the Authority’s toll bridge revenue bond financing documents, which establish the security and payment sources for its toll bridge revenue bonds.

Bridge Tolls

Toll Collection. Tolls on each of the Bridges are collected from vehicles crossing in one direction only.

Cash toll payments are collected at toll booths staffed by employees of Caltrans. As of July 1, 2005, the Authority assumed responsibility from Caltrans for processing all toll revenue collections.

Caltrans has installed on each Bridge the FasTrak system, an automated toll collection and accounting system by which tolls may be collected electronically. In 2007, open road tolling, which eliminates toll booths for the FasTrak lanes, commenced on the Benicia-Martinez Bridge. In March 2010, approximately 66% of peak morning period toll-paying traffic, 61% of peak afternoon period toll-paying traffic, and 53% of total toll-paying traffic were FasTrak users.

Toll Rates Prior to 2010. In 1988, Bay Area voters approved a ballot measure called Regional Measure 1 (“RM1”) establishing a uniform toll rate of \$1.00 on all Bridges for toll-paying, two-axle vehicles and higher tolls for all other toll-paying vehicles and authorizing certain Bridge improvements and transit funding. In 2004, Bay Area voters approved a ballot measure called Regional Measure 2 (“RM2”) that authorized a toll increase of \$1.00 for all toll-paying vehicles to fund specified projects and transit expansions.

Commencing in 1998, a \$1.00 seismic surcharge was imposed by California law on toll-paying vehicles to fund part of the cost of the seismic retrofit program for the Bridge System. The Act was amended in 2005 to authorize the Authority to increase the amount of the seismic surcharge. The

Authority approved a \$1.00 per toll-paying vehicle increase in the seismic surcharge that took effect on January 1, 2007.

The Authority granted toll-free passage on the Bridges to commute buses and vanpool vehicles at all hours. The Authority granted toll-free passage on the Bridges to high-occupancy vehicles (car pool vehicles and motorcycles) and inherently-low-emission vehicles (such as electric cars), but only during peak hours on weekdays. High-occupancy vehicles and inherently-low-emission vehicles pay the two-axle vehicle rate outside of peak hours.

Increase in Toll Rates in 2010. In January 2010, the Authority increased tolls on all of the Bridges, effective on July 1, 2010 for two-axle vehicles and effective beginning July 1, 2011 for multi-axle vehicles (which represent about 3% of total traffic). This toll increase is projected to increase bridge toll revenues by approximately \$160 million annually when fully implemented.

As part of the toll increase, high-occupancy vehicles and inherently-low-emission vehicles will no longer have toll-free passage on any of the Bridges during peak hours on weekdays but will pay a reduced-rate toll of \$2.50 on all Bridges during those hours. Peak hours will be from 5 a.m. to 10 a.m. and from 3 p.m. to 7 p.m. weekdays on all Bridges. This change is projected to yield bridge toll revenues of approximately \$25 million per year. High-occupancy vehicles and inherently-low-emission vehicles will continue to pay the two-axle vehicle rate outside of peak hours. Commute buses and vanpool vehicles will continue to be permitted to cross the Bridges toll-free at all hours.

Tolls for the San Francisco-Oakland Bay Bridge for two-axle vehicles will be \$6.00 during peak hours, \$4.00 during non-peak hours, and \$5.00 on weekends; and the two-axle vehicle toll for the six other Bridges will be \$5.00.

Multi-axle vehicles will pay increased tolls beginning July 1, 2011 based on a toll of \$5.00 times the number of axles in excess of two axles, with half of the increase taking effect on July 1, 2011 and the full increase taking effect on July 1, 2012.

The table below sets forth the Authority's adopted toll schedule.

BRIDGE SYSTEM TOTAL TOLL RATES

Number of Axles Per Vehicle	Toll Rate for Fiscal Year Ending June 30,			
	2010	2011	2012	2013 and beyond
2 axles	\$ 4.00	\$ 5.00 [†]	\$ 5.00 [†]	\$ 5.00 [†]
3 axles	6.00	6.00	10.50	15.00
4 axles	8.25	8.25	14.00	20.00
5 axles	11.25	11.25	18.00	25.00
6 axles	12.00	12.00	21.00	30.00
7 axles or more	13.50	13.50	24.25	35.00

[†]During peak hours on all Bridges, a reduced-rate toll of \$2.50 will be collected on high-occupancy and inherently-low-emission two-axle vehicles. On the San Francisco-Oakland Bay Bridge, a weekday toll of \$6.00 will be collected on all other two-axle vehicles during peak hours, and a weekday toll of \$4.00 will be collected on all two-axle vehicles during non-peak hours.

Motor Vehicle Traffic

The following table sets forth total toll-paying motor vehicle traffic for fiscal years ended June 30, 2000, through June 30, 2009. See Table 9 on page 119 of APPENDIX A—“METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009.”

TOTAL TOLL-PAYING MOTOR VEHICLE TRAFFIC (number of vehicles in thousands)

Fiscal Year Ended June 30,	San Francisco-Oakland Bay Bridge	Carquinez Bridge	Benicia-Martinez Bridge	San Mateo-Hayward Bridge	Richmond-San Rafael Bridge	Dumbarton Bridge	Antioch Bridge	Total ⁽¹⁾	Percent Change
2000	44,856	20,462	16,814	14,409	11,841	10,400	1,910	120,692	--
2001	45,168	21,194	17,159	14,072	12,277	10,948	2,116	122,934	1.9%
2002	45,118	21,678	17,733	13,726	12,468	10,779	2,325	123,826	0.7
2003	44,996	21,824	17,795	14,343	12,514	10,224	2,354	124,048	0.2
2004	44,646	22,054	17,988	15,201	12,399	9,977	2,478	124,742	0.6
2005	43,357	21,344	17,116	14,789	11,758	9,298	2,472	120,135	(3.7)
2006	41,265	20,914	17,071	15,131	11,908	9,529	2,479	118,298	(1.5)
2007	40,134	20,722	16,975	14,881	11,913	9,516	2,517	116,659	(1.4)
2008	39,555	19,875	17,440	14,358	11,782	9,194	2,366	114,570	(1.8)
2009	40,118	19,441	17,426	13,629	11,542	8,708	2,208	113,072	(1.3)

⁽¹⁾ Totals may not add due to rounding.

Source: Caltrans/The Authority.

Total toll-paying traffic on the Bridge System has declined in each fiscal year since the fiscal year ended June 30, 2004. The Authority believes that this decline in total traffic may be attributed to, among other factors, ongoing construction and resulting congestion on and temporary closures of the San Francisco-Oakland Bay Bridge, spikes in fuel costs, and a general decline in the Bay Area economy. The Authority has also seen a decrease in toll violators. Toll violators include drivers that intentionally avoid the payment of tolls (approximately 2% of total traffic in the fiscal year ended June 30, 2009). The subsequent recovery of payment from a toll violator is reported by the Authority as Revenue (see “HISTORICAL REVENUE AND DEBT SERVICE COVERAGE”). The Authority has been working to improve the process for collecting violation revenue through a series of system and process upgrades.

In the fiscal year ended June 30, 2009, authorized toll-free traffic consisted of approximately 10 million vehicles (representing about 9% of total traffic).

Bridge System Operations and Maintenance

The Authority is responsible for paying all of the costs of operating and maintaining the Bridge System (except for maintenance expenditures on the San Francisco-Oakland Bay Bridge that are payable by the State until seismic retrofit work on that Bridge is complete). The Authority is required by the Senior Indenture and the Subordinate Indenture to maintain Bridge System tolls at rates sufficient to pay such costs. Under current law, the payment of such costs is subordinate to the payment of the Authority’s Secured Obligations. The Authority’s costs of operating and maintaining the Bridge System for the five fiscal years ended June 30, 2005 through June 30, 2009 were \$54,371,891; \$64,208,706; \$76,658,284; \$66,091,439; and \$72,470,691; respectively.

Most of the costs of operating and maintaining the Bridge System are paid by the Authority to Caltrans. Caltrans is responsible for maintaining the Bridge System in good repair and condition. The Authority’s payments to Caltrans are made pursuant to State law and a Cooperative Agreement between the Authority and Caltrans that allocates funding responsibilities for the operation and maintenance of the

Bridge System between the Authority and Caltrans and addresses budget matters. The Authority pays directly certain operating and administrative expenses for the Bridge System, including the costs of the FasTrak system and related consultant contracts.

Payments to MTC

The Act provides for payments by the Authority to MTC for the transportation projects and programs described below. The payments are subordinate to the payment of the Authority's Secured Obligations.

MTC has determined that certain of the payments, namely the AB 664 Net Toll Revenue Reserve Transfers, Two Percent Transit Reserves Transfers, and Rail Extension Reserves Transfers described below (collectively, the "Fund Transfers"), are essential to the regional transportation system but that the current statutory schedule for Fund Transfers may be inadequate to timely fund some of the projects planned by MTC. To address this timing issue, the Authority and MTC have authorized a Funding Agreement (the "Funding Agreement"), under which the Authority will agree to pay to MTC an amount equal to the present value of the bridge toll revenues that the Authority projects would be used for Fund Transfers for 50 years from July 1, 2010 (with a minimum payment of \$505 million) in exchange for being relieved of responsibility for making Fund Transfers for that 50-year period. The Authority's obligation to pay Regional Measure 2 Operating Transfers and Authority Administrative Costs, described below, to MTC is not affected by the Funding Agreement.

The following table sets forth the Authority's payments to MTC for the past five Fiscal Years.

TRANSFERS TO MTC (\$ in millions)

Fiscal Year Ended June 30,	AB 664 Net Toll Revenue Reserves Transfer	Two Percent Transit Reserves Transfer	Rail Extension Reserves Transfer	Regional Measure 2 Operating Transfers ⁽¹⁾	Authority Administrative Costs ⁽²⁾	Total
2005	11.91	0.94	9.90	6.82	3.29	32.86
2006	11.64	0.92	9.41	17.38	8.80 ⁽³⁾	48.15
2007	11.32	0.91	9.10	24.27	5.19	50.79
2008	11.08	0.89	8.97	26.70	6.26	53.90
2009	10.88	0.87	9.05	28.34	5.25	54.39

⁽¹⁾ Regional Measure 2 Operating Transfers are expected to continue to increase in future years as additional eligible operating programs are implemented, subject to a statutory cap of 38% of RM2 revenue. Total RM2 revenue equaled approximately \$113 million in the fiscal year ended June 30, 2009.

⁽²⁾ Authority Administrative Costs are transferred by the Authority to MTC. This amount does not include Authority Operating Expenses, which are also subordinate to the Authority's Secured Obligations and amounted to approximately \$43.9 million in the fiscal year ended June 30, 2009.

⁽³⁾ Includes, in addition to Authority Administrative Costs that are limited to 1% of the gross annual bridge toll revenues, direct operating costs of the Authority and MTC for initial RM2 project management set-up costs.

Source: The Authority.

The "AB 664 Net Toll Revenue Reserve Transfer" is the transfer of an amount equal to 16% of the revenue generated each year from the collection of the base toll at its level in existence for the fiscal year ended June 30, 2002 on the three Bridges which comprise the Southern Bridge Group: the Dumbarton Bridge, the San Francisco-Oakland Bay Bridge and the San Mateo-Hayward Bridge. These funds are allocated to capital projects that further the development of public transit in the vicinity of the Southern Bridge Group, including transbay and transbay feeder transit services.

The “Two Percent Transit Reserves Transfer” is the transfer of up to 2% of the revenue collected on all of the Bridges from the base toll at its level in existence for the fiscal year ended June 30, 2002. No minimum transfer is specified. MTC must apply two-thirds of the Two Percent Transit Reserves to transportation projects that will help reduce congestion and improve bridge operations on any of the Bridges. MTC must apply the remaining one-third of the Two Percent Transit Reserves to planning, construction, operation and acquisition of rapid water transit systems.

The “Rail Extension Reserves Transfer” is the transfer of an amount equal to 21% of the revenue generated each year on the San Francisco-Oakland Bay Bridge from the collection of the base toll at its level in existence for the fiscal year ended June 30, 2002. Rail Extension Reserves are applied to rail transit capital extension and improvement projects that are designed to reduce traffic congestion on the San Francisco-Oakland Bay Bridge.

“Regional Measure 2 Operating Transfers” are transfers by the Authority to MTC to provide operating assistance for transit purposes pursuant to RM2 and Section 30914(d) of the Act. The measure provides that not more than 38% of annual bridge toll revenues derived from the RM2 Toll increase imposed in conjunction with RM2 (\$1.00 in the case of all vehicles regardless of the number of axles) may be transferred to MTC as Regional Measure 2 Operating Transfers, and that all such transfers must first be authorized by MTC. Under Section 129(a)(3) of Title 23 of the United States Code, federal participation is limited on facilities that expend toll revenues for certain types of projects, including transit operations. MTC has received an opinion from the Federal Highway Administration that transit planning is an eligible expense and, as such, the Authority has made transfers to MTC for such purpose. MTC also has received an opinion from the Federal Highway Administration that it may expend toll funds on transit operations, if such funds are collected on bridge facilities that have not received federal assistance. There are four Bridges (Dumbarton, San Mateo-Hayward, Carquinez and Antioch) that have not received federal assistance. The Authority limits Regional Measure 2 Operating Transfers to revenue derived from the RM2 toll revenue from these four Bridges and expects that tolls from such four Bridges will be sufficient to make Regional Measure 2 Operating Transfers.

“Authority Administrative Costs” means the amount which the Authority is authorized to remit to MTC on an annual basis for its cost of administration pursuant to Section 30958 of the Act, which amount may not exceed 1% of the gross annual Bridge System revenues.

CAPITAL PROJECTS AND FUNDING

The Authority uses bridge toll revenues to fund four main categories of capital projects: highway and bridge enhancement projects approved by voters through RM1 (the “RM1 Projects”), transit, highway and bridge enhancement and improvement projects approved by voters through RM2 (the “RM2 Projects”), seismic upgrade work on various California bridges, including all the Bridges (the “Seismic Retrofit Program”), and the Authority’s bridge rehabilitation program. Each of these project categories is described below.

Regional Measure 1 Projects

RM1 authorized the Authority to pay for specified highway and bridge enhancement projects. All RM1 Projects have been completed except for one – the Interstate 880/State Route 92 Interchange improvements. RM1 authorized reconstruction of that interchange to increase capacity and improve safety and traffic operations in the San Mateo-Hayward Bridge corridor at an estimated construction cost of approximately \$245 million. The project is scheduled to be complete in 2011.

Regional Measure 2 Projects

RM2 authorizes the Authority to contribute up to \$1.465 billion for the RM2 Projects and to provide additional funding of up to \$50 million for the new span of the Benicia-Martinez Bridge. RM2 also authorized the Authority to contribute funds every year for operating costs of specified public transportation agencies as another component of the regional traffic relief plan set forth in the ballot measure (the “Regional Measure 2 Operating Transfers” described above under “THE BRIDGE SYSTEM – Payments to MTC”).

The RM2 Projects consist of 36 transit, highway and bridge enhancement and improvement projects to reduce congestion or to make improvements to travel in the toll bridge corridors. MTC may allocate funds to RM2 Projects after submission and review of a project report requesting allocation by the project sponsor. The RM2 Project sponsors are public entities in the Bay Area. MTC has authority under the Act to change the funding for a project or reassign some or all of the funds for a project to another project within the same bridge corridor. Generally, RM2 funding covers only a portion of each project’s total cost. The Authority is under no obligation to provide funding for any project beyond the amount expressly provided in RM2 or to increase funding for all of the RM2 projects beyond the aggregate authorization of \$1.465 billion.

The Authority’s expenditures for RM2 Projects (excluding the funding of up to \$50 million for the new span of the Benicia-Martinez Bridge) aggregated approximately \$491.8 million through March 31, 2010. See APPENDIX E – “REGIONAL MEASURE 2 PROJECTS.”

Summary of RM1 and RM2 Capital Projects

The following table sets forth the program budget and expenditures for the RM1 Projects and RM2 Projects.

SUMMARY OF RM1 PROJECTS AND RM2 PROJECTS Program Budget and Project Status as of March 31, 2010 (\$ in millions)

<u>Contract</u>	<u>Status</u>	<u>Current Approved Budget⁽¹⁾</u>	<u>Forecast Cost at Completion</u>	<u>Expenditures through March 31, 2010</u>
I-880/SR-92 Interchange Improvement	Construction	\$ 245.0	\$ 245.0	\$ 157.1
New Benicia-Martinez Bridge ⁽²⁾	Completed	1,272.5	1,272.5	1,207.2
Carquinez Bridge Replacement	Completed	518.2	518.2	512.9
Richmond-San Rafael Bridge Deck Resurfacing	Completed	20.0	20.0	19.6
Richmond-San Rafael Bridge Trestle, Fender and Deck Joint Rehabilitation	Completed	97.1	97.1	96.2
Richmond Parkway	Completed	5.9	5.9	4.3
San Mateo-Hayward Bridge Widening	Completed	209.8	209.8	208.7
Bayfront Expressway (SR-84) Widening	Completed	34.1	34.1	33.4
US-101/University Ave. Interchange Improvement	Completed	<u>3.8</u>	<u>3.8</u>	<u>3.7</u>
RM1 Capital Projects Subtotal⁽³⁾		\$2,406.4	\$2,406.4	\$2,243.1
RM2 Capital Projects Subtotal⁽⁴⁾		\$1,465.0 ⁽⁵⁾	\$1,465.0 ⁽⁵⁾	\$491.8

(1) Includes approximately \$38 million for the New Benicia-Martinez Bridge from state funds, approximately \$60 million for the Richmond-San Rafael Bridge Trestle Rehabilitation project from state funds, and approximately \$10 million for the I-880/SR-92 Interchange Improvement project from the Alameda County Transportation Authority.

(2) The project budget for the new Benicia-Martinez Bridge includes \$50 million from RM2 allocated for modification of the existing older bridge.

(3) Subtotals may not add due to independent rounding of numbers.

(4) The RM2 Capital Projects Subtotals are approximate. They do not include \$50 million allocated for the new Benicia-Martinez Bridge project under RM2. Such amount is included in the budget for New Benicia-Martinez Bridge above. See APPENDIX E—"REGIONAL MEASURE 2 PROJECTS."

(5) Under the Act, the Authority is required to fund the enumerated RM2 Projects by issuance of additional toll bridge revenue bonds or transfer of bridge toll revenues in an amount in the aggregate not to exceed \$1.515 billion but is not required to fund such projects beyond the amount expressly provided in the Act. The remainder of funds required to complete the RM2 Projects are expected to come from other sources. See "Regional Measure 2 Projects" above.

Source: The Authority.

Seismic Retrofit Program Capital Projects

Following the 1989 Loma Prieta earthquake that caused a section of the east span of the San Francisco-Oakland Bay Bridge to collapse, Caltrans recommended seismic retrofitting of certain State-owned toll bridges, which was subsequently authorized in Sections 188.5 and 188.6 of the California Streets and Highways Code (the “Seismic Retrofit Program”) that identified State and federal sources as well as bridge tolls for funding of the program.

The Seismic Retrofit Program includes seismic upgrade work on the original Benicia-Martinez Bridge span, the east span of the Carquinez Bridge, the San Mateo-Hayward Bridge and the Richmond-San Rafael Bridge, the west span and the current east span of the San Francisco-Oakland Bay Bridge, and the replacement of the east span and the west approach of the San Francisco-Oakland Bay Bridge. The Seismic Retrofit Program was expanded by legislation effective January 1, 2010 at the request of the Authority to include the Antioch Bridge and the Dumbarton Bridge. Other Seismic Retrofit Program projects are located in southern California. All Seismic Retrofit Program project construction is administered by Caltrans.

All of the Seismic Retrofit Program projects have been completed except for the replacement of the east span of the San Francisco-Oakland Bay Bridge, which is underway, and the seismic retrofit work on the Antioch Bridge and the Dumbarton Bridge, described below.

San Francisco-Oakland Bay Bridge - East Span Replacement. The new east span is designed to be 2.2 miles long on an alignment parallel to and north of the existing east span. The existing east span will be demolished after the new east span is opened to traffic. The new east span consists of a transition off Yerba Buena Island, a self-anchored suspension bridge span, a skyway and an approach/touchdown in Oakland. Upon completion as currently planned, the self-anchored suspension bridge span will be the world’s longest single tower self-anchored suspension structure. It is designed to be approximately 2,051 feet long and approximately 525 feet high, matching the tower heights on the west span, with 8-foot diameter foundation piles that are 300 feet deep, three times deeper than the existing east span piles. The new east span will include two side-by-side bridge decks, each with five lanes plus shoulders, and a bicycle/pedestrian path.

The self-anchored suspension superstructure (“SAS”) is a major component of the replacement of the east span. The contractor has reported that fabrication of the steel tower and roadway boxes has fallen behind schedule due to the complexity of the design and fabrication. The first 12 of 28 steel roadway boxes have arrived in the Bay Area with eight already having been lifted into place. The first shipment of tower boxes is expected to arrive during the summer of 2010. Fabrication of the last roadway sections at the east end of the new span has fallen behind schedule due to delays in the fabrication drawing preparation process. While steps have been taken to ensure completion of the drawings, efforts are now focused on accelerating the fabrication of the boxes.

Absent further delays, the new east span is currently scheduled to be open for traffic in 2013. Completion of the new east span construction contracts is scheduled for 2015. Demolition of the existing east span will follow with completion expected later in 2015. However, as disclosed under “RISK FACTORS—Construction Delays and Cost Escalation,” a number of other factors could contribute to construction delays in the future, and no assurance can be given that this schedule will be achieved.

The following table sets forth the status and forecast year of completion with respect to the east span contracts.

**SEISMIC RETROFIT PROGRAM
SAN FRANCISCO-OAKLAND BAY BRIDGE
STATUS OF EAST SPAN CONTRACTS AT MARCH 31, 2010**

<u>Contract</u>	<u>Status</u>	<u>Forecast Year of Completion</u>
Skyway	Completed	--
Self Anchored Suspension (SAS) Span Marine Foundations	Completed	--
Stormwater Treatment Measures	Completed	--
Right-of-Way and Environmental Mitigation	Completed	--
SAS Superstructure	Under Construction	2013
Yerba Buena Island (YBI) Detour	Under Construction	2010
Oakland Touchdown (OTD) (an aggregate of up to 4 contracts)	Under Construction /In Design	2015
YBI Transition Structures (an aggregate of up to 3 contracts)	Under Construction /In Design	2015
Existing East Span Demolition	In Design	2015

Source: Caltrans.

East Span Funding Sources. At March 31, 2010, approximately \$4.115 billion (66%) of the \$6.199 billion estimated cost of the new east span of the San Francisco-Oakland Bay Bridge had been expended. The remaining costs will be paid by the Authority from funds derived from various sources, including bridge tolls, investment earnings, and toll bridge revenue bond proceeds.

Caltrans has implemented a risk management plan that provides for risk identification, quantification and response strategies with respect to the costs of the new east span and with respect to construction delays. Contract costs and schedules are under continuous review and are subject to change. See “Seismic Retrofit Program Status” below. Potential delays could result in an escalation of cost estimates. In addition, other construction related risks may result in additional cost beyond those estimated by Caltrans. See “RISK FACTORS—Construction Delays and Cost Escalation.”

Oversight Committee. Legislation enacted in 2005 established the Toll Bridge Program Oversight Committee (the “Oversight Committee”), which has a project oversight and project control process for the Seismic Retrofit Program projects. The Oversight Committee consists of the Director of

Caltrans, the Executive Director of the California Transportation Commission and the Executive Director of the Authority. The Oversight Committee's project oversight and control processes include, but are not limited to, reviewing bid specifications and documents, providing field staff to review ongoing costs, reviewing and approving significant change orders and claims (as determined by the Oversight Committee), and preparing project reports. All contract specifications and bid documents are developed by Caltrans and must be reviewed and approved by the Authority prior to their release. Caltrans is responsible for the award of all contracts.

Caltrans is required to provide regular reports to the Oversight Committee regarding construction status, actual expenditures, and forecasted costs and schedules. The monthly reports that are reviewed and approved by the Oversight Committee are provided to the Authority. The Oversight Committee is required to provide quarterly reports with respect to the Seismic Retrofit Program projects to the transportation and fiscal committees of both houses of the State Legislature and the California Transportation Commission. Copies of such monthly and quarterly reports may be found at the Authority's website.

Antioch Bridge and Dumbarton Bridge. Caltrans has determined that the Antioch Bridge and the Dumbarton Bridge both require seismic retrofit. Caltrans has recommended that the Antioch Bridge be retrofitted using a "no collapse" strategy and that the Dumbarton Bridge be retrofitted using an "intermediate strategy" as described under "Seismic Design Strategies for the Bridge System" below.

The work on the Antioch Bridge will consist of the installation of isolation bearings and strengthening the superstructure and substructure. The bids for the Antioch Bridge seismic retrofit were opened on March 10, 2010. The contract was awarded on April 22, 2010. The awarded contract was significantly less than the engineer's estimate for the work and has resulted in a significant cost forecast reduction. The current forecast budget for the project is \$101 million, excluding contingency. It is anticipated that the work would be completed in 2012.

The work on the Dumbarton Bridge is proposed to consist of the installation of isolation bearings and strengthening the substructure for the main span and approaches. Based on the design scope, the project cost estimate for the Dumbarton Bridge as of March 31, 2010 was approximately \$275 million. The bid opening for the Dumbarton Bridge seismic retrofit is scheduled for May 27, 2010. It is anticipated that the work would commence in 2010 and be completed in 2013.

Seismic Retrofit Program Status

The following table sets forth the program budget, expenditures and project status for the Seismic Retrofit Program projects.

SUMMARY OF SEISMIC RETROFIT PROGRAM CAPITAL PROJECTS⁽¹⁾ Program Budget and Project Status as of March 31, 2010 (\$ in millions)

Contract	Status	Current Approved Budget	Forecast Cost at Completion	Expenditures through March 31, 2010
San Francisco-Oakland Bay Bridge–East Span Retrofit and Replacement ⁽¹⁾	Under Construction	\$5,687.1	\$6,199.2	\$4,115.1
Antioch Bridge Retrofit	Under Construction	195.0	101.0	15.3
Dumbarton Bridge Retrofit	Bids Advertised	365.0	275.0	21.5
San Francisco-Oakland Bay Bridge–West Approach Replacement	Completed	467.7	456.1	445.2
San Francisco-Oakland Bay Bridge–West Span Retrofit	Completed	307.9	302.5	302.1
Richmond-San Rafael Bridge Retrofit	Completed	816.5	816.5	794.2
Benicia-Martinez Bridge Retrofit	Completed	177.8	177.8	177.8
Carquinez Bridge Retrofit	Completed	114.2	114.2	114.2
San Mateo-Hayward Bridge Retrofit	Completed	163.5	163.5	163.4
Vincent Thomas Bridge Retrofit	Completed	58.5	58.5	58.4
San Diego-Coronado Bridge Retrofit	Completed	103.5	103.5	102.6
Misc. Program Costs		30.0	30.0	24.7
Subtotal⁽²⁾		\$8,486.7	\$8,797.8	\$6,334.5
Programmatic Risk		---	78.0	---
Program Contingency		948.3	422.2	---
Total⁽²⁾		\$9,435.0	\$9,298.0	\$6,334.5

⁽¹⁾ The new bridge is forecast to open in the westbound and eastbound directions in 2013. Demolition of the existing bridge is forecast to be completed in December 2015.

⁽²⁾ Subtotals and totals may not add due to independent rounding of numbers.

Source: Caltrans.

As shown in the above table, the approved budget for the Toll Bridge Seismic Retrofit Program as of March 31, 2010 included \$948.3 million for program contingency, which recently had been

increased by \$190 million with the inclusion of the Antioch and Dumbarton Bridge retrofits into the program. The most recent expenditure forecast indicates that the budgeted program contingency is adequate. However, as disclosed under “RISK FACTORS—Construction Delays and Cost Escalation,” a number of other factors could contribute to cost increases in the future, and thus it is possible that contingent costs of the seismic retrofit program may exceed budgeted contingency amounts.

Seismic Design Strategies for the Bridge System

The criteria used to determine post-earthquake performance standards for the Bridge System were specific to each bridge and were evaluated and refined by Caltrans during planning and design. The engineering was reviewed by an independent panel of recognized experts from the private sector and academia.

Each project was designed based upon a determination of the ground motions (earthquake forces) that influence a particular bridge in the event of an earthquake. Each of these motions was defined differently for each bridge site, as the seismic hazard at each site is different (different faults, different distances, etc.).

All seven toll bridges have been designed or have been or will be retrofitted, at a minimum, to avoid a collapse if the ground motions used to design the projects were to occur at the respective sites. A decision was made in the case of each bridge as to how much should be invested beyond the “no collapse” life safety level. The design strategy selected for each bridge was based on levels of traffic use, expected useful life of the bridge, the cost of a higher earthquake performance level, and other considerations. Some bridges were designated “Lifeline Structures” for which seismic strategy incorporates designs intended to exhibit performance levels superior to those levels associated with the “no collapse” design strategy and intended to create a post-earthquake condition in which Caltrans can put the bridge back into public service relatively quickly following a seismic event. A third seismic strategy, the “intermediate strategy,” was adopted for certain bridges and is intended to provide a level of performance with an expectation of damage and closure, but with a higher performance than that of the “no collapse” strategy and a lower performance than that of the Lifeline Structure.

The following table describes the design basis and seismic strategy status for each of the Bridges.

BRIDGE DESIGN BASIS AND SEISMIC STRATEGY STATUS

Bridge	Seismic Strategy
Antioch	“No Collapse” Strategy Avoid catastrophic failure
Benicia—Martinez	Lifeline Structure Minor to moderate damage expected, reopen to traffic quickly
Carquinez	Intermediate Strategy Moderate to major damage expected
Dumbarton	Intermediate Strategy Moderate to major damage expected
Richmond—San Rafael	“No Collapse” Strategy Avoid catastrophic failure
San Francisco—Oakland (east span)⁽¹⁾	Lifeline Structure is under construction Minor to moderate damage expected, reopen to traffic quickly
San Francisco—Oakland (west span)	Lifeline Structure Minor to moderate damage expected, reopen to traffic quickly
San Mateo—Hayward	Intermediate Strategy Moderate to major damage expected

⁽¹⁾ An interim retrofit of the existing east span of the San Francisco-Oakland Bay Bridge was completed in June 2000. This interim retrofit does not result in a seismic performance level at the Lifeline Structure strategy but is designed to result in a non-collapse of the east span in the event of a moderate earthquake.

Source: Caltrans.

Caltrans’ bridge design standards are subject to ongoing review and modification as knowledge about earthquakes increases. Each of the Bridges is reevaluated as standards are improved. It is possible, however, that the design strategies employed at any given time will not perform to expectations. See “RISK FACTORS—Risk of Earthquake.”

Bridge Rehabilitation Program

In addition to the RM1 Projects, RM2 Projects and Seismic Retrofit Program projects, the Authority funds other capital rehabilitation and operational improvement projects on the Bridge System.

The Authority has developed a ten-year rehabilitation program through the fiscal year ending June 30, 2014 that funds projects designed to maintain and ensure the long-term safe operation of the Bridge System and associated toll facilities. The Authority currently anticipates funding such rehabilitation and operational improvement projects in the amount of approximately \$60 million per fiscal year.

LIQUIDITY AND CASH RESERVES

Cash Reserves

The annual budget to be submitted to the Authority’s governing board for approval for the fiscal year ending June 30, 2011 will include the establishment of a \$1 billion cash reserve, an increase from the reserve of \$600 million budgeted for the fiscal year ending June 30, 2010. As of May 1, 2010, the

Authority held cash and investments in excess of \$600 million, including the Operations and Maintenance Fund described below. The purpose of the \$1 billion cash reserve is to provide liquidity for debt service, variable costs associated with variable rate demand bonds, rehabilitation and operational improvements on the Bridges, and operating and other expenses in the event of an emergency that affects Bridge Toll Revenues. For a discussion of the Authority's cash, cash equivalents and investments as of June 30, 2009, see Note 3 on pages 48-51 of APPENDIX A—"METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009."

Operations and Maintenance Fund

The Senior Indenture provides that at the beginning of each Fiscal Year, the Authority shall deposit in its Operations and Maintenance Fund from Bridge Toll Revenues such amount as shall be necessary so that the amount on deposit in the Operations and Maintenance Fund equals two times the budgeted expenditures for the Fiscal Year for Caltrans' operation and maintenance of toll facilities on the Bridges, including, but not limited to, toll collection costs, including wages and salaries. The principal amount held in the Operations and Maintenance Fund is to be used and withdrawn by the Authority solely to pay such expenses and is not pledged to the payment of the Authority's Secured Obligations. Interest and other income from the investment of money in the Operations and Maintenance Fund is pledged to the payment of the Authority's Secured Obligations. The Authority certified to the Senior Indenture Trustee as of July 1, 2009 that the balance in the Operations and Maintenance Fund as of that date was approximately \$150 million. See "THE BRIDGE SYSTEM—Bridge System Operations and Maintenance."

The Senior Indenture also provides that in the event that Bridge Toll Revenues on deposit in the Bay Area Toll Account are not sufficient at the beginning of any Fiscal Year to enable the Authority to make the transfer described above at the beginning of such Fiscal Year, the Authority shall not be required to make such transfer for such Fiscal Year and failure of the Authority to make such transfer shall not constitute an event of default under the Senior Indenture for as long as the Authority shall punctually pay the principal of and interest on the Senior Bonds as they become due and observe and comply with the toll rate covenants in the Senior Indenture. The Subordinate Indenture does not require the Operations and Maintenance Fund to be funded. See "SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS—Certain Provisions of the Senior Indenture—Toll Rate Covenants" and APPENDIX B—"DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE—THE SENIOR INDENTURE—Covenants of the Authority."

Investment Portfolio

Funds of the Authority are invested with other funds of MTC pursuant to an investment policy adopted by MTC, which permits the Authority to invest in some (but not all) of the types of securities authorized by State law for the investment of funds of local agencies (California Government Code Section 53600 et seq.) The securities in which the Authority currently is authorized to invest include United States treasury notes, bonds and bills, bonds, notes, bills, warrants and obligations issued by agencies of the United States, bankers acceptances, corporate commercial paper of prime quality, negotiable certificates of deposit, medium term corporate notes, shares of beneficial interest in diversified management companies (mutual funds), the State's local agency investment fund, the Alameda County local agency investment fund, collateralized repurchase agreements, and other securities authorized under State law as appropriate for public fund investments and not specifically prohibited by the investment policy. The investment policy (which is subject to change in the future) does not allow investment in reverse repurchase agreements, financial futures, option contracts, mortgage interest strips, inverse floaters or securities lending or any investment that fails to meet the credit or portfolio limits of the investment policy at the time of investment.

Funds held by a trustee under the Authority's toll bridge revenue bond indentures are to be invested by the trustee in specified types of investments in accordance with instructions from the Authority. The instructions from the Authority currently restrict those investments to investments permitted by the investment policy adopted by MTC described above (except that the trustee is permitted to invest a greater percentage of funds in mutual funds and a single mutual fund than the investment policy would otherwise permit).

The Authority's primary investment strategy is to purchase investments with the intent to hold them to maturity. However, the Authority may sell an investment prior to maturity to avoid losses to the Authority resulting from further erosion of the market value of such investment or to meet operation or project liquidity needs.

As explained in Notes 1.S and 5, starting on pages 46 and 57, respectively, of APPENDIX A—"METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009," the Authority's investment income for Fiscal Year 2008-2009 was comprised of interest income from investments and changes in the fair market value of certain interest rate swaps that were hedges for variable rate demand bonds that were refunded and that no longer had an underlying bond to hedge. This resulted in a non-cash derivative investment charge of \$38,719,155. The Authority's Senior Indenture and Subordinate Indenture do not require the Authority to take that non-cash charge into account in calculating Revenue or for purposes of the additional bonds tests and the rate covenants described under "SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS." For more information regarding the investment policy and portfolio of MTC and the Authority, including a discussion of certain deposit and investment risk factors, see Note 1.H and Note 3.A, starting at page 41 and page 48, respectively, of APPENDIX A—"METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009." The most current supplement hereto is expected to contain updated information concerning the investments in the investment portfolio of MTC and the Authority.

HISTORICAL REVENUE AND DEBT SERVICE COVERAGE

The following table sets forth Bridge System historical revenue and debt service coverage for the five fiscal years ended June 30, 2009. Information in the table is intended to provide potential investors with information about revenues and gross debt service coverage. The presentation is not prepared in accordance with generally accepted accounting principles and could differ from comparable presentations by other similar organizations. This table does not calculate coverage ratio covenants or additional bonds tests that are discussed under “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS” and in APPENDIX B—“DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE” and APPENDIX C—“DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE.”

BRIDGE SYSTEM Historical Revenue and Debt Service Coverage (\$ in thousands)

Fiscal Year Ended June 30,	2005	2006	2007	2008	2009
Revenue					
Bridge Toll Revenues	\$248,141	\$280,277 ⁽¹⁾	\$422,355	\$477,377	\$470,136
Interest Earnings	21,235	44,060	96,415	116,134	38,740 ⁽³⁾
Other Revenues ⁽²⁾	4,090	9,657	5,989	14,309	18,088
Total Revenue Under Senior Indenture	\$273,466	\$333,994	\$524,759	\$607,820	\$526,964
Debt Service on Senior Bonds and Parity Obligations	\$35,374	\$68,931	\$161,144	\$234,479	\$238,607
Gross Senior Debt Service Coverage	7.73x	4.85x	3.26x	2.59x	2.21x

⁽¹⁾ Does not include seismic surcharge revenue until May 2006, following the defeasance of certain obligations to which the seismic surcharge was pledged.

⁽²⁾ Consists of, among other things, violation revenues. Includes \$1.26 million of transfers from MTC for the fiscal year ended June 30, 2009 relating to a Transit Cooperative Research Program grant.

⁽³⁾ Does not reflect non-cash derivative investment charge of \$38,719,155 that does not reduce Revenue for purposes of the Master Indenture or the Subordinate Indenture. See “LIQUIDITY AND CASH RESERVES—Investment Portfolio” and Notes 1.S and 5, starting on pages 46 and 57, respectively, of APPENDIX A—“METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009.”

Source: The Authority.

SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS

As of May 1, 2010, the Authority had Senior Bonds outstanding in the aggregate principal amount of \$5,595,125,000, comprised of \$1,457,760,000 aggregate principal amount of variable rate demand bonds and \$4,137,365,000 aggregate principal amount of fixed rate bonds. In April 2010, the Authority’s governing board authorized the issuance of fixed interest rate Subordinate Bonds in 2010 as toll bridge revenue bonds in the aggregate principal amount of up to \$4 billion. Additional toll bridge revenue bonds may be issued in the future as either Senior Obligations or Subordinate Obligations (subject to the requirements of and limitations in the Senior Indenture or the Subordinate Indenture, described below).

Senior Bonds and obligations of the Authority that are payable on a parity with the Senior Bonds are “Senior Obligations.” Senior Obligations consist of the Senior Bonds and amounts due as regularly

scheduled payments under the Authority's Qualified Swap Agreements described under "OTHER AUTHORITY OBLIGATIONS—Qualified Swap Agreements." Senior Obligations also include any amounts due for Reserve Facility Costs, which are amounts to repay draws under surety bonds or insurance policies held in the reserve fund for Senior Bonds.

Subordinate Bonds and obligations of the Authority that are payable on a parity with the Subordinate Bonds are "Subordinate Obligations." As of the date of this Information Statement, there are no Subordinate Obligations outstanding. Subordinate Obligations will be outstanding following the planned issuance of Subordinate Bonds in 2010. In addition, if the Authority were to become obligated to make termination payments under the Authority's Qualified Swap Agreements described below, those obligations would be Subordinate Obligations.

See APPENDIX B—"DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE" and APPENDIX C—"DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE" for further information about the security for the Senior Bonds and the Subordinate Bonds.

Statutory Lien on Bridge Toll Revenues

The Act imposes a statutory lien upon all Bridge Toll Revenues in favor of the holders of the Authority's toll bridge revenue bonds and in favor of any provider of credit enhancement for those bonds. Bridge Toll Revenues include all tolls and all other income, including penalties for violations, allocated to the Authority pursuant to the Act derived from the Bridge System and not limited or restricted to a specific purpose. The statutory lien is subject to expenditures for operation and maintenance of the Bridges, including toll collection, unless those expenditures are otherwise provided for by statute. See "THE BRIDGE SYSTEM—Bridge System Operations and Maintenance" and "LIQUIDITY AND CASH RESERVES—Operations and Maintenance Fund," APPENDIX B—"DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE" and APPENDIX C—"DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE."

Pledge by the State

Pursuant to Section 30963 of the Act, the State has pledged and agreed with the holders of toll bridge revenue bonds and those parties who may enter into contracts with the Authority pursuant to the Act, that the State will not limit, alter, or restrict the rights vested by the Act in the Authority to finance the toll bridge improvements authorized by the Act. The State has further agreed not to impair the terms of any agreements made with the holders of the toll bridge revenue bonds and with parties who may enter into contracts with the Authority pursuant to the Act and has pledged and agreed not to impair the rights or remedies of the holders of any toll bridge revenue bonds or any such parties until the toll bridge revenue bonds, together with interest, are fully paid and discharged and any contracts are fully performed on the part of the Authority.

Certain Provisions of the Senior Indenture

The Senior Indenture provides that Senior Obligations are payable from and secured by "Revenue," which consists of tolls paid by vehicles using the seven Bridges in the Bridge System (including income from penalties for toll violations), interest earnings on the Bay Area Toll Account and all other funds held by the Authority, interest earnings on fund balances held under the Senior Indenture, payments received under interest rate swap agreements, and interest subsidy payments received from the federal government on account of the issuance of Senior Bonds as Build America Bonds. Senior Obligations are also secured by and payable from all amounts (including the proceeds of Senior Bonds) held by the Senior Indenture Trustee (except amounts on deposit to be used to make rebate payments to the federal government and amounts on deposit to be used to provide liquidity support for variable rate demand Senior Bonds). The pledge securing Senior Obligations is irrevocable until all Senior

Obligations are no longer outstanding.

Authority for Issuance of Senior Bonds. The Senior Indenture permits Senior Bonds to be issued pursuant to the Act for the purpose of toll bridge program capital improvements and for the purpose of refunding Senior Bonds and other Senior Obligations.

Transfers of Revenue. Under the Act, all Bridge Toll Revenues are required to be deposited into the Bay Area Toll Account held by the Authority. The Senior Indenture requires the Authority to transfer to the Senior Indenture Trustee, from the Bay Area Toll Account, Revenue sufficient to make payments on all Senior Obligations not later than three Business Days prior to their due dates.

Revenue so received from the Authority by the Senior Indenture Trustee is required by the Senior Indenture to be deposited in trust in the Bond Fund under the Senior Indenture. All Revenue held in that Bond Fund is to be held, applied, used and withdrawn only as provided in the Senior Indenture.

The Subordinate Indenture Trustee will be instructed by the Authority to transfer to the Senior Indenture Trustee any Revenue (as defined in the Senior Indenture) on deposit in the Bond Fund held by the Subordinate Indenture Trustee to the extent that there is any shortfall in amounts needed to make timely payments of principal, interest, and premium, if any, on Senior Obligations or to replenish the reserve fund for the Senior Bonds. Any such transfer to the Senior Indenture Trustee will not include proceeds of Subordinate Bonds, amounts attributable to interest subsidy payments received from the federal government on account of the issuance of Subordinate Bonds as Build America Bonds or any amounts attributable to a reserve account for Subordinate Bonds. The Senior Indenture Trustee will be instructed by the Authority to transfer to the Subordinate Indenture Trustee any amounts on deposit in the Fees and Expenses Fund under the Senior Indenture to the extent that there is any shortfall in the Bond Fund under the Subordinate Indenture of amounts needed to make timely payments of principal, interest, and premium, if any, on Subordinate Obligations and to replenish the reserve fund for the Subordinate Bonds, provided that no such transfer is to be made to the extent there is also a concurrent shortfall in the Bond Fund or reserve fund under the Senior Indenture. The Authority will instruct each trustee to notify the other trustee on the third Business Day preceding each principal or interest payment date of the need for such a transfer and to request such transfer on the second Business Day preceding each such payment date.

Toll Rate Covenants. The Authority covenants in the Senior Indenture that it will at all times establish and maintain tolls on the Bridge System at rates sufficient to pay debt service on all Senior Obligations, to pay certain toll operations expenditures (defined in the Senior Indenture as “Category B” maintenance expenditures) and to otherwise comply with the Act.

The Authority also has covenanted in the Senior Indenture to compute coverage ratios specified in the Senior Indenture on an annual basis within ten Business Days after the beginning of each Fiscal Year and to increase tolls if any of the ratios is less than the required level. See APPENDIX B—“DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE—THE SENIOR INDENTURE—Toll Rate Covenants”

The Authority’s calculations as of June 30, 2008 and as of June 30, 2009 both show that the resulting ratios did not require the Authority to increase tolls. See Schedule 12 at page 98 in the Other Supplementary Information of APPENDIX A—“METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009.”

Additional Bonds Test. Additional Senior Obligations may be issued under the Senior Indenture only if at least one of the following is true immediately following the issuance of such additional Senior Obligations:

- (a) the additional Senior Obligations are issued for refunding purposes to provide funds for the payment of any or all of the following: (1) the principal or redemption price of the Senior Obligations to be refunded; (2) all expenses incident to the calling, retiring or paying of such Senior Obligations and the Costs of Issuance of such refunding Senior Obligations; (3) interest on all Senior Obligations to be refunded to the date such Senior Obligations will be called for redemption or paid at maturity; and (4) interest on the refunding Senior Obligations from the date thereof to the date of payment or redemption of the Senior Obligations to be refunded; or
- (b) the governing board of the Authority determines that one of the following is true: (1) the ratio of (A) Net Revenue for the most recent Fiscal Year for which audited financial statements are available to (B) Maximum Annual Debt Service on the Senior Obligations, calculated as of the date of sale of, and including such additional Senior Obligations, will not be less than 1.50:1; or (2) the ratio of (A) Net Revenue projected by the Authority for each of the next three Fiscal Years, including in such projections amounts projected to be received from any adopted toll increase or planned openings of an additional Bridge, to (B) Maximum Annual Debt Service on the Senior Obligations, calculated as of the date of sale of and including such additional Senior Obligations, will not be less than 1.50:1.

The Senior Indenture includes definitions of Net Revenue and Maximum Annual Debt Service and other requirements for the issuance of additional Senior Obligations. See APPENDIX B—“DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE—THE SENIOR INDENTURE—Additional Senior Bonds; Subordinate Obligations.”

Reserve Fund. The Reserve Fund established pursuant to the Senior Indenture is solely for the purpose of paying principal of and interest on the Senior Bonds when due when insufficient moneys for such payment are on deposit in the Principal Account and the Interest Account under the Senior Indenture. See APPENDIX B—“DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE—THE SENIOR INDENTURE—Funds and Accounts—Establishment and Application of the Reserve Fund.”

The balance in the Reserve Fund is required by the Senior Indenture to equal or exceed the “Reserve Requirement” (defined in the Senior Indenture). At May 1, 2010, the Reserve Requirement was approximately \$345,275,000, and cash and investments aggregating at least that amount were held in the Reserve Fund. See APPENDIX B—“DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE—DEFINITIONS.”

The Senior Indenture Trustee is to draw on the Reserve Fund to the extent necessary to fund any shortfall in the Interest Account or the Principal Account. The Authority is to replenish amounts drawn from the Reserve Fund by making monthly transfers to the Senior Indenture Trustee equal to one-twelfth (1/12th) of the initial aggregate amount of the deficiency in the Reserve Fund. See APPENDIX B—“DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE—THE SENIOR INDENTURE—Funds and Accounts—Establishment and Application of the Reserve Fund” and “—Funding of the Reserve Fund.”

Build America Bonds Federal Interest Subsidy Payments. The Authority has issued Senior Bonds and may issue additional Senior Bonds as taxable Build America Bonds under, and as defined in, the federal American Recovery and Reinvestment Act of 2009 (the “Recovery Act”). Under the Recovery Act, issuers of qualified Build America Bonds may elect to receive from the federal

government interest subsidy payments equal to 35% of the amount of interest paid by the issuer on the Build America Bonds. Such payments to the Authority on account of Senior Bonds constitute Revenue under the Senior Indenture. See “RISK FACTORS – Risk of Non-Payment of Direct Subsidy Payments.” The Authority desires to treat such subsidy payments as an offset against interest paid on the Build America Bonds for purposes of the additional bonds test and the rate covenants in the Senior Indenture. To clarify this result under the Indenture, the Authority proposes to amend the definition of “Annual Debt Service” in the Senior Indenture by adding the following at the end of such definition:

“(xii) if any of the Bonds are, or upon issuance will be, Bonds for which the Authority is entitled to receive interest rate subsidy payments from the federal government (including, without limitation, subsidy payments on account of the issuance of Build America Bonds pursuant to the federal American Recovery and Reinvestment Act of 2009), as evidenced by an opinion of Bond Counsel delivered at the time of issuance of such Bonds, the Bonds shall be treated as bearing an interest rate equal to the rate of interest borne by the Bonds for the period of determination minus the federal interest rate subsidy payments to which the Authority is entitled for that period if the Authority irrevocably directs that those federal interest rate subsidy payments be made directly to the Trustee for the payment of interest on Bonds pursuant to this Indenture.”

The proposed amendment would have the effect of permitting the Authority to treat such subsidy payments as an offset against interest paid on the Senior Bonds for purposes of the rate covenants and additional bonds tests described above under “Toll Rate Covenants” and “Additional Bonds Test.” Upon the effective date of such amendment, Subsidy Payments would be excluded from Net Revenue for purposes of such covenants and tests.

The proposed amendment will be effective upon receipt by the Authority of consents to the amendment from holders of a majority of the aggregate principal amount of the outstanding Senior Bonds as required by the Indenture. Consents have been received from approximately 44% of the outstanding Senior Bonds. Consents also have been received from the Authority’s liquidity support providers and interest rate swap counterparties. See APPENDIX B—“DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE.” No assurance can be given as to when or whether the requisite consents will be received. The Authority has covenanted to file a continuing disclosure notice upon the effective date of the proposed amendment.

Special Obligations. The Senior Bonds are special obligations of the Authority payable, as to interest thereon and principal thereof, solely from Revenue as defined and provided in the Senior Indenture, and the Authority is not obligated to pay them except from Revenue. The Senior Bonds do not constitute a debt or liability of the State, the Metropolitan Transportation Commission or any other political subdivision of the State other than the Authority, or a pledge of the full faith and credit of the State or of any political subdivision of the State.

Certain Provisions of the Subordinate Indenture

The Subordinate Indenture provides that Subordinate Obligations are payable from and secured by a subordinate pledge of the Revenue and other amounts pledged to the Senior Obligations as described above under “Certain Provisions of the Senior Indenture” (other than amounts held in the reserve fund for Senior Bonds, other proceeds of Senior Bonds, and interest subsidy payments received from the federal government on account of the issuance of Senior Bonds as Build America Bonds). In addition, Subordinate Obligations are payable from and secured by interest earnings on fund balances held under the Subordinate Indenture, interest subsidy payments received from the federal government on account of the issuance of Subordinate Bonds as Build America Bonds, and all amounts (including the proceeds of Subordinate Bonds) held by the Subordinate Indenture Trustee (except amounts on deposit to be used to

make rebate payments to the federal government and amounts on deposit to be used to provide liquidity support for variable rate demand Subordinate Bonds). The pledge securing Subordinate Obligations is irrevocable until all Subordinate Obligations are no longer outstanding.

Authority for Issuance of Subordinate Bonds. The Subordinate Indenture permits Subordinate Bonds to be issued pursuant to the Act to finance the construction, improvement and equipping of the Bridge System and for any of the other purposes authorized by the Act, including refunding Senior Obligations, Subordinate Bonds and other Subordinate Obligations.

Transfers of Revenue. Under the Act, all Bridge Toll Revenues are required to be deposited into the Bay Area Toll Account held by the Authority. The Subordinate Indenture requires the Authority to transfer to the Subordinate Indenture Trustee, from the Bay Area Toll Account, Revenue sufficient to make payments on all Subordinate Obligations not later than three Business Days prior to their due dates.

Revenue so received from the Authority by the Subordinate Indenture Trustee is required by the Subordinate Indenture to be deposited in trust in the Bond Fund under the Subordinate Indenture. All Revenue held in that Bond Fund is to be held, applied, used and withdrawn only as provided in the Subordinate Indenture.

The Subordinate Indenture Trustee will be instructed by the Authority to transfer to the Senior Indenture Trustee any Revenue (as defined in the Senior Indenture) on deposit in the Bond Fund held by the Subordinate Indenture Trustee to the extent that there is any shortfall in amounts needed to make timely payments of principal, interest, and premium, if any, on Senior Obligations or to replenish the reserve fund for the Senior Bonds. Any such transfer to the Senior Indenture Trustee will not include proceeds of Subordinate Bonds, amounts attributable to interest subsidy payments received from the federal government on account of the issuance of Subordinate Bonds as Build America Bonds or any amounts attributable to a reserve account for Subordinate Bonds. The Senior Indenture Trustee will be instructed by the Authority to transfer to the Subordinate Indenture Trustee any amounts on deposit in the Fees and Expenses Fund under the Senior Indenture to the extent that there is any shortfall in the Bond Fund under the Subordinate Indenture of amounts needed to make timely payments of principal, interest, and premium, if any, on Subordinate Obligations and to replenish the reserve fund for the Subordinate Bonds, provided that no such transfer is to be made to the extent there is also a concurrent shortfall in the Bond Fund or reserve fund under the Senior Indenture. The Authority will instruct each trustee to notify the other trustee on the third Business Day preceding each principal or interest payment date of the need for such a transfer and to request such transfer on the second Business Day preceding each such payment date.

Toll Rate Covenant. The Authority covenants in the Subordinate Indenture that it will at all times establish and maintain tolls on the Bridge System at rates projected by it to generate sufficient Revenue (as defined in the Subordinate Indenture) to pay, as and when due, amounts due on all Senior Bonds and other Senior Obligations, Subordinate Bonds and other Subordinate Obligations, Maintenance and Operation Expenses, and other obligations of the Authority, and to otherwise comply with the Act.

The Authority also has covenanted in the Subordinate Indenture to compute the debt service coverage ratio specified in the Subordinate Indenture on an annual basis within ten Business Days after the beginning of each Fiscal Year and to take such action as promptly as practicable thereafter (including, without limitation, increasing Bridge Toll Revenues through toll increases) as the Authority projects is necessary to cause the projected debt service coverage ratio for that Fiscal Year to equal or exceed 1.20:1. See APPENDIX C—“DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE—THE SUBORDINATE INDENTURE—Covenants of the Authority—Revenue Covenants.”

Additional Bonds Test. Subsequent to the initial issuance of Subordinate Bonds pursuant to the Subordinate Indenture, additional Subordinate Bonds (or additional Obligations payable on a parity with Subordinate Bonds) may be issued under the Subordinate Indenture only if the requirements of (a) or (b) below are met:

- (a) the Subordinate Obligations are issued for refunding purposes to provide funds for the payment of any or all of the following: (1) the principal or redemption price of the Subordinate Obligations or Senior Obligations to be refunded; (2) all expenses incident to the calling, retiring or paying of such Subordinate Obligations or Senior Obligations, the Costs of Issuance of such refunding Subordinate Obligations, and any termination payments or other payments to the holders of obligations of the Authority entered into pursuant to California Government Code section 5922 (or any similar statute) related to such Subordinate Obligations or Senior Obligations; (3) interest on all Subordinate Obligations or Senior Obligations to be refunded to the date such Subordinate Obligations or Senior Obligations will be called for redemption or paid at maturity; and (4) interest on the refunding Subordinate Obligations from the date thereof to the date of payment or redemption of the Subordinate Obligations or Senior Obligations to be refunded; or
- (b) an Authorized Representative determines and certifies, as of the date of issuance of the additional Subordinate Obligations, that either: (1) the ratio of (A) Available Revenue for the most recent Fiscal Year for which audited financial statements are available to (B) Maximum Annual Debt Service (defined in the Subordinate Indenture to include debt service on all Senior Obligations and Subordinate Obligations), calculated as of the date of sale of, and including such Subordinate Obligations, will not be less than 1.20:1; or (2) the ratio of (A) projected Available Revenue for each of three consecutive Fiscal Years (beginning with the current Fiscal Year or the Fiscal Year after the current Fiscal Year) to (B) Debt Service, calculated as of the date of sale of, and including, such Bonds or Parity Obligations, for each such Fiscal Year, will not be less than 1.20:1, and of (X) projected Available Revenue for the third such consecutive Fiscal Year to (Y) Maximum Annual Debt Service, calculated as of the date of sale of, and including, such Bonds or Parity Obligations, will not be less than 1.20:1. In calculating projected Available Revenue, the Authority will take into account amounts projected to be received from any adopted toll increase or increases and any additional Bay Area Bridge or Bridges

The Subordinate Indenture includes definitions of Available Revenue, Debt Service, and Maximum Annual Debt Service and other requirements for the issuance of additional Subordinate Obligations. See APPENDIX C—“DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE—Additional Subordinate Bonds.”

Pursuant to the Subordinate Indenture, at such time as the Authority determines to issue additional Subordinate Bonds, the Authority shall, in addition to fulfilling the requirements of the Subordinate Indenture described above, file with the Subordinate Trustee (a) a certificate of the Authority stating that no Event of Default specified in the Subordinate Indenture has occurred and is then continuing; (b) a certificate of the Authority stating that the requirements described above have been satisfied; (c) such amount, in cash or in the form of a Reserve Facility, as shall equal the Reserve Requirement, if any, for such Series of Subordinate Bonds for deposit in the Reserve Fund established pursuant to the Subordinate Indenture; and (d) an Opinion of Bond Counsel to the effect that the Supplemental Subordinate Indenture creating such Series of Subordinate Bonds has been duly executed and delivered by the Authority in accordance with the Subordinate Indenture and that such Series of Subordinate Bonds, when duly executed by the Authority and authenticated and delivered by the Subordinate Trustee, will be valid and binding obligations of the Authority.

Reserve Fund. Subordinate Bonds may be issued with or without a Reserve Requirement. The Authority will decide at the time of issuance of a series of Subordinate Bonds whether to establish a Reserve Requirement for that series and the amount of the Reserve Requirement. On the date of issuance of any series of Subordinate Bonds that has a Reserve Requirement, the Reserve Requirement will be deposited in the Reserve Account established under the Subordinate Indenture for those bonds. Alternatively, the Authority may decide to establish a pooled Reserve Requirement for that series of Subordinate Bonds and any one or more subsequently issued series of Subordinate Bonds with the same pooled Reserve Requirement, in which case an amount necessary to bring the amount on deposit in the pooled Reserve Account to such pooled Reserve Requirement will be deposited in the pooled Reserve Account established under the Subordinate Indenture.

Money in an account in the Reserve Fund shall be used and withdrawn by the Subordinate Indenture Trustee solely for the purpose of paying principal of and interest on the Subordinate Bonds for which such account is held when such principal and interest are due if insufficient moneys for the payment thereof are on deposit with the Subordinate Indenture Trustee. The Authority is to replenish amounts drawn from the Reserve Fund by making monthly transfers to the Subordinate Indenture Trustee equal to one-twelfth (1/12th) of the aggregate amount of the deficiency in the Reserve Fund. See APPENDIX C—“DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE—Funds and Accounts—Establishment and Application of the Reserve Fund” and “—Funding of the Reserve Fund.”

Build America Bonds Federal Interest Subsidy Payments. Under the Subordinate Indenture, federal interest rate subsidy payments received on account of Senior Bonds or Subordinate Bonds may be treated as an offset against interest paid on those bonds for purposes of the additional bonds test and the rate covenants in the Subordinate Indenture described above under “Toll Rate Covenants” and “Additional Bonds Test.” Subsidy payments to the Authority on account of Subordinate Bonds are required to be made directly to the Subordinate Indenture Trustee for the payment of debt service on Subordinate Bonds and are part of the Revenue pledged to the payment of Subordinate Obligations under the Subordinate Indenture. See “RISK FACTORS – Risk of Non-Payment of Direct Subsidy Payments” and APPENDIX C—“DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE INDENTURE.”

Special Obligations. The Subordinate Bonds are special obligations of the Authority payable, as to interest thereon and principal thereof, solely from Revenue as defined and provided in the Subordinate Indenture, and the Authority is not obligated to pay them except from Revenue. The Subordinate Bonds do not constitute a debt or liability of the State, the Metropolitan Transportation Commission or any other political subdivision of the State other than the Authority, or a pledge of the full faith and credit of the State or of any political subdivision of the State.

OTHER AUTHORITY OBLIGATIONS

Standby Bond Purchase Agreements

As of May 1, 2010, the Authority has three Standby Bond Purchase Agreements with various banks under which banks have agreed (subject to conditions specified in the agreements) to purchase the Authority’s Senior Bonds that are variable rate demand bonds and that are tendered for purchase and are not successfully remarketed. Senior Bonds so held by the banks will continue to be Senior Bonds under the Senior Indenture payable on a parity basis with other Senior Bonds. Under the current Standby Bond Purchase Agreements, fees and other payments due to the Banks are subordinate to Senior Obligations and Subordinate Obligations and are payable from the Fees and Expenses Fund held by the Senior Indenture Trustee. The Authority’s obligation to pay interest on Credit Provider Bonds evidencing the Authority’s obligation to pay amounts advanced under the Standby Bond Purchase Agreements can be as

high as 15% per annum. In addition, the amortization period applicable to Credit Provider Bonds may be accelerated under certain circumstances. The Standby Bond Purchase Agreements are not a source of funds for the payment of the principal of or interest on the Senior Bonds.

JPMorgan Chase Bank, National Association is the agent for all of the liquidity providers under the Standby Bond Purchase Agreements.

The first Standby Bond Purchase Agreement is dated as of June 1, 2008 and provides liquidity support until June 3, 2011 for the Authority's Variable Rate Demand Bonds, 2008 Series B 1, 2008 Series C-1, 2008 Series D-1, 2008 Series E-1 and 2008 Series G-1. The liquidity providers are Bank of America, N.A. and BNP Paribas, acting through its San Francisco branch.

The second Standby Bond Purchase Agreement is dated as of August 1, 2008 and provides liquidity support until August 26, 2011 for the Authority's Variable Rate Demand Bonds, 2001 Series A, 2006 Series C-1, 2006 Series C-2, 2006 Series C-3, 2006 Series C-4 and 2007 Series E-3. The Liquidity Providers are Bank of America, N.A., Bayerische Landesbank, acting through its New York Branch, California Public Employees' Retirement System and Lloyds TSB Bank plc, acting through its New York Branch.

The third Standby Bond Purchase Agreement is dated as of August 20, 2009 and provides liquidity support until June 3, 2011 for the Authority's Variable Rate Demand Bonds, 2007 Series A-1, 2007 Series C-1, 2007 Series G-1, 2007 Series A-2, 2007 Series B-2, 2007 Series C-2, 2007 Series D-2 and 2008 Series A-1. The Liquidity Providers are Bank of America, N.A., JPMorgan Chase Bank, National Association and Union Bank, N.A.

Qualified Swap Agreements

The Authority has entered into Qualified Swap Agreements that as of May 1, 2010 had an aggregate notional amount of \$2,265,700,000, of which \$1,710,000,000 are agreements pursuant to which the Authority pays a fixed rate and receives a variable rate based on an index and of which \$555,700,000 are agreements pursuant to which the Authority pays a variable rate based on an index and receives a fixed rate. The governing board of the Authority has authorized the amendment, restructuring, and termination of existing Qualified Swap Agreements under which the Authority pays a fixed rate and receives a variable rate, and the governing board has authorized the Authority to enter into additional Qualified Swap Agreements pursuant to which the Authority will pay a variable rate and receive a fixed rate.

For a discussion of the Authority's outstanding interest rate swap agreements as of June 30, 2009, see "Note 5—Derivative Instruments" and "—Objective and Terms of Hedging Derivative Instruments" on pages 62-70, and Schedules 15 through 19 on pages 104-108, of APPENDIX A—"METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009." The Qualified Swap Agreements may terminate upon the occurrence of certain events. In the event a Qualified Swap Agreement is terminated, a termination payment will be payable by either the Authority or the Swap Provider depending on market conditions and the specific provisions of the Qualified Swap Agreement. Any such termination payment payable by the Authority could be substantial. Termination payments payable pursuant to Qualified Swap Agreements are payable on a parity with the Subordinate Bonds and constitute "Parity Obligations" under the Subordinate Indenture. The Authority may amend existing Qualified Swap Agreements to provide for different counterparties.

In July 2009, the Authority terminated \$1,073,605,000 notional amount of interest rate swap agreements with Ambac Financial Services, LLC ("AFS"), a subsidiary of Ambac Assurance Corporation ("Ambac") on account of downgrades to the credit ratings of Ambac. The interest rate swap agreements (under which the Authority paid a fixed rate to AFS and received a variable rate) were entered into to turn variable rate bonds of the Authority into synthetic fixed rate debt. The termination of the interest rate

swap agreements, coupled with the issuance of the Series 2009F-1 Bonds on August 20, 2009 and redemption of \$776,405,000 of outstanding variable rate bonds, replaced a portion of the Authority's synthetic fixed rate debt with actual fixed rate debt. The Authority made termination payments to AFS totaling approximately \$105,000,000 in July 2009. AFS subsequently filed suit against the Authority in federal court in New York seeking damages in excess of \$50,000,000 alleging that the Authority paid AFS less than the amount due AFS as termination payments. The Authority believes that it paid AFS the full amount due AFS in accordance with the interest rate swap agreements. The litigation will not have a material impact on the Authority's financial position.

Further Subordinated Obligations

The Authority may issue or incur obligations that would be payable out of Revenue on a basis junior and subordinate to the payment of the principal, interest and reserve fund requirements for the Subordinate Obligations. Other than fees and other payments due to the Banks, the Authority had no such obligations outstanding as of the date of this Information Statement. Such obligations could consist of toll bridge revenue bonds or payment obligations under liquidity or credit agreements or interest rate swap agreements.

REGIONAL EXPRESS LANES LEGISLATION

Legislation (Assembly Bill 744) is pending in the State legislature under which the Authority would be authorized to develop, administer, operate and maintain a multi-county, high-occupancy toll lane network in the Bay Area. The bill was approved by the Assembly in 2009 but was not adopted by the Senate. Neither the Authority nor MTC is pursuing the enactment of this legislation.

RISK FACTORS

The primary source of payment for the Authority's toll bridge revenue bonds is the Authority's bridge toll revenues. The level of bridge toll revenues collected at any time is dependent upon the level of traffic on the Bridge System, which, in turn, is related to several factors, including without limitation, the factors indicated below.

Risk of Faulty Forecast

The levels of traffic assumed and toll revenue projected are based solely upon estimates and assumptions made by the Authority. Actual levels of traffic and toll revenue will differ, and may differ materially, from the levels projected. Actual interest earnings, debt service interest rates, swap revenues and operations and maintenance expenses could also differ from the forecast.

Risk of Earthquake

The Bay Area's historical level of seismic activity and the proximity of the Bridge System 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 destroy or render unusable for a period of time one or more of the Bridges, their highway approaches or connected traffic corridors, thereby interrupting the collection of bridge toll revenues for an undetermined period of time.

An earthquake originating outside the immediate Bay Area could have an impact on Bridge System operations and bridge toll revenues. On October 17, 1989, the 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. The Loma Prieta earthquake caused damage to the east span of the San Francisco-Oakland Bay Bridge and adjacent highways.

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 at any time in any part of the Bay Area. An earthquake of such magnitude with an epicenter in sufficiently close proximity to the San Francisco-Oakland Bay Bridge occurring prior to completion of the Seismic Retrofit Program would likely result in substantial damage.

The Seismic Retrofit Program is specifically intended to mitigate the risk of major damage to the Bridges due to seismic activity by enhancing the structural integrity of the Bridges to accommodate ground motions along the various identified faults with return periods of between 1,000 and 2,000 years. However, Caltrans currently estimates that the Seismic Retrofit Program will not be fully completed until 2014. See “CAPITAL PROJECTS AND FUNDING—Seismic Retrofit Program Capital Projects.” Furthermore, the completion of the Seismic Retrofit Program will not insure that one or more of the Bridges or their highway approach routes would not be damaged, destroyed or rendered unusable for a period of time in the event of a single earthquake or a combination of earthquakes.

When large seismic events have occurred in the past, Caltrans has demonstrated an ability to quickly repair bridge structures and reestablish traffic flows. As a consequence of the 1989 Loma Prieta earthquake, the San Francisco-Oakland Bay Bridge suffered collapse of a section of the bridge’s east span upper deck. Within 30 days, two replacement deck sections were designed, ordered, fabricated, delivered and installed as part of a \$8.6 million construction project. With the completion of the Seismic Retrofit Program, the need for repairs of this magnitude is expected to be greatly reduced, especially on the San Francisco-Oakland Bay Bridge and the Benicia-Martinez Bridge, both of which will be strengthened to the higher Lifeline Structure criteria. See “CAPITAL PROJECTS AND FUNDING— Seismic Design Strategies for the Bridge System.” However, the actual damage caused by a future seismic event could vary substantially from expectations or past experience.

Other Force Majeure Events

Operation of the Bridge System and collection of bridge tolls 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 Authority cannot predict the potential impact of such events on the financial condition of the Authority or on the Authority’s ability to pay the principal of and interest on the Authority’s toll bridge revenue bonds as and when due.

Threats and Acts of Terrorism

Caltrans and law enforcement authorities have undertaken security measures in an effort to reduce the probability that the Bridges could be attacked by terrorists. However, such measures are not guaranteed to prevent an attack on the Bridges. The Authority cannot predict the likelihood of a terrorist attack on any of the Bridges or the extent of damage or vehicle traffic disruption that might result from an attack. The Bridges are not insured against terrorist attack.

No Insurance Coverage

No business interruption insurance or any other commercially available insurance coverage is currently maintained by the Authority or Caltrans with respect to damage to or loss of use of any of the Bridges. However, pursuant to the Cooperative Agreement the Authority currently maintains a self insurance fund. The Cooperative Agreement calls for a minimum balance of \$50 million. As of May 1, 2010, the balance was \$300 million, which would be available for reconstruction, repair and operations in the event of damage due to a major emergency which would result in closure to traffic of a Bridge estimated to extend more than 30 days and to exceed \$10 million in cost. Such reserve is maintained pursuant to the Cooperative Agreement and upon agreement of Caltrans and the Authority may be reduced or eliminated in its entirety. Pursuant to the Cooperative Agreement, replenishment of funds

used for such repairs would be made by the Authority from bridge toll revenues. Moreover, the Authority expects that emergency assistance and loans from the federal government would be made available to the State in the event of major damage to the Bridges caused by a major earthquake or other force majeure event.

Economic Factors

A substantial deterioration in the level of economic activity within the Bay Area could have an adverse impact upon the level of bridge toll revenues collected. In addition, the occurrence of any natural catastrophe such as an earthquake may negatively affect the Bay Area economy or traffic using the Bridge System or both. See “Risk of Earthquake” above. Bridge toll revenues may also decline due to traffic interruptions as a result of construction, greater carpooling or use of mass transit, increased costs of gasoline and of operating an automobile, more reliance on telecommuting in lieu of commuting to work, relocation of businesses to suburban locations and similar activities. RM2 includes a substantial allocation of funding for mass transit projects intended to reduce congestion in the Bridge System corridors.

Risk of Non-Payment of Direct Subsidy Payments

A portion of the payments of interest on certain of the Authority’s toll bridge revenue bonds is expected to be paid with Build America Bond subsidy payments that the Authority expects to receive from the federal government. The U.S. Treasury may offset any subsidy payment to which the Authority is otherwise entitled against any other liability of the Authority payable to the United States of America, including without limitation withholding or payroll taxes, or other penalties or interest that may be owed at any time to the United States of America. The Code authorizes federal regulations and other guidance to carry out the Build America Bond program, which may reduce the certainty of receipt of subsidy payments by the Authority. Subsidy payments do not constitute full faith and credit obligations of or guarantees by the United States of America, but are to be paid as tax credits by the U.S. Treasury under the Recovery Act. Accordingly, no assurance can be given that the U.S. Treasury will make payment of the subsidy payments in the amounts which the Authority expects to receive, or that such payments will be made in a timely manner. No assurance can be given that Congress will not amend or repeal provisions of the program and thereby affect the payment of subsidy payments. If the Authority fails to comply with the conditions to receiving the subsidy payments throughout the term of the toll bridge revenue bonds designated as Build America Bonds, it may no longer receive such payments and could be subject to a claim for the return of previously received payments. The Authority has not made any covenant to comply with all of the conditions to the receipt of the subsidy payments. The Authority is obligated to make payments of principal of and interest on its toll bridge revenue bonds without regard to the receipt of subsidy payments.

Liquidity Facilities Risk

The domestic and international financial crisis and recession have had a negative impact on the availability and cost of liquidity facilities. While the Authority, by the refunding of variable rate toll bridge revenue bonds with fixed rate bonds, has reduced its requirements for liquidity facilities, it still has a material amount of variable rate debt supported by bank liquidity facilities and will continue to need to renew or replace liquidity facilities in the coming years or, alternatively, to restructure its variable rate debt to reduce the need for liquidity support. Bonds purchased by banks under the Authority’s liquidity facilities are required to be redeemed over a five year period (unless the bonds are remarketed) and bear interest at increased rates as set forth in the respective liquidity facility. The rating agencies could announce changes in rating outlook, or reviews for downgrade, or downgrades of the Authority’s liquidity providers. Such adverse ratings developments with respect to liquidity providers or purchases of bonds pursuant to the liquidity facilities could cause a substantial increase in the Authority’s debt service-related

costs. The availability and cost of replacement facilities or of extending existing facilities cannot be currently predicted.

Rising Tolls Could Result in Reduced Traffic and Lower Total Revenue

The Authority recently increased bridge tolls as described under “THE BRIDGE SYSTEM—Bridge Tolls.” Construction delays or cost increases, particularly with respect to the work on the east span of the San Francisco-Oakland Bay Bridge, or additional new projects to be funded by the Authority could result in further toll increases. Authorized and future toll increases could have an adverse impact upon the level of traffic on the Bridge System and the level of bridge toll revenues collected. Lower traffic levels could result in lower total revenues, even though toll rates might increase.

Construction Delays and Cost Escalation

Construction delays and cost escalation for Seismic Retrofit Program projects may arise from any number of causes, including, but not limited to, adverse weather conditions, unavailability of contractors, coordination among contractors, environmental concerns, labor disputes, engineering errors or unanticipated or increased costs of construction such as labor, equipment, and materials. In addition, construction delays and increased costs may also be caused by uncontrollable circumstances, force majeure events, unforeseen geotechnical conditions, the presence of hazardous materials or endangered species on or near the Bridges, or for other reasons.

Although Caltrans has made determinations of estimated costs and expected completion dates for each of the Seismic Retrofit Program projects that it believes are reasonable, the Seismic Retrofit Program contractors may not deliver the Seismic Retrofit Program projects within the anticipated time period or within budget, for a variety of reasons. Caltrans’ cost estimates for the Seismic Retrofit Program were developed using available information based on the contract bid amount, contract change orders status and an assessment of project risks, including ongoing contract disputes and claims. In updating both cost estimates and schedules Caltrans has identified many risks related to design, bid and construction processes. Seismic construction strategies are being employed at scales never before used. As a result, there is an inherent level of uncertainty in projecting Seismic Retrofit Program costs and schedules. See “CAPITAL PROJECTS AND FUNDING—Seismic Retrofit Program Capital Projects.”

The engineering, fabrication and construction of the self-anchored suspension superstructure of the new east span of the San Francisco-Oakland Bay Bridge present many unique challenges. Several factors could contribute to cost increases and/or construction delays for the self-anchored suspension superstructure, including (i) construction bonding and insurance market changes which may result in reduced capacity available to handle payment and performance bonding requirements and higher rates to assume risks on large complex projects; (ii) steel industry capacity and economic changes resulting in fluctuations in supply and demand impacting both domestic and international markets for steel production and steel fabrication, particularly for large scale assembly and delivery; (iii) structural design changes; (iv) technical complexity; (v) adjacent project interference; (vi) laws protecting domestic industry; (vii) disruptions in supply or the construction industry due to natural disasters; and (viii) increases in the price of oil or other energy sources.

Seismic Retrofit Program projects cost estimates have materially and substantially increased in the past and may increase again in the future. Past increases have been attributable in large part to the new east span of the San Francisco-Oakland Bay Bridge.

Voter Initiatives

In 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the “Right to Vote on Taxes Act” (“Proposition 218”). Proposition 218 adds Articles XIIC and XIID to the California Constitution and contains a number of interrelated provisions affecting the ability of local

governments, including local or regional agencies such as the Authority, to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 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. The Authority does not believe that the levy and collection of bridge tolls are taxes subject to the voter approval provisions of Proposition 218.

Proposition 218 also provides for broad initiative powers to reduce or repeal any local tax, assessment, fee or charge. Article XIIC does not define the terms local “taxes,” “assessment,” “fee” or “charge.” However, the Supreme Court of California, in the case of *Bighorn–Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006), held that the initiative power described in Article XIIC applies to any local taxes, assessments, fees and charges as defined in Articles XIIC and XIID. Article XIID defines “fee” or “charge” to mean a levy (other than ad valorem or special taxes or assessments) imposed by a local government “upon a parcel or upon a person as an incident of property ownership”, including a user fee for a “property related service.” However, the Court also found that the terms “fee” and “charge” in section 3 of Article XIIC may not be subject to a “property related” qualification. The Authority does not believe that the bridge toll is a “fee” or “charge” as defined in Articles XIID or XIIC. If ultimately found to be applicable to the bridge tolls, the initiative power could be used to rescind or reduce the levy and collection of bridge tolls under Proposition 218. Any attempt by voters to use the initiative provisions under Proposition 218 in a manner which would prevent the payment of debt service on the Authority’s toll bridge revenue bonds should arguably violate the Impairment of Contract Clause of the United States Constitution and accordingly, be precluded. The Authority cannot predict the potential financial impact on the financial condition of the Authority and the Authority’s ability to pay the purchase price, principal of and interest on its toll bridge revenue bonds as and when due, as a result of the exercise of the initiative power under Proposition 218.

CONTINUING DISCLOSURE

The Authority has covenanted for the benefit of the Owners and Beneficial Owners of certain series of toll bridge revenue bonds to cause to be provided annual reports to the Municipal Securities Rulemaking Board 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”), including its audited financial statements and operating and other information as described in the Continuing Disclosure Agreement. Pursuant to such undertakings, the Authority will provide an annual report through EMMA not later than nine months after the end of each fiscal year of the Authority (presently June 30). A form of such Continuing Disclosure Agreement is attached as APPENDIX D.

MISCELLANEOUS

This Information Statement is not to be construed as a contract or agreement between the Authority and holders of any of the Authority's toll bridge revenue bonds. All quotations from and summaries and explanations of statutes and documents contained herein, do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions.

Any statements in this Information Statement involving matters of opinion are intended as such and not as representations of fact.

BAY AREA TOLL AUTHORITY

By: /s/ Steve Heminger
Executive Director

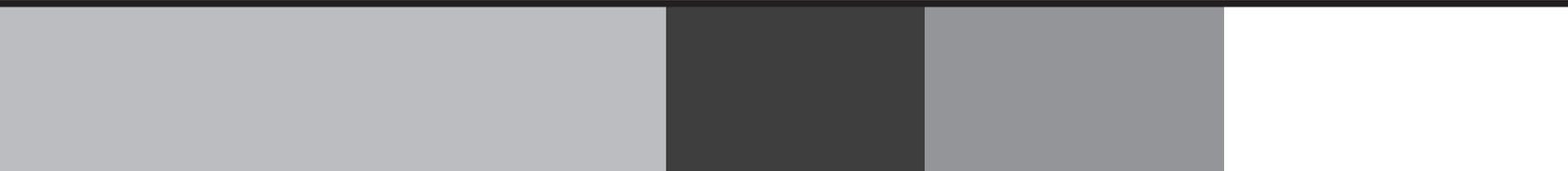
APPENDIX A

**METROPOLITAN TRANSPORTATION COMMISSION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

(This page intentionally left blank)



METROPOLITAN
TRANSPORTATION
COMMISSION

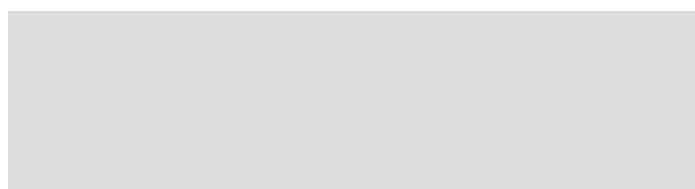


COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2009

Prepared by the
MTC Finance Section

State of California



Metropolitan Transportation Commission
Table of Contents
June 30, 2009 and 2008

	<i>Page</i>
Introductory Section	
Letter of Transmittal	i – iii
Organizational Chart	iv
List of Commissioners and Appointed Officials	v
Certificate of Achievement for Excellence in Financial Reporting	vi
Financial Section	
Report of Independent Auditors	1
Management’s Discussion and Analysis	2 – 13
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Assets	14 – 15
Statement of Activities	16 – 17
Fund Financial Statements	
Balance Sheet – Governmental Funds	18 – 19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	20 – 21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	22
Proprietary Fund Financial Statements	
Statement of Net Assets – Proprietary Funds	23 – 24
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	25 – 26
Statement of Cash Flows – Proprietary Funds	27 – 30
Fiduciary Fund Financial Statements	
Statement of Fiduciary Assets and Liabilities – Agency Funds	31
Notes to Financial Statements	
Summary of Significant Accounting Policies	32 – 47
Unrestricted Net Asset Deficit	47
Cash, Cash Equivalents and Investments	48 – 52
Capital Assets	53 – 56
Long-Term Debt	57 – 70
Leases	71
Interfund Receivables, Payables and Transfers	72 – 73

Metropolitan Transportation Commission

Table of Contents

June 30, 2009 and 2008

	<i>Page</i>
Employees' Retirement Plan	74 – 75
Postemployment Healthcare Benefits	75 – 78
Commitments and Contingencies	78 – 79
Risk Management	80
Related Party Transactions	80
Subsequent Events	80
 Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	82
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – AB 664 Net Toll Revenue Reserves Fund	83
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – State Transit Assistance Fund	84
Schedules of Funding Progress	85
 Other Supplementary Information	
Combining Balance Sheet – Non-Major Governmental Funds	87
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	88
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Transit Reserves Fund	89
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Rail Reserves Fund	90
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Exchange Fund	91
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – BART Car Exchange Fund	92
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Feeder Bus Fund	93
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Prop 1B Fund	94
Schedule of Expenditures – Governmental Funds	95
Schedule of Overhead, Salaries and Benefits Expense – Governmental Funds	96
Schedule of Expenditures - Federal Highway Administration Grant No. 09OWPMTCM	97
Schedule of Computations Demonstrating Bond Covenant Compliance – BATA Proprietary Fund	98 – 99
Schedule of Operating Revenues and Expenses – BATA Proprietary Fund – By Bridge	100
Combining Statement of Changes in Assets and Liabilities by Participant – Agency Funds	101 – 103
Schedule of Interest Rate Swap Summary – BATA Proprietary Fund	104
Schedule of Interest Rate Swap for Series 2001, 2003 and 2004 – BATA Proprietary Fund	105
Schedule of Interest Rate Swap for Series 2006 – BATA Proprietary Fund	106
Schedule of Interest Rate Forward Swap for Series 2007 – BATA Proprietary Fund	107
Schedule of Interest Rate Forward Swap for Series 2008 – BATA Proprietary Fund	108

Metropolitan Transportation Commission
Table of Contents
June 30, 2009 and 2008

	<i>Page</i>
Statistical Section	
Financial Trends	
Net Assets by Component	110
Changes in Net Assets	111 – 112
Fund Balances of Governmental Funds	113
Changes in Fund Balances of Governmental Funds	114
Revenue Capacity	
Primary Government Revenues	115
Primary Government Expenses by Function	116
Toll Revenues – By Bridge	117
Paid and Free Vehicles – By Bridge (in Numbers of Vehicles)	118
Average Toll Rate Revenues – By Bridge	119
Debt Capacity	
Ratios of General Bonded Debt Outstanding	120
Pledged-Revenue Coverage	121
Demographic and Economic Information	
Miscellaneous Statistics at June 30, 2009	122
Demographic Statistics for Nine San Francisco Bay Area Counties	123
Operating Information	
Full-Time Equivalent Employees by Function	124
Ratio of Retiree Medical Premium to Covered Payroll	125



**METROPOLITAN
TRANSPORTATION
COMMISSION**

Joseph P. Bort MetroCenter
101 Eighth Street
Oakland, CA 94607-4700
TEL 510.817.5700
TTY/TDD 510.817.5769
FAX 510.817.5848
E-MAIL info@mtc.ca.gov
WEB www.mtc.ca.gov

Scott Haggerty, Chair
Alameda County

September 29, 2009

Adrienne J. Tissier, Vice Chair
San Mateo County

Tom Azumbrado
U.S. Department of Housing
and Urban Development

Honorable Chairman
Members of the Metropolitan Transportation Commission

Tom Bates
Cities of Alameda County

Dean J. Chu
Cities of Santa Clara County

Dave Cortese
Association of Bay Area Governments

Chris Daly
City and County of San Francisco

Bill Dodd
Napa County and Cities

Dorene M. Giacopini
U.S. Department of Transportation

Federal D. Glover
Contra Costa County

Anne W. Halsted
San Francisco Bay Conservation
and Development Commission

Steve Kinsey
Marin County and Cities

Sue Lempert
Cities of San Mateo County

Jake Mackenzie
Sonoma County and Cities

Jon Rubin
San Francisco Mayor's Appointee

Bijan Sartipi
State Business, Transportation
and Housing Agency

James P. Sperring
Solano County and Cities

Amy Rein Worth
Cities of Contra Costa County

Ken Yeager
Santa Clara County

Steve Heminger
Executive Director

Ann Flemer
Deputy Executive Director, Operations

Andrew B. Fremier
Deputy Executive Director,
Bay Area Toll Authority

Therese W. McMillan
Deputy Executive Director, Policy

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Metropolitan Transportation Commission (MTC), its blended and discretely presented component units and fiduciary funds for the fiscal year ended June 30, 2009. State law requires that MTC and its component units publish a complete audited financial statement within six months of the close of each fiscal year.

Responsibility for both accuracy of the data, as well as the completeness and fairness of the presentation, including all disclosures, rests with the management and staff of MTC. To the best of our knowledge and belief, the enclosed information and report is accurate in all material respects, presented in conformance with Generally Accepted Accounting Principles (GAAP) and reported in a manner that presents fairly the financial position and operating results of MTC, its blended and discretely presented component units and fiduciary funds as of June 30, 2009. All disclosures reasonably necessary to enable an understanding of the government's financial activities have been included.

MTC management and staff are also responsible for the accounting and internal financial controls. MTC maintains a system of internal controls designed, we believe, to provide reasonable protection for MTC's assets. In addition, MTC undertook a comprehensive enterprise risk management evaluation, which resulted in recommendations that will be implemented in the future.

The goal of the independent audit is to provide reasonable assurance that the financial statements presented here for the fiscal year ended June 30, 2009, are free of material misstatement. In addition, MTC is required to undergo a Single Audit of Federal programs conducted under the provisions of OMB Circular A-133. The agency's Independent Auditors, PricewaterhouseCoopers LLP, have issued an unqualified opinion on the Metropolitan Transportation Commission's financial statements for the year ended June 30, 2009. The independent auditor's report is located at the front of the financial section of this report.

GAAP also requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements. This narrative is presented in the form of Management's Discussion and Analysis (MD&A) which can be found immediately following the independent auditor's report.

The CAFR for the fiscal year ended June 30, 2009 includes financial information for all funds, accounts and fiduciary activities for which MTC has financial accountability.

MTC also participates in numerous boards, groups and associations. While MTC participates in such activities, MTC does not have an ongoing financial interest or administrative control and, as such, information related to these outside groups and associations are excluded from this report. MTC is also a member of the Regional Administrative Facility Corporation (RAFC), which is a joint powers facility management association consisting of MTC, the Association of Bay Area Governments (ABAG), and the Bay Area Rapid Transit District (BART). The MTC Commission does not have financial accountability for RAFC or its expenses and as such, RAFC is excluded from this report. See discussion on Related Party Transaction in the Notes to the Financial Statements, Note 12.

Profile of the Government:

MTC was established under the laws of the State of California in 1970 to provide comprehensive regional transportation planning for the nine counties that comprise the San Francisco Bay Area: Alameda, Contra Costa, Marin, Napa, the City and County of San Francisco, San Mateo, Santa Clara, Solano and Sonoma. The Commission consists of sixteen voting and three non-voting members representing the following:

Agency	Voting Members	Non-Voting Members
Alameda County	2	
Contra Costa County	2	
Marin County	1	
Napa County	1	
City & County of San Francisco	2	
San Mateo County	2	
Santa Clara County	2	
Solano County	1	
Sonoma County	1	
Association of Bay Area Governments (ABAG)	1	
San Francisco Bay Conservation & Development Commission	1	
U.S. Department of Transportation		1
U.S. Department of Housing & Urban Development		1
State Business, Transportation & Housing Agency		1
Total:	16	3

Each Commissioner's term of office is four years or until a successor is appointed.

MTC commissioners also serve as the governing authority for MTC Service Authority for Freeways & Expressways (MTC SAFE), the Bay Area Toll Authority (BATA) and the Bay Area Infrastructure Financing Authority (BAIFA). The Commission is responsible for adopting budgets for operating and project costs, as well as setting general policy direction. An Executive Director appointed by the Commission is responsible for carrying out Commission direction and day-to-day administration of MTC and its employees.

During the 2009 fiscal year, the Bay Area Toll Authority (BATA) was significantly impacted by the market dislocation that resulted from the sub-prime mortgage fallout. As a result of sub-prime exposure, BATA's insured toll revenue bonds were downgraded which caused Auction Rate bonds to fail, and Variable Rate Demand Bonds to trade at rates as high as eight percent. Ultimately, BATA was forced to restructure its entire \$2.9 billion Insured Variable Rate Debt portfolio, which was completed during fiscal 2009. Restructured bonds traded at significantly lower interest costs.

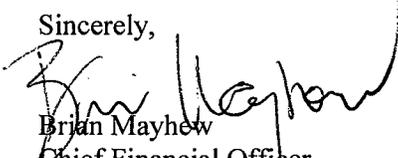
Awards and Acknowledgments:

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Metropolitan Transmission Commission for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2008. This was the sixth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the service of the finance staff. I thank the MTC finance staff for the hard work in producing this report in an accurate and timely manner.

Sincerely,



Brian Mayhew
Chief Financial Officer



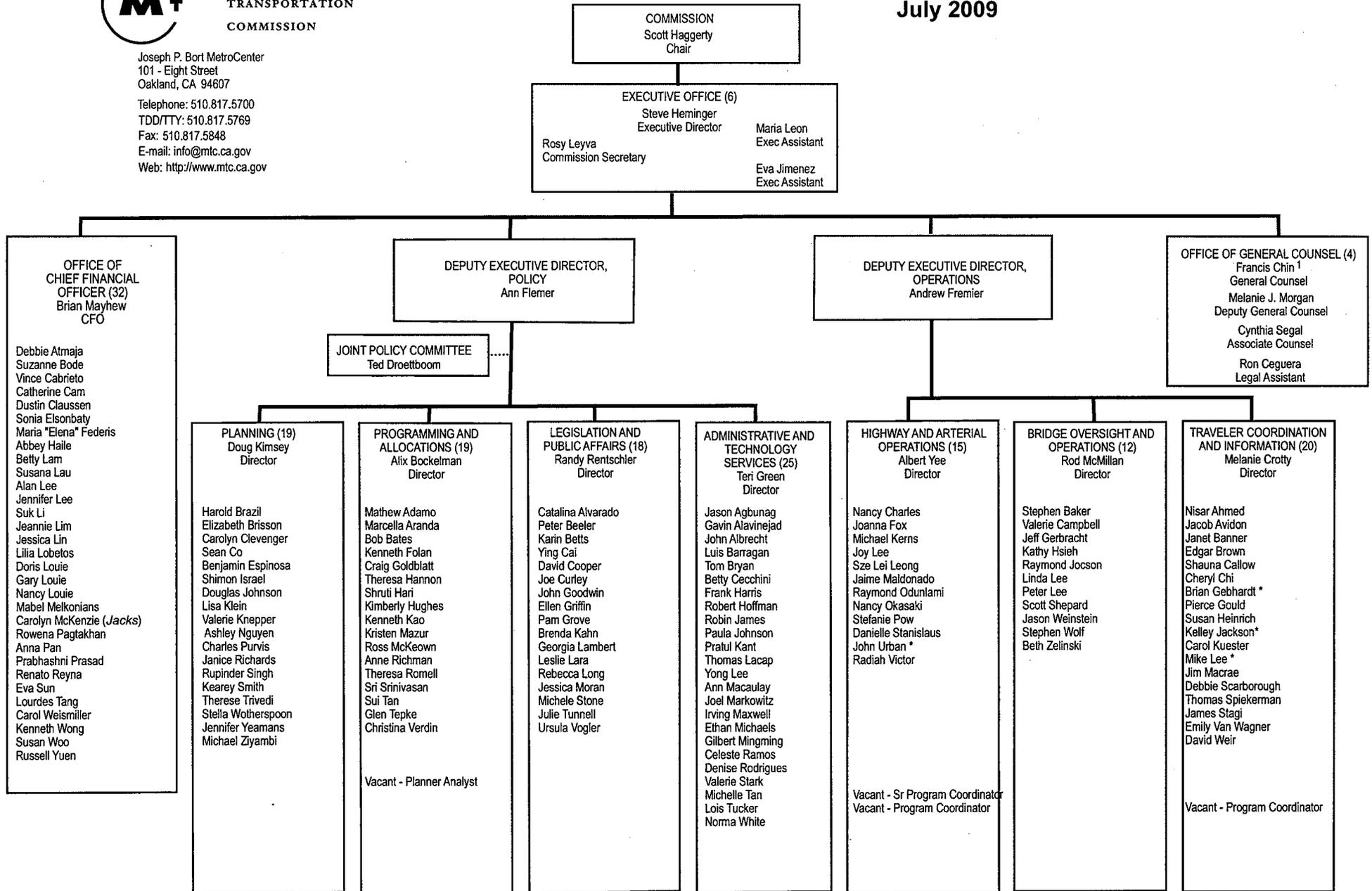
METROPOLITAN
TRANSPORTATION
COMMISSION

Joseph P. Bort MetroCenter
101 - Eight Street
Oakland, CA 94607

Telephone: 510.817.5700
TDD/TTY: 510.817.5769
Fax: 510.817.5848
E-mail: info@mtc.ca.gov
Web: http://www.mtc.ca.gov

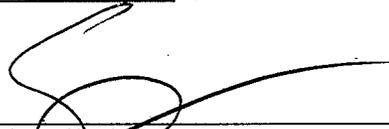
STAFFING ORGANIZATION

July 2009



Footnotes:

166 Regular full-time positions
4 Project-based positions*
170 Total Positions
1 Advises Commission Directly
updated 7-1-09


Steve Heminger
Executive Director

METROPOLITAN TRANSPORTATION COMMISSION

COMMISSIONERS

Bill Dodd, Chair	Napa County and Cities
Scott Haggerty, Vice Chair	Alameda County
Tom Azumbrado	US Department of Housing and Urban Development
Tom Bates	Cities of Alameda County
Jake Mackenzie	Sonoma County and Cities
Dean Chu	Cities of Santa Clara County
Dave Cortese	Association of Bay Area Governments
Chris Daly	City and County of San Francisco
Dorene M. Giacomini	US Department of Transportation
Federal Glover	Contra Costa County
Anne W. Halsted	San Francisco Bay Conservation and Development Commission
Steve Kinsey	Marin County and Cities
Sue Lempert	Cities of San Mateo County
Jon Rubin	San Francisco Mayor's Appointee
Bijan Sartipi	State Business, Transportation and Housing Agency
James P. Spering	Solano County and Cities
Adrienne J. Tissier	San Mateo County
Amy Worth	Cities of Contra Costa County
Ken Yeager	Santa Clara County

APPOINTED OFFICIALS

Steve Heminger	Executive Director
Francis Chin	Legal Counsel

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan Transportation Commission, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. R. +".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emswiler".

Executive Director

Report of Independent Auditors

To the Commissioners of the
Metropolitan Transportation Commission:

In our opinion, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Metropolitan Transportation Commission (MTC) which collectively comprise MTC's basic financial statements as listed in the table of contents, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of MTC at June 30, 2009 and 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of MTC's management. Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described in Note 1C to the financial statements, for the year ended June 30, 2009 MTC retroactively adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The accompanying management's discussion and analysis appearing on pages 2 through 13 and the budgetary comparison and funding status information identified in the table of contents under *Required Supplementary Information* and appearing on pages 81 through 85 of this report are not a required part of the basic financial statements but are supplementary information required by the 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.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise MTC's basic financial statements. The supplementary schedules identified in the table of contents under *Other Supplementary Information* and appearing on pages 86 through 108 of this report are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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.

The charts, schedules and other information identified in the table of contents under *Statistical Section* and appearing on pages 109-125 of this report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

PricewaterhouseCoopers LLP

October 6, 2009

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2009 and 2008

Management's Discussion and Analysis (unaudited)

Management's Discussion and Analysis

(Except as otherwise stated, all amounts described below are expressed in thousands of dollars – '000 removed)

This section presents an overview of the financial activities of the Metropolitan Transportation Commission (MTC), as well as its blended and discretely presented component units as discussed separately below for the years ended June 30, 2009 and 2008.

A. Financial Highlights

Fiscal 2009 was a difficult year for MTC as it was for the nine-county region, state and nation as a whole. Virtually all of MTC's operational units saw dramatically reduced revenue from many sources such as, declining toll revenue, the state reduction of transportation funds for state budget purposes and interest rates reaching near zero levels on invested assets. Still, there were some highlights as MTC allocated over \$1 billion in federal stimulus funds to initiate important regional projects and support local jobs in the local economy.

Following are some highlights from fiscal year 2009:

- MTC adopted the Transportation 2035 Plan for the San Francisco Bay Area. The plan outlines how transportation funds will be spent over the next 25 years in the nine Bay Area counties.
- The Bay Area nine-county region received approximately \$660 million in programming dollars from the American Recovery and Reinvestment Act (ARRA). MTC has already programmed the ARRA funds and will work with the other agencies to follow the ARRA requirements and timelines to spend the funds.
- MTC approved a set of High Occupancy Toll (HOT) Network Principles to mark the region's commitment to a regional network of HOT lanes in conjunction with the long-range transportation plan update and regional goals to reduce congestion.
- San Francisco Municipal Transportation Authority and Caltrain were declared "revenue ready" for the Translink project in September 2008, making the regional fare system operational with the region's two largest transit operators.
- The Bay Area Toll Authority (BATA) committed \$80 million dollars to replace Doyle Drive. The billion dollar project will improve seismic, structural, and traffic safety.
- The temporary bus terminal, that will serve passengers while a new landmark Transbay Transit Center is being constructed, broke ground in December 2008.
- Revenue sources fell, including State Transit Assistance funds that the State of California retained for its general fund, and sales tax revenue decreased in the region due to the economy.
- Losses in sub-prime mortgage values continued to hurt the tax exempt bond insurers who lost their "AAA" ratings. Bonds insured by Ambac increased in cost and were ultimately refunded or reoffered. Throughout the restructuring, BATA maintained its high credit ratings of AA/Aa3/AA-.

The economy continued to be in a recession with high unemployment and property values still unsettled. Still, MTC and its operating units are in stable financial condition and are providing valuable regional resources in seismic and transportation projects to help the region recover. All MTC operating units, MTC, BATA and MTC Service Authority for Freeways and Expressways (MTC SAFE), managed to adopt 2009-2010 budgets that met lower revenue levels with lower expense levels, but without staff layoffs or significant capacity to maintain service levels.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2009 and 2008

Management's Discussion and Analysis (unaudited) continued

B. Overview of Government-Wide Financial Statements

The government-wide financial statements provide an overview of MTC, as well as its blended and discretely presented component units. The government-wide financial statements comprise a Statement of Net Assets, a Statement of Activities, and accompanying footnotes. The Statement of Net Assets presents information on the government-wide assets and liabilities of MTC at the end of the 2009 and 2008 fiscal years. The difference between the assets and liabilities is reported as "Net Assets." The Statement of Activities presents government-wide information showing the change in net assets resulting from revenues earned and expenses incurred during the 2009 and 2008 fiscal years. All changes in net assets are recorded as revenues are earned and expenses are incurred, regardless of the timing of related cash flows.

MTC is composed of governmental and business-type funds, as well as one discretely presented component unit. The governmental funds are comprised of the general fund, the special revenue funds and the capital project funds. The business or proprietary funds are BATA, MTC Service Authority for Freeways and Expressways (MTC SAFE), and Bay Area Infrastructure Authority (BAIFA). BATA and MTC SAFE are blended component units whose transactions are presented as if they were business-type funds. BAIFA is a discretely presented component unit on the government-wide financial statements. MTC also holds and administers two fiduciary funds. These funds are further described in section C below and in Note 1A to the Financial Statements.

The government-wide Statement of Net Assets and Statement of Activities are presented on pages 14-17 of this report with the accompanying footnotes being presented on pages 32-80.

C. Overview of the Fund Financial Statements

i.) Governmental Funds

Governmental funds are used to account for the MTC activities and are supported primarily by grants, contributions, sales taxes, and intergovernmental revenue sources. Governmental funds provide additional information not provided in the government-wide statements in that they focus on the annual inflows and outflows of resources as well as on the balance of resources available to be spent at fiscal year-end rather than the longer term focus of governmental activities as seen in the government-wide financial statements. The governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison of governmental funds to governmental activities.

MTC's governmental funds include a general fund, two major special revenue funds, other non-major special revenue funds and a capital projects fund. The financial statements of the governmental funds, prepared under the modified accrual basis of accounting are on pages 18-22 of this report. A schedule detailing the non-major special revenue funds are included on pages 87-88 of this report.

MTC adopts annual budgets for all funds. However, a comparison of budget-to-actual is required only for certain governmental funds (major funds) and these are presented on pages 82-84 of this report. A comparison of budget to actual is also presented for non-major funds on pages 89-94.

ii) Proprietary Funds

Proprietary funds are used to report business-type activities. MTC has two proprietary funds, BATA and MTC SAFE. These funds are presented as blended component units of MTC as if they were

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Management's Discussion and Analysis (unaudited) continued

proprietary funds on the government-wide and fund financial statements. BATA oversees the administration of toll collection and maintenance activities for the seven state-owned bridges in the San Francisco Bay Area, as well as administers BATA Regional Measure 1 (RM 1) and Regional Measure 2 (RM 2) capital improvement programs approved by the voters in 1988 and 2004, respectively. BATA has oversight responsibilities over the seismic toll revenue as well as the retrofit program. MTC SAFE administers a freeway motorist aid system providing tow truck and call box services to stranded motorists in the nine Bay Area counties.

The financial statements of the proprietary funds are prepared on an accrual basis and are on pages 23-30.

iii) Fiduciary Funds

Fiduciary funds are used to account for resources held in a trust or agent capacity for the benefit of parties outside MTC. These funds are not reflected in the government-wide financial statements, as the resources cannot be used to support the programs of MTC or those of its component units. The fiduciary funds of MTC use the economic resources measurement focus and the accrual basis of accounting.

MTC reports on two fiduciary funds, Transportation Development Act (TDA) and BART Half-Cent Sales Tax (AB 1107) funds. Revenue for each of these funds is derived from sales tax revenues. The revenues for the TDA fund are deposited in MTC's name as fiduciary with the respective treasurer in each of the nine counties in the region. The revenues for the AB 1107 fund are deposited with the State of California. MTC has administrative oversight for the allocation of these funds.

The fiduciary funds financial statement is presented on page 31 of this report.

iv) Discretely Presented Component Unit

The Bay Area Infrastructure Authority (BAIFA) was established in August 2006, as a separate public entity pursuant to the California Joint Exercise of Power Act, to plan capital projects and obtain funding in the form of grants, contributions, appropriations, loans and other assistance. BAIFA apply funds received to pay debt service on bonds issued by BAIFA to finance or refinance the related capital improvement projects. BAIFA is presented as a proprietary fund in the discretely presented component unit column of the government-wide financial statement as it does not meet the criteria for blending under the provisions of GASB Statement No. 14.

D. Notes to the Financial Statements

The notes to the financial statements, beginning on page 32, provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

E. Government-Wide Financial Analysis

Total government-wide liabilities exceeded total assets for fiscal 2009 by \$2,690,030 while total government-wide liabilities exceeded assets by \$1,889,937 for fiscal 2008 as illustrated in the following table. This represents a decrease in net assets for fiscal 2009 of \$800,093 and a decrease of \$533,312 for fiscal 2008. The cause of the net asset deficit is the impact of BATA since BATA does not own or maintain title to the bridges. This deficit will be reduced through operating income earned in the future as the toll revenue debt is retired and the project is completed.

**Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Management's Discussion and Analysis (unaudited) continued**

i.) Statement of Net Assets

The following table shows a portion of the MTC's government-wide statements of net assets for the last three years:

Metropolitan Transportation Commission's Statement of Net Assets (\$000)									
	Governmental			Business-Type			Total		
	Activities			Activities					
	2009	2008*	2007	2009	2008*	2007	2009	2008*	2007
Cash and investments	\$ 300,012	\$ 273,188	\$ 212,094	\$ 2,110,180	\$ 2,901,882	\$ 2,701,811	\$ 2,410,192	\$ 3,175,070	\$ 2,913,905
Receivables	48,074	80,962	81,949	11,643	12,912	28,178	59,717	93,874	110,127
Other assets & deferred outflows	7,977	8,139	759	385,863	210,295	48,001	393,840	218,434	48,760
Loan to other agency	37,000	42,000	47,000	-	-	-	37,000	42,000	47,000
Capital assets	8,443	8,855	6,133	12,779	8,206	5,596	21,222	17,061	11,729
Total assets and deferred outflows	401,506	413,144	347,935	2,520,465	3,133,295	2,783,586	2,921,971	3,546,439	3,131,521
Other liabilities	63,102	61,557	53,040	335,978	272,053	301,558	399,080	333,610	354,598
Long term liabilities	30,679	38,668	1,441	5,182,242	5,064,098	4,132,106	5,212,921	5,102,766	4,133,547
Total liabilities	93,781	100,225	54,481	5,518,220	5,336,151	4,433,664	5,612,001	5,436,376	4,488,145
Net assets:									
Invested in capital assets, net of related debt	8,393	8,768	6,015	12,779	8,206	5,596	21,172	16,974	11,611
Restricted	329,243	337,420	157,234	293,873	338,458	691,735	623,116	675,878	848,969
Unrestricted	(29,911)	(33,269)	130,205	(3,304,407)	(2,549,520)	(2,347,410)	(3,334,318)	(2,582,789)	(2,217,205)
Total net assets / (deficit)	\$ 307,725	\$ 312,919	\$ 293,454	\$ (2,997,755)	\$ (2,202,856)	\$ (1,650,079)	\$ (2,690,030)	\$ (1,889,937)	\$ (1,356,625)

*Fiscal 2008 has been revised in accordance with the implementation guidance in GASB Statement No. 53, *Accounting and Financial Reporting of Derivative Instrument*. Fiscal 2007 has not been restated as permitted by the standard. The adoption of GASB Statement No. 53 resulted in recording a liability and associated deferred outflow in business-type activities. Neither statement had any impact to the net assets of MTC.

Cash and investments decreased by \$764,878 from 2008 to 2009 and increased by \$261,165 from 2007 to 2008. The decrease in 2009 is mainly due to BATA financing the RM1 and the Seismic retrofit projects. The increase in 2008 is mainly the result of proceeds of two BATA toll revenue bond issues.

Long-term liabilities increased by \$110,155 or 2.2 percent in 2009 and increased by \$969,219 or 23.4 percent in 2008. The recording of the fair value of derivative instrument -interest rate swap of \$252,460 in 2009 and \$158,600 in 2008 due to implementation of Statement No. 53, contributed to both years' increase. Also in 2009, the due to BAIFA decreased by \$43,024 and the deferred charge on bond refunding from the 2008 Series F1 decreased the liability by \$38,287. Additional increases in 2008 include the issuance of two new BATA bonds for the net proceeds of \$507,760 and the due to BAIFA increased by \$298,703 due to project drawdowns.

In fiscal year 2007, BATA entered into a contribution agreement with the BAIFA. Under the contribution agreement, BATA pledged and irrevocably assigned to BAIFA \$1,135,000 of future state payments representing part of the State of California's share for the seismic retrofit and replacement program. The state payments are provided for in state legislation. In December 2006, BAIFA issued notes called State Payment Acceleration Notes (SPAN) of \$972,320. As BATA incurs expenses for the seismic projects, BAIFA reimburses BATA from the note proceeds. The transactions are accounted for under Governmental Accounting Standards Board Statement Number 48 on "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues."

Other liabilities increased by \$65,470 or 19.6 percent in 2009 compared to a decrease of \$20,988 or 5.9 percent in 2008. The increase in 2009 and the decrease in 2008 is mainly the result of the scheduled BAIFA payments. In 2009, BAIFA payment was \$99,000 compared to \$43,000 in 2008, an increase of \$56,000 to the liability. The increases in the liability to Caltrans of \$7,352 for the

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Management's Discussion and Analysis (unaudited) continued

reimbursement of San Francisco East Span Replacement Project, the unearned revenue of \$2,934, and the accounts payable of \$572 also contributed to the increase, but there was a decrease in the current portion of long term debt by \$1,435. In 2008, BAIFA payment was \$43,000 compared to \$100,000 in 2007 for a decrease of \$57,000 to the liability. The increase in the liability to CALTRANS of \$34,226 offset this decrease.

The net deficit increased by \$800,093 or 42.3 percent in 2009 following an increase of \$533,312 or 39.3 percent in 2008. The increase in the net deficit for both fiscal years is mainly from the drawdowns of the Seismic Retrofit and RM 1 programs. BATA is the financing arm for the Regional Measures 1, 2, and Seismic Retrofit programs. The bond proceeds from these debt obligations are used to reimburse Caltrans for capital construction costs on the seven state-owned toll bridges. Since the bridges are not capitalized under BATA and title remains with Caltrans, the combination of distributions to Caltrans and increased debt to pay for project expenditures creates a negative asset, or deficit. Future toll revenues are pledged to cover debt service payments. This information is more fully described in Note 2 of this report.

ii) Statement of Activities

The net assets for governmental activities and business type activities decreased in 2009. The decrease in net assets for governmental activities is due to the decrease in operating grants in fiscal 2009. The increase in negative net assets for business type activities is the result of BATA project financing and expense activities. A breakdown of this activity is illustrated in the table below:

Metropolitan Transportation Commission's Statement of Activities (\$000)									
	Governmental			Business-Type			Total		
	Activities			Activities					
	2009	2008	2007	2009	2008	2007	2009	2008	2007
Revenues:									
Program revenues:									
Charges for services	\$ -	\$ -	\$ -	\$ 492,963	\$ 497,712	\$ 434,341	\$ 492,963	\$ 497,712	\$ 434,341
Operating grants and contributions	146,844	207,496	320,311	53,490	110,372	283,082	200,334	317,868	603,393
Capital grants and contributions	-	9,858	-	-	-	1,235	-	9,858	1,235
General revenues:									
Investment earnings	5,785	11,390	10,908	149	116,704	97,280	5,934	128,094	108,188
Total revenues	152,629	228,744	331,219	546,602	724,788	815,938	699,231	953,532	1,147,157
Expenses:									
General government	86,672	85,202	93,884	-	-	-	86,672	85,202	93,884
Allocations to other agencies	99,153	152,999	145,647	-	-	-	99,153	152,999	145,647
Toll bridge activities	-	-	-	1,299,135	1,234,968	1,155,916	1,299,135	1,234,968	1,155,916
Congestion relief	-	-	-	14,363	13,675	16,892	14,363	13,675	16,892
Total expenses	185,825	238,201	239,531	1,313,498	1,248,643	1,172,808	1,499,323	1,486,844	1,412,339
Inc/(Dec) in net assets before transfers	(33,196)	(9,457)	91,688	(766,896)	(523,855)	(356,870)	(800,092)	(533,312)	(265,182)
Transfers in (out)	28,003	28,922	27,852	(28,003)	(28,922)	(27,852)	-	-	-
Increase (decrease) in net assets	(5,193)	19,465	119,540	(794,899)	(552,777)	(384,722)	(800,092)	(533,312)	(265,182)
Net assets / (deficit) - Beginning	312,918	293,454	173,914	(2,202,856)	(1,650,079)	(1,265,357)	(1,889,938)	(1,356,625)	(1,091,443)
Net assets / (deficit) - Ending	\$ 307,725	\$ 312,919	\$ 293,454	\$ (2,997,755)	\$ (2,202,856)	\$ (1,650,079)	\$ (2,690,030)	\$ (1,889,937)	\$ (1,356,625)

Management does not believe that Governmental Funds and Business-type Activities are comparable for analytical purposes. While the combined schedules show a total picture of MTC responsibilities, the two activities must be seen in their respective parts to evaluate MTC's financial results. State and federal laws restrict MTC's various funding sources to specific responsibilities that cannot be combined or commingled. Additional explanation is included in the business-type activities as well as the schedule of governmental funds.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Management's Discussion and Analysis (unaudited) continued

F. Financial Analysis of Business-Type Activities

The following table shows the results of operations for the last three years.

	Business-Type Activities (\$000)								
	Bay Area Toll Authority			MTC SAFE			Total		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
Revenues:									
Toll revenues collected by Caltrans	\$ 470,136	\$ 477,377	\$ 422,355	\$ -	\$ -	\$ -	\$ 470,136	\$ 477,377	\$ 422,355
Other operating revenues	16,829	14,309	5,989	5,998	6,026	5,998	22,827	20,335	11,987
Total revenues	486,965	491,686	428,344	5,998	6,026	5,998	492,963	497,712	434,342
Operating expenses:									
Operating exp incurred by Caltrans	28,610	30,271	29,576	-	-	-	28,610	30,271	29,576
Other operating expenses	72,963	70,820	66,000	13,630	13,698	16,776	86,593	84,518	82,776
Total operating expenses	101,573	101,091	95,576	13,630	13,698	16,776	115,203	114,789	112,352
Operating income/(loss)	385,392	390,595	332,768	(7,632)	(7,672)	(10,778)	377,760	382,923	321,990
Non-operating revenues/(expenses)									
Investment income	21	116,134	96,415	128	570	865	149	116,704	97,280
Interest expense	(197,742)	(191,859)	(131,439)	-	-	-	(197,742)	(191,859)	(131,439)
Financing fees	(14,442)	(7,622)	(5,351)	-	-	-	(14,442)	(7,622)	(5,351)
Other non-operating expense	(2,333)	(1,387)	(1,066)	-	-	-	(2,333)	(1,387)	(1,066)
Operating grants	46,244	102,832	275,590	7,247	7,540	7,491	53,491	110,372	283,081
Contributions from Caltrans	-	-	1,235	-	-	-	-	-	1,235
Contribution to BAIFA	-	-	(15,000)	-	-	-	-	-	(15,000)
Dist other agencies for capital purposes	(983,046)	(933,009)	(907,485)	(733)	-	-	(983,779)	(933,009)	(907,485)
Other	-	-	-	-	23	(115)	-	23	(115)
Total non-oper revenues (exp)	(1,151,298)	(914,911)	(687,101)	6,642	8,133	8,241	(1,144,656)	(906,778)	(678,860)
Income/(loss) before transfers	(765,906)	(524,316)	(354,333)	(990)	461	(2,537)	(766,896)	(523,855)	(356,870)
Transfers	(26,710)	(27,208)	(28,516)	(1,293)	(1,714)	664	(28,003)	(28,922)	(27,852)
Change in net assets	(792,616)	(551,524)	(382,849)	(2,283)	(1,253)	(1,873)	(794,899)	(552,777)	(384,722)
Total net assets / (deficit) - beginning	(2,225,848)	(1,674,324)	(1,291,475)	22,992	24,245	26,118	(2,202,856)	(1,650,079)	(1,265,357)
Total net assets / (deficit) - ending	\$ (3,018,464)	\$ (2,225,848)	\$ (1,674,324)	\$ 20,709	\$ 22,992	\$ 24,245	\$ (2,997,755)	\$ (2,202,856)	\$ (1,650,079)

BATA is the largest of MTC's business-type activities and one of the largest and highest rated toll enterprises in the country.

In fiscal year 2009, BATA completed the restructuring of its variable and auction rate debt portfolio to lower its debt costs that had risen as a result of the failure of the auction rate market and the decreased value associated with the municipal bond insurance.

BATA also adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is explained in Note 5. During fiscal year 2009, a portion of BATA's interest rate swaps no longer qualified for hedge accounting because the related bonds were refunded, resulting in BATA posting the change in fair value against investment income. The effect of the swap transaction, along with the low interest rates and lower cash balances, caused the interest income to drop significantly in 2009. This movement will be explained below.

BATA's toll revenue of \$470,136 decreased by \$7,241 in 2009 compared to an increase of \$55,022 in 2008. The increase in 2008 revenue was a result of collecting the second seismic dollar, which became effective January 1, 2007, for a full year. The total number of paid toll vehicles for all bridges decreased by 1.3 percent in 2009 after a drop of 1.8 percent in fiscal 2008. BATA believes the decrease in paid traffic is related to the economic conditions. Detailed traffic counts are available in the Statistical Section, Table 8.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Management's Discussion and Analysis (unaudited) continued

BATA's other operating revenue, consisting primarily of toll violation payments, increased by \$2,520 for fiscal 2009 and by \$8,320 for fiscal 2008. The increase in both years is due to the improved collection of violation penalties particularly through the holds placed by the California Department of Motor Vehicles (DMV). As an added means of controlling toll evasion, BATA is testing a new violation system that is expected to be fully implemented by the end of fiscal 2010.

BATA's total operating expenses rose by \$482 or .5 percent in 2009 and \$5,515 or 5.8 percent increase for 2008. The increase in both years is mainly due to allocations to other agencies for RM 2 operating projects increasing by \$1,646 in 2009 and \$2,428 in 2008. Salaries and benefits increased \$422 in 2009 and \$612 in 2008 due to wage rate increases and hiring of temporary staff. Depreciation and amortization increased by \$79 and \$363 in 2009 and 2008 respectively. Other expenses increased by \$113 in 2009 and \$1,819 in 2008 as a result of additional bank service charges and Department of Motor Vehicle and collection agency fees associated with the enforcement of toll violations. However, professional fees decreased by \$117 in 2009 and \$381 in 2008 due to reduced toll tag purchases. Operating expense incurred by Caltrans decreased by \$1,662 in 2009 and increased \$695 in 2008. In 2009 additional FasTrak[®] dedicated lanes were opened in all the bridges, resulting to the decrease in the cost of Caltrans operations.

BATA's investment income for 2009 decreased by \$116,113 compared to an increase of \$19,719 in 2008. The combination of historically low interest rates, lower cash balances, and the decrease in fair value of derivative instruments not considered hedging instruments, contributed to the decrease in 2009. The interest income for 2009 was \$38,740 which was offset by \$38,719 of unrealized investment derivative losses. The \$38,719 represents a charge for a change in the market valuation of the swaps that no longer qualify for hedge accounting. In 2008, the increases over 2007 were generated from larger cash balances from bond proceeds, as well as higher investment rates.

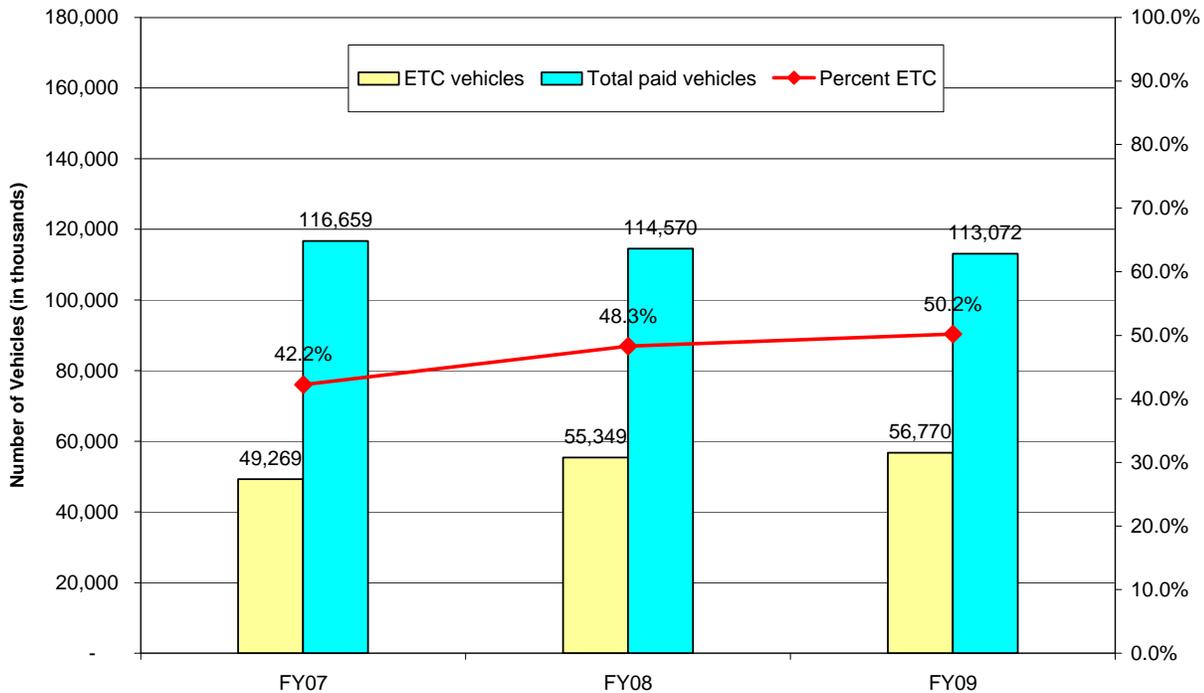
BATA's interest expense increased by \$5.9 million and \$60 million for fiscal 2009 and 2008, respectively. The market disruption resulting from the sub-prime and auction rate market failures in 2008 and the failure of the municipal bond insurance caused the spike in the variable rate interest rate costs for 2008.

BATA's financing fees and other non-operating expense increased by \$7,766 and \$2,592 in 2009 and 2008, respectively. The combination of bond facility fee rate increases and the additional bond facility fees from the new refunding and reoffering bonds are the factors for the increase for 2009.

Revenue collections from the FasTrak[®] electronic toll program continue to increase. Electronic toll collection (ETC) revenue comprised 50.2 percent of the total paid vehicles in fiscal 2009 compared to 48.3 percent in the prior fiscal year. The graph on the next page illustrates the increase in electronic toll collection usage for the last three years.

**Metropolitan Transportation Commission
 Financial Statements for the years ended June 30, 2009 and 2008
 Management’s Discussion and Analysis (unaudited) continued**

ETC Usage by Fiscal Year



The growth in ETC processing has had the positive impact of improving traffic flow on the bridges, but has experienced an increase in toll violations. As a result, toll violation revenue (“other revenue”) increased by almost 20 percent in fiscal 2009 and almost tripled in fiscal 2008.

MTC Service Authority for Freeways and Expressways (SAFE) operating revenues (DMV fees) decreased by \$28 or 0.5 percent in fiscal year 2009 and increased \$28 or 0.5 percent in 2008. Operating expense for SAFE decreased \$68 or 0.5 percent in 2009 and decreased by \$3,078 or 18.3 percent in 2008. The difference in operating expense for fiscal 2008 is mainly due to a decrease of \$3,519 as fiscal 2007 included expenses for upgrading call boxes and an increase in towing expense of \$663 due to the addition of new routes for the Freeway Service Patrol program. Interest income decreased by \$442 in fiscal 2009 and decreased by \$295 for fiscal 2008 due mainly to record low interest rates and a lower cash balance in fiscal 2009.

G. Financial Analysis of Governmental Funds

The fund balance, including restricted and unassigned funds, has decreased over the last two years. The fund balance of the MTC governmental funds was \$295,069 and \$299,364 as of June 30, 2009 and 2008, respectively, as reported under the modified accrual basis of accounting. The fund balance includes nonspendable amounts of \$593 and \$408 for prepaid items in fiscal 2009 and 2008, respectively, and restricted amounts of \$273,880 and \$276,906 for transportation and rail projects specific to special revenue and capital project funds for fiscal 2009 and 2008, respectively. The committed amounts of \$10,386 and \$10,375 for fiscal 2009 and 2008, respectively, represent amounts designated by the Commission for specific or other designated purposes. The unassigned fund

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Management's Discussion and Analysis (unaudited) continued

balance of \$10,210 and \$11,676 for fiscal 2009 and 2008, respectively, represents unassigned funds available for appropriation at the government's discretion.

The following table illustrates the revenues and expenditures for the past three fiscal years. Refer to page 22 for the reconciliation of the governmental funds to the Statement of Activities.

	<u>Governmental Funds (\$000)</u>		
	2009	2008	2007
Revenues:			
Sales taxes	\$ 9,848	\$ 10,799	\$ 10,626
Grants - Federal	41,426	50,727	44,210
Grants - State	61,796	127,565	227,808
Local agencies revenues and refunds	33,774	33,262	37,666
Investment income	5,785	12,800	9,499
Total revenues	152,629	235,153	329,809
Expenditures:			
Current:			
General government	64,358	74,153	59,181
Allocations to other agencies	107,027	163,424	156,210
Capital outlay	13,542	15,743	14,166
Total expenditures	184,927	253,320	229,557
Transfers in	28,003	75,922	27,852
Net change in fund balance	(4,295)	57,755	128,104
Fund balance - beginning	299,364	241,609	113,505
Fund balance - ending	\$ 295,069	\$ 299,364	\$ 241,609

The change in fund balance is largely due to the decrease in revenue over the last three years. Revenue dropped \$82,524 or 35.1 percent in 2009 and decreased by \$94,656 or 28.7 percent in fiscal 2008. MTC's sales tax revenue decreased by \$951 or 8.8 percent in fiscal 2009 compared to an increase of \$173 or 1.6 percent in fiscal 2008. Eight of the nine counties had decreases from the prior year. Contra Costa's sales tax revenue contained a prior year adjustment which resulted in positive year over year growth. All nine counties were adversely affected by the slowdown in retail sales. The decrease in state and other agency revenue for fiscal 2009 of \$65,257 or 40.5 percent is mainly due to a decrease of State Transit revenue of \$67,564. The State of California reduced the STA revenue by one half and retained the other half for its budget. The decrease in state and other agency revenue for fiscal 2008 of \$104,647 stems mainly from a decrease of \$96,471 of State Transit Assistance revenue.

Overall, governmental fund expenditures dropped by \$68,393 million in 2009 and grew by \$23,763 million in 2008. The 2009 general government expenditures decreased by \$9,795 due mostly to pre-funding the Other Post Employment Benefit (OPEB) liability. More information on the pre-funding of the OPEB liability is provided in Note 9. The general government expenditures increased by \$14,972 in 2008 due to additional program expenditures which include increases to the Spare the Air program of \$2,758 and \$2,473 of expenditures for the MacArthur Maze emergency response. Allocations to other agencies decreased by \$56,397 or 34.5 percent for fiscal 2009 compared to an increased by

**Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Management's Discussion and Analysis (unaudited) continued**

\$7,214 or 4.62 percent for fiscal 2008. The decrease in 2009 is due to State budget cuts for the State Transit Assistance program.

The capital outlay expenditures decreased by \$2,201 in fiscal 2009 and increased by \$1,577 in fiscal 2008. The change in capital outlay expenditures is due to the completion of the MetroCenter seismic retrofit project in August 2008.

The decrease of \$47,919 for transfers in 2009 is the result of MTC receiving \$47,000 as proceeds from the BART loan assignment in 2008. Under the agreement, MTC assigned the balance of the BART loan to BATA in exchange for an up-front payment.

The change in net assets presented in the Statement of Activities for governmental activities has decreased as well. Net assets for governmental funds were \$307,725 and \$312,919 for fiscal years 2009 and 2008, respectively. Program revenues dropped by \$70,510 or 32.4% in 2009 and decreased by \$102,957 or 32.1% in fiscal 2008. For 2009, this is due to a decrease in transportation operating grant revenue of \$55,911. In addition, 2008 reflects receipt of the Proposition 1 B capital grant. The decrease in 2008 was due to a decrease in transportation operating grant revenue of \$110,102.

H. General Fund Budget

The MTC general fund budget was amended by \$8 million in increased revenue and approximately \$9 million in additional expenditures. The actual revenue-to-expenditure balance for 2009 reflects a surplus of \$.5 million.

The following provides a condensed view of the final budgeted results compared to actual results for the year ended June 30, 2009.

	<u>General Fund Budget</u>			
	Adopted Budget	Final Budget	Actual	Variance
Revenues	\$ 98,365	\$ 106,673	\$ 47,459	\$ (59,214)
Expenditures	147,843	156,429	65,733	90,696
Excess/(Deficiency)	(49,478)	(49,756)	(18,274)	31,482
Transfer in	44,539	44,817	18,737	(26,080)
Net change in fund balance	(4,939)	(4,939)	463	5,402
Fund balance - beginning	19,262	19,262	19,262	-
Fund balance - ending	\$ 14,323	\$ 14,323	\$ 19,725	\$ 5,402

MTC's federal and state funding sources are on a reimbursement basis so it is not unusual for revenue to lag behind the budget. Actual expenditures were also well below budget because several major programs were budgeted but were not completed during the fiscal year.

I. Capital Asset Administration

MTC's investment in capital assets for all funds, governmental and proprietary, is \$21,222 for fiscal 2009 and \$17,061 for fiscal 2008 as reported under the accrual basis of accounting. Fiscal 2009 includes new costs of \$2,183 for a new violations system and \$1,866 for new call boxes. The new Open Road Tolling lanes at the Benicia-Martinez Bridge increased capitalized costs by \$2,792 for fiscal 2008. Also, construction-in-progress costs incurred of \$3,166 in fiscal 2008 for the seismic

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2009 and 2008

Management's Discussion and Analysis (unaudited) continued

retrofit work of MTC's offices. Assets relating to the seven state-owned bridges administered by BATA are recorded by Caltrans.

Additional information on MTC's capital assets is disclosed in Note 4 on pages 53-56 of this report.

J. Long-Term Debt Administration

BATA completed the restructuring of \$2.4 billion of its variable rate debt during fiscal year 2009. BATA issued \$708 million of fixed rate bonds and reoffered \$1.7 billion variable rate bonds as uninsured variable rate bonds. As a result of a series of downgrades of Ambac's credit rating, BATA's insured variable rate bonds experienced significant interest rate spikes. At the same time, BATA negotiated a three-year insurance suspension option with Ambac. The suspension allows BATA to maintain a one time option of reactivating Ambac insurance on its variable rate bonds.

Component Unit – BAIFA In December 2006, BATA entered into a contribution agreement with the BAIFA. Under the contribution agreement, BATA pledged and assigned its rights to future scheduled payments of \$1,135,000 from the State of California to BAIFA. Annual payments to BAIFA are scheduled through year 2014. The amount represents a part of the state's share of the Seismic Retrofit and Replacement Program. In the same month, BAIFA issued State Payment Acceleration Notes (SPANs) of \$972,320. BAIFA deposited a portion of the bond proceeds of \$887,991 in the project fund for reimbursement to BATA for the seismic project expenses in return for the pledged revenues. BAIFA used the remaining note proceeds for deposit in the Pledged Revenue Fund, Reserve Fund or payment for the cost of issuance. As of fiscal year end 2008, BAIFA has reimbursed BATA all the proceeds from the SPANs in the project fund for the costs of seismic retrofit projects. BAIFA also has received \$268,000 of the \$1,135,000 revenue scheduled to be paid by the state through BATA.

Additional information on MTC's long-term debt can be found in Note 5 on pages 57-70 of this report.

K. Economic Factors Impacting MTC

The Bay Area economy has been impacted by record high unemployment, a record high number of home foreclosures and a general slowdown in consumer spending. These impacts include:

- An 8.8 percent decrease in sales tax revenue for the combined nine Bay Area counties for fiscal 2009. Region-wide sales tax revenue decreased in fiscal 2009 for the first time since fiscal 2004. Sales tax revenue for fiscal 2010 is projected to be lower than fiscal year 2009.
- The State Transit Assistance program is suspended until fiscal 2014.
- Continued volatility in the liquidity, financial and real estate markets.
- Unemployment in the Bay Area has increased to 10.6 percent as of June 2009.
- The condition of the State budget will prolong tough economic conditions in the Bay Area due to decreased state spending.
- Construction projects in the Bay Area supported by federal stimulus funds should begin to ramp up the latter part of fiscal 2010.

Requests for information

This financial report is designed to provide a general overview of the Metropolitan Transportation Commission's financial position for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Management's Discussion and Analysis (unaudited) continued

information should be addressed to the Chief Financial Officer, Metropolitan Transportation Commission, 101 8th Street, Oakland, CA 94607.

Metropolitan Transportation Commission
Statement of Net Assets
June 30, 2009

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Bay Area
	Activities	Activities		Infrastructure Financing Authority
Assets and deferred outflows				
Cash and cash equivalents - unrestricted	\$ 157,869,248	\$ 1,278,680,265	\$ 1,436,549,513	\$ -
Cash and cash equivalents - restricted	33,474,213	170,425,911	203,900,124	145,790,186
Investments - unrestricted	71,189,603	304,158,733	375,348,336	7,389,302
Investments - restricted	37,479,064	356,914,890	394,393,954	-
Receivables:				
Accounts and tolls due	3,222,663	2,651,583	5,874,246	-
Due from Bay Area Toll Authority	-	-	-	645,066,041
Interest	480,507	3,783,895	4,264,402	201,910
State/ Caltrans funding	22,568,658	5,079,760	27,648,418	-
Federal funding	21,801,933	128,131	21,930,064	-
Prepaid items	593,062	659,561	1,252,623	-
Bond issuance costs	-	51,150,241	51,150,241	9,141,996
Loan to other agency	37,000,000	-	37,000,000	-
OPEB Prefunding	7,384,385	-	7,384,385	-
Deferred outflows on derivative instruments	-	334,053,518	334,053,518	-
Capital assets (net of accumulated depreciation)	8,442,776	12,779,093	21,221,869	-
Total assets and deferred outflows	401,506,112	2,520,465,581	2,921,971,693	807,589,435
Liabilities				
Accounts payable & accrued liabilities	51,126,618	51,063,283	102,189,901	-
Accrued interest payable	-	29,040,711	29,040,711	16,157,583
Unearned revenue	-	40,365,033	40,365,033	-
Due to Caltrans	-	84,437,837	84,437,837	-
Noncurrent liabilities:				
Long term debt				
Due within one year	-	42,530,000	42,530,000	8,720,000
Due in more than one year	-	4,250,198,871	4,250,198,871	823,109,258
Due to/ (from) other funds				
Due within one year	10,483,185	(10,483,185)	-	-
Due in more than one year	29,000,000	(29,000,000)	-	-
Due to BAIFA				
Due within one year	-	99,024,420	99,024,420	-
Due in more than one year	-	546,041,621	546,041,621	-
Other noncurrent liabilities				
Due within one year	1,491,968	-	1,491,968	-
Due in more than one year	1,679,213	415,001,535	416,680,748	-
Total liabilities	93,780,984	5,518,220,126	5,612,001,110	847,986,841
Net Assets / (Deficit)				
Invested in capital assets, net of related debt	8,392,231	12,779,093	21,171,324	-
Restricted for:				
Capital projects	276,683,298	-	276,683,298	-
RM 2 program reserve	-	93,873,317	93,873,317	-
Debt covenant reserve	-	150,000,000	150,000,000	-
Extraordinary loss reserve	-	50,000,000	50,000,000	-
Long-term loan/interest receivable	37,000,000	-	37,000,000	-
OPEB Prefund	7,384,385	-	7,384,385	-
STA Reserve	5,086,117	-	5,086,117	-
Other purposes	3,089,763	-	3,089,763	-
Unrestricted	(29,910,666)	(3,304,406,955)	(3,334,317,621)	(40,397,406)
Total net assets / (deficit)	\$ 307,725,128	\$ (2,997,754,545)	\$ (2,690,029,417)	\$ (40,397,406)

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

Metropolitan Transportation Commission
Statement of Net Assets
June 30, 2008

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Bay Area
	Activities	Activities		Infrastructure Financing Authority
Assets and deferred outflows				
Cash and cash equivalents - unrestricted	\$ 146,684,310	\$ 1,398,957,426	\$ 1,545,641,736	\$ -
Cash and cash equivalents - restricted	710,665	894,850,999	895,561,664	222,949,723
Investments - unrestricted	79,128,260	324,652,881	403,781,141	-
Investments - restricted	46,664,674	283,421,023	330,085,697	-
Receivables:				
Accounts and tolls due	143,983	2,355,089	2,499,072	-
Due from Bay Area Toll Authority	-	-	-	688,090,461
Interest	1,440,410	6,347,811	7,788,221	207,837
State/ Caltrans funding	46,283,945	3,928,637	50,212,582	-
Federal funding	33,093,681	280,346	33,374,027	-
Prepaid items	407,520	533,736	941,256	3,750
Bond issuance costs	-	51,161,294	51,161,294	10,272,865
Loan to other agency	42,000,000	-	42,000,000	-
Deferred outflows on derivative instruments	-	158,599,966	158,599,966	-
OPEB Prefunding	7,731,865	-	7,731,865	-
Capital assets (net of accumulated depreciation)	8,855,077	8,205,986	17,061,063	-
Total assets and deferred outflows	413,144,390	3,133,295,194	3,546,439,584	921,524,636
Liabilities				
Accounts payable & accrued liabilities	52,188,195	49,429,828	101,618,023	-
Accrued interest payable	-	29,146,008	29,146,008	17,423,750
Unearned revenue	-	37,431,091	37,431,091	-
Due to Caltrans	-	77,086,143	77,086,143	-
Noncurrent liabilities:				
Long term debt				
Due within one year	-	43,965,000	43,965,000	69,770,000
Due in more than one year	-	4,293,890,298	4,293,890,298	843,059,269
Due to/ (from) other funds				
Due within one year	8,005,250	(8,005,250)	-	-
Due in more than one year	37,000,000	(37,000,000)	-	-
Due to BAIFA				
Due within one year	-	43,000,000	43,000,000	-
Due in more than one year	-	645,090,461	645,090,461	-
Other noncurrent liabilities				
Due within one year	1,363,748	-	1,363,748	-
Due in more than one year	1,668,279	162,117,440	163,785,719	-
Total liabilities	100,225,472	5,336,151,019	5,436,376,491	930,253,019
Net Assets/ (Deficit)				
Invested in capital assets, net of related debt	8,768,236	8,205,986	16,974,222	-
Restricted for:				
Capital projects	281,697,032	-	281,697,032	-
RM 2 program reserve	-	138,457,885	138,457,885	-
Debt covenant reserve	-	150,000,000	150,000,000	-
Extraordinary loss reserve	-	50,000,000	50,000,000	-
Long-term loan/interest receivable	42,000,000	-	42,000,000	-
OPEB Prefund	7,731,865	-	7,731,865	-
STA Reserve	4,175,455	-	4,175,455	-
Other purposes	1,815,325	-	1,815,325	-
Unrestricted	(33,268,995)	(2,549,519,696)	(2,582,788,691)	(8,728,383)
Total net assets / (deficit)	\$ 312,918,918	\$ (2,202,855,825)	\$ (1,889,936,907)	\$ (8,728,383)

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

Metropolitan Transportation Commission
Statement of Activities
For the Year Ended June 30, 2009

	Expenses		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues	Primary Government		Component Unit
							Governmental Activities	Business-Type Activities	Total
Functions									
<i>Governmental Activities:</i>									
General government	\$ 86,671,886	\$ -	\$ 85,047,714	\$ -	85,047,714	\$ (1,624,172)	\$ -	\$ (1,624,172)	\$ -
Transportation	99,153,429	-	61,795,988	-	61,795,988	(37,357,441)	-	(37,357,441)	-
Total governmental activities	185,825,315	-	146,843,702	-	146,843,702	(38,981,613)	-	(38,981,613)	-
<i>Business-type Activities:</i>									
Toll bridge activities	1,299,135,147	486,964,565	46,243,663	-	533,208,228	-	(765,926,919)	(765,926,919)	-
Congestion relief	14,363,137	5,998,475	7,246,653	-	13,245,128	-	(1,118,009)	(1,118,009)	-
Total business-type activities	1,313,498,284	492,963,040	53,490,316	-	546,453,356	-	(767,044,928)	(767,044,928)	-
Total primary government	\$ 1,499,323,599	\$ 492,963,040	\$ 200,334,018	\$ -	\$ 693,297,058	\$ (38,981,613)	\$ (767,044,928)	\$ (806,026,541)	\$ -
<i>Component Unit</i>									
BAIFA	\$ 35,210,049	\$ -	\$ 3,541,026	\$ -	\$ 3,541,026				\$ (31,669,023)
General revenues:									
Restricted investment earnings						783,516	-	783,516	-
Unrestricted investment earnings						5,001,515	149,000	5,150,515	-
Transfers						28,002,792	(28,002,792)	-	-
Total general revenues and transfers						33,787,823	(27,853,792)	5,934,031	-
Change in net assets						(5,193,790)	(794,898,720)	(800,092,510)	(31,669,023)
Net assets/ (deficit) - beginning						312,918,918	(2,202,855,825)	(1,889,936,907)	(8,728,383)
Net assets/ (deficit) - ending						\$ 307,725,128	\$ (2,997,754,545)	\$ (2,690,029,417)	\$ (40,397,406)

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

Metropolitan Transportation Commission
Statement of Activities
For the Year Ended June 30, 2008

	Expenses		Program Revenues			Net (Expense) Revenue and Changes in Net Assets							
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues	Primary Government		Component Unit				
							Governmental Activities	Business-Type Activities	Total	Bay Area Infrastructure Financing Auth			
Functions													
<i>Governmental Activities:</i>													
General government	\$	85,202,758	\$	-	\$	89,789,175	\$	-	\$	4,586,417	\$	-	
Transportation		152,998,857		-		117,706,667		-		(25,434,190)		-	
Total governmental activities		238,201,615		-		207,495,842		-		(20,847,773)		-	
<i>Business-type Activities:</i>													
Toll bridge activities		1,234,968,178		491,685,881		102,832,315		-		(640,449,982)		-	
Congestion relief		13,675,326		6,026,423		7,540,099		-		(108,804)		-	
Total business-type activities		1,248,643,504		497,712,304		110,372,414		-		(640,558,786)		-	
Total primary government	\$	1,486,845,119	\$	497,712,304	\$	317,868,256	\$	9,858,000	\$	825,438,560	\$	(20,847,773)	
<i>Component Unit</i>													
BAIFA	\$	38,473,976	\$	-	\$	17,757,697	\$	-	\$	17,757,697	\$	(20,716,279)	
General revenues:													
Restricted investment earnings								1,454,256		-		1,454,256	-
Unrestricted investment earnings								9,936,121		116,704,140		126,640,261	-
Transfers								28,922,337		(28,922,337)		-	-
Total general revenues and transfers								40,312,714		87,781,803		128,094,517	-
Change in net assets								19,464,941		(552,776,983)		(533,312,042)	(20,716,279)
Net assets / (deficit) - beginning								293,453,977		(1,650,078,842)		(1,356,624,865)	11,987,896
Net assets / (deficit) - ending								\$ 312,918,918		\$ (2,202,855,825)		\$ (1,889,936,907)	\$ (8,728,383)

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

Metropolitan Transportation Commission
Balance Sheet – Governmental Funds
June 30, 2009

	<u>General</u>	AB 664 Net Toll Revenue <u>Reserve</u>	<u>STA</u>	<u>Capital Projects</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets						
Cash and cash equivalents - unrestricted	\$ 16,263,181	\$ 21,202,758	\$ 60,625,710	\$ 899,681	\$ 58,877,918	\$ 157,869,248
Cash and cash equivalents - restricted	-	-	-	-	33,474,213	33,474,213
Investments - unrestricted	211,505	18,081,582	-	-	52,896,516	71,189,603
Investments - restricted	-	-	-	-	37,479,064	37,479,064
Receivables:						
Accounts	240,577	-	2,149,409	-	832,677	3,222,663
Interest	793	17,820	325,000	-	136,894	480,507
State/Caltrans funding	3,279,083	-	19,242,333	47,242	-	22,568,658
Federal funding	13,166,457	-	-	8,635,476	-	21,801,933
Due from other funds	6,939,514	-	-	1,756,466	210,076	8,906,056
Prepaid items	593,062	-	-	-	-	593,062
Total assets	<u>40,694,172</u>	<u>39,302,160</u>	<u>82,342,452</u>	<u>11,338,865</u>	<u>183,907,358</u>	<u>357,585,007</u>
Liabilities and fund balances						
Liabilities						
Accounts payable and accrued expenditures	17,369,779	5,311,554	23,319,116	4,101,532	1,024,637	51,126,618
Due to other funds	3,599,261	99,751	1,347,040	5,495,453	847,736	11,389,241
Total liabilities	<u>20,969,040</u>	<u>5,411,305</u>	<u>24,666,156</u>	<u>9,596,985</u>	<u>1,872,373</u>	<u>62,515,859</u>
Fund balances						
Nonspendable:						
Prepaid items	593,062	-	-	-	-	593,062
Restricted for:						
Transportation projects	5,086,117	33,890,855	57,676,296	1,229,130	9,969,239	107,851,637
Rail projects	-	-	-	-	166,028,389	166,028,389
Committed to:						
Benefits reserve	1,223,564	-	-	-	-	1,223,564
Building reserve	-	-	-	499,769	-	499,769
Liability reserve	773,368	-	-	-	-	773,368
Transportation projects	1,839,051	-	-	12,981	6,037,357	7,889,389
Unassigned:						
Unassigned	10,209,970	-	-	-	-	10,209,970
Total fund balances	<u>19,725,132</u>	<u>33,890,855</u>	<u>57,676,296</u>	<u>1,741,880</u>	<u>182,034,985</u>	<u>295,069,148</u>
Total liabilities and fund balances	<u>\$ 40,694,172</u>	<u>\$ 39,302,160</u>	<u>\$ 82,342,452</u>	<u>\$ 11,338,865</u>	<u>\$ 183,907,358</u>	
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds						8,442,776
Other Post Employment Benefit (OPEB) Prefund Asset						7,384,385
Capital leases are not due and payable in the current period and therefore are not reported in the funds						(50,545)
Compensated absences are not due and payable in the current period and therefore are not reported in the funds						(3,120,636)
Other long-term assets are not available for current-period expenditures and, therefore, are deferred in the funds						37,000,000
Other long-term liabilities are not available for current-period expenditures and, therefore, are deferred in the funds						(37,000,000)
Net assets of governmental activities						<u>\$ 307,725,128</u>

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

Metropolitan Transportation Commission
Balance Sheet – Governmental Funds
June 30, 2008

	General	AB 664 Net Toll Revenue Reserve	STA	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents - unrestricted	\$ 13,513,068	\$ 17,505,808	\$ 75,875,918	\$ -	\$ 39,789,516	\$ 146,684,310
Cash and cash equivalents - restricted	149,990	-	-	-	560,675	710,665
Investments - unrestricted	205,862	25,318,171	-	-	53,604,227	79,128,260
Investments - restricted	-	-	-	-	46,664,674	46,664,674
Receivables:						
Accounts	13,999	-	-	999,464	-	1,013,463
Interest	1,587	78,160	750,000	-	610,663	1,440,410
State/Caltrans funding	3,401,966	-	42,824,841	57,138	-	46,283,945
Federal funding	23,335,418	-	-	8,888,782	-	32,224,200
Due from other funds	3,553,759	-	3,943,000	1,431,550	-	8,928,309
Prepaid items	407,520	-	-	-	-	407,520
Total assets	<u>\$ 44,583,169</u>	<u>\$ 42,902,139</u>	<u>\$ 123,393,759</u>	<u>\$ 11,376,934</u>	<u>\$ 141,229,755</u>	<u>\$ 363,485,756</u>
Liabilities and fund balances						
Liabilities						
Accounts payable and accrued expenditures	\$ 17,923,963	\$ 5,862,879	\$ 19,801,280	\$ 7,490,920	\$ 1,109,153	\$ 52,188,195
Due to other funds	7,397,699	286,258	1,023,278	2,369,469	856,855	11,933,559
Total liabilities	<u>25,321,662</u>	<u>6,149,137</u>	<u>20,824,558</u>	<u>9,860,389</u>	<u>1,966,008</u>	<u>64,121,754</u>
Fund balances						
Nonspendable:						
Prepaid items	407,520	-	-	-	-	407,520
Restricted for:						
Transportation projects	4,175,455	36,753,002	102,569,201	820,479	426,994	144,745,131
Rail projects	-	-	-	-	132,160,398	132,160,398
Committed to:						
Benefits reserve	2,202	-	-	-	-	2,202
Building reserve	-	-	-	659,151	-	659,151
Liability reserve	746,451	-	-	-	-	746,451
Transportation projects	2,253,688	-	-	36,915	6,676,355	8,966,958
Unassigned:						
Unassigned	11,676,191	-	-	-	-	11,676,191
Total fund balances	<u>19,261,507</u>	<u>36,753,002</u>	<u>102,569,201</u>	<u>1,516,545</u>	<u>139,263,747</u>	<u>299,364,002</u>
Total liabilities and fund balances	<u>\$ 44,583,169</u>	<u>\$ 42,902,139</u>	<u>\$ 123,393,759</u>	<u>\$ 11,376,934</u>	<u>\$ 141,229,755</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	8,855,077
Other Post Employment Benefit (OPEB) Prefund Asset	7,731,865
Capital leases are not due and payable in the current period and therefore are not reported in the funds	(86,841)
Compensated absences are not due and payable in the current period and therefore are not reported in the funds	(2,945,185)
Other long-term assets are not available for current-period expenditures and, therefore, are deferred in the funds	42,000,000
Other long-term liabilities are not available for current-period expenditures and, therefore, are deferred in the funds	(42,000,000)
Net assets of governmental activities	<u>\$ 312,918,918</u>

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

Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2009

	<u>General</u>	AB 664 Net Toll Revenue <u>Reserve</u>	<u>STA</u>	<u>Capital Projects</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues						
Sales taxes	\$ 9,678,324	\$ -	\$ -	\$ 169,489	\$ -	\$ 9,847,813
Grants - Federal	31,541,171	-	-	9,884,801	-	41,425,972
Grants - State	2,658,926	-	56,142,205	-	2,994,857	61,795,988
Local agencies revenues and refunds	3,423,340	-	343,055	-	30,007,534	33,773,929
Investment income - unrestricted	157,624	622,863	1,452,171	532	2,768,325	5,001,515
Investment income - restricted	-	-	-	-	783,516	783,516
Total revenues	47,459,385	622,863	57,937,431	10,054,822	36,554,232	152,628,733
Expenditures						
Current:						
General government	57,672,098	4,005	-	203,306	6,478,379	64,357,788
Allocations to other agencies	7,873,335	14,362,740	80,325,647	-	4,465,042	107,026,764
Capital outlay	186,931	-	-	13,354,897	-	13,541,828
Total expenditures	65,732,364	14,366,745	80,325,647	13,558,203	10,943,421	184,926,380
Excess / (deficiency) of revenues over / (under) expenditures	(18,272,979)	(13,743,882)	(22,388,216)	(3,503,381)	25,610,811	(32,297,647)
Other financing sources / uses						
Transfers in	20,783,977	10,881,735	2,047,373	4,194,993	19,775,204	57,683,282
Transfers out	(2,047,373)	-	(24,552,062)	(466,278)	(2,614,777)	(29,680,490)
Total other financing sources and uses	18,736,604	10,881,735	(22,504,689)	3,728,715	17,160,427	28,002,792
Net change in fund balances	463,625	(2,862,147)	(44,892,905)	225,334	42,771,238	(4,294,855)
Fund balances - beginning	19,261,507	36,753,002	102,569,201	1,516,546	139,263,747	299,364,003
Fund balances - ending	\$ 19,725,132	\$ 33,890,855	\$ 57,676,296	\$ 1,741,880	\$ 182,034,985	\$ 295,069,148

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

Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2008

	<u>General</u>	AB 664 Net Toll Revenue <u>Reserve</u>	<u>STA</u>	Capital <u>Projects</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues						
Sales taxes	\$ 10,276,412	\$ -	\$ -	\$ 523,006	\$ -	\$ 10,799,418
Grants - Federal	38,555,203	-	-	12,172,171	-	50,727,374
Grants - State	893,463	-	123,706,000	-	2,965,204	127,564,667
Local agencies revenues and refunds	4,097,121	-	223,261	761,001	28,181,000	33,262,383
Investment income - unrestricted	790,306	1,912,883	4,155,551	-	4,487,382	11,346,122
Investment income - restricted	-	-	-	-	1,454,256	1,454,256
Total revenues	54,612,505	1,912,883	128,084,812	13,456,178	37,087,842	235,154,220
Expenditures						
Current:						
General government	66,056,858	4,338	-	968,062	7,123,887	74,153,145
Allocations to other agencies	10,425,579	14,823,889	134,022,012	-	4,152,955	163,424,435
Capital outlay	82,517	-	-	15,661,122	-	15,743,639
Total expenditures	76,564,954	14,828,227	134,022,012	16,629,184	11,276,842	253,321,219
Excess / (deficiency) of revenues over / (under) expenditures	(21,952,449)	(12,915,344)	(5,937,200)	(3,173,006)	25,811,000	(18,166,999)
Other financing sources / uses						
Other financing source	-	-	-	-	47,000,000	47,000,000
Transfers in	20,418,598	11,083,741	3,943,000	4,475,804	9,857,581	49,778,724
Transfers out	(6,023,477)	(21,000)	(13,732,628)	-	(1,079,283)	(20,856,388)
Total other financing sources and uses	14,395,121	11,062,741	(9,789,628)	4,475,804	55,778,298	75,922,336
Net change in fund balances	(7,557,328)	(1,852,603)	(15,726,828)	1,302,798	81,589,298	57,755,337
Fund balances - beginning	26,818,835	38,605,605	118,296,029	213,748	57,674,449	241,608,666
Fund balances - ending	\$ 19,261,507	\$ 36,753,002	\$ 102,569,201	\$ 1,516,546	\$ 139,263,747	\$ 299,364,003

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

Metropolitan Transportation Commission
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances – Governmental Funds to the Statement of Activities
For the Years Ended June 30, 2009 and 2008

	2009	2008
Net change in fund balances - total governmental funds (per Statement of Revenues, Expenditures and Changes in Fund Balances)	\$ (4,294,855)	\$ 57,755,337
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeds (does not exceed) non capital lease capital outlays in the current period.	(412,301)	2,721,598
Interest Income on Long Term Loan Receivable not recognized in fiscal year 2008 for governmental fund financial statements	-	(1,410,000)
Repayment of the principal of the long-term receivable from BART is not recorded as a long term asset in the governmental funds for fiscal 2009. Loan advances (repayments received) to/from the agency were recorded as expense (income) in the governmental fund but were capitalized as a long-term asset in the statement of net assets.	(5,000,000)	(5,000,000)
Intra-entitiy transfer from BATA to MTC in fiscal year 2008	-	(47,000,000)
Repayment of Intra-entity loan between MTC and BATA in fiscal year 2009	5,000,000	5,000,000
Principal repayment on capital leases in an expenditure in the governmental funds; however, the principal element of the repayment reduces long-term liabilities in the statement of net assets. This amount is the effect of the differing treatment of capital lease principal repayment.	36,296	31,628
Some items do not require the use of current financial resources and, therefore, are not reported in governmental funds:		
Other Post Employment Benefits prefunding	(347,480)	7,731,865
Compensated absences	(175,450)	(365,487)
Change in net assets of governmental activities (per Statement of Activities)	<u>\$ (5,193,790)</u>	<u>\$ 19,464,941</u>

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

Metropolitan Transportation Commission
Statement of Net Assets – Proprietary Funds
June 30, 2009

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Assets and deferred outflows			
Current assets:			
Cash and cash equivalents - unrestricted	\$ 1,267,424,760	\$ 11,255,505	\$ 1,278,680,265
Cash and cash equivalents - restricted	53,702,557	-	53,702,557
Short-term investments - unrestricted	187,054,378	104,355	187,158,733
Short-term investments - restricted	-	-	-
Due from MTC	8,000,000	3,014,612	11,014,612
Accounts receivable	2,030,575	5,000	2,035,575
Accrued interest	3,782,756	1,139	3,783,895
Prepaid expenses	581,881	77,680	659,561
State/Caltrans funding	1,354,747	3,725,013	5,079,760
Funding due from local agency	616,008	-	616,008
Funding due from federal agency	-	128,131	128,131
Total current assets	1,524,547,662	18,311,435	1,542,859,097
Non-current assets:			
Investments - unrestricted	117,000,000	-	117,000,000
Cash and cash equivalents - restricted	116,723,354	-	116,723,354
Investments -restricted	356,914,890	-	356,914,890
Due from MTC	29,000,000	-	29,000,000
Deferred outflows on derivative instruments	334,053,518	-	334,053,518
Bonds issuance costs	51,150,241	-	51,150,241
Capital assets, net of accumulated depreciation/amortization	8,311,027	4,468,066	12,779,093
Total non-current assets and deferred outflows	1,013,153,030	4,468,066	1,017,621,096
Total assets and deferred outflows	2,537,700,692	22,779,501	2,560,480,193
Liabilities			
Current liabilities:			
Accounts payable	48,466,639	1,940,381	50,407,020
Accrued interest payable	29,040,711	-	29,040,711
Due to MTC	531,427	-	531,427
Unearned revenue	40,365,033	-	40,365,033
Retentions payable	525,884	130,379	656,263
Long-term debt - current	42,530,000	-	42,530,000
Due to Caltrans	84,437,837	-	84,437,837
Due to Bay Area Infrastructure Financing Authority	99,024,420	-	99,024,420
Total current liabilities	344,921,951	2,070,760	346,992,711
Non-current liabilities:			
Patron deposits	3,941,108	-	3,941,108
Due to Bay Area Infrastructure Financing Authority	546,041,621	-	546,041,621
Long-term debt, net	4,250,198,871	-	4,250,198,871
Derivative instruments - fair value	411,060,427	-	411,060,427
Total non - current liabilities	5,211,242,027	-	5,211,242,027
Total liabilities	5,556,163,978	2,070,760	5,558,234,738
Net assets / (deficit)			
Invested in capital assets, net of related debt	8,311,027	4,468,066	12,779,093
Restricted for:			
RM 2 program reserve	93,873,317	-	93,873,317
Debt reserve	150,000,000	-	150,000,000
Extraordinary loss reserve	50,000,000	-	50,000,000
Unrestricted net assets	(3,320,647,630)	16,240,675	(3,304,406,955)
Total net assets / (deficit)	\$ (3,018,463,286)	\$ 20,708,741	\$ (2,997,754,545)

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

Metropolitan Transportation Commission
Statement of Net Assets – Proprietary Funds
June 30, 2008

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Assets and deferred outflows			
Current assets:			
Cash and cash equivalents - unrestricted	\$ 1,383,997,166	\$ 14,960,260	\$ 1,398,957,426
Cash and cash equivalents - restricted	691,584,902	-	691,584,902
Short-term investments - unrestricted	324,551,310	101,571	324,652,881
Short-term investments - restricted	44,719,500	-	44,719,500
Due from MTC	5,343,678	3,454,699	8,798,377
Accounts receivable	2,071,747	120	2,071,867
Accrued interest	6,334,118	13,693	6,347,811
Prepaid expenses	476,606	57,130	533,736
State/Caltrans funding	1,203,418	2,725,219	3,928,637
Funding due from local agency	283,222	-	283,222
Funding due from federal agency	-	280,346	280,346
Total current assets	2,460,565,667	21,593,038	2,482,158,705
Non-current assets:			
Cash and cash equivalents - restricted	203,266,097	-	203,266,097
Investments - restricted	238,701,523	-	238,701,523
Due from MTC	37,000,000	-	37,000,000
Deferred outflows on derivative instruments	158,599,966	-	158,599,966
Bonds issuance costs	51,161,294	-	51,161,294
Capital assets, net of accumulated depreciation/amortization	5,356,199	2,849,787	8,205,986
Total non-current assets and deferred outflows	694,085,079	2,849,787	696,934,866
Total assets and deferred outflows	3,154,650,746	24,442,825	3,179,093,571
Liabilities			
Current liabilities:			
Accounts payable	47,439,469	1,402,667	48,842,136
Accrued interest payable	29,146,008	-	29,146,008
Due to MTC	793,127	-	793,127
Unearned revenue	37,431,091	-	37,431,091
Retentions payable	539,103	48,589	587,692
Long-term debt - current	43,965,000	-	43,965,000
Due to Caltrans	77,086,143	-	77,086,143
Due to Bay Area Infrastructure Financing Authority	43,000,000	-	43,000,000
Total current liabilities	279,399,941	1,451,256	280,851,197
Non-current liabilities:			
Patron deposits	3,221,656	-	3,221,656
Rebate arbitrage liability	295,818	-	295,818
Due to Bay Area Infrastructure Financing Authority	645,090,461	-	645,090,461
Long-term debt, net	4,293,890,298	-	4,293,890,298
Derivative instruments - fair value	158,599,966	-	158,599,966
Total non-current liabilities	5,101,098,199	-	5,101,098,199
Total liabilities	5,380,498,140	1,451,256	5,381,949,396
Net assets / (deficit)			
Invested in capital assets, net of related debt	5,356,199	2,849,787	8,205,986
Restricted for:			
RM 2 program reserve	138,457,885	-	138,457,885
Debt reserve	150,000,000	-	150,000,000
Extraordinary loss reserve	50,000,000	-	50,000,000
Unrestricted net assets	(2,569,661,478)	20,141,782	(2,549,519,696)
Total net assets / (deficit)	\$ (2,225,847,394)	\$ 22,991,569	\$(2,202,855,825)

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

Metropolitan Transportation Commission
Statement of Revenues, Expenses and Change in Fund Net Assets –
Proprietary Funds
For the Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds		
	Bay Area	Service Authority	Total
	Toll Authority	for Freeways and Expressways	
Operating revenues			
Toll revenues collected	\$ 470,136,376	\$ -	\$ 470,136,376
Department of Motor Vehicles registration fees	-	5,998,475	5,998,475
Other operating revenues	16,828,189	-	16,828,189
Total operating revenues	<u>486,964,565</u>	<u>5,998,475</u>	<u>492,963,040</u>
Operating expenses			
Operating expenses incurred by Caltrans	28,609,482	-	28,609,482
Towing contracts	-	8,764,626	8,764,626
Professional fees	27,378,953	1,618,387	28,997,340
Allocations to other agencies	28,341,977	-	28,341,977
Salaries and benefits	5,986,583	957,832	6,944,415
Repairs and maintenance	2,548	1,036,045	1,038,593
Communications charges	1,734	263,691	265,425
Depreciation and amortization	759,887	284,654	1,044,541
Other operating expenses	10,491,391	705,102	11,196,493
Total operating expenses	<u>101,572,555</u>	<u>13,630,337</u>	<u>115,202,892</u>
Operating income / (loss)	<u>385,392,010</u>	<u>(7,631,862)</u>	<u>377,760,148</u>
Non-operating revenues / (expenses)			
Investment income	20,699	128,301	149,000
Interest expense	(197,742,351)	-	(197,742,351)
Financing fees	(14,441,725)	-	(14,441,725)
Other non-operating expense	(2,332,921)	-	(2,332,921)
Caltrans/other agency operating grants	46,243,663	6,481,541	52,725,204
Federal operating grants	-	765,112	765,112
Distributions to other agencies for their capital purposes	(132,770,459)	-	(132,770,459)
Distributions to Caltrans for their capital purposes	(850,275,136)	(732,800)	(851,007,936)
Total non-operating revenues / (expenses), net	<u>(1,151,298,230)</u>	<u>6,642,154</u>	<u>(1,144,656,076)</u>
Income/(loss) before transfers	<u>(765,906,220)</u>	<u>(989,708)</u>	<u>(766,895,928)</u>
Transfers			
Transfers to Metropolitan Transportation Commission	(27,208,672)	(2,054,120)	(29,262,792)
Transfer from Metropolitan Transportation Commission	1,260,000	-	1,260,000
Transfer between programs	(761,000)	761,000	-
Total transfers	<u>(26,709,672)</u>	<u>(1,293,120)</u>	<u>(28,002,792)</u>
Change in net assets	<u>(792,615,892)</u>	<u>(2,282,828)</u>	<u>(794,898,720)</u>
Total net assets / (deficit) - beginning	<u>(2,225,847,394)</u>	<u>22,991,569</u>	<u>(2,202,855,825)</u>
Total net assets / (deficit) - ending	<u>\$ (3,018,463,286)</u>	<u>\$ 20,708,741</u>	<u>\$ (2,997,754,545)</u>

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

Metropolitan Transportation Commission
Statement of Revenues, Expenses and Change in Fund Net Assets –
Proprietary Funds
For the Year Ended June 30, 2008

	Business-Type Activities - Enterprise Funds		
	Bay Area	Service Authority	Total
	<u>Toll Authority</u>	for Freeways and <u>Expressways</u>	
Operating revenues			
Toll revenues collected	\$ 477,377,104	\$ -	\$ 477,377,104
Department of Motor Vehicles registration fees	-	6,026,423	6,026,423
Other operating revenues	14,308,777	-	14,308,777
Total operating revenues	<u>491,685,881</u>	<u>6,026,423</u>	<u>497,712,304</u>
Operating expenses			
Operating expenses incurred by Caltrans	30,271,065	-	30,271,065
Towing contracts	-	8,819,101	8,819,101
Professional fees	27,496,352	1,858,320	29,354,672
Allocations to other agencies	26,696,240	-	26,696,240
Salaries and benefits	5,564,793	865,995	6,430,788
Repairs and maintenance	2,005	1,028,982	1,030,987
Communications charges	1,512	248,700	250,212
Depreciation and amortization	680,663	265,525	946,188
Other operating expenses	10,377,909	612,049	10,989,958
Total operating expenses	<u>101,090,539</u>	<u>13,698,672</u>	<u>114,789,211</u>
Operating income / (loss)	<u>390,595,342</u>	<u>(7,672,249)</u>	<u>382,923,093</u>
Non-operating revenues / (expenses)			
Investment income	116,134,231	569,909	116,704,140
Interest expense	(191,859,414)	-	(191,859,414)
Financing fees	(7,622,197)	-	(7,622,197)
Other non-operating expense	(1,386,813)	-	(1,386,813)
Caltrans/other agency operating grants	102,832,315	5,849,763	108,682,078
Federal operating grants	-	1,690,336	1,690,336
Distributions to other agencies for their capital purposes	(126,008,087)	-	(126,008,087)
Distributions to Caltrans for their capital purposes	(807,001,128)	-	(807,001,128)
Gain/(loss) on sale/abandonment of equipment	-	23,346	23,346
Total non-operating revenues / (expenses), net	<u>(914,911,093)</u>	<u>8,133,354</u>	<u>(906,777,739)</u>
Income/(loss) before transfers	<u>(524,315,751)</u>	<u>461,105</u>	<u>(523,854,646)</u>
Transfers			
Transfers to Metropolitan Transportation Commission	<u>(27,207,788)</u>	<u>(1,714,549)</u>	<u>(28,922,337)</u>
Change in net assets	<u>(551,523,539)</u>	<u>(1,253,444)</u>	<u>(552,776,983)</u>
Total net assets / (deficit) - beginning	<u>(1,674,323,855)</u>	<u>24,245,013</u>	<u>(1,650,078,842)</u>
Total net assets / (deficit) - ending	<u>\$ (2,225,847,394)</u>	<u>\$ 22,991,569</u>	<u>\$ (2,202,855,825)</u>

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

Metropolitan Transportation Commission
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Cash flows from operating activities			
Cash receipts from users	\$ 473,806,522	\$ 5,998,475	\$ 479,804,997
Cash payments to Caltrans, suppliers and employees for services	(116,692,993)	(13,509,816)	(130,202,809)
Other receipts/(payments)	16,690,932	(1,681,629)	15,009,303
Net cash provided by / (used in) operating activities	373,804,461	(9,192,970)	364,611,491
Cash flows from non-capital financing activities			
Caltrans and other local agency grants	45,910,877	5,544,342	51,455,219
Proceeds from issuance of revenue bonds	687,800,631	-	687,800,631
Interest paid on bonds	(197,139,638)	-	(197,139,638)
Financing fees	(14,587,946)	-	(14,587,946)
Payment for refunding of bonds	(657,100,000)	-	(657,100,000)
Federal operating grants	-	917,327	917,327
Transfers to MTC/SAFE	(26,130,766)	-	(26,130,766)
Due from MTC/ SAFE	5,250,000	-	5,250,000
Bond principal payments	(40,865,000)	-	(40,865,000)
Distributions to Caltrans	(840,545,685)	-	(840,545,685)
Distributions to other agencies	(119,207,331)	-	(119,207,331)
Due to BAIFA	(43,000,000)	-	(43,000,000)
Net cash provided by / (used in) non-capital financing activities	(1,199,614,858)	6,461,669	(1,193,153,189)
Cash flows from capital and related financing activities			
Transfer between program	(761,000)	761,000	-
Acquisition of capital assets	(2,720,378)	(1,872,525)	(4,592,903)
Net cash (used in) capital and related financing activities	(3,481,378)	(1,111,525)	(4,592,903)
Cash flows from investing activities			
Proceeds from maturities of investments	(7,977,787,742)	15,453,990	(7,962,333,752)
Purchase of investments	7,924,943,389	(15,456,633)	7,909,486,756
Interest and dividends received	41,138,634	140,714	41,279,348
Net cash provided by / (used in) investing activities	(11,705,719)	138,071	(11,567,648)
Net increase/ (decrease) in cash and cash equivalents	(840,997,494)	(3,704,755)	(844,702,249)
Balances - beginning of year	2,278,848,165	14,960,260	2,293,808,425
Balances - end of year	\$ 1,437,850,671	\$ 11,255,505	\$ 1,449,106,176

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

Metropolitan Transportation Commission
Statement of Cash Flows – Proprietary Funds, *continued*
For the Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds		
	<u>Bay Area Toll Authority</u>	<u>Service Authority for Freeways and Expressways</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by / (used in) operating activities			
Operating income / (loss)	\$ 385,392,010	\$ (7,631,862)	\$ 377,760,148
Adjustments to reconcile operating income to net cash provided by / (used in) operating activities:			
Depreciation and amortization	759,887	284,654	1,044,541
Net effect of changes in:			
Due to/ from MTC	14,072	(1,614,033)	(1,599,961)
Due from State/ Federal	(151,329)	(67,596)	(218,925)
Accounts receivable	41,172	120	41,292
Prepaid expenses and other assets	65,862	(18,851)	47,011
Due to Caltrans	(2,377,757)	-	(2,377,757)
Due from BAIFA	(24,420)	-	(24,420)
Unearned revenue	2,933,942	-	2,933,942
Patron deposits	719,452	-	719,452
Accounts payable and accrued expenses	(13,568,430)	(145,402)	(13,713,832)
Net cash provided by / (used in) operating activities	\$ 373,804,461	\$ (9,192,970)	\$ 364,611,491

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

Metropolitan Transportation Commission
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2008

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Cash flows from operating activities			
Cash receipts from users	\$ 483,378,277	\$ 6,026,423	\$ 489,404,700
Cash payments to Caltrans, suppliers and employees for services	(106,177,323)	(13,726,762)	(119,904,085)
Other receipts/(payments)	13,137,751	(2,364,840)	10,772,911
Net cash provided by / (used in) operating activities	390,338,705	(10,065,179)	380,273,526
Cash flows from non-capital financing activities			
Caltrans and other local agency grants	102,933,074	5,173,386	108,106,460
Proceeds from issuance of revenue bonds	991,749,273	-	991,749,273
Interest paid on bonds	(184,855,997)	-	(184,855,997)
Financing fees	(7,622,197)	-	(7,622,197)
Payment for refunding of bonds	(500,000,000)	-	(500,000,000)
Federal operating grants	-	2,137,765	2,137,765
Transfers to MTC/SAFE	(25,421,766)	-	(25,421,766)
Due from MTC/ SAFE	(42,250,000)	-	(42,250,000)
Bond principal payments	(42,620,000)	-	(42,620,000)
Distributions to Caltrans	(765,676,398)	-	(765,676,398)
Distributions to other agencies	(142,318,990)	-	(142,318,990)
Contributions from BAIFA	398,723,073	-	398,723,073
Distributions to BAIFA	(100,000,000)	-	(100,000,000)
Net cash provided by / (used in) non-capital financing activities	(317,359,928)	7,311,151	(310,048,777)
Cash flows from capital and related financing activities			
Transfers between programs	-	-	-
Acquisition of capital assets	(3,012,135)	(193,926)	(3,206,061)
Proceeds from sale of facilities, property and equipment	-	23,376	23,376
Net cash (used in) capital and related financing activities	(3,012,135)	(170,550)	(3,182,685)
Cash flows from investing activities			
Proceeds from maturities of investments	9,581,299,161	27,708,662	9,609,007,823
Purchase of investments	(8,576,385,520)	(14,146,006)	(8,590,531,526)
Interest and dividends received	129,628,408	753,265	130,381,673
Net cash provided by / (used in) investing activities	1,134,542,049	14,315,921	1,148,857,970
Net increase / (decrease) in cash and cash equivalents	1,204,508,691	11,391,343	1,215,900,034
Balances - beginning of year	1,074,339,474	3,568,917	1,077,908,391
Balances - end of year	\$ 2,278,848,165	\$ 14,960,260	\$ 2,293,808,425

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

Metropolitan Transportation Commission
Statement of Cash Flows – Proprietary Funds, *continued*
For the Year Ended June 30, 2008

	Business-Type Activities - Enterprise Funds		
	<u>Bay Area Toll Authority</u>	Service Authority for Freeways and <u>Expressways</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by / (used in) operating activities			
Operating income / (loss)	\$ 390,595,342	\$ (7,672,249)	\$ 382,923,093
Adjustments to reconcile operating income to net cash provided by / (used in) operating activities:			
Depreciation and amortization	680,663	265,525	946,188
Net effect of changes in:			
Due to MTC	12,161	(2,370,677)	(2,358,516)
Due from State/ Federal	(1,183,187)	5,837	(1,177,350)
Accounts receivable	245,989	(120)	245,869
Prepaid expenses and other assets	75,209	16,605	91,814
Due to Caltrans	(6,088,060)	-	(6,088,060)
Unearned revenue	5,146,397	-	5,146,397
Patron deposits	608,787	-	608,787
Accounts payable and accrued expenses	245,404	(310,100)	(64,696)
Net cash provided by / (used in) operating activities	\$ 390,338,705	\$ (10,065,179)	\$ 380,273,526

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

Metropolitan Transportation Commission
Statement of Fiduciary Assets and Liabilities – Agency Funds
June 30, 2009 and 2008

	2009	2008
Assets		
Cash and cash equivalents	\$ 72,209,970	\$ 78,248,746
Receivables - interest	80,101	210,099
Total Assets	<u>\$ 72,290,071</u>	<u>\$ 78,458,845</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 6,310,178	\$ 5,119,766
Due to other governments	65,979,893	73,339,079
Total Liabilities	<u>\$ 72,290,071</u>	<u>\$ 78,458,845</u>

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

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Metropolitan Transportation Commission (MTC) was established under Government Code Section 66500 et seq. the laws of the State of California (State) in 1970 to provide comprehensive regional transportation planning for the nine counties that comprise the San Francisco Bay Area, which includes the City and County of San Francisco and the Counties of Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma.

The MTC's principal sources of revenue to fund its operations include state grants, a percentage of the sales tax revenues collected in the nine Bay Area Counties under the State Transportation Development Act of 1971 (TDA) and grants from the U.S. Department of Transportation, Office of the Secretary of Transportation (U.S. DOT), including the Federal Highway Administration (FHWA), Federal Transit Administration (FTA) and other federal, state and local agencies. These are the principal sources of revenue susceptible to accrual under the modified accrual method described later within this note. Fees are the primary source of revenue for the proprietary funds described in this note.

The accompanying financial statements present MTC, its blended component units, and its discretely presented component unit. MTC is the primary government as defined in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*. Its governing board is separately appointed and it is fiscally independent of other governments. The blended component units discussed below are included as part of the reporting entity because their boards are substantially the same as the primary government's board. The blended component units, although legally separate entities are, in substance, part of the MTC's operations and financial data from these units are combined with financial data of MTC in preparing the government-wide financial statements. The Commission serves as the governing body for MTC and all its blended component units.

MTC has one discretely presented component unit – Bay Area Infrastructure Financing Authority (BAIFA). As such, BAIFA is presented in a separate column on the face of the government-wide financial statements on the far right column.

Blended component units

i.) Bay Area Toll Authority

The Bay Area Toll Authority (BATA) is a public agency created by Senate Bill 226 effective January 1, 1998 with responsibilities for the disposition of toll revenues collected from toll bridges owned and operated by Caltrans in the San Francisco Bay Area. These responsibilities also include administration of the Regional Measure 1 capital improvement program approved by the voters in 1988. The bridges for which BATA manages the disposition of toll revenues are the Antioch Bridge, Benicia-Martinez Bridge, Carquinez Bridge, Dumbarton Bridge, Richmond-San Rafael Bridge, San Francisco-Oakland Bay Bridge and San Mateo-Hayward Bridge.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2009 and 2008

Notes to Financial Statements

Pursuant to Senate Bill 226, a five year Cooperative Agreement was signed on March 2, 1998 defining the roles and responsibilities of BATA and Caltrans with respect to the collection and disposition of toll bridge revenues. The current ten-year agreement was signed in 2006.

Caltrans' responsibilities include the ownership, operation and maintenance of the bridges. Under the terms of the Cooperative Agreement, BATA has responsibility for electronic toll collection. BATA's FasTrak[®] Center consolidated its operations to include Golden Gate Bridge Highway and Transportation District on May 30, 2005.

BATA is required to prepare and adopt a budget by July 1 for each fiscal year. BATA adopted a Long Range Plan for Regional Measure 1 (RM 1) projects as required by the Streets and Highway Code. With the concurrence of Caltrans, the plan gives first priority to projects and expenditures that are deemed necessary by Caltrans to preserve and protect the bridges as provided by the Streets and Highway Code and to pay Caltrans for costs incurred and as authorized in the annual budgets adopted by BATA.

In March 2004, seven Bay Area counties approved Regional Measure 2 (RM 2). RM 2 increased the bridge toll by one dollar for all seven bridges in order to fund various capital and operating programs for congestion relief. BATA controls the RM 2 allocations. This dollar surcharge became effective July 1, 2004.

The California State Legislature approved Assembly Bill (AB) 144 on July 18, 2005, which transferred additional Caltrans responsibilities to BATA, namely toll plaza administration responsibility. This responsibility includes consolidation of all the bridge revenue, including the state seismic dollar for the seven bridges, under BATA's administration. The state seismic dollar was formerly administered by Caltrans to be used to complete the Seismic Retrofit Program. AB 144 also created a new seismic project oversight board, called the Toll Bridge Project Oversight Committee. This Committee consists of Caltrans, BATA, and the California Transportation Commission. This Committee has oversight for the state toll bridge seismic retrofit program, which includes reviewing bid documents, change orders, and monitoring ongoing costs. The bill also gave BATA unlimited project level toll revenue setting authority to complete the Seismic Retrofit Program. BATA is a proprietary fund as it generates revenue from toll bridge receipts and its debt is collateralized solely by toll revenue as more fully described in Note 5 Bond Covenants.

ii.) MTC Service Authority for Freeways and Expressways (MTC SAFE)

In June 1988, the MTC SAFE was created to receive fees collected by the Department of Motor Vehicles pursuant to Streets and Highways Code Section 2500 et seq., which permits the collection of up to \$1 per registered vehicle in participating counties. These fees represent charges for services rendered to external users. The MTC SAFE is responsible for administering a freeway motorist aid system in the participating counties, referred to as the Call Box program. The following counties are participants in the MTC SAFE: San Francisco, Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2009 and 2008

Notes to Financial Statements

In 1993, the MTC SAFE's responsibilities were expanded, pursuant to a jointly adopted Memorandum of Understanding between the MTC SAFE, Caltrans, and the California Highway Patrol (CHP), to participate in the development and implementation of a Freeway Service Patrol (FSP) program in the San Francisco Bay Area. The three principal sources of funding for the FSP program are state-legislated grants, federal grants, and funding from federal traffic mitigation programs. In addition, the Call Box program supports the FSP program by transferring funds each year.

The management of the MTC SAFE has contracted with the MTC to utilize the administrative personnel and facilities of the MTC at no cost.

iii.) MTC General Revenue Fund

MTC General Fund is used to account for financial resources not accounted for or reported in another fund.

iv.) MTC Special Revenue Funds

Special revenue funds are used to account for specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. MTC maintains various special revenue funds as follows:

Major Funds

AB 664 Net Toll Revenue Reserve Fund – These funds are allocated, seventy percent to East Bay and thirty percent to West Bay, to agency capital projects that further the development of public transit in the vicinity of the three southern Bay Area bridges, including transbay and transbay feeder transit services. Substantially all of the current AB 664 Net Toll Revenue Reserves are used to match federal transit funds designated for replacement buses and agency capital facility improvement. Under Section 30884 (a) of the Streets and Highway Code, the AB 664 Net Toll Revenue Fund receives 16 percent the base toll revenues collected on the three southern bridges, San Francisco-Oakland Bridge, Dumbarton Bridge, and San Mateo-Hayward Bridge.

State Transit Assistance (STA) Fund – State Transit Assistance Funds are used for transit and Paratransit operating assistance, transit capital projects, and regional transit coordination. STA funds are derived from the state sales tax on fuel and apportioned by state statute between population-based and revenue-based accounts. PUC Section 99313 defines population-based funds and PUC Section 99314 defines revenue-based funds.

Non-major Funds

Transit Reserve Fund – MTC maintains a Transit Reserve Fund pursuant to Regional Measure 1, which was amended in 1988. The calculation of the transit

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

reserves is set forth in Section 30913 (b) of the Streets and Highway Code as one third of 2 percent of base toll revenues collected on all seven Bay Area state-owned bridges.

Caltrans also has a Cooperative Agreement with BATA and MTC whereby Caltrans transferred state funding (Five Percent Unrestricted State Funds) to MTC for ferry operations and other transit/bicycle projects.

Rail Reserve Fund – Rail reserve extension funds are allocated exclusively for rail transit capital extension and improvement projects that are designed to reduce vehicular traffic congestion on the San Francisco-Oakland Bay Bridge. Seventy percent of the Rail Reserves are allocated for East Bay rail improvements and the remaining 30 percent for West Bay rail improvements. Under Section 30914 (a.4) of the Streets and Highway Code, the rail reserve fund receives 21 percent of base toll revenues collected on the San Francisco-Oakland Bay Bridge.

Exchange Fund – Exchange Funds are used for MTC projects adopted as part of its Surface Transportation Program (STP) and Congestion Mitigation and Air Quality Improvement (CMAQ) programs by Commission resolution and as such have limited restrictions on these funds.

BART Car Exchange Fund – Funds deposited are restricted for the purpose of the BART car replacement projects. MTC and BART established funding exchange program whereby MTC will program Federal Funds for current BART projects with BART depositing an equal amount of local funds into an account set aside for the BART car fleet replacement project scheduled to begin in 2013.

Feeder Bus Fund – Funds deposited are to reimburse various transit operators for operating the BART Express Bus Program and come from local agency grants.

Proposition 1B Fund – This fund includes revenue from the Caltrans Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA) grant, a grant funded by Proposition 1B Regional Transit Connectivity Program funds. MTC's Hub Signage Project, which improves signage at major transportation hubs, is the only project in this fund for fiscal 2009.

v.) MTC Capital Projects Fund

MTC Capital Projects Fund is used to account for and report the financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition and development of capital facilities and other capital assets. The TransLink project, the MTC MetroCenter Seismic Retrofit project, and the Urban Partnership project are the capital projects included in the current fiscal year.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

vi.) MTC Fiduciary Funds

MTC reports the following fiduciary funds to account for assets held by MTC in a trustee capacity or as an agent. These agency funds are custodial in nature and do not have a measurement of results of operations. They are on the accrual basis of accounting.

AB 1107 Fund – BART Half-Cent Sales Tax (AB 1107) funds are used to account for the activities of the AB 1107 Program. AB 1107 funds are sales tax revenue collected under the ordinance adopted pursuant to Section 29140 of the Public Utilities Code. These funds are administered by MTC for allocation to the Alameda-Contra Costa Transit District (AC Transit) and the City and County of San Francisco for its municipal railway system (MUNI) on the basis of regional priorities established by the MTC.

Transportation Development Act (TDA) Program fund – Funds are used to account for the activities of the TDA Program. In accordance with state regulations and memoranda of understanding with operators and local municipalities, MTC is responsible for the administration of sales tax revenue derived from the TDA.

Discretely presented component unit

A component unit is a legally separate organization for which elected officials of the primary government are financially accountable. It can also be an organization whose relationship with the primary government are such that exclusion would cause the reporting entity's financial statement to be misleading or incomplete. MTC has one discretely presented component unit, BAIFA.

i.) Bay Area Infrastructure Financing Authority

The Bay Area Infrastructure Financing Authority (BAIFA) was established in August 2006 pursuant to the California Joint Exercise of Powers Act, consisting of Sections 6500 through 6599.2 of the California Government Code to provide for the joint exercise powers common to MTC and BATA, where two or more public agencies may enter into an agreement to establish an agency to exercise any power common to the contracting parties. The governing board of BAIFA consists of four MTC Commissioners and two BATA Commissioners. BAIFA is authorized to plan projects and obtain funding in the form of grants, contributions, appropriations, loans and other assistance from the United States and from the state of California and apply funds received to pay debt service on bonds issued by BAIFA to finance or refinance public transportation and related capital improvements projects. BAIFA is presented as a proprietary fund in the discretely presented component unit column of the government-wide financial statements because it does not meet the criteria for blending under the provisions of GASB Statement No. 14, *The Financial Reporting Entity*. Requests for separately issued financial statement for BAIFA should be addressed to the Treasurer and Auditor, Bay Area Infrastructure Financing Authority, 101 8th Street, CA 94607.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. Statement of Net Assets and Statement of Activities) report information on all non-fiduciary activities of MTC and its component units. The effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

MTC presents its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management’s Discussion & Analysis – for State and Local Governments* as amended. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into three net asset categories; namely, those invested in capital assets, net of related debt, restricted net assets and unrestricted net assets.

With respect to the business-type activities of MTC and as required under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, MTC continues to apply 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 Procedure issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. MTC has elected under GASB Statement No. 20 not to apply all FASB Statements and Interpretations issued after November 30, 1989, due to the governmental nature of MTC’s operations.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which provides guidance on the accounting and reporting of obligations and costs related to existing pollution remediation. This statement did not have any effect on the financial statements of MTC. The requirements of which are effective for the fiscal year ended June 30, 2009. This statement is not applicable to MTC as MTC does not have any pollution remediation.

GASB Statement No. 50, *Pension Disclosures*, an amendment to GASB Statements No. 25 and No. 27, which more closely aligns financial reporting requirements for pensions with that of other postemployment benefits (OPEB) has been adopted by MTC for the fiscal year ended June 30, 2008. This statement imposed similar note and required supplementary

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2009 and 2008

Notes to Financial Statements

reporting requirements as that of GASB Statement No. 45, *Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement did not have any effect on the financial statements of MTC as the required disclosures were already incorporated into MTC's footnotes and included in MTC's required supplementary information. For additional information and impact on adoption see Note 9.

GASB Statement No. 51, *Accounting and Financial Reporting of Intangible Assets*, which establishes accounting and financial reporting requirements for intangible assets, has been adopted by MTC for the year ended June 30, 2008. The adoption of this standard did not have a material effect on the financial statements. For additional information and impact on adoption see Note 1.I and Note 4.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which establishes consistent standards for the reporting of land and other real estate held as investments at their historical cost. The requirements of which are effective for the fiscal year ended June 30, 2009. This statement is not applicable to MTC as MTC is not a Foundation.

GASB Statement No. 53, *Accounting and Financial Reporting of Derivative Instruments*, which addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments, has been adopted by MTC for the fiscal year ended June 30, 2009. This standard was adopted by retroactively restating the financial statements for fiscal year ended June 30, 2008 by recording a liability and associated deferred outflow. This restatement did not have any impact on the net assets of MTC at June 30, 2008. For additional information and impact on adoption see Note 5.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds, has been adopted by MTC for the fiscal year ended June 30, 2009. This standard was adopted by retroactively restating the financial statements for fiscal year ended June 30, 2008. The adoption of this statement impacted classifications of fund balances but did not have any impact to the net assets of MTC. For additional information and impact on adoption see Note 1.G.

GASB Statement No. 55, *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, incorporates into the GASB authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. The requirements of these statements will improve financial reporting by contributing to GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source. These standards were issued March 2009 and are effective immediately. These standards did not have any effect on the financial statements.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2009 and 2008

Notes to Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectable within the current period or soon enough afterwards to pay liabilities of the current period. All revenue sources included in the governmental funds, namely federal, state and local grants as well as sales tax revenue, utilize this revenue recognition methodology.

In fiscal 2009 and 2008, the following funds are considered non-major: the Transit Reserve Fund, the Rail Reserve Fund, the Exchange Fund, the BART Car Exchange, the Feeder Bus Fund, and the Prop 1B Fund. Since these funds did not meet the major fund test, management has included them in Non-Major Governmental Funds, with the exception of AB 664 Net Toll Revenue Reserves Fund, which MTC has elected to present as a major fund in order to provide consistent presentation with prior years.

In fiscal 2009 and 2008, the following funds are considered major governmental funds: MTC General Fund, AB 664 Net Toll Revenue Reserves Fund, STA Fund, and Capital Projects. The balance sheet and statements of revenues, expenditures and changes in fund balances and budget to actual statements of revenues and change in fund balances are presented for these funds.

D. Budgetary Accounting

Enabling legislation and adopted policies and procedures provide that MTC approve an annual budget by June 30 of each year. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental and proprietary funds. MTC also approves a life of project budget whenever new capital projects are approved. MTC presents a preliminary budget in May and a final budget in June. MTC conducts hearings for discussion of the proposed annual budget and at the conclusion of the hearings, but not later than June 30, adopts the final budget for the following fiscal year. The appropriated budget is prepared by fund, project and expense type. The legal level of control is at the fund level and the governing body must approve additional appropriations. Budget amendments are recommended when needed. Operating appropriations lapse at fiscal year-end.

MTC employs the following practices and procedures in establishing budgetary data as reflected in the basic financial statements:

- Annual budgets are adopted on the modified accrual basis of accounting for governmental fund types. These include the general fund, plus major and non-major special revenue funds. Capital budgets are adopted on a project life-to-date basis.
- Annual budgets are adopted on the accrual basis for the proprietary fund types.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

E. Encumbrances

Encumbrance accounting is employed in the general, capital project and special revenue funds. Under this method, purchase orders, contracts, memoranda of understanding and other commitments outstanding at year-end do not constitute expenditures or liabilities. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides additional guidance on the classification within the Net Assets section of amounts that have been encumbered. Encumbrances of balances within the General and Capital Project funds are classified as committed and are included in the "transportation projects" category. These encumbrances along with encumbrances of balances in funds that are restricted, committed or assigned, that are not separately classified in the financial statements, are summarized as follows:

	<u>2009</u>	<u>2008</u>
General Fund	\$ 1,839,051	\$ 2,253,688
AB 664 Net Toll Revenue	32,179,306	34,176,473
State Transit Assistance Fund	14,082,505	24,101,448
Non-major Governmental Funds	40,758,637	84,250,856
Capital	12,981	857,394

F. Net Assets

Net assets / (deficit), presented in the government-wide proprietary fund financial statements, represent residual interest in assets after liabilities are deducted. MTC net assets / (deficit) consist of three sections: Invested in capital assets, net of related debt, as well as restricted and unrestricted. Net assets / (deficit) are reported as restricted when constraints are imposed by creditors, grantors, contributors, laws or regulations or other governments or enabling legislation. Restricted net assets consist of amounts restricted for capital projects and other purposes as follows:

	<u>2009</u>	<u>2008</u>
Capital Projects	<u>\$ 276,683,298</u>	<u>\$ 281,697,032</u>
Other Purposes:		
RM 2 program	93,873,317	138,457,885
Debt covenant - operating & maintenance	150,000,000	150,000,000
Self insurance	50,000,000	50,000,000
Long-term receivable restricted for rail projects	37,000,000	42,000,000
OPEB Prefunding	7,384,385	7,731,865
STA	5,086,117	4,175,455
Other	<u>3,089,763</u>	<u>1,815,325</u>
Total Other Purposes	<u>\$ 346,433,582</u>	<u>\$ 394,180,530</u>

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2009 and 2008

Notes to Financial Statements

G. Fund Balances

Fund balances, presented in the governmental fund financial statements, represent the difference between assets and liabilities reported in a governmental fund. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. This new standard has not affected the total amount of reported fund balances but has substantially changed the categories and terminology used to describe their components. In fiscal year 2008, MTC categorized fund balances in the Balance Sheet - Governmental Funds as reserved and unreserved. GASB Statement No. 54 requires that the fund balances be classified into categories based upon the type of restrictions imposed on the use of funds. MTC evaluated each of its funds at June 30, 2009 and June 30, 2008 and classified fund balances into the following five categories:

- Nonspendable - items that cannot be spent because they are not in spendable form, such as prepaid items are reported in the general fund.
- Restricted - items that are restricted by external parties such as creditors or imposed by grants, law or legislation. MTC has legislative restrictions on amounts collected for various transportation and rail projects included in the AB 664 toll revenue, STA, BART car exchange, Transit reserve, Feeder Bus and Rail reserve funds.
- Committed - items that have been committed by formal action by the entity's "highest level of decision-making authority"; which MTC considers to be Commission resolutions. This level of approval has been reported in the general fund, capital projects fund and the exchange fund in establishing the benefits reserve, building reserve and professional services reserve.
- Assigned - items that have been allocated by committee action where the government's intent is to use the funds for a specific purpose. MTC considers this level of authority to be the Administration Committee. There are no such restrictions on MTC's fund balances.
- Unassigned - this category is for any balances that have no restrictions placed upon them.

MTC reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. MTC reduces committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

GASB Statement No. 54 also clarifies definitions for governmental fund types. MTC evaluated each of its funds at June 30, 2009 and June 30, 2008 and provided additional information with respect to the purpose of each fund (see Note. 1.A.). For MTC, this evaluation did not result in a reclassification of funds within the governmental fund types for fiscal years 2009 and 2008.

H. Cash and Investments

MTC applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which generally requires investments to be recorded at fair value with the difference between cost and fair value recorded as an

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2009 and 2008

Notes to Financial Statements

unrealized gain or loss. Investments are stated at fair value based upon quoted market prices. MTC reports its money market investments and participating interest-earning investment contracts at amortized cost. This is permissible under this standard provided those investments have a remaining maturity at time of purchase of one year or less and that the fair value of those investments is not significantly affected by the credit standing of the issuer or other factors. Net increases or decreases in the fair value of investments are shown in the Statements of Revenues, Expenditures and Changes in Fund Balance for all governmental fund types and in the Statements of Revenues, Expenditures and Changes in Net Assets for the proprietary funds. Accounting for derivative investments is described in Note 1.P.

MTC invests its available cash under the prudent investor rule. The prudent investor rule states, in essence, that “in investing ... property for the benefit of another, a trustee shall exercise the judgment and care, under the circumstance then prevailing, which people of prudence, discretion, and intelligence exercise in the management of their own affairs.” This policy affords the MTC a broad spectrum of investment opportunities as long as the investment is deemed prudent and is authorized under the California Government Code Sections 53600, et seq. Investments allowed under the MTC investment policy include the following:

- Securities of the U.S. Government or its agencies
- Securities of the State of California or its agencies
- Certificates of deposit issued by a nationally or state chartered bank
- Bankers’ acceptances
- Authorized pooled investment programs
- Commercial paper – Rated “A1” or “P1”
- Corporate notes – Rated “A” or better
- Municipal bonds
- Mutual funds – Rated “AAA”
- Other investment types authorized by state law and not prohibited in the MTC investment policy

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, MTC considers all highly liquid investments with a maturity of three months or less at date of purchase to be cash and cash equivalents as they are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value. Deposits in the cash management pool of the County of Alameda are presented as cash and cash equivalents as they are available for immediate withdrawal or deposit at any time without prior notice or penalty and there is no significant risk of principal.

Variable rate demand obligations (VRDOs) are also presented as cash and cash equivalents. VRDOs have liquidity instruments that allow the securities to be put at any time with seven days notice and there is no significant risk of principal.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2009 and 2008

Notes to Financial Statements

Restricted Cash

Certain cash is restricted as these assets are either advances used for a specific purpose with the balance being refunded upon project completion, prepaid customer deposits for the FasTrak[®] program, or funds restricted for debt service.

Restricted Investments

Certain investments are classified as restricted on the Statement of Net Assets because their use is limited externally by applicable bond covenants, laws or regulations or there exists an imposed restriction through enabling legislation.

I. Capital Assets

Capital assets, which include buildings and improvements, office furniture and equipment, leased equipment, automobiles and call boxes and software, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital asset acquisitions are recorded at historical cost. MTC's intangible assets consist of internally developed software. Depreciation and amortization expenses for the governmental activities are charged against general government function.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation and amortization are computed using the straight-line method that is based upon the estimated useful lives of individual capital assets. The estimated useful lives of capital assets are as follows:

	<u>Years</u>
Buildings and improvements	10 - 45
Office furniture and equipment	3 - 10
Intangible assets	5 - 7
Leased equipment	5
Automobiles	3
Callboxes	10

J. Retirement Plans

MTC provides a defined benefit pension plan, the Miscellaneous Plan of Metropolitan Transportation Commission (the "Plan") which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the Public Employees' Retirement System (CalPERS). CalPERS provides an actuarially determined contribution rate that is applied to eligible covered payroll cost on a monthly basis by MTC. These costs are included in salaries and benefits expense. For additional information on MTC's retirement plan, refer to Note 8.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

K. Postemployment Healthcare Benefits

MTC pays certain health care insurance premiums for retired employees. These costs are not recorded in a fiduciary fund by MTC as the assets underlying these future benefits are not managed by MTC. The annual required contribution is recorded in salaries and benefits. See Note 9 for further detail on the cost and obligations associated with these other postemployment benefits (OPEB).

L. Compensated Absences

MTC's regular staff employees accumulate vacation pay and sick leave pay based on the agreement with the Committee for Staff Representation pursuant to the Meyers-Milius-Brown Act. A liability exists for accumulated vacation and sick leave. The compensated absences liability presented in the government-wide governmental activities totals \$3,120,635 and \$2,945,185 at June 30, 2009 and 2008, respectively. Unused accumulated sick and vacation leave is paid at the time of employment termination up to a maximum of 240 hours for sick leave as well as the total accumulated vacation leave per employee from the general fund.

A summary of changes in compensated absences for the year ended June 30, 2009 is as follows:

	Beginning Balance July 1, 2008	Additions	Reductions	Ending Balance June 30, 2009	Due Within One Year
Compensated Absences	\$ 2,945,185	\$ 2,065,164	\$ (1,889,713)	\$ 3,120,636	\$ 1,434,585

A summary of changes in compensated absences for the year ended June 30, 2008 is as follows:

	Beginning Balance July 1, 2007	Additions	Reductions	Ending Balance June 30, 2008	Due Within One Year
Compensated Absences	\$ 2,579,699	\$ 1,990,580	\$ (1,625,094)	\$ 2,945,185	\$ 1,327,452

M. Reconciliation of government-wide and fund financial statements

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balance – total governmental funds and Changes in net assets of governmental activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures.” However, in

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

the statement of activities the cost of those assets is allocated over their estimated useful life and reported as depreciation expense.

The details of the (\$412,301) and \$2,721,598 difference for fiscal 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Capital outlay	\$339,180	\$3,326,133
Depreciation expense	<u>(751,481)</u>	<u>(604,535)</u>
Net adjustment to increase	<u>(\$412,301)</u>	<u>\$2,721,598</u>
Net changes in fund balances-total governmental funds to arrive at Change in net assets of governmental activities		

N. Pledged Revenue to Bay Area Infrastructure Financing Authority

In December 2006, BATA entered into a contribution agreement with the state of California whereby BATA pledged to transfer the state's future scheduled payments designated for the Toll Bridge Seismic Retrofit Program to the Bay Area Infrastructure Financing Authority (BAIFA). BAIFA issued \$972,320,000 of bonds called State Payment Acceleration Notes (SPANs) collateralized solely by BATA's pledge of state payments. BAIFA agreed to apply the proceeds from the SPANs for the costs of issuance and for the seismic retrofit program. The scheduled payments are identified and authorized by state statutes. State payments pledged by BATA total \$1,135,000,000. Pledged state payments are scheduled from fiscal years 2007 to 2014. In the contribution agreement, BATA pledged and assigned to BAIFA all BATA's rights to the future state payments.

In fiscal year 2009, the amount of pledged payments from the state received by BATA and paid to BAIFA was \$43,000,000.

The accounting for the above transactions are prescribed by GASB Statement No. 48, *Sales and Pledges of Receivables and Intra-Entity Transfers of Assets and Future Revenues*, which establishes criteria to ascertain whether proceeds derived from an exchange of an interest in expected cash flows from specific receivables or specific future revenues for immediate cash payments be reported as revenue or as collateralized borrowing. BATA adopted this pronouncement early for fiscal 2007 and as a result reported the exchange of the SPAN proceeds for the interest in expected future cash flow from Caltrans as collateralized borrowing by BATA and a receivable by BAIFA.

O. Unearned Revenue

The unearned revenue in BATA represents the funds collected by the Regional Customer Service Center (RCSC) that are prepayments for tolls or represents a deposit from patrons. The patrons are issued transponders with the prepaid amounts for usage against tolls on the California bridges. Patrons are required to contribute a deposit if they pay by check.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

P. Derivative Instruments

Derivative instruments used by BATA are swap contracts that have a variable or fixed payment based on the price of an underlying interest rate or index. Hedging derivative instruments are used to reduce financial risks, such as offsetting increases in interest costs, by offsetting changes in cash flows of the debt, the hedged item. These derivative instruments are evaluated to determine if the derivative instrument is effective in significantly reducing the identified financial risk at year end. If the derivative instrument is determined to be an effective hedge, its fair value is an asset or liability with a corresponding debit or credit to deferred outflows or inflows on the Statement of Net Assets. Deferred outflow or inflow constitutes changes in fair value of effectively hedged derivative instruments. This account is neither an asset nor a liability. If the derivative instrument is determined to be an ineffective hedge or when there is no hedgeable item, the derivative instrument is considered to be an investment derivative; its fair value is an asset or liability on the Statement of Net Assets and the change in fair value is recognized against investment revenue in the Statement of Activities. See additional discussion in Note 5.

Q. Toll Revenues Collected

After tolls are collected by Caltrans and transferred to BATA at the toll plazas, BATA accounts for the cash collected from the operation of the bridges as revenue and has responsibility for electronic toll collection. The revenues are used for RM 1, RM 2 and Seismic retrofit programs. BATA recognizes toll revenue as amounts are earned from vehicle utilization of the toll bridges.

R. Operating Expenditures Incurred by Caltrans

In accordance with the Cooperative Agreement between BATA and Caltrans, BATA reimburses Caltrans for certain costs incurred for bridge operating expenditures. These expenses include maintenance, administration, operations, and overhead costs.

S. Investment Income

Investment income is comprised of interest income from investments and changes in the fair value of investment derivative instruments. The investment derivative component is the result of the implementation of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* which requires the change in fair value of the derivative instruments which no longer have an underlying item to hedge be reported in investment income. The following table shows the breakdown of investment income for the fiscal years

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

ended June 30, 2009 and 2008:

	Governmental Activities	BATA	SAFE	Total Business-type Activities	Total 2009	Total 2008
Investment income	\$ 5,785,031	\$ 38,739,854	\$ 128,301	\$ 38,868,155	\$ 44,653,186	\$ 128,094,517
Investment derivative	-	(38,719,155)	-	(38,719,155)	(38,719,155)	-
	<u>\$ 5,785,031</u>	<u>\$ 20,699</u>	<u>\$ 128,301</u>	<u>\$ 149,000</u>	<u>\$ 5,934,031</u>	<u>\$ 128,094,517</u>

T. Distributions to Caltrans for Their Capital Purposes

In accordance with the Cooperative Agreement between BATA and Caltrans, BATA reimburses Caltrans for bridge capital expenses. Expenses are reflected to the extent Caltrans bills are presented to MTC that relate to the period through the end of the fiscal year.

U. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

V. Operating and Non-operating Revenues and Expenses

Operating revenues are those necessary for principal operations of the entity. Operating expenses are those related to user service activities. Non-operating revenues and expenses are all others revenues and expenses not related to user service activities.

2. UNRESTRICTED NET ASSET DEFICIT

MTC's unrestricted net asset deficit arises in its business type and governmental activities. For the business type activities, BATA is responsible for providing Caltrans funding for bridge repairs related to the seven state-owned bridges. Expenses related to these payments to Caltrans are treated as expenses since BATA does not own or maintain title to the bridges. This deficit will be reduced through operating income earned in the future as the toll revenue debt is retired and the project is completed. For the governmental activities, MTC has a longterm payable to BATA. As it makes annual payments to BATA, the unrestricted net asset deficit will be reduced by the payments until the liability is paid off.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

A. A summary of Cash, Cash Equivalents and Investments as shown on the Statement of Net Assets for all funds at June 30, 2009 and 2008 is as follows:

	2009	2008
Unrestricted cash and cash equivalents	\$1,436,549,513	\$1,545,641,736
Unrestricted investments	375,348,336	403,781,141
Total unrestricted cash, cash equivalents and investments	<u>1,811,897,849</u>	<u>1,949,422,877</u>
Restricted cash and cash equivalents	203,900,124	895,561,664
Restricted investments	394,393,954	330,085,697
Total restricted cash, cash equivalents and investments	<u>598,294,078</u>	<u>1,225,647,361</u>
Total cash, cash equivalents and investments	<u><u>\$2,410,191,927</u></u>	<u><u>\$3,175,070,238</u></u>

The details of restricted cash, cash equivalents and investments are as follows:

	2009	2008
FasTrak [®] program	\$ 44,594,290	\$ 40,757,514
Escrow account	15,739	172,326
Operations & maintenance reserve	150,000,000	150,000,000
Debt service reserve	282,730,772	937,196,029
Extraordinary loss reserve	50,000,000	50,000,000
Rebate arbitrage	-	296,143
BART car replacement project	70,953,277	47,225,349
Total restricted cash, cash equivalents and investments	<u><u>\$ 598,294,078</u></u>	<u><u>\$1,225,647,361</u></u>

Restricted cash on the FasTrak[®] program consists of customer prepaid tolls and deposit from patrons. The patrons are issued transponders with the prepaid amounts for usage against tolls on the California bridges. Tolls are deducted from the customer's prepaid toll accounts as customers cross the bridge. Operations & maintenance, Debt service, and Extraordinary loss reserves are described in Note 5. The Bart car replacement project is described in Note 1.A.i v.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

B. The composition of cash, cash equivalents and investments at June 30, 2009 and 2008 is as follows:

	2009	2008
Cash at banks	\$ 229,398,326	\$ 212,431,178
Money market accounts	387,589,050	257,753,035
County of Alameda	61,197,118	66,853,720
Government-sponsored enterprises		
Federal Home Loan Bank	773,485,535	1,453,341,737
Federal Home Loan Mortgage Corporation	411,615,229	1,159,103,018
Federal National Mortgage Association	81,556,377	-
Tennessee Valley Authority	10,439,205	10,279,896
Municipal Bonds	454,595,000	-
Corporate Bonds	-	15,000,000
Local Agency Investment Fund	316,087	307,654
Total cash, cash equivalents and investments	<u>\$ 2,410,191,927</u>	<u>\$ 3,175,070,238</u>

MTC holds a position in the investment pool of County of Alameda in the amount of \$61,197,118 and \$66,853,720 at June 30, 2009 and 2008. The Transportation Development Act (TDA) requires that STA and local Transportation Development Act (TDA) funds be deposited with the County Treasury. The County of Alameda is restricted by state code in the types of investments it can make. Further, the County Treasurer has a written investment policy approved by the Board of Supervisors and also has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134. The County's investment policy authorizes the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper prime rated by at least two agencies if maturity is greater than 30 days, banker's acceptances, repurchase agreements, reverse repurchase agreements, and the State Treasurer's investment pool. The position in the external investment pool at the County of Alameda is recorded at fair value at June 30, 2009 determined by the fair value per share of the pools' underlying portfolio. The investment holdings with the County of Alameda account for approximately 3 percent of MTC's investment portfolio. Deposits with the County of Alameda are available for immediate withdrawal.

MTC holds \$316,087 and \$307,654 at June 30, 2009 and 2008 in the Local Agency Investment Fund (LAIF). MTC's investment policy allows investment in LAIF as authorized by Government Code section 16429. LAIF is a program created by statute as an investment alternative for California's local governments and special districts. LAIF investments account for approximately 0.01 percent of MTC's total cash and investment portfolio.

MTC's portfolio includes five and four money market mutual fund investments at June 30, 2009 and 2008, respectively. The mutual funds are California Asset Management Program, Columbia Government Reserves Adviser Fund, Dreyfus Government Cash Management Institutional Fund, BlackRock T-Fund Institutional, and the PFM Funds-Government Series.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

The mutual fund investments in MTC’s investment portfolio are expressed as a percentage of MTC’s total cash and investments as follows:

	2009	2008
Columbia Government Reserves Adviser	1%	0%
Dreyfus Gov’t Cash Mgmt Institutional	1%	0%
BlackRock T- Fund Institutional	2%	5%
California Asset Management Program	11%	0%
PFM Funds Gov’t Series	2%	0%
Cadre Reserve Fund-US Gov’t Series	0%	1%
Columbia Treasury Reserves Adviser	0%	1%
Dreyfus Treasury and Agency Cash Mgmt	0%	1%

The BlackRock T-Fund Institutional is part of the overnight sweep fund utilized by Union Bank accounts, and invests primarily in money market instruments including U.S. Treasury bills, notes, obligations guaranteed by the U.S. Treasury and repurchase agreements fully collateralized by such obligations. The fund is rated “AAA” by both Standard & Poor’s and Moody’s.

The California Asset Management Program (CAMP) is a joint powers authority and common law trust. The Trust’s Cash Reserve Portfolio is a short-term money market portfolio, which seeks to preserve principal, provide daily liquidity and earn a high level of income consistent with its objectives of preserving principal. CAMP’s money market portfolio is rated “AAA” by Standard & Poor’s.

Columbia Government Reserves Advisor funds are part of the overnight sweep fund utilized by Bank of America checking accounts and invested in short term debt securities that have relatively low risk, including, in some cases, securities issued or guaranteed by the U.S. Government. The fund is rated “AAA” by both Standard & Poor’s and Moody’s.

The Dreyfus Government Cash Management fund is part of the overnight sweep fund utilized by Bank of New York custodial accounts and invests in securities issued or guaranteed as to the principal and interest by the U.S. government or its agents or instrumentalities, and repurchase agreements. The fund is rated “AAA” by both Standard & Poor’s and Moody’s.

PFM Funds Government Series invests in short-term government securities, repurchase agreements secured by government securities and money market mutual funds that invest exclusively in government securities and repurchase agreements secured by government securities. The fund is rated “AAA” by both Standard & Poor’s and Moody’s.

State law and MTC policy limit mutual fund investments to 20 percent of the portfolio, with no more than 10 percent of the portfolio in any single fund. All the mutual fund holdings are highly rated by Standard & Poor’s and Moody’s, and are considered to be cash and cash equivalents.

The Government-Sponsored Enterprises (GSE) holdings carry “AAA” ratings. Neither State law nor MTC policy imposes a limit to the amount of GSE within the portfolio. The GSE

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2009 and 2008

Notes to Financial Statements

holdings include Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), and Tennessee Valley Authority (TVA).

BATA repurchased \$110 million of its own VRDOs on May 2009 and held them pending reoffering of the VRDOs. BATA includes these as current unrestricted cash and cash equivalents at June 30, 2009. The BATA 2008 Series A1 bonds were part of the August 2009 reoffering as described in Note 13.

C. Deposit and Investment Risk Factors

There are many factors that can affect the value of investments. MTC invests substantially in fixed income securities, which are affected by credit risk, custodial credit risk, concentration of credit risk, and interest rate risk. The credit ratings of MTC's income securities holdings are discussed in Note 1.F.

i.) Credit Risk

Fixed income securities are subject to credit risk, which is the possibility that the security issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline.

A bond's credit quality is an assessment of the issuer's ability to pay principal and interest on the bond. Credit quality may be evaluated by a nationally recognized independent credit-rating agency. The lower the rating is, the greater the chance (in the opinion of the rating agency) that the bond issuer will default, or fail to meet its obligations.

ii.) Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be recovered. All securities are held in independent safekeeping accounts maintained with Union Bank or Bank of New York Mellon (BONY), and are held in the name of MTC. As a result, custodial credit risk is remote.

iii) Concentration of Credit Risk

Concentration of credit risk is the risk associated with lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory or credit developments. Investments in issuers that represent 5 percent or more of total cash and investments at June 30, 2009 and 2008 are as follows:

	2009	2008
Federal Home Loan Bank (FHLB)	32%	46%
Federal Home Loan Mortgage Corp (FHLMC)	17%	36%
State of California	8%	0%

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

iv) Interest Rate Risk

Interest rate risk is the risk that the market value of fixed-income securities will decline because of rising interest rates. The prices of fixed-income securities with a longer time to maturity, measured by duration in years, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. MTC's policy is to buy and hold investments to maturity.

MTC holds \$30 million in investments tied to floating rate benchmarks. The rate on the investment will reset monthly or quarterly and is based on a LIBOR (London Interbank Offering Rate) index.

The floating rate securities are summarized as follows:

Investment	Par Value	Structure	Final Maturity
FHLB	\$5 million	1 month LIBOR – (net) 14 basis points to maturity	8/09
FHLB	\$25 million	3 month LIBOR – (net) 18 basis points to maturity	12/09

The weighted average maturities of MTC's Government Sponsored Enterprises (GSE) securities (expressed in number of years) at June 30, 2009 and 2008 are as follows:

	2009	2008
Government-sponsored enterprises		
Federal Home Loan Bank	0.08	0.14
Federal Home Loan Mortgage Corporation	0.19	0.19
Federal National Mortgage Association	0.07	-
Tennessee Valley Authority	1.55	2.55

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

4. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2009 is as follows:

	Beginning Balance July 1, 2008	Additions	Retirements	Ending Balance June 30, 2009
Governmental activities				
Capital assets, not being depreciated:				
Construction in progress	\$ 3,502,701	\$ (3,502,701) *	\$ -	\$ -
Office furniture and equipment	-	48,391	-	48,391
Total capital assets, not being depreciated	<u>3,502,701</u>	<u>(3,454,310)</u>	<u>-</u>	<u>48,391</u>
Capital assets, being depreciated:				
Buildings and improvements	8,854,704	3,723,244	-	12,577,948
Office furniture and equipment	3,078,347	70,246	-	3,148,593
Leased equipment	168,489	-	-	168,489
Automobiles	187,835	-	-	187,835
Total capital assets being depreciated	<u>12,289,375</u>	<u>3,793,490</u>	<u>-</u>	<u>16,082,865</u>
Less accumulated depreciation for:				
Buildings and improvements	3,783,174	643,991	-	4,427,165
Office furniture and equipment	2,900,340	59,594	-	2,959,934
Leased equipment	92,669	33,698	-	126,367
Automobiles	160,816	14,198	-	175,014
Total accumulated depreciation	<u>6,936,999</u>	<u>751,481</u>	<u>-</u>	<u>7,688,480</u>
Total capital assets, being depreciated, net	<u>5,352,376</u>	<u>3,042,009</u>	<u>-</u>	<u>8,394,385</u>
Governmental activities capital assets, net	<u>\$ 8,855,077</u>	<u>\$ (412,301)</u>	<u>\$ -</u>	<u>\$ 8,442,776</u>
	Beginning Balance July 1, 2008	Additions	Retirements	Ending Balance June 30, 2009
Business-type activities				
Capital assets, not being depreciated:				
Office furniture and equipment	\$ 79,917	\$ 1,872,662	\$ -	\$ 1,952,579
Intangible assets	443,582	1,739,367	-	2,182,949
Call boxes	377,285	1,668,396	-	2,045,681
Total capital assets, not being depreciated	<u>900,784</u>	<u>5,280,425</u>	<u>-</u>	<u>6,181,209</u>
Capital assets, being depreciated:				
Office furniture and equipment	4,391,330	85,193	-	4,476,523
Building and improvements	3,134,200	-	-	3,134,200
Automobiles	-	54,262	-	54,262
Intangible assets	1,152,679	-	-	1,152,679
Call boxes	10,811,671	197,768	-	11,009,439
Total capital assets being depreciated	<u>19,489,880</u>	<u>337,223</u>	<u>-</u>	<u>19,827,103</u>
Less accumulated depreciation for:				
Office furniture and equipment	1,998,423	526,802	-	2,525,225
Building and improvements	348,112	130,420	-	478,532
Automobiles	-	8,196	-	8,196
Intangible assets	136,515	164,829	-	301,344
Call boxes	9,701,628	214,294	-	9,915,922
Total accumulated depreciation	<u>12,184,678</u>	<u>1,044,541</u>	<u>-</u>	<u>13,229,219</u>
Total capital assets, being depreciated, net	<u>7,305,202</u>	<u>(707,318)</u>	<u>-</u>	<u>6,597,884</u>
Business-type activities capital assets, net	<u>\$ 8,205,986</u>	<u>\$ 4,573,107</u>	<u>\$ -</u>	<u>\$ 12,779,093</u>

* Transfers to Building and Improvements (\$3,502,701).

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 751,481
Total depreciation expense - governmental activities	<u>\$ 751,481</u>

Business-type activities:

Toll bridge	\$ 759,887
Congestion relief	<u>284,654</u>
Total depreciation expense - business-type activities	<u>\$ 1,044,541</u>

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

A summary of changes in capital assets for the year ended June 30, 2008 is as follows:

	Beginning Balance July 1, 2007	Additions	Retirements	Ending Balance June 30, 2008
Governmental activities				
Capital assets, not being depreciated:				
Construction in progress	\$ 337,020	\$ 3,165,681	\$ -	\$ 3,502,701
Total capital assets, not being depreciated	<u>337,020</u>	<u>3,165,681</u>	<u>-</u>	<u>3,502,701</u>
Capital assets, being depreciated:				
Buildings and improvements	8,751,073	103,631	-	8,854,704
Office furniture and equipment	3,048,677	29,670	-	3,078,347
Leased equipment	168,489	-	-	168,489
Automobiles	177,029	27,151	(16,345)	187,835
Total capital assets being depreciated	<u>12,145,268</u>	<u>160,452</u>	<u>(16,345)</u>	<u>12,289,375</u>
Less accumulated depreciation for:				
Buildings and improvements	3,291,096	492,078	-	3,783,174
Office furniture and equipment	2,837,155	63,185	-	2,900,340
Leased equipment	58,972	33,697	-	92,669
Automobiles	161,587	15,574	(16,345)	160,816
Total accumulated depreciation	<u>6,348,810</u>	<u>604,534</u>	<u>(16,345)</u>	<u>6,936,999</u>
Total capital assets, being depreciated, net	<u>5,796,458</u>	<u>(444,082)</u>	<u>-</u>	<u>5,352,376</u>
Governmental activities capital assets, net	<u>\$ 6,133,478</u>	<u>\$ 2,721,599</u>	<u>\$ -</u>	<u>\$ 8,855,077</u>
	Beginning Balance July 1, 2007	Additions	Retirements	Ending Balance June 30, 2008
Business-type activities				
Capital assets, not being depreciated:				
Office furniture and equipment	\$ -	\$ 79,917	\$ -	\$ 79,917
Intangible assets	-	443,582	-	443,582
Call boxes	706,450	(329,165)	-	377,285
Total capital assets, not being depreciated	<u>706,450</u>	<u>194,334</u>	<u>-</u>	<u>900,784</u>
Capital assets, being depreciated:				
Office furniture and equipment	2,705,559	1,685,771	-	4,391,330
Building and improvements	3,134,200	-	-	3,134,200
Intangible assets	-	1,152,679	-	1,152,679
Call boxes	10,313,695	523,091	(25,115)	10,811,671
Total capital assets being depreciated	<u>16,153,454</u>	<u>3,361,541</u>	<u>(25,115)</u>	<u>19,489,880</u>
Less accumulated depreciation for:				
Office furniture and equipment	1,517,818	480,605	-	1,998,423
Building and improvements	217,692	130,420	-	348,112
Intangible assets	-	136,515	-	136,515
Call boxes	9,528,064	198,648	(25,084)	9,701,628
Total accumulated depreciation	<u>11,263,574</u>	<u>946,188</u>	<u>(25,084)</u>	<u>12,184,678</u>
Total capital assets, being depreciated, net	<u>4,889,880</u>	<u>2,415,353</u>	<u>(31)</u>	<u>7,305,202</u>
Business-type activities capital assets, net	<u>\$ 5,596,330</u>	<u>\$ 2,609,687</u>	<u>\$ (31)</u>	<u>\$ 8,205,986</u>

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 604,534
Total depreciation expense - governmental activities	<u>\$ 604,534</u>
Business-type activities:	
Toll bridge	\$ 680,663
Congestion relief	265,525
Total depreciation expense - business-type activities	<u>\$ 946,188</u>

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

5. LONG-TERM DEBT

Toll Revenue Bonds were issued by BATA in May 2001, February 2003, October 2004, February 2006, April 2006, May 2007, October 2007, and June 2008 to (i) finance the cost of the design and construction of eligible projects of Regional Measure 1, Regional Measure 2, and the Seismic Retrofit projects for the Bay Area Bridges, (ii) to finance a Reserve Fund (iii) pay costs incurred in connection with the issuance of the bonds, and (iv) defease or refund bonds.

Toll Revenue Bonds were reoffered during August 2008 for 2001 Series A-C, 2003 Series C, 2004 Series A-C, 2006 Series B1 and C, and 2007 Series A1, C1, G1, A2, B2, C2, D2, E3, and G2-G3 as uninsured variable rate bonds.

Toll Revenue Bonds were issued during August 2008 (2008 Series F1) to (i) refund and fix the 2003 Series A-B, 2006 Series A1, D2, and E1, 2007 Series B1, D1, and E1-E2 variable rate bonds insured by Ambac Assurance Corporation, (ii) pay costs incurred in connection with the issuance of the 2008 Series F1 bonds, (iii) finance the Reserve Fund, and (iv) pay remarketing costs of certain of the variable rate bonds. This refunding was recorded as a current refunding in accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*.

During May 2009 BATA repurchased \$110 million of its 2008 Series A1 bonds. These repurchased bonds were held and reported as an investment by BATA through the date of a subsequent effective reoffering that occurred in August 2009.

Component Unit – BAIFA – State Payment Acceleration Notes (SPANs) were issued during December 2006 (2006 SPANs) to (i) finance the costs of the design and construction of the Toll Bridge Seismic Retrofit Capital Program for the Bay Area bridges and (ii) pay costs incurred in connection with the issuance of the 2006 SPANs. More information is presented in Note 1.N.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2009 and 2008

Notes to Financial Statements

A summary of changes in long-term debt for the year ended June 30, 2009 is as follows:

Business-type activities

	Issue Date	Interest Rate	Calendar Maturity Year	Original Amount	Beginning Balance July 1, 2008	Additions	Reductions	Ending Balance June 30, 2009	Due Within One Year
2001 Revenue Bond Series A	05/24/2001	4.10% ⁽²⁾	2036	\$ 150,000,000	\$ 150,000,000	\$ -	\$ -	\$ 150,000,000	\$ -
2001 Revenue Bond Series B	05/24/2001	4.120% ⁽²⁾	2029	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series C	05/24/2001	4.110% ⁽²⁾	2025	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series D	05/24/2001	4.860% ^(1,3)	2011	100,000,000	20,560,000	-	(6,570,000)	13,990,000	6,830,000
2003 Revenue Bond Series A	02/12/2003	4.139% ⁽²⁾	2038	75,000,000	73,500,000	-	(73,500,000)	-	-
2003 Revenue Bond Series B	02/12/2003	4.139% ⁽²⁾	2038	75,000,000	73,600,000	-	(73,600,000)	-	-
2003 Revenue Bond Series C	02/12/2003	4.14% ⁽²⁾	2037	150,000,000	148,300,000	-	(1,700,000)	146,600,000	1,800,000
2004 Revenue Bond Series A	10/05/2004	3.416% ⁽²⁾	2039	75,000,000	73,755,000	-	(1,305,000)	72,450,000	1,340,000
2004 Revenue Bond Series B	10/05/2004	3.416% ⁽²⁾	2039	150,000,000	147,510,000	-	(2,610,000)	144,900,000	2,695,000
2004 Revenue Bond Series C	10/05/2004	3.416% ⁽²⁾	2039	75,000,000	73,755,000	-	(1,300,000)	72,455,000	1,350,000
2006 Revenue Bond Series (B1, C)	02/08/2006	3.730% ⁽²⁾	2045	1,000,000,000	500,000,000	-	(160,000,000)	340,000,000	-
2006 Revenue Bond Series F	04/25/2006	4.590% ⁽¹⁾	2031	1,149,205,000	1,099,090,000	-	(27,350,000)	1,071,740,000	28,480,000
2007 Rev Bond Ser(A1,C1,G1)	05/15/2007	3.734% ⁽²⁾	2047	500,000,000	500,000,000	-	(350,000,000)	150,000,000	-
2007 Revenue Bond Series F	05/15/2007	4.440% ⁽¹⁾	2031	310,950,000	310,560,000	-	(30,000)	310,530,000	35,000
2007 Rev Bond Ser(A2-D2,E3, G2-G3)	10/25/2007	3.734% ⁽²⁾	2047	500,000,000	500,000,000	-	-	500,000,000	-
2008 Revenue Bond Series(A1-E1, G1)	06/05/2008	3.730% ^(2,4)	2045	507,760,000	507,760,000	-	-	507,760,000	-
2008 Revenue Bond Series F1	08/28/2008	5.324% ⁽¹⁾	2047	707,730,000	-	707,730,000	-	707,730,000	-
				<u>\$ 5,675,645,000</u>	<u>\$ 4,328,390,000</u>	<u>\$ 707,730,000</u>	<u>\$ (697,965,000)</u>	<u>\$ 4,338,155,000</u>	<u>\$ 42,530,000</u>
Unamortized bond premium/ discount					20,560,807	(6,910,988)	(866,180)	12,783,639	
Deferred charge on bond refunding					(11,095,509)	(48,984,267)	1,870,008	(58,209,768)	
Net long-term debt as of June 30, 2009					<u>\$ 4,337,855,298</u>	<u>\$ 651,834,745</u>	<u>\$ (696,961,172)</u>	<u>\$ 4,292,728,871</u>	
Component Unit-BAIFA 2006 SPANs	12/14/2006	4.27% ⁽⁵⁾	2017	\$ 972,320,000	\$ 867,140,000	-	\$ (75,970,000)	\$ 791,170,000	\$ 8,720,000
Unamortized bond premium					45,689,269	-	(5,030,011)	40,659,258	
Net long-term debt as of June 30, 2009					<u>\$ 912,829,269</u>	<u>\$ -</u>	<u>\$ (81,000,011)</u>	<u>\$ 831,829,258</u>	

(1) Fixed rate bonds

(2) Variable bonds have no stated rate; as such the weighted associated swap rate is presented. VRDBs are presented as long term debt in accordance with GASB Interpretation No. 1 as MTC have liquidity commitments obtained in support of the VRDBs. These commitments do not expire before June 30, 2010 and are not cancellable by the lender.

(3) 2001 Series D bonds are issued as fixed rate bonds with a final maturity of 2018 before the defeasance. Post defeasance final maturity is 2011. The bonds carry interest rates ranging from 4.0% in 2006 to 5.5% in 2011 with a true interest cost of 4.86%.

(4) Includes investment of \$110 million in 2008 Series A1 that was reoffered in August 2009.

(5) 2006 Bay Area Infrastructure Financing Authority SPANs were issued as fixed rate bonds with a final maturity of 2017. The bonds carried interest rates ranging from 4.0% in 2007 to 5.0% in 2017, or an all in true interest cost of 4.27%.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2009 and 2008

Notes to Financial Statements

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

Business-type activities

	Issue Date	Interest Rate	Calendar Maturity Year	Original Amount	Beginning Balance July 1, 2007	Additions	Reductions	Ending Balance June 30, 2008	Due Within One Year
2001 Revenue Bond Series A	05/24/2001	4.10% ⁽²⁾	2036	150,000,000	150,000,000	-	-	150,000,000	-
2001 Revenue Bond Series B	05/24/2001	4.120% ⁽²⁾	2029	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series C	05/24/2001	4.110% ⁽²⁾	2025	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series D	05/24/2001	4.860% ^(1,3)	2011	100,000,000	26,785,000	-	(6,225,000)	20,560,000	6,570,000
2003 Revenue Bond Series A	02/12/2003	4.139% ⁽²⁾	2038	75,000,000	75,000,000	-	(1,500,000)	73,500,000	1,500,000
2003 Revenue Bond Series B	02/12/2003	4.139% ⁽²⁾	2038	75,000,000	75,000,000	-	(1,400,000)	73,600,000	1,600,000
2003 Revenue Bond Series C	02/12/2003	7.00% ⁽²⁾	2037	150,000,000	150,000,000	-	(1,700,000)	148,300,000	1,700,000
2004 Revenue Bond Series A	10/05/2004	3.416% ⁽²⁾	2039	75,000,000	75,000,000	-	(1,245,000)	73,755,000	1,305,000
2004 Revenue Bond Series B	10/05/2004	3.416% ⁽²⁾	2039	150,000,000	150,000,000	-	(2,490,000)	147,510,000	2,610,000
2004 Revenue Bond Series C	10/05/2004	3.416% ⁽²⁾	2039	75,000,000	75,000,000	-	(1,245,000)	73,755,000	1,300,000
2006 Revenue Bond Series (A-E)	02/08/2006	3.730% ⁽²⁾	2045	1,000,000,000	1,000,000,000	-	(500,000,000)	500,000,000	-
2006 Revenue Bond Series F	04/25/2006	4.590% ⁽¹⁾	2031	1,149,205,000	1,125,515,000	-	(26,425,000)	1,099,090,000	27,350,000
2007 Rev Bond Ser(A1-D1,E1-E2, G1)	05/15/2007	3.740% ⁽²⁾	2047	500,000,000	500,000,000	-	-	500,000,000	-
2007 Revenue Bond Series F	05/15/2007	4.440% ⁽¹⁾	2031	310,950,000	310,950,000	-	(390,000)	310,560,000	30,000
2007 Rev Bond Ser(A2-D2,E3 G2-G3)	10/25/2007	3.740% ⁽²⁾	2047	500,000,000	-	500,000,000	-	500,000,000	-
2008 Revenue Bond Series(A1-E1, G1)	06/05/2008	3.730% ⁽²⁾	2045	507,760,000	-	507,760,000	-	507,760,000	-
				<u>\$ 4,967,915,000</u>	<u>\$ 3,863,250,000</u>	<u>\$ 1,007,760,000</u>	<u>\$ (542,620,000)</u>	<u>\$ 4,328,390,000</u>	<u>43,965,000</u>
Unamortized bond premium					21,472,761		(911,954)	20,560,807	
Deferred charge on refunding					(2,231,071)	(9,090,067)	225,629	(11,095,509)	
Net long-term debt as of June 30, 2008					<u>\$ 3,882,491,690</u>	<u>\$ 998,669,933</u>	<u>\$ (543,306,325)</u>	<u>\$ 4,337,855,298</u>	
Component Unit-BAIFA 2006 SPANs	12/14/2006	4.27% ⁽⁴⁾	2017	\$ 972,320,000	\$ 972,320,000	-	\$ (105,180,000)	\$ 867,140,000	\$ 69,770,000
Unamortized bond premium					50,548,994	-	(4,859,725)	45,689,269	
Net long-term debt as of June 30, 2008					<u>\$ 1,022,868,994</u>	<u>\$ -</u>	<u>\$ (110,039,725)</u>	<u>\$ 912,829,269</u>	

(1) Fixed rate bonds

(2) Variable bonds have no stated rate; as such the weighted associated swap rate is presented. VRDBs are presented as long term debt in accordance with GASB Interpretation No. 1 as MTC have liquidity commitments obtained in support of the VRDBs. These commitments do not expire before June 30, 2010 and are not cancellable by the lender.

(3) 2001 Series D bonds are issued as fixed rate bonds with a final maturity of 2018 before the defeasance. Post defeasance final maturity is 2011. The bonds carry interest rates ranging from 4.0% in 2006 to 5.5% in 2011 with a true interest cost of 4.86%.

(4) 2006 Bay Area Infrastructure Financing Authority SPANs were issued as fixed rate bonds with a final maturity of 2017. The bonds carried interest rates ranging from 4.0% in 2007 to 5.0% in 2017, or an all in true interest cost of 4.27%.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

Annual funding requirements

The annual funding requirements (principal and interest) for the debt outstanding of the business-type activities at June 30, 2009 are as follows:

Business-type activities			
Fiscal Year Ending	Principal Payments	Interest Payments	Total Payments
2010	\$ 42,530,000	\$ 185,299,360	\$ 227,829,360
2011	44,580,000	183,482,740	228,062,740
2012	46,570,000	181,578,556	228,148,556
2013	48,580,000	179,589,371	228,169,371
2014	55,005,000	177,514,331	232,519,331
2015-2019	343,180,000	848,461,562	1,191,641,562
2020-2024	445,155,000	766,362,741	1,211,517,741
2025-2029	567,565,000	661,356,474	1,228,921,474
2030-2034	787,315,000	524,724,649	1,312,039,649
2035-2039	889,925,000	337,713,958	1,227,638,958
2040-2044	741,770,000	167,042,387	908,812,387
2045-2047	325,980,000	24,255,494	350,235,494
	<u>\$ 4,338,155,000</u>	<u>\$ 4,237,381,623</u>	<u>\$ 8,575,536,623</u>

Component Unit - BAIFA

Fiscal Year Ending	Principal Payments	Interest Payments	Total Payments
2010	\$ 8,720,000	\$ 33,782,959	\$ 42,502,959
2011	17,020,000	33,410,615	50,430,615
2012	12,820,000	32,683,861	45,503,861
2013	19,795,000	32,136,447	51,931,447
2014	40,350,000	31,291,200	71,641,200
2015-2018	692,465,000	110,363,488	802,828,488
	<u>\$ 791,170,000</u>	<u>\$ 273,668,570</u>	<u>\$ 1,064,838,570</u>

Bond Covenants -BATA

The Bay Area Toll Authority Bridge Toll Revenue Bonds are payable solely from "Pledged Revenues." The Master Indenture, dated as of May 1, 2001 defines Pledged Revenues as all bridge toll revenue as well as revenue and all amounts held by the Trustee in each fund and account established under the indenture except for amounts in the Rebate Fund and amounts on deposit in any fund or account established to hold the proceeds of a drawing on any Liquidity Instrument. BATA covenanted to establish a Reserve Fund

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2009 and 2008

Notes to Financial Statements

under the 2001 indenture. The current reserve requirement is \$269,641,011 to be used to pay debt service if pledged revenues are insufficient to satisfy the debt service payments.

In the fifth supplemental indenture dated February 2006, BATA covenanted to maintain toll revenue at levels that result in net operating revenue greater than 1.2 times annual debt service costs as defined in the master indenture dated May 1, 2001. In addition, BATA has agreed to maintain tolls at a level where net operating revenue plus the balance in the operations and maintenance reserve is at least 1.25 times total “fixed costs” as well as maintaining tolls at levels exceeding 1.0 times all fixed costs as costs are defined in this indenture.

BATA has also covenanted in the 2001 Indenture that no additional bonds shall be issued, unless the additional bonds are issued for refunding of 2001 Series bond purposes, or Net Revenue equates to greater than 150 percent of the combined maximum annual debt service of all outstanding parity bonds.

BATA has covenanted to maintain an operations and maintenance reserve of two times the adopted operations and maintenance budget for Caltrans toll operations and maintenance costs. At June 30, 2009, BATA had restricted \$150 million as the restricted operations and maintenance reserve. BATA has also covenanted to maintain an emergency extraordinary loss reserve of not less than \$50 million. These amounts are shown as restricted assets for the year ended June 30, 2009. In addition, the BATA board has authorized a total of \$600 million for emergency extraordinary loss reserves, which includes \$70 million bridge rehabilitation as well as the \$200 million committed in the bond covenants.

The bonds issued by BATA are collateralized by a first lien on all of its revenues after a provision for Caltrans costs for operations and maintenance of toll facilities and are not an obligation of the MTC primary government or any component unit other than BATA.

In August 2008, BATA reoffered \$1,733,320,000 of 2001 Series A-C, 2003 Series C, 2004 Series A-C, 2006 Series B1 and C and 2007 Series A1, C1, G1, A2, B2, C2, D2, E3, and G2-G3 of uninsured variable rate demand bonds (VRDBs). BATA’s VRDB is a tax-exempt bond that reflects a floating interest rate that is reset every seven days. The investors have an option to tender or put securities at par with seven days notice. BATA also issued \$707,730,000 of 2008 Series F1 Fixed bonds. A portion of the 2008 Series F1 proceeds, \$657,100,000, was applied to the refunding of the 2003 Series A and B, 2006 Series A1, D2 and E1, and 2007 Series B1, D1, and E1-E2. Another \$30,518,323 was deposited to Reserve Fund with the remainder of the proceeds was applied to issuance costs for the 2008 Series F1 and the 2008 Reoffered bonds. Ambac was downgraded several notches below “AA”, which caused market volatility in the weekly pricing of BATA’s insured VRDBs. The transaction was completed with the business purpose of removing Ambac’s underlying insurance on the VRDBs that had caused interest rates to increase sharply and does not provide any economic gain or loss. The difference between the reacquisition price and the net carrying amount of the old debt is \$10,696,513, which is reported as a deferred charge.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2009 and 2008

Notes to Financial Statements

Bond Covenants – BAIFA

The BAIFA State Payment Acceleration Notes (SPANs) are payable solely from “Pledged Revenues” of BAIFA. The Indenture of Trust, dated December 1, 2006, defines Pledged Revenues as all scheduled payments allocated by the California Transportation Commission (CTC) to BAIFA, as well as revenue and all amounts held by the Trustee in each fund and account established under the indenture.

The SPANs issued by BAIFA do not constitute debt of the State, MTC, or BATA or any other political subdivisions of the State, MTC or BATA. More information is presented in Note 1.L.

Derivative Instruments

MTC has adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as discussed in Note 1.N.

MTC enters into derivative instruments to hedge interest rate risk and not for speculative or trading purposes. Existing derivatives are composed solely of interest rate swaps. All the derivative instruments were issued as hedges of MTC’s bonds and were determined to be effective at June 30, 2008. As such, the fair value of the derivative instruments, (\$158,599,966), was recorded in the Statement of Net Assets as a non-current liability with the corresponding amount being recorded as a deferred outflow. The derivative instruments were also determined to be effective hedging derivatives at June 30, 2009 except for a portion of the Series 2003, 2006 and 2007 pay-fixed interest rate swaps for which the hedged items for these derivative instruments were refunded in August 2008. Accordingly, the accumulated changes in fair value of the swap that were reported as a deferred outflow of resources of \$28,290,143 at June 30, 2008 and \$9,997,611 through the date of the transaction in August 2008 for a total of \$38,287,754 was deferred in accordance with GASB Statement No. 23 over the life of the bonds. Hence, these swaps are now considered investment derivative instruments. Some of these investment derivatives were terminated in July 2009; see Note 13 on Subsequent Events.

The fair value of the hedged and investment derivatives was (\$411,060,427) at June 30, 2009 and recorded in the Statement of Net Assets as a non-current liability. The change in the hedging derivatives was recorded as deferred outflows of \$334,053,518 and the change in investment derivatives of \$38,719,155 was recorded as an offset to investment income. See Note 1.S. for further details.

Cancellation of any or all of the swap transactions is subject to a market value calculation at the time of termination. The market value calculation is used to determine what, if any, termination payment is due from or to the counterparty. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2009, classified by type, and the changes in fair value of such derivative instruments as reported in the financial statements is as follows:

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

Business-type Activities	Changes in Fair Value since June 30, 2008		Fair Value at June 30, 2009		Notional
	Classification	Amount	Classification	Amount	
Cash flow hedges:					
Pay-fixed interest rate swap	Deferred Outflow of Resources	\$ 192,003,537	Noncurrent Liabilities	\$ (322,313,361)	\$ 2,783,600,000
Pay-fixed interest rate swap	Investment revenue	38,719,155	Noncurrent Liabilities	(77,006,909)	557,200,000
Fair Value hedges:					
Receive-fixed interest swap	Deferred Outflow of Resources	11,740,157	Noncurrent Liabilities	(11,740,157)	557,200,000
				<u>\$ (411,060,427)</u>	

As of August 2008, a portion of the pay-fixed interest swap listed as a cash value hedge no longer qualified for hedge accounting as the bonds were refunded.

Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and terms of the derivative instruments outstanding at June 30, 2009, along with the credit rating of the associated counterparty as well as the fair value of the derivative instrument.

	Standard & Poor's	Moody's
Ambac Financial Services	BBB	Ba3
Bank of America, N.A.	A+	Aa3
Bank of New York Mellon	AA	Aaa
Citibank, N.A.	A+	A1
Citigroup Financial Products	A	A3
Goldman Sachs Mitsui Marine Derivative Products	AAA	Aa1
JP Morgan Chase Bank, N.A.	AA-	Aa1
JP Morgan Chase Bank, N.A. AAA Enhanced ISDA	AAA	Aaa
Morgan Stanley Capital Services	A	A2

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

Amortized Notional Value	Counterparty	Fixed Payer Rate ^(A)	Value due from / (to) counterparty Jun 30, 2009	Value due from / (to) counterparty Jun 30, 2008
\$75 million	Ambac Financial Services	4.110%	\$ (12,358,585)	\$ (7,898,320)
\$75 million	Ambac Financial Services	4.120%	(14,879,183)	(9,215,923)
\$75 million	Morgan Stanley Capital Services	4.090%	(16,741,156)	(9,995,740)
\$75 million	Citigroup Financial Products	4.100%	(16,857,869)	(10,105,118)
\$193.8 million	Ambac Financial Services	4.139%	(37,404,325)	(23,360,198)
\$289.8 million	Ambac Financial Services	3.416%	(26,124,014)	(9,421,674)
\$315 million	Ambac Financial Services	3.647% ¹	(46,867,070)	(25,143,744)
\$30 million	Bank of America, N.A.	3.633%	(4,391,196)	(1,443,910)
\$225 million	Citibank, N.A.	3.638%	(26,542,353)	(9,004,894)
	JP Morgan Chase Bank, N.A. AAA			
\$245 million	Enhanced ISDA	4.000%	(32,226,004)	(8,670,225)
\$125 million	Ambac Financial Services	3.641% ²	(18,804,788)	(20,975,864)
\$50 million	Bank of America, N.A.	3.626%	(7,386,444)	(2,376,005)
\$260 million	Citibank, N.A.	3.636%	(31,164,278)	(10,486,639)
	JP Morgan Chase Bank, N.A. AAA			
\$270 million	Enhanced ISDA	4.000%	(36,089,708)	(10,501,712)
\$125 million	Bank of America, N.A.	3.642% ³	(18,489,379)	-
	Goldman Sachs Mitsui Marine Derivative			
\$60 million	Products	3.642% ³	(8,874,902)	-
	Goldman Sachs Mitsui Marine Derivative			
\$85 million	Products	3.636% ³	(12,712,146)	-
\$170 million	Bank of New York Mellon	3.636% ³	(25,424,162)	-
\$40 million	Bank of New York Mellon	3.636% ³	(5,982,707)	-
	Total Fixed Payer Swap		<u>(399,320,269)</u>	<u>(158,599,966)</u>
		Fixed Receiver Rate ^(B)	\$ -	
\$145.4 million	JP Morgan, Chase Bank, N.A.	3.903%	(2,698,174)	-
\$146.4 million	Bank of New York Mellon	4.040%	(2,927,345)	-
\$105.4 million	Citibank, N.A.	3.967%	(2,677,260)	-
\$160 million	Bank of America, N.A.	4.013%	(3,437,379)	-
	Total Fixed Receiver Swap		<u>(11,740,158)</u>	<u>-</u>
	Total Derivative Instrument - Fair Value		<u>\$ (411,060,427)</u>	<u>\$ (158,599,966)</u>

(A) Cash flow hedge paying fixed rate receiving variable rate based on LIBOR index

(B) Fair value hedge receiving fixed rate paying variable rate based on SIFMA index

(1) Original notional amount was \$500,000,000

(2) Original notional amount was \$420,000,000

(3) Novated from Ambac Financial Services FY2009

The termination value, or fair value, BATA would pay to terminate all swaps is \$411 million on June 30, 2009 and \$159 million on June 30, 2008, respectively. The fair value was determined by an independent outside pricing service. BATA's intent, however, is to maintain the swap transactions for the life of the financing, notwithstanding market opportunities to restructure.

The schedules that follow show the total interest cost of the swap payments. The total cost is determined by calculating the fixed rate payment to the counterparty, netting the variable rate payment received from the counterparty, total variable bond interest payments to

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2009 and 2008

Notes to Financial Statements

bondholders, plus any associated administrative costs associated with the swap and variable rate obligation.

In January 2002, BATA completed a contract to swap variable-to-fixed rate bonds with a notional amount of \$300 million. Counterparties to the transaction are Ambac for \$150 million, Citigroup for \$75 million and Morgan Stanley for \$75 million. During the 34-year term of the swap, BATA will pay each respective counterparty based on a fixed rate ranging from 4.09 percent to 4.12 percent while receiving a variable rate payment based on 65 percent of the one-month LIBOR index. The variable rate bonds associated with this swap were issued as part of BATA's 2001 \$300 million Toll Bridge Revenue Bond issue.

BATA completed a contract with Ambac to swap variable-to-fixed rate bonds with a notional amount of \$200 million. The amortized notional value of the swap at June 30, 2009 is \$193.8 million. The contract calls for BATA to pay Ambac a fixed rate of 4.139 percent with an effective date of March 2003. In exchange, BATA will receive a variable rate payment based on 65 percent of the one-month LIBOR rate for 35 year term of the 2003 financing. The variable rate bonds associated with this swap (\$75 million for Series A, \$75 million for Series B, and \$50 million for Series C) were issued as part of BATA's 2003 \$300 million Toll Bridge Revenue Bond issue.

In August 2004, BATA completed a contract with Ambac to swap variable-to-fixed rate bonds with a notional amount of \$300 million with an effective date of October 2004. The amortized notional amount of the swap at June 30, 2009 is \$289.8 million. The contract calls for BATA to pay Ambac a fixed rate of 3.416 percent. In exchange, BATA will receive a variable rate based on 54 percent of the one-month LIBOR rate and 54 basis points for 35 year term of the 2004 financing. The variable rate bonds associated with this swap were issued as part of BATA's 2004 \$300 million Toll Bridge Revenue Bond issue.

In November 2005, BATA approved a contract to swap variable-to-fixed rate bonds with a notional amount of \$1 billion with an effective date of February 2006. At June 30, 2009, the counterparties to the transactions are Ambac for \$315 million, JP Morgan AAA ISDA for \$245 million, Citibank for \$225 million and Bank of America for \$30 million. During the 39 year-term of the swap, BATA will pay each respective counterparty based on a fixed rate ranging from 3.63 percent to 4.00 percent. In exchange, BATA will receive a variable rate payment based on varying percentages of LIBOR.

BATA will receive from Ambac and Bank of America a variable rate payment based on 68 percent of the one-month LIBOR rate. BATA will receive from Citibank a variable rate payment based on 53.8 percent of the one-month LIBOR rate and 74 basis points. BATA will receive from JP Morgan a variable rate payment based on 67.8 percent of the 10 year LIBOR rate in years 1 through 30 (first leg) and a variable rate payment based on 75.105 percent of the one-month LIBOR in years 31 through 39 (second leg).

The variable rate bonds associated with this swap were issued as part of BATA's 2006 \$1 billion Toll Bridge Revenue Bond issuance. In June 2008, BATA refunded \$500 million of the XL insured 2006 Series A2-A3, B2, D1, D3, and E2 bonds with uninsured 2008 Series A1, B1, C1, D1, E1, and G1 bonds.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2009 and 2008

Notes to Financial Statements

In August and September 2008, BATA novated (or replaced) Ambac's \$125 million of the 2006 Series swap to Bank of America, N.A. and \$60 million to Goldman Sachs Mitsui Marine Derivative Products at a fixed rate of 3.6418%.

On November 30, 2005, BATA approved another contract to swap variable-to-fixed rate bonds with a notional amount of \$1 billion. The effective swap date on this contract was November 2007. Counterparties to the transactions are Ambac for \$420 million, JP Morgan for \$270 million, Citibank for \$260 million and Bank of America for \$50 million. During the 39-year term, BATA will pay each respective counterparty based on a fixed rate ranging from 3.63 percent to 4.00 percent. In exchange, BATA will receive a variable rate based on ranging percentages of LIBOR.

BATA will receive from Ambac and Bank of America a variable rate payment based on 68 percent of the one-month LIBOR rate. BATA will receive from Citibank a variable-rate payment based on 53.80 percent of the one-month LIBOR rate and 74 basis points. BATA will receive from JP Morgan a variable-rate payment based on 69.33 percent of the 1-year LIBOR rate in years 1 through 34 (first leg) and a variable-rate payment based on 75.08 percent of the one-month LIBOR in years 35 through 39 (second leg).

The \$500 million dollars in variable-rate bonds associated with this \$1 billion dollar swap were issued as part of BATA's 2007 Series A1-D1, E1-E2, and G1 Bonds. BATA issued the remaining \$500 million of the variable-rate bonds associated with this swap as part of the 2007 Series A2-D2, E3, G2-G3 Bonds.

In August and September 2008, BATA novated (or replaced) Ambac's \$210 million of the 2007 Series swap to Bank of New York Mellon and \$85 million to Goldman Sachs Mitsui Marine Derivative Products at a fixed rate of 3.6357%.

In August 2008, BATA refunded \$657.1 million in variable rate bonds, of which \$558.7 million were associated with floating-to-fixed rate swaps. The associated swaps included \$48.7 million of swap 2003 Series, \$160 million of swap 2006 Series, and \$350 million of swap 2007 Series. The floating-to-fixed rate swaps were left intact and hedged with four Securities Industry and Financial Markets Association (SIFMA) fixed to floating rate swaps. BATA approved contracts to execute SIFMA swaps with Bank of New York Mellon, Citigroup, N.A., Bank of America, N.A., and JP Morgan Chase Bank, N.A.

BATA will receive a fixed payment from the following counterparties: from Bank of New York Mellon a fixed rate of 4.04% on a notional amount of \$146.4 million, from JP Morgan Chase Bank, N.A. a fixed rate of 3.9025% on a notional amount of \$145.4 million, from Citibank, N.A. a fixed rate of 3.967% on a notional amount of \$105.4 million, and from Bank of America a fixed rate of 4.013% on a notional amount of \$160 million. The four counterparties to the SIFMA swaps have a right, but not the obligation, to terminate the swaps on April 1, 2011, without receiving a termination payment.

BATA entered into fixed to floating rate swaps as a means of lowering long-term debt costs while maintaining a hedge against increases in short-term rates. The SIFMA swaps (floating to fixed rate) were completed as a means to offset the fixed to floating rate swaps that remained after the associated floating rate debt was replaced with fixed rate debt. BATA is aware that swap transactions contain certain associated risks not traditionally associated with

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

fixed-rate issues, particularly the risk of counterparty failure. However, BATA has structured the transaction with reasonable safeguards, including downgrade and collateral provisions required of all counterparties, insurance guaranteeing performance on the Ambac components, as well as BATA's unilateral ability to cancel any transaction with 15 days notice.

The swap contracts, with the exception of JP Morgan Chase AAA Enhanced ISDA, address credit risk by requiring the counterparties to post collateral in the event of the following: 1. A counterparty's credit rating equals "A-", "A", or "A+" as determined by S&P or "A3", "A2", or "A1" as determined by Moody's and the market value of its swaps exceeds \$10 million, or 2. A counterparty's credit rating is below "A-", as determined by S&P or "A3" as determined by Moody's and the market value of its swaps exceeds \$0. JP Morgan Chase AAA Enhanced ISDA posts collateral regardless of ratings threshold and terminated value in accordance with the requirements imposed upon it by Moody's and Standard & Poor's.

As of June 30, 2009, counterparties were not required to post collateral with a third party safekeeping agent. However, as part of the JP Morgan AAA Enhanced ISDA, JP Morgan maintains a \$15 million pool of collateral as a means to maintain the AAA rating. At present, BATA is the only participant in the AAA ISDA pool.

As of June 30, 2009, debt service requirements of the variable rate debt and net swap payments for 2001 Series A, B and C, effective January 14, 2002, are as follows:

Payment Date	Notional Amortization	Variable Interest^B	Interest Rate Swaps, Net^C	Remarketing and Liquidity^D	Total Payment
4/1/2010	\$ -	\$ 2,070,000	\$ 11,691,000	\$ 2,100,000	\$ 15,861,000
4/1/2011	-	2,070,000	11,691,000	2,100,000	15,861,000
4/1/2012	-	2,070,000	11,691,000	2,100,000	15,861,000
4/1/2013	-	2,070,000	11,691,000	2,100,000	15,861,000
4/1/2014	-	2,070,000	11,691,000	2,100,000	15,861,000
4/1/2015-2036	300,000,000	30,634,620	173,019,006	31,078,600	234,732,226
	<u>\$ 300,000,000</u>	<u>\$ 40,984,620</u>	<u>\$ 231,474,006</u>	<u>\$ 41,578,600</u>	<u>\$ 314,037,226</u>

As of June 30, 2009, debt service requirements of the variable rate debt for 2003 Series C and net swap payments for 2003 Swap Series, effective March 3, 2003, are as follows:

Payment Date	Notional Amortization	Variable Interest^B (1)	Interest Rate Swaps, Net^C	Remarketing and Liquidity^D	Total Payment
4/1/2010	\$ 3,300,000	\$ 1,011,540	\$ 7,618,278	\$ 1,026,200	\$ 9,656,018
4/1/2011	3,500,000	999,120	7,488,555	1,013,600	9,501,275
4/1/2012	3,600,000	985,320	7,350,970	999,600	9,335,890
4/1/2013	3,800,000	970,830	7,209,454	984,900	9,165,184
4/1/2014	4,000,000	957,030	7,060,076	970,900	8,988,006
4/1/2015-2038	175,600,000	13,895,910	100,841,943	14,097,300	128,835,153
	<u>\$ 193,800,000</u>	<u>\$ 18,819,750</u>	<u>\$ 137,569,276</u>	<u>\$ 19,092,500</u>	<u>\$ 175,481,526</u>

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

As of June 30, 2009, debt service requirements of the variable rate debt and net swap payments for 2004 Series A, B and C, effective October 5, 2004, are as follows:

Payment Date	Notional Amortization	Variable Interest^B	Interest Rate Swaps, Net^C	Remarketing and Liquidity^D	Total Payment
4/1/2010	\$ 5,385,000	\$ 1,999,655	\$ 7,832,560	\$ 2,028,635	\$ 11,860,850
4/1/2011	5,590,000	1,962,498	7,687,019	1,990,940	11,640,457
4/1/2012	5,775,000	1,923,927	7,535,938	1,951,810	11,411,675
4/1/2013	6,040,000	1,884,080	7,379,857	1,911,385	11,175,322
4/1/2014	6,240,000	1,842,404	7,216,614	1,869,105	10,928,123
4/1/2015-2039	260,775,000	26,788,871	104,930,841	27,177,115	158,896,827
	<u>\$ 289,805,000</u>	<u>\$ 36,401,435</u>	<u>\$ 142,582,829</u>	<u>\$ 36,928,990</u>	<u>\$ 215,913,254</u>

As of June 30, 2009, debt service requirements of the variable rate debt for 2006 Series B1, C and 2008 Series A1-E1, G1 and net swap payments for 2006 Swap Series, effective February 8, 2006, are as follows:

Payment Date	Notional Amortization	Variable Interest^B (2)	Interest Rate Swaps, Net^C	Remarketing and Liquidity^D	Total Payment
4/1/2010	\$ -	\$ 5,796,000	\$ 27,505,462	\$ 5,880,000	\$ 39,181,462
4/1/2011	-	5,796,000	27,505,462	5,880,000	39,181,462
4/1/2012	-	5,796,000	27,505,462	5,880,000	39,181,462
4/1/2013	-	5,796,000	27,505,462	5,880,000	39,181,462
4/1/2014	-	5,796,000	27,505,462	5,880,000	39,181,462
4/1/2015-2045	1,000,000,000	145,504,889	690,477,324	147,613,655	983,595,868
	<u>\$ 1,000,000,000</u>	<u>\$ 174,484,889</u>	<u>\$ 828,004,634</u>	<u>\$ 177,013,655</u>	<u>\$ 1,179,503,178</u>

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

As of June 30, 2009, debt service requirements of the variable rate debt for 2007 Series A1, C1, G1, A2 - D2, E3, G2 - G3 and net swap payments for 2007 Swap Series, effective November 1, 2007, are as follows:

Payment Date	Notional Amortization	Variable Interest^B (3)	Interest Rate Swaps, Net^C	Remarketing and Liquidity^D	Total Payment
4/1/2010	\$ -	\$ 4,485,000	\$ 28,427,941	\$ 4,550,000	\$ 37,462,941
4/1/2011	-	4,485,000	28,427,941	4,550,000	37,462,941
4/1/2012	-	4,485,000	28,427,941	4,550,000	37,462,941
4/1/2013	-	4,485,000	28,427,941	4,550,000	37,462,941
4/1/2014	-	4,485,000	28,427,941	4,550,000	37,462,941
4/1/2015-2047	1,000,000,000	117,939,630	747,484,291	119,648,900	985,072,821
	<u>\$ 1,000,000,000</u>	<u>\$ 140,364,630</u>	<u>\$ 889,623,996</u>	<u>\$ 142,398,900</u>	<u>\$ 1,172,387,526</u>

As of June 30, 2009, debt service requirements of the fixed rate debt and net swap payments for 2008 Series F, effective August 28, 2008, are as follows:

Payment Date	Notional Amortization	Fixed Interest^B (4)	Interest Rate Swaps, Net^C	Total Payment
4/1/2010	\$ 1,500,000	\$ 28,559,561	\$ (20,240,646)	\$ 8,318,915
4/1/2011	1,500,000	28,559,561	(20,186,157)	8,373,404
4/1/2012	1,500,000	28,559,561	(20,131,669)	8,427,892
4/1/2013	1,800,000	28,559,561	(20,077,180)	8,482,381
4/1/2014	1,400,000	28,559,561	(20,011,794)	8,547,767
4/1/2015-2047	549,500,000	702,900,411	(500,175,884)	202,724,527
	<u>\$ 557,200,000</u>	<u>\$ 845,698,216</u>	<u>\$ (600,823,330)</u>	<u>\$ 244,874,886</u>

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

	Series 2001 Bonds ^A	Series 2003 Bonds	Series 2004 Bonds	Series 2006 Bonds	Series 2007 Bonds
Interest Rate Swap					
Fixed payment to counterparty	4.105%	4.139%	3.416%	3.730%	3.734%
LIBOR percentage of payments ^E	-0.208%	-0.208%	-0.713%	-0.979%	-0.891%
Net interest rate swap payments ^C	3.897%	3.931%	2.703%	2.751%	2.843%
Variable rate bond coupon payments ^B	0.690%	0.690%	0.690%	0.690%	0.690%
Synthetic interest rate on bonds	4.587%	4.621%	3.393%	3.441%	3.533%
Remarketing/liquidity fee ^D	0.700%	0.700%	0.700%	0.700%	0.700%
Total Cost	5.287%	5.321%	4.093%	4.141%	4.233%

	Series 2008 Bonds
Interest Rate Swap	
Fixed payment from counterparty	-3.983%
SIFMA ^F	0.350%
Net interest rate swap payments ^C	-3.633%
Fixed rate bond coupon payments ^G	5.126%
Synthetic interest rate on bonds	1.493%
Fees	0.000%
Total Cost	1.493%

^A Converted to 65% one month LIBOR on 1/1/06

^B The ending average variable rate as of last June 2009 reset

^C Net receipt/(payment)

^D Remarketing/liquidity fees

^E LIBOR rates as of last June 2009 reset

^F SIFMA rates as of June 2009 reset

^G Blended coupon

(1) Variable outstanding par \$146.6 million

(2) Variable outstanding par \$840 million

(3) Variable outstanding par \$650 million

(4) Fixed outstanding par \$707.73 million, but adjusted to \$557.2 million to match swap

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

6. LEASES

Capital Leases

MTC leases copier equipment under capital leases which expire during fiscal year 2011. The assets and liabilities under this capital lease are recorded at the present value of the minimum lease payments. Minimum future lease payments under the capital lease are comprised of the following:

Governmental Activities	
Year Ending June 30	Amount
2010	\$ 42,736
2011	<u>10,684</u>
Total	53,420
Less interest amounts	<u>(2,875)</u>
Present value of net minimum lease payments	<u><u>\$ 50,545</u></u>

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund transfers as of June 30, 2009, is as follows:

Transfer Out:	Transfer In:							Total
	General	AB 664 Net Toll Revenue Reserve	STA	Capital Projects	Non-Major Governmental Funds	SAFE	BATA	
Non-Major	\$ -	\$ -	\$ -	\$ 1,354,777	\$ -	\$ -	\$ 1,260,000	\$ 2,614,777
General	-	-	2,047,373	-	-	-	-	2,047,373
STA	13,803,937	-	-	891,675	9,856,450	-	-	24,552,062
Capital	466,278	-	-	-	-	-	-	466,278
BATA	5,250,642	10,881,735	-	1,157,541	9,918,754	761,000	-	27,969,672
SAFE	1,263,120	-	-	791,000	-	-	-	2,054,120
Total	\$ 20,783,977	\$ 10,881,735	\$ 2,047,373	\$ 4,194,993	\$ 19,775,204	\$ 761,000	\$ 1,260,000	\$ 59,704,282

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General	Capital	\$ 5,495,453
General	STA	1,133,702
General	Non-Major	49,242
General	BATA	176,237
General	SAFE	84,880
Capital	STA	213,338
Capital	Non-Major	788,255
Capital	BATA	255,104
Capital	General	499,769
Non-Major	BATA	210,076
SAFE	General	3,099,492
BATA	AB664	99,751
BATA	Non-Major	10,239
BATA	MTC	37,000,000

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

The composition of interfund transfers as of June 30, 2008, is as follows:

Transfer Out:	Transfer In:					
	AB 664 Net		Capital	STA	Non-Major	Total
	General	Toll Revenue Reserve	Projects		Governmental Funds	
Non-Major	\$ -	\$ -	\$ 1,079,283	\$ -	\$ -	\$ 1,079,283
STA	12,737,870	-	994,757	-	-	13,732,627
General	-	-	2,080,477	3,943,000	-	6,023,477
AB664	21,000	-	-	-	-	21,000
BATA	5,945,179	11,083,741	321,287	-	9,857,581	27,207,788
SAFE	1,714,549	-	-	-	-	1,714,549
Total	\$ 20,418,598	\$ 11,083,741	\$ 4,475,804	\$ 3,943,000	\$ 9,857,581	\$ 49,778,724

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General	Capital	\$ 1,069,902
General	STA	622,707
General	Non-Major	49,242
General	BATA	512,340
General	Capital	1,299,567
Capital	STA	400,571
Capital	Non-Major	750,192
Capital	BATA	280,787
STA	General	3,943,000
SAFE	General	3,454,699
BATA	AB664	286,258
BATA	Non-Major	57,419
BATA	MTC	42,000,000

Transfers are used to move revenues from the fund with collection authority to the program fund that accounts for the various grant programs based on both budgetary and matching fund requirements.

Outstanding receivables and payables between funds are due to timing differences resulting from when expenditures are incurred and reimbursement payments are made.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2009 and 2008

Notes to Financial Statements

8. EMPLOYEES' RETIREMENT PLAN

Plan Description

MTC's single employer defined benefit pension plan, the Miscellaneous Plan of Metropolitan Transportation Commission ("the Plan"), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by state statutes within the Public Employees' Retirement Law. The MTC selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS website or by writing to CalPERS fiscal Services Division, PO Box 942703, Sacramento, California 94229.

Funding Policy

Members in the Plan are required to contribute a percent of their annual covered salary, which is established by California state statute. MTC is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its employees. The actuarial methods and assumptions are those adopted and amended by the CalPERS Board of Administration. Pursuant to an election by MTC employees, a contract amendment was executed with CalPERS in fiscal 2007, amending the retirement benefit formula from 2 percent at 55 to 2 ½ percent at 55. MTC employees agreed to contribute the full cost of this enhancement and share in future retirement cost increases. The full cost of MTC's retirement benefit is allocated as follows:

- MTC pays the Base Rate of 17.395 percent in effect on July 1, 2006 (10.395 percent employer contribution and 7 percent employee share, per employee's gross earnings), and the fiscal 2008 Base Rate. The Base Rate increased in fiscal 2009 by a percentage equivalent to the actual increase in cost attributable to the BATA employees hired in fiscal 2006.
- Members pay 3.402 percent of eligible gross earnings (2.402 percent employer contribution and 1.0 percent employee contribution) to cover the full cost of the enhancement.
- MTC and members will share equally in payment for additional CalPERS increases, up to 2.0 percent above the Base Rate and the 3.402 percent enhancement cost, each paying up to an additional 1 percent.
- Per agreement, any CalPERS contribution rate increases exceeding the additional 2 percent referenced above will result in re-opening the agreement to determine further cost-sharing arrangements.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

Annual Pension Cost and Funding Progress

The required contribution was \$2,937,722 and \$2,813,755 for the years ended June 30, 2009 and 2008 determined as part of the June 30, 2007 and June 30, 2006 actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of payroll. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses) and (b) projected salary increases that vary by entry age and duration of service. Both (a) and (b) include an inflation component of 3.0 percent and an annual payroll growth of 3.25 percent. The actuarial valuation of the Plan's asset was determined using a technique that smoothes the effect of short-term volatility in market value of investments over a fifteen-year period depending on the size of investment gains and/or losses.

The following table shows the MTC's required contributions and the percentage contributed for the current year and each of the two preceding years:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed
June 30, 2007	\$ 2,647,617	100%
June 30, 2008	2,813,755	100%
June 30, 2009	2,937,722	100%

The MTC's funding progress information as of June 30, 2007 is illustrated as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2005	\$ 49,691,002	\$ 55,528,976	\$ 5,837,974	89.5%	\$ 11,623,784	50.2%
June 30, 2006	54,611,669	61,472,801	6,861,132	88.8%	14,292,965	48.0%
June 30, 2007	60,833,239	68,280,990	7,447,751	89.1%	15,865,270	46.9%

The latest available actuarial valuation was as of June 30, 2007 showing an under-funded status.

9. POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

MTC's single employer defined benefit other postemployment healthcare (OPEB) plan, or MTC's California Employer's Retirement Benefit Trust (CERBT) account, provides health plan coverage through the CalPERS Health Plan to eligible retired employees and their eligible dependants. MTC maintains the same medical plans for its retirees as for its active employees, with the general exception that once a retiree becomes eligible for Medicare, he or she must join a Medicare HMO or a Medicare Supplement plan, with

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

Medicare becoming the primary payer. Employees become eligible to retire and receive healthcare benefits upon reaching the age of 50 with 5 years of service to MTC. Benefits are paid for the lifetime of the retiree, spouse or surviving spouse, and dependents up to the age of 23.

MTC is a contracting agency under the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by CalPERS for provision of healthcare insurance programs for both active and retired employees. CalPERS issue a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS website or by writing to CalPERS fiscal Services Division, PO Box 942703, Sacramento, California 94229.

Funding Policy

MTC contributions are based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting of Post Employment Benefits Other Than Benefits*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC is based on separate actuarial computations for the active and retiree employee groups. MTC's payments of monthly retiree premiums of \$452,003 and \$428,810 for the years ended 2009 and 2008 were applied toward the required annual employer contribution of \$799,483 and \$1,372,945 for the years ended 2009 and 2008. In addition, MTC made a voluntary contribution in excess of the ARC for fiscal 2008 of \$8,676,000. This contribution nearly eliminated the Unfunded Actuarial Accrued Liability (UAAL) and resulted in the reporting of a net OPEB asset of \$7,731,865 at June 30, 2008. The interest earned on this additional contribution will reduce the OPEB cost in future years.

Annual OPEB Cost, Funded Status and Funding Progress

MTC's annual Other Postemployment Benefit (OPEB) expense is based on the ARC of the employer less healthcare costs paid on behalf of its retirees as well as any other contributions made to the plan during the year. The following table represents annual OPEB cost for the year, the percentage of costs contributed to the plan, and changes in the net OPEB obligation. Governmental and Business-Type Activities funded 100% of the ARC attributable to them. Any net OPEB obligation/ (asset) resulted solely from Governmental Activities.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/(Asset)
June 30, 2007	\$ 2,155,931	16.4%	\$ 1,802,533
June 30, 2008	1,372,945	794.4%	(7,731,865)
June 30, 2009	799,483	56.5%	(7,384,385)

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

The funded status of the plan as of July 1, 2009 was as follows:

Annual required contribution (ARC)	\$ 836,099
Interest on net OPEB obligation	(599,220)
Adjustment to ARC	562,604
Annual OPEB Cost	799,483
Less Contributions made	<u>(452,003)</u>
Increase in net OPEB obligation	347,480
Net OPEB obligation - beginning of year	<u>(7,731,865)</u>
Net OPEB obligation/(asset) - end of year	<u><u>\$ (7,384,385)</u></u>

The MTC's funding progress information as of June 30, 2009 is illustrated as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2006	\$ -	\$ 14,376,476	\$ 14,376,476	0.0%	\$ 15,193,161	94.6%
January 1, 2007	-	10,297,911	10,297,911	0.0%	22,965,687	44.8%
January 1, 2009	7,299,050	12,774,408	5,475,358	57.1%	24,500,000	22.3%

Actuarial valuations must make certain assumptions regarding the probability of occurrence of certain events such as employment turnover, retirement, and mortality, as well as economic assumptions regarding future healthcare costs and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress on Schedule IV, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the January 1, 2007 actuarial valuation, the valuation date was changed from July 1 to January 1 to align the valuation date with the health plan's premium renewal period. Additionally, the cost method was changed from the Projected Unit Credit cost method to Entry Age Normal cost method. This change in method was required in order for MTC to participate in the trust fund managed by CalPERS. The actuarial assumptions include a

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2009 and 2008

Notes to Financial Statements

discount rate of 7.75 percent to reflect the expected return on assets in the CalPERS' retiree health trust fund and an annual healthcare cost trend rate of 6.5 percent for 2010 to 2014, 6.0 percent for 2015 to 2017, and 5.85 percent per year thereafter.

Demographic assumptions were changed to conform to the CalPERS assumption model, which was required in order for MTC to participate in the trust fund managed by CalPERS. Demographic assumptions are the same as those used by CalPERS in its valuation of pension benefits under its Miscellaneous 2.5 percent @ 55 formulas for miscellaneous employees. MTC employees participate in CalPERS and accrue pension benefits under this formula.

The Unfunded Actuarial Liability (UAAL) is the actuarial liability offset by any assets set aside to provide retiree health benefits. The UAAL must be amortized over a period of up to 30 years and included in the ARC each year. For fiscal year 2008, MTC has elected to amortize its UAAL over a period of 20 years.

10. COMMITMENTS AND CONTINGENCIES

MTC's administered projects are subject to audit by the respective grantors. The final determination of allowable project costs can be made only after the grantor's audits are completed and final rulings by the grantor's administrative departments are obtained. Disallowed expenditures, if any, must be borne by nonfederal funds. In the opinion of MTC's management, such disallowances, if any, would not have a material adverse effect on the accompanying government-wide financial statements.

MTC is involved in various claims and litigation that are considered normal to the MTC's regional planning activities. MTC has established an accrual for certain of these contingencies of \$773,368 and \$746,451 for fiscal years ended June 30, 2009 and 2008, respectively. In the opinion of the MTC's management, the ultimate resolution of these matters will not have a material adverse effect on the MTC's government-wide financial position.

Commitment and Loan to Bay Area Rapid Transit District

On March 11, 1999, MTC, the San Mateo County Transit District (Samtrans) and the Bay Area Rapid Transit District (BART) (collectively the Parties) entered into a Memorandum of Understanding (MOU) defining the terms and conditions by which additional funds would be made available for the SFO Extension Project (the Project). On September 1, 1999, the Parties agreed to provide a total of \$198.5 million to the Project, with BART providing \$50 million, Samtrans providing \$72 million, and MTC providing \$76.5 million.

MTC's commitment included a \$60 million loan (the Loan) for the Project's cash flow requirements and \$16.5 million for additional budget items. In addition, MTC agreed to pay for interest and financing costs not to exceed \$11.8 million, for a total commitment of \$88.3 million.

To fund the Loan, MTC agreed to advance \$60 million from the Rail Reserve Fund (East Bay Account) for Project cash flows. Under the MOU, BART was to repay this advance without interest, upon authorization and receipt of federal funds anticipated pursuant to

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

BART's full funding grant agreement with the U.S. Department of Transportation (Federal Transportation Administration grant). MTC further agreed to allocate \$16.5 million to BART from the Rail Reserve Fund (West Bay Account) for budget items, and utilize a combination of bridge toll revenues and other sources to pay interest and financing costs up to \$11.8 million.

On February 12, 2001, MTC and BART executed an Acknowledgement Agreement (the Agreement) which modified the repayment terms of the Loan. Under the Agreement, MTC acknowledged that the FTA grant proceeds, originally pledged to repay the Loan, will be pledged and assigned in favor of bonds (the Bonds) issued by the Association of Bay Area Governments to refinance the Notes and finance the Project. The Agreement confirms BART's obligation to repay the Loan, as set forth in the MOU; however, such repayment will be made from the general resources of BART and subject to the prior pledge in favor of the Bonds.

On June 28, 2006, MTC and BART revised the terms of the \$60 million loan agreement. The new agreement extends the \$60 million loan to June 30, 2015 with an interest rate of 3 percent.

On November 28, 2007, the MTC Commission authorized the pledging of the then remaining proceeds of the \$47 million BART loan receivable balance from the Rail Reserve Fund to BATA. As a result BATA transferred \$47 million for their operating cash to the Rail Reserve Fund thereby providing cash flow to the Rail Reserve Fund (East Bay Account) to be used for East Bay rail projects. MTC retains all of its contract protections and enforcement rights against BART until the BART obligations to the East Bay Rail Reserve are satisfied. MTC also retains the legal obligation and responsibility to seek any payment due from BART. The pledge of the \$47 million BART loan from MTC to BATA is an Intra-Entity Transfers of Assets which bears an interest rate of 3.0 percent. GASB statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues* provides guidance on the accounting and reporting of Intra-Entity Transfers of Assets.

As of June 30, 2009 and 2008, the total loan outstanding with BART is \$37 million and \$42 million. Remaining payments due under the loan are as follows:

Fiscal Year	Principal Payments
2010	\$ 8,000,000
2011	8,000,000
2012	8,000,000
2013	8,000,000
2014	5,000,000
	\$ 37,000,000

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2009 and 2008
Notes to Financial Statements

11. RISK MANAGEMENT

MTC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. MTC purchases commercial insurance through an insurance agent, who obtains the appropriate insurance coverage needed by the MTC from insurance companies. To date, there have been no significant reductions in any of the MTC's insurance coverage, and no settlement amounts have exceeded commercial insurance coverage for the past three years.

12. RELATED PARTY TRANSACTIONS

The Regional Administrative Facility Corporation (RAFC) was incorporated in the State of California on March 23, 1983, for the purpose of administering, operating and maintaining common areas and certain easements of the property. The Condominium Plan establishes the following three owner occupants: BART, MTC and ABAG. RAFC exercises a custodial responsibility on behalf of the owner occupants and assesses sufficient amounts to meet all required expenditures of the common areas and easements. MTC provides management and other staff functions to RAFC through management fees. Fees to RAFC were \$300,000 and \$300,000 for fiscal year ended June 30, 2009 and June 30, 2008 respectively. MTC also recorded the return of MTC's portion of the Metrocenter seismic improvement project of \$187,489 as revenue in fiscal 2009. MTC currently has a prepaid asset of \$294,282 and \$97,314 as of June 30, 2009 and 2008, respectively, for funding capital improvement projects of the property.

13. SUBSEQUENT EVENTS

In July 2009, BATA made a termination payment of \$105 million to terminate the swaps with Ambac Financial Services. In August 2009, BATA restructured the variable rate bonds underlying the Ambac swaps by issuing \$768.7 million in new fixed rate bonds and reissuing the balance of variable rate demand bonds. The new bonds refunded 2001 Series B and C, 2003 Series C, 2004 Series A-C, 2006 Series B1, and 2007 Series G2-G3. The 2008 Series A1 and 2007 Series C2 were reoffered in August 2009.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**Metropolitan Transportation Commission
Schedule of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – General Fund
For the Year Ended June 30, 2009**

Schedule I

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Final Budget Positive (Negative)
Revenues				
Sales taxes for planning activities	\$ 10,584,001	\$ 10,584,001	\$ 9,678,324	\$ (905,677)
Grants - Federal	78,285,174	84,929,499	31,541,171	(53,388,328)
Grants - State	3,841,248	5,122,248	2,658,926	(2,463,322)
Local Agencies Revenues	5,004,727	5,387,290	3,423,340	(1,963,950)
Investment Income - unrestricted	650,000	650,000	157,624	(492,376)
Total revenues	98,365,150	106,673,038	47,459,385	(59,213,653)
Expenditures				
Current:				
General Government	133,057,863	141,643,851	57,672,098	83,971,753
Allocations to Other Agencies	14,420,026	14,420,026	7,873,335	6,546,691
Capital outlay	365,000	365,000	186,931	178,069
Total expenditures	147,842,889	156,428,877	65,732,364	90,696,513
Deficiency of revenues under expenditures	(49,477,739)	(49,755,839)	(18,272,979)	31,482,860
Other financing sources				
Transfers in	44,539,218	44,817,318	18,736,604	(26,080,714)
Net change in fund balances	(4,938,521)	(4,938,521)	463,625	5,402,146
Fund balances - beginning	19,261,507	19,261,507	19,261,507	-
Fund balances - ending	\$ 14,322,986	\$ 14,322,986	\$ 19,725,132	\$ 5,402,146

**Metropolitan Transportation Commission
Schedule of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – AB 664 Net Toll Revenue Reserves Fund
For the Year Ended June 30, 2009**

Schedule II

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues				
Investment Income - unrestricted	\$ -	\$ -	\$ 622,863	\$ 622,863
Total Revenues	-	-	622,863	622,863
Expenditures				
Current:				
General Government	-	-	4,005	(4,005)
Allocations to Other Agencies	47,953,002	47,734,488	14,362,740	33,371,748
Total expenditures	47,953,002	47,734,488	14,366,745	33,367,743
Deficiency of revenues under expenditures	(47,953,002)	(47,734,488)	(13,743,882)	33,990,606
Other financing sources				
Transfers in	11,200,000	10,981,486	10,881,735	(99,751)
Net change in fund balances	(36,753,002)	(36,753,002)	(2,862,147)	33,890,855
Fund balances - beginning	36,753,002	36,753,002	36,753,002	-
Fund balances - ending	\$ -	\$ -	\$ 33,890,855	\$ 33,890,855

**Metropolitan Transportation Commission
Schedule of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – State Transit Assistance Fund
For the Year Ended June 30, 2009**

Schedule III

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Final Budget Positive (Negative)
Revenues				
Grants - State	\$ 234,770,866	\$ 56,779,792	\$ 56,142,205	\$ (637,587)
Local Agencies Revenues and Refunds	-	-	343,055	343,055
Investment Income - unrestricted	-	-	1,452,171	1,452,171
Total revenues	234,770,866	56,779,792	57,937,431	1,157,639
Expenditures				
Current:				
Allocations to Other Agencies	327,589,428	149,618,354	80,325,647	69,292,707
Total expenditures	327,589,428	149,618,354	80,325,647	69,292,707
Excess (deficiency) of revenues over (under) expenditures	(92,818,562)	(92,838,562)	(22,388,216)	70,450,346
Other financing sources / (uses)				
Transfers (out) / in	-	-	(22,504,689)	(22,504,689)
Net change in fund balances	(92,818,562)	(92,838,562)	(44,892,905)	47,945,657
Fund balances - beginning	102,569,201	102,569,201	102,569,201	-
Fund balances - ending	\$ 9,750,639	\$ 9,730,639	\$ 57,676,296	\$ 47,945,657

**Metropolitan Transportation Commission
Schedules of Funding Progress
For the Year Ended June 30, 2009**

Schedule IV

Pension Plan (Required Supplementary Information)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2005	\$ 49,691,002	\$ 55,528,976	\$ 5,837,974	89.5%	\$ 11,623,784	50.2%
June 30, 2006	54,611,669	61,472,801	6,861,132	88.8%	14,292,965	48.0%
June 30, 2007	60,833,239	68,280,990	7,447,751	89.1%	15,865,270	46.9%

Postemployment Benefits (Required Supplementary Information)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2006	\$ -	\$ 14,376,476	\$ 14,376,476	0.0%	\$ 15,193,161	94.6%
January 1, 2007	-	10,297,911	10,297,911	0.0%	22,965,687	44.8%
January 1, 2009	7,299,050	12,774,408	5,475,358	57.1%	24,500,000	22.3%

OTHER SUPPLEMENTARY INFORMATION

Metropolitan Transportation Commission
Combining Balance Sheet – Non-Major Governmental Funds
As of June 30, 2009

Schedule 1

	<u>Transit Reserves</u>	<u>Rail Reserves</u>	<u>Exchange</u>	<u>BART Car Exchange</u>	<u>Feeder Bus</u>	<u>Prop 1B Funds</u>	<u>Total Non-Major Governmental Funds</u>
Assets							
Cash and cash equivalents - unrestricted	\$ 750,088	\$ 41,834,403	\$ 6,936,876	\$ -	\$ 48,883	\$ 9,307,668	\$ 58,877,918
Cash and cash equivalents - restricted	-	-	-	33,474,213	-	-	33,474,213
Investments - unrestricted	-	52,896,516	-	-	-	-	52,896,516
Investments - restricted	-	-	-	37,479,064	-	-	37,479,064
Accounts Receivables	-	-	-	-	832,677	-	832,677
Interest receivable	-	78,935	-	57,959	-	-	136,894
Due from other funds	-	210,076	-	-	-	-	210,076
Total assets	750,088	95,019,930	6,936,876	71,011,236	881,560	9,307,668	183,907,358
Liabilities and fund balances							
Liabilities							
Accounts payable	282,266	2,142	62,022	635	665,790	11,782	1,024,637
Due to other funds	10,239	-	837,497	-	-	-	847,736
Total liabilities	292,505	2,142	899,519	635	665,790	11,782	1,872,373
Fund balances							
Restricted for:							
Transportation projects	457,583	-	-	-	215,770	9,295,886	9,969,239
Rail projects	-	95,017,788	-	71,010,601	-	-	166,028,389
Committed to:							
Transportation projects	-	-	6,037,357	-	-	-	6,037,357
Total fund balances	457,583	95,017,788	6,037,357	71,010,601	215,770	9,295,886	182,034,985
Total liabilities and fund balances	\$ 750,088	\$ 95,019,930	\$ 6,936,876	\$ 71,011,236	\$ 881,560	\$ 9,307,668	\$ 183,907,358

Metropolitan Transportation Commission
Combining Statement of Revenues, Expenses and Changes in Fund Balances –
Non-Major Governmental Funds
For the Year Ended June 30, 2009

Schedule 2

	<u>Transit Reserves</u>	<u>Rail Reserves</u>	<u>Exchange</u>	<u>BART Car Exchange</u>	<u>Feeder Bus</u>	<u>Prop 1B Funds</u>	<u>Total Non-Major Governmental Funds</u>
Revenues							
Grants - State	\$ 2,994,857	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,994,857
Project grants from local agencies	-	5,000,000	1,492,857	22,682,000	832,677	-	30,007,534
Investment income - unrestricted	10,599	2,629,315	55,405	-	374	72,632	2,768,325
Investment income - restricted	-	-	-	783,516	-	-	783,516
Total revenues	3,005,456	7,629,315	1,548,262	23,465,516	833,051	72,632	36,554,232
Expenditures							
Current:							
General government	-	5,008,540	832,483	4,160	-	633,196	6,478,379
Allocations to other agencies	3,799,252	-	-	-	665,790	-	4,465,042
Total expenditures	3,799,252	5,008,540	832,483	4,160	665,790	633,196	10,943,421
Excess / (deficiency) of revenues over / (under) expenditures	(793,796)	2,620,775	715,779	23,461,356	167,261	(560,564)	25,610,811
Other financing sources / uses							
Transfers in	872,894	9,045,860	-	-	-	9,856,450	19,775,204
Transfers out	-	(1,260,000)	(1,354,777)	-	-	-	(2,614,777)
Total other financing sources and uses	872,894	7,785,860	(1,354,777)	-	-	9,856,450	17,160,427
Net change in fund balances	79,098	10,406,635	(638,998)	23,461,356	167,261	9,295,886	42,771,238
Fund balances - beginning	378,485	84,611,153	6,676,355	47,549,245	48,509	-	139,263,747
Fund balances - ending	\$ 457,583	\$ 95,017,788	\$ 6,037,357	\$ 71,010,601	\$ 215,770	\$ 9,295,886	\$ 182,034,985

Metropolitan Transportation Commission
Schedule of Revenues, Expenses and Changes in Fund Balances –
Budget and Actual – Transit Reserves Fund
For the Year Ended June 30, 2009

Schedule 3

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Grants - State	\$ 3,092,771	\$ 3,091,628	\$ 2,994,857	\$ (96,771)
Investment Income - unrestricted	-	-	10,599	10,599
Total revenues	3,092,771	3,091,628	3,005,456	(86,172)
Expenditures				
Current:				
Allocations to Other Agencies	4,274,485	4,256,475	3,799,252	457,223
Deficiency of revenues under expenditures	(1,181,714)	(1,164,847)	(793,796)	371,051
Other financing sources				
Transfers in	900,000	883,133	872,894	(10,239)
Net change in fund balances	(281,714)	(281,714)	79,098	360,812
Fund balances - beginning	378,485	378,485	378,485	-
Fund balances - ending	\$ 96,771	\$ 96,771	\$ 457,583	\$ 360,812

Metropolitan Transportation Commission
Schedule of Revenues, Expenses and Changes in Fund Balances –
Budget and Actual – Rail Reserve Fund
For the Year Ended June 30, 2009

Schedule 4

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Local Agency Revenue	\$ -	\$ -	\$ 5,000,000	\$ 5,000,000
Investment Income - unrestricted	-	1,260,000	2,629,315	1,369,315
Total revenues	-	1,260,000	7,629,315	6,369,315
Expenditures				
Current:				
General Government	-	5,000,000	5,008,540	(8,540)
Allocations to Other Agencies	93,589,152	88,446,935	-	88,446,935
Total expenditures	93,589,152	93,446,935	5,008,540	88,438,395
Deficiency of revenues under expenditures	(93,589,152)	(92,186,935)	2,620,775	94,807,710
Other financing sources				
Transfers in	8,978,000	8,835,783	7,785,860	(1,049,923)
Net change in fund balances	(84,611,152)	(83,351,152)	10,406,635	93,757,787
Fund balances - beginning	84,611,153	84,611,153	84,611,153	-
Fund balances - ending	\$ 1	\$ 1,260,001	\$ 95,017,788	\$ 93,757,787

Metropolitan Transportation Commission
Schedule of Revenues, Expenses and Changes in Fund Balances –
Budget and Actual– Exchange Fund
For the Year Ended June 30, 2009

Schedule 5

	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Agencies Revenues	\$ -	\$ -	\$ 1,492,857	\$ 1,492,857
Investment Income - unrestricted	-	-	55,405	55,405
Total revenues	-	-	1,548,262	1,548,262
Expenditures				
Current:				
General Government	1,882,337	1,882,337	832,483	1,049,854
Allocations to Other Agencies	3,455,007	3,455,007	-	3,455,007
Total expenditures	5,337,344	5,337,344	832,483	4,504,861
Excess / (deficiency) of revenues over / (under) expenditures	(5,337,344)	(5,337,344)	715,779	6,053,123
Other financing sources / (uses)				
Transfers (out) / in	-	-	(1,354,777)	(1,354,777)
Net change in fund balances	(5,337,344)	(5,337,344)	(638,998)	4,698,346
Fund balances - beginning	6,676,355	6,676,355	6,676,355	-
Fund balances - ending	\$ 1,339,011	\$ 1,339,011	\$ 6,037,357	\$ 4,698,346

Metropolitan Transportation Commission
Schedule of Revenues, Expenses and Changes in Fund Balances –
Budget and Actual– BART Car Exchange Fund
For the Year Ended June 30, 2009

Schedule 6

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Project grants from local agencies	\$ -	\$ -	\$ 22,682,000	\$ 22,682,000
Investment income - restricted	-	-	783,516	783,516
Total revenues	-	-	23,465,516	23,465,516
Expenditures				
Current:				
General Government	-	-	4,160	(4,160)
Allocations to other agencies	-	-	-	-
Total expenditures	-	-	4,160	(4,160)
Excess of revenues over expenditures	-	-	23,461,356	23,461,356
Net change in fund balances	-	-	23,461,356	23,461,356
Fund balances - beginning	47,549,245	47,549,245	47,549,245	-
Fund balances - ending	\$ 47,549,245	\$ 47,549,245	\$ 71,010,601	\$ 23,461,356

Metropolitan Transportation Commission
Schedule of Revenues, Expenses and Changes in Fund Balances –
Budget and Actual – Feeder Bus Fund
For the Year Ended June 30, 2009

Schedule 7

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Project grants from local agencies	\$ -	\$ -	\$ 832,677	\$ 832,677
Investment income - unrestricted	-	-	374	374
Total revenues	-	-	833,051	833,051
Expenditures				
Current:				
Allocations to other agencies	122	122	665,790	(665,668)
Total expenditures	122	122	665,790	(665,668)
Excess / (deficiency) of revenues over / (under) expenditures	(122)	(122)	167,261	167,383
Net change in fund balances	(122)	(122)	167,261	167,383
Fund balances - beginning	48,509	48,509	48,509	-
Fund balances - ending	\$ 48,387	\$ 48,387	\$ 215,770	\$ 167,383

Metropolitan Transportation Commission
Schedule of Revenues, Expenses and Changes in Fund Balances –
Budget and Actual – Prop 1B Fund
For the Year Ended June 30, 2009

Schedule 8

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Local Agencies Revenues	\$ -	\$ -	\$ -	\$ -
Investment Income - unrestricted	-	-	72,632	72,632
Total revenues	-	-	72,632	72,632
Expenditures				
Current:				
General Government		9,858,000	633,196	9,224,804
Total expenditures	-	9,858,000	633,196	9,224,804
Excess / (deficiency) of revenues over / (under) expenditures	-	(9,858,000)	(560,564)	9,297,436
Other financing sources / (uses)				
Transfers in	-	9,858,000	9,856,450	(1,550)
Net change in fund balances	-	-	9,295,886	9,295,886
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 9,295,886	\$ 9,295,886

**Metropolitan Transportation Commission
Schedule of Expenditures – Governmental Funds
For the Year Ended June 30, 2009**

Schedule 9

Expenditures by natural classification⁽¹⁾:

Salaries & benefits ⁽²⁾	\$ 17,164,185
Travel	118,976
Professional fees	38,452,174
Overhead	2,860,457
Printing & reproduction	236,546
Other	<u>23,743</u>

Reported as general government expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 58,856,081</u>
--	----------------------

Salaries & benefits - MTC ⁽¹⁾	\$ 17,164,185
Salaries & benefits - BATA	5,411,205
Salaries & benefits - SAFE	957,831
Total salaries & benefits	<u>\$ 23,533,221</u>

Overhead - MTC ⁽¹⁾	\$ 2,860,457
Overhead - SAFE	522,401
Total Overhead	<u>\$ 3,382,858</u>

⁽¹⁾ General Government Expenditures - by Fund	
General Fund	\$ 57,672,098
Capital Projects	203,306
Special Revenue - Prop 1B	633,196
Other Post Employment Benefits (OPEB) Accrual	347,481
	<u>\$ 58,856,081</u>

⁽²⁾ Includes OPEB Accrual of \$347,481

Metropolitan Transportation Commission
Schedule of Overhead, Salaries and Benefits Expenditures – Governmental
Funds

For the Year Ended June 30, 2009

Schedule 10

	Direct Costs*	Allowable Indirect Costs	Unallowable Costs	Total
Salaries	\$ 10,824,583	\$ 3,491,078	\$ 33,500	\$ 14,349,161
Benefits	7,027,123	2,153,912	3,025	9,184,060
Total salaries and benefits	<u>\$ 17,851,706</u>	<u>\$ 5,644,990</u>	<u>\$ 36,525</u>	<u>\$ 23,533,221</u>
Reimbursable overhead:**				
Agency Temps		\$ 184,913	\$ -	\$ 184,913
Training		84,576	28,416	112,992
Personnel recruitment		104,608	-	104,608
Public hearings		33,935	-	33,935
Advertising		35,963	(1,419)	34,544
Communications		148,887	-	148,887
Utilities		131,755	-	131,755
Meeting room rental		10,172	-	10,172
Equipment rental		3,269	1,105	4,374
Parking rental		15,612	-	15,612
Storage rental		24,792	-	24,792
Computer maintenance & repair		36,821	-	36,821
Auto expense		13,436	-	13,436
Equipment maintenance & repair		99	-	99
General maintenance		21,476	-	21,476
Janitorial service		119,513	-	119,513
Office supplies		77,747	470	78,217
Printing & graphics supplies		35,723	723	36,446
Computer supplies		55,608	-	55,608
Computer software		413,619	-	413,619
Computer hardware		121,275	3,000	124,275
Furniture & fixtures		35,656	-	35,656
Postage & mailing		76,207	-	76,207
Memberships		51,402	23,357	74,759
Library acquisitions & subscriptions		33,575	2,335	35,910
Law library		17,596	-	17,596
Computer time & services		19,842	-	19,842
Advisory member stipend		46,850	71,900	118,750
Audit fees		33,329	193,656	226,985
Newswire service		11,281	-	11,281
Insurance		117,121	-	117,121
Other		600	161,246	161,846
Miscellaneous		-	49,107	49,107
Travel		122,533	166,294	288,827
Professional Fees		104,710	-	104,710
Bldg Maintenance		403,811	-	403,811
Subtotal Indirect Costs		<u>2,748,312</u>	<u>700,190</u>	<u>3,448,502</u>
Depreciation expense		751,481	-	751,481
Total indirect costs including depreciation expense		<u>\$ 3,499,793</u>	<u>\$ 700,190</u>	<u>\$ 4,199,983</u>
Indirect Cost Recovered		<u>\$ 9,756,241</u>		
Indirect (Over)/Under Absorbed		<u>\$ (611,458)</u>		

*Direct Costs include BATA and SAFE Salaries and Benefits per Indirect Cost Plan for fiscal 2009.

** Overhead distributed to BATA and SAFE per Indirect Cost Plan for fiscal 2009.

Metropolitan Transportation Commission
Schedule of Expenditures – Federal Highway Administration Grant
No. 09OWPMTCM
For the Year Ended June 30, 2009

Schedule 11

	ABAG	MTC	Total
Authorized Expenditures			
Federal	\$ 977,764	\$ 7,137,809	\$ 8,115,573
Local Match	126,680	924,778	1,051,458
Total authorized expenditures	<u>1,104,444</u>	<u>8,062,587</u>	<u>9,167,031</u>
Actual Expenditures *			
Association of Bay Area Governments (ABAG)	926,250	-	926,250
MTC			
<i>Program No. Program Name</i>			
1112	-	1,000,000	1,000,000
1113	-	35,149	35,149
1114	-	63,458	63,458
1121	-	401,265	401,265
1122	-	1,214,102	1,214,102
1123	-	37,742	37,742
1124	-	323,728	323,728
1156	-	322,560	322,560
1212	-	85,000	85,000
1225	-	40,000	40,000
1229	-	259,299	259,299
1236	-	600,000	600,000
1311	-	153,008	153,008
1412	-	100,000	100,000
1511	-	300,000	300,000
1512	-	600,000	600,000
1611	-	519,884	519,884
Total Expenditures	<u>926,250</u>	<u>6,055,195</u>	<u>6,981,445</u>
Balance of Federal Highway Administration Grant	<u>\$ 51,514</u>	<u>\$ 1,082,614</u>	<u>\$ 1,134,128</u>

* Expenditures reported at federal reimbursement rate (88.53%)

**Metropolitan Transportation Commission
Schedule of Computations Demonstrating
Bond Covenant Compliance – BATA Proprietary Fund
For the Year Ended June 30, 2009**

Schedule 12

	2009
Revenue	
Toll revenues collected	\$ 470,136,376
Investment income	20,699
Other operating revenues	16,828,189
Transfers from MTC	1,260,000
Total revenue	<u>488,245,264</u>
Operating expenses	
Operating expenses - Caltrans	28,609,482
Services and charges - BATA	43,861,209
Total operating before depreciation and amortization	<u>72,470,691</u>
Depreciation and amortization	759,887
Total operating expenses	<u>73,230,578</u>
Net operating income	415,014,686
Debt service and financing fees	
Interest expense	197,742,351
Financing fees	14,441,725
Bond issuance costs	2,332,921
Total debt service and financing fees	<u>214,516,997</u>
Income before grants & operating transfers	200,497,689
Caltrans/ other agency operating grants	46,243,663
Operating transfers	
Metropolitan Transportation Commission administrative transfers	5,250,642
Metropolitan Transportation Commission transit transfers	
AB 664 expenses	10,881,735
90% rail expenses	9,045,859
5% transit expenses	872,895
Transfers to Regional Measure 2 operators	28,341,977
Total operating transfers	<u>54,393,108</u>
Net income before capital transfers	<u>192,348,244</u>
Capital project transfers	
SAFE transfer	761,000
Metropolitan Transportation Commission Translink/ UPP	1,157,541
Regional Measure 1 transfers	94,795,395
Maintenance A transfers	6,061,085
Bridge rehabilitation transfers	31,262,816
Regional Measure 2 transfers	122,101,360
Bridge Seismic transfers	718,155,840
Transfers to other agencies	10,669,099
Total capital transfers	<u>984,964,136</u>
Change in net assets	(792,615,892)
Total net assets/(deficits) - beginning	<u>(2,225,847,394)</u>
Total net assets/(deficits) - ending	<u>\$ (3,018,463,286)</u>

Metropolitan Transportation Commission
Schedule of Computations Demonstrating
Bond Covenant Compliance – BATA Proprietary Fund, *continued*
For the Year Ended June 30, 2009

Schedule 12

	2009
Net revenue ^{1,6}	\$ 498,354,937
Debt service ²	\$ 238,607,351
Debt service coverage ³	2.09
Debt service coverage - bond covenant requirement	1.20
Net revenue ^{1,6}	\$ 498,354,937
Debt service ² , operating transfer and costs ⁷ , financing fees ⁴	\$ 313,503,269
Fixed charge coverage	1.59
Fixed charge coverage - bond covenant requirement	1.00
Net revenue ^{1,6} plus operations & maintenance reserve	\$ 648,354,937
Fixed charges ⁵	\$ 313,503,269
Fixed charge coverage	2.07
Fixed charge coverage - bond covenant requirement	1.25
Self insurance reserve	\$ 50,000,000
Self insurance reserve - bond covenant requirement	\$ 50,000,000
Operations & maintenance reserve	\$ 150,000,000

¹ Total revenue less Caltrans operating expenses

² Interest expense plus principal retirement of \$40,865,000

³ Based on debt outstanding from May 24, 2001 to August 28, 2009

⁴ Including BATA service and charges (excluding depreciation) = 1.40

⁵ Fixed charges comprise debt service, financing fees, and operating transfers (including BATA expense = 1.81)

⁶ Net revenue includes interest earnings adjusted for the derivative investment charge of \$38,719,155. See Note S.

⁷ Operating transfer and costs include Caltrans maintenance and RM2 operating costs

Metropolitan Transportation Commission
Schedule of Operating Revenues and Expenses – BATA Proprietary Fund – By Bridge
For the Year Ended June 30, 2009

Schedule 13

	Carquinez Bridge	Benicia - Martinez Bridge	Antioch Bridge	Richmond - San Rafael Bridge	San Francisco - Oakland Bay Bridge	San Mateo - Hayward Bridge	Dumbarton Bridge	Total
Operating revenues								
Toll revenues collected	\$83,121,692	\$73,535,614	\$ 9,848,575	\$48,263,187	\$ 163,424,734	\$56,451,232	\$ 35,491,342	\$ 470,136,376 *
Other operating revenues	3,038,990	2,927,957	284,188	1,640,775	5,673,526	2,184,970	1,077,783	16,828,189
Total operating revenues	86,160,682	76,463,571	10,132,763	49,903,962	169,098,260	58,636,202	36,569,125	486,964,565
Operating expenses								
Operating expenditures incurred by Caltrans	3,909,418	4,040,299	1,566,618	2,572,313	10,573,201	3,475,014	2,472,619	28,609,482
Services and charges	7,754,809	6,860,480	918,819	4,502,697	15,246,654	5,266,598	3,311,152	43,861,209
Allocations to other agencies	5,010,957	4,433,064	593,717	2,909,526	9,851,993	3,403,139	2,139,581	28,341,977
Depreciation	134,473	119,335	15,816	77,857	263,832	91,506	57,068	759,887
Total operating expenses	16,809,657	15,453,178	3,094,970	10,062,393	35,935,680	12,236,257	7,980,420	101,572,555
Operating income	\$69,351,025	\$61,010,393	\$ 7,037,793	\$39,841,569	\$ 133,162,580	\$46,399,945	\$ 28,588,705	\$ 385,392,010
* Toll revenues by Program								
Regional Measure 1 (RM1)	\$24,801,938	\$21,258,412	\$ 3,223,730	\$13,639,229	\$ 43,075,520	\$15,566,817	\$ 9,368,508	\$ 130,934,154
Regional Measure 2 (RM2)	19,440,890	17,426,414	2,208,357	11,541,829	40,118,033	13,628,691	8,707,943	113,072,157
Seismic Program	38,878,864	34,850,788	4,416,488	23,082,129	80,231,181	27,255,724	17,414,891	226,130,065
Total Toll Revenues	\$83,121,692	\$73,535,614	\$ 9,848,575	\$48,263,187	\$ 163,424,734	\$56,451,232	\$ 35,491,342	\$ 470,136,376

Metropolitan Transportation Commission
Combining Statement of Changes in Assets and Liabilities by Participant –
Agency Funds
For the Year Ended June 30, 2009

Schedule 14

	Balance			Balance
<u>County of Alameda</u>	July 1, 2008	Additions	Deductions	June 30, 2009
Assets				
Cash and cash equivalents	\$ 14,895,937	57,576,065	58,712,759	\$ 13,759,243
Receivables - interest	150,000	60,000	150,000	60,000
Total Assets	\$ 15,045,937	57,636,065	58,862,759	\$ 13,819,243
Liabilities				
Accounts payable and accrued liabilities	\$ 1,087,685	56,999,276	57,252,618	\$ 834,343
Due to other governments	13,958,252	636,789	1,610,141	12,984,900
Total Liabilities	\$ 15,045,937	57,636,065	58,862,759	\$ 13,819,243
<u>County of Contra Costa</u>				
Assets				
Cash and cash equivalents	\$ 16,013,576	37,109,907	41,519,024	\$ 11,604,459
Receivables - interest	13,389	-	13,389	-
Total Assets	\$ 16,026,965	37,109,907	41,532,413	\$ 11,604,459
Liabilities				
Accounts payable and accrued liabilities	\$ 857,712	40,341,889	40,562,840	\$ 636,761
Due to other governments	15,169,253	(3,231,982)	969,573	10,967,698
Total Liabilities	\$ 16,026,965	37,109,907	41,532,413	\$ 11,604,459
<u>County of Marin</u>				
Assets				
Cash and cash equivalents	\$ 1,533,526	9,961,960	9,912,001	\$ 1,583,485
Receivables - interest	20,000	5,592	20,000	5,592
Total Assets	\$ 1,553,526	9,967,552	9,932,001	\$ 1,589,077
Liabilities				
Accounts payable	\$ 190,436	9,321,680	9,512,116	\$ -
Due to other governments	1,363,090	645,872	419,885	1,589,077
Total Liabilities	\$ 1,553,526	9,967,552	9,932,001	1,589,077
<u>County of Napa</u>				
Assets				
Cash and cash equivalents	\$ 12,009,912	6,474,575	6,511,495	\$ 11,972,992
Total Assets	\$ 12,009,912	6,474,575	6,511,495	\$ 11,972,992
Liabilities				
Accounts payable and accrued liabilities	\$ 58,474	8,186,264	6,288,768	\$ 1,955,970
Due to other governments	11,951,438	(1,711,689)	222,727	10,017,022
Total Liabilities	\$ 12,009,912	6,474,575	6,511,495	\$ 11,972,992

Metropolitan Transportation Commission
Combining Statement of Changes in Assets and Liabilities by Participant –
Agency Funds, *continued*
For the Year Ended June 30, 2009

Schedule 14

<u>County of San Francisco</u>	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Assets				
Cash and cash equivalents	\$ 1,824,017	37,026,321	36,996,308	\$ 1,854,030
Total Assets	<u>\$ 1,824,017</u>	<u>37,026,321</u>	<u>36,996,308</u>	<u>\$ 1,854,030</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 218,387	34,105,690	33,997,936	\$ 326,141
Due to other governments	1,605,630	2,920,631	2,998,372	1,527,889
Total Liabilities	<u>\$ 1,824,017</u>	<u>37,026,321</u>	<u>36,996,308</u>	<u>\$ 1,854,030</u>
<u>County of Santa Mateo</u>				
Assets				
Cash and cash equivalents	\$ 2,788,463	32,656,638	33,546,487	\$ 1,898,614
Receivables - interest	26,710	14,509	26,710	14,509
Total Assets	<u>\$ 2,815,173</u>	<u>32,671,147</u>	<u>33,573,197</u>	<u>\$ 1,913,123</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 285,464	30,330,239	30,562,798	\$ 52,905
Due to other governments	2,529,709	2,340,908	3,010,399	1,860,218
Total Liabilities	<u>\$ 2,815,173</u>	<u>32,671,147</u>	<u>33,573,197</u>	<u>\$ 1,913,123</u>
<u>County of Santa Clara</u>				
Assets				
Cash and cash equivalents	\$ 5,124,521	81,036,251	81,764,086	\$ 4,396,686
Total Assets	<u>\$ 5,124,521</u>	<u>81,036,251</u>	<u>81,764,086</u>	<u>\$ 4,396,686</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 437,179	74,950,303	74,907,290	\$ 480,192
Due to other governments	4,687,342	6,085,948	6,856,796	3,916,494
Total Liabilities	<u>\$ 5,124,521</u>	<u>81,036,251</u>	<u>81,764,086</u>	<u>\$ 4,396,686</u>
<u>County of Solano</u>				
Assets				
Cash and cash equivalents	\$ 7,237,614	19,612,639	15,794,073	\$ 11,056,180
Total Assets	<u>\$ 7,237,614</u>	<u>19,612,639</u>	<u>15,794,073</u>	<u>\$ 11,056,180</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 538,096	16,344,093	15,778,848	\$ 1,103,341
Due to other governments	6,699,518	3,268,546	15,225	9,952,839
Total Liabilities	<u>\$ 7,237,614</u>	<u>19,612,639</u>	<u>15,794,073</u>	<u>\$ 11,056,180</u>

Metropolitan Transportation Commission
Combining Statement of Changes in Assets and Liabilities by Participant –
Agency Funds, *continued*
For the Year Ended June 30, 2009

Schedule 14

<u>County of Sonoma</u>	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Assets				
Cash and cash equivalents	\$ 16,821,180	20,283,715	23,020,614	\$ 14,084,281
Total Assets	<u>\$ 16,821,180</u>	<u>20,283,715</u>	<u>23,020,614</u>	<u>\$ 14,084,281</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 1,446,333	23,333,595	23,859,403	\$ 920,525
Due to other governments	15,374,847	(3,049,880)	(838,789)	13,163,756
Total Liabilities	<u>\$ 16,821,180</u>	<u>20,283,715</u>	<u>23,020,614</u>	<u>\$ 14,084,281</u>
 <u>AB 1107</u>				
Assets				
Cash and cash equivalents	\$ -	61,632,065	61,632,065	\$ -
Total Assets	<u>\$ -</u>	<u>61,632,065</u>	<u>61,632,065</u>	<u>\$ -</u>
Liabilities				
Accounts payable	\$ -	61,730,774	61,730,774	\$ -
Total Liabilities	<u>\$ -</u>	<u>61,730,774</u>	<u>61,730,774</u>	<u>\$ -</u>
 <u>Total - All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 78,248,746	363,370,136	369,408,912	\$ 72,209,970
Receivables - interest	210,099	80,101	210,099	80,101
Total Assets	<u>\$ 78,458,845</u>	<u>363,450,237</u>	<u>369,619,011</u>	<u>\$ 72,290,071</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 5,119,766	355,643,803	354,453,391	\$ 6,310,178
Due to other governments	73,339,079	7,806,434	15,165,620	65,979,893
Total Liabilities	<u>\$ 78,458,845</u>	<u>363,450,237</u>	<u>369,619,011</u>	<u>\$ 72,290,071</u>

Metropolitan Transportation Commission
Schedule of Interest Rate Swap Summary – BATA Proprietary Fund
For the Year Ended June 30, 2009

Schedule 15

COUNTERPARTY	SERIES 2001	SERIES 2003	SERIES 2004	SERIES 2006	SERIES 2007	SERIES 2008	TOTAL	PERCENTAGE BY COUNTERPARTY	RATINGS (S&P/MOODYS)
Ambac Financial Services	\$150,000,000	\$193,800,000	\$289,805,000	\$315,000,000	\$125,000,000	\$0	\$1,073,605,000	32%	BBB/Ba3
Citibank N.A.	\$0	\$0	\$0	\$225,000,000	\$260,000,000	\$105,355,000	\$590,355,000	18%	A+/A1
Citigroup Financial Products	\$75,000,000	\$0	\$0	\$0	\$0	\$0	\$75,000,000	2%	A/A3
JP Morgan Chase Bank, N.A.	\$0	\$0	\$0	\$0	\$0	\$145,400,000	\$145,400,000	4%	AA-/Aa1
JP Morgan Chase AAA Enhanced ISDA	\$0	\$0	\$0	\$245,000,000	\$270,000,000	\$0	\$515,000,000	15%	AAA/Aaa
Bank of America, N.A.	\$0	\$0	\$0	\$155,000,000	\$50,000,000	\$160,000,000	\$365,000,000	11%	A+/Aa3
Goldman Sachs Mitsui Marine Derivative Products	\$0	\$0	\$0	\$60,000,000	\$85,000,000	\$0	\$145,000,000	4%	AAA/Aa1
Bank of New York Mellon	\$0	\$0	\$0	\$0	\$210,000,000	\$146,445,000	\$356,445,000	11%	AA/Aaa
Morgan Stanley Capital Services	\$75,000,000	\$0	\$0	\$0	\$0	\$0	\$75,000,000	2%	A/A2
Total Swap Notional	\$300,000,000	\$193,800,000	\$289,805,000	\$1,000,000,000	\$1,000,000,000	\$557,200,000	\$3,340,805,000		

Termination Value	(\$60,836,793)	(\$37,404,325)	(\$26,124,014)	(\$137,390,904)	(\$137,564,233)	(\$11,740,158)	(\$411,060,427)
-------------------	----------------	----------------	----------------	-----------------	-----------------	----------------	-----------------

Metropolitan Transportation Commission
Schedule of Interest Rate Swap for Series 2001, 2003 and 2004 – BATA Proprietary Fund
For the Year Ended June 30, 2009

Schedule 16

	SERIES A-2001	SERIES A-2001	SERIES B-2001	SERIES C-2001	SERIES 2003	SERIES 2004	TOTAL
Notional Amount	\$75,000,000	\$75,000,000	\$75,000,000	\$75,000,000	\$193,800,000	\$289,805,000	\$783,605,000
Trade Date	1/10/2002	1/10/2002	1/10/2002	1/10/2002	5/7/2002	8/31/2004	
Effective Date	1/14/2002	1/14/2002	1/14/2002	1/14/2002	3/3/2003	10/5/2004	
Swap Mode	65% One Mth LIBOR (1)	65% One Mth LIBOR (1)	65% One Mth LIBOR (1)	65% One Mth LIBOR (1)	65% One Mth LIBOR	54% One Mth LIBOR+0.54%	
Maturity	4/1/2036	4/1/2036	4/1/2029	4/1/2025	4/1/2038	4/1/2039	
Basis Cost	Yes	Yes	Yes	Yes	Yes	Yes	
Swap Cost	4.0900%	4.1000%	4.1200%	4.1100%	4.1390%	3.4155%	
Counterparty (CP)	Morgan Stanley Capital Services	Citigroup Financial Products	AMBAC Financial Services	AMBAC Financial Services	AMBAC Financial Services	AMBAC Financial Services	
S&P/Moodys	A/A2	A/A3	BBB/Baa3	BBB/Baa3	BBB/Baa3	BBB/Baa3	
Ratings Outlook/watch	Negative	Stable	Negative	Negative	Negative	Negative	
Termination Value Due from (to) CP	(\$16,741,156)	(\$16,857,869)	(\$14,879,183)	(\$12,358,585)	(\$37,404,325)	(\$26,124,014)	(\$124,365,132)
Credit Risk							
CP Collateral Posting (2)							
1a) CP="A-", "A", or "A+" (S&P) or 1b) CP ="A3", "A2", or "A1" (Moodys) and 2) Termination Value >\$10 million	Yes	Yes	No	No	No	No	
CP Collateral Posting (2)							
1c) CP<A- (S&P) or 1d) CP <A3 (Moodys) and 2) Termination Value >\$0	No	No	Yes	Yes	Yes	Yes	
Termination Risk (3)	No	No	No	No	No	No	
Rollover Risk	No	No	No	No	No	No	

- (1) prior to 1/1/06 was cost of fund
(2) unilateral collateral posting by cp
(3) unilateral termination at BATA's discretion

Metropolitan Transportation Commission
Schedule of Interest Rate Swap for Series 2006 – BATA Proprietary Fund
For the Year Ended June 30, 2009

Schedule 17

	SERIES A 2006	SERIES B 2006	SERIES 2006	SERIES 2006	SERIES 2006	SERIES 2006	TOTAL
Notional Amount	\$245,000,000	\$225,000,000	\$315,000,000	\$30,000,000	\$60,000,000	\$125,000,000	\$1,000,000,000
Trade Date	5/16/2006(5)	11/15/2005	11/15/2005	11/15/2005	8/28/2008	9/2/2008	
Effective Date	2/8/2006	2/8/2006	9/2/2008(6)	2/8/2006	8/28/2008 (6)	9/2/2008 (6)	
Swap Mode	67.8% 10 Yr LIBOR CMS (1) 75.105% One Mth LIBOR	53.8% One Mth LIBOR+0.74%	68% One Mth LIBOR	68% One Mth LIBOR	68% One Mth LIBOR	68% One Mth LIBOR	
Maturity	4/1/2045	4/1/2045	4/1/2045	4/1/2045	4/1/2045	4/1/2045	
Basis Cost	Yes	Yes	Yes	Yes	Yes	Yes	
Swap Cost	4.0000%	3.6375%	3.6468%	3.6330%	3.6418%	3.6418%	
Counterparty (CP)	JP Morgan Chase AAA Enhanced ISDA	Citibank, N.A.	Ambac Financial Services	Bank of America, N.A.	Goldman Sachs Mitsui Marine Derivative Products	Bank of America, N.A.	
S&P/Moodys	AAA/Aaa	A+/A1	BBB/Ba3	A+/Aa3	AAA/Aa1	A+/Aa3	
Ratings Outlook/watch	None	Stable	Negative	Stable	Negative/None	Stable	
Termination Value Due from (to) CP	(\$32,226,004)	(\$26,542,353)	(\$46,867,070)	(\$4,391,196)	(\$8,874,902)	(\$18,489,379)	(\$137,390,904)
Credit Risk CP Collateral Posting (2)							
1a) CP = "A-", "A" or "A+" (S&P) or 1b) CP = "A3", "A2", or "A1" (Moody's) and 2) Termination Value >\$10 million	(3)	Yes	No	Yes	No	Yes	
CP Collateral Posting (2)							
1c) CP < A- (S&P) or 1d) CP < A3 (Moody's) and 2) Termination Value >\$0	(3)	No	Yes	No	No	No	
Collateral Posted by CP	(3)						
Termination Risk (4)	No	No	No	No	No	No	
Rollover Risk	No	No	No	No	No	No	

- (1) amended on 6/1/06 from 75.105% one month libor; swap mode is in 2 legs, converts back to 75.105% one month libor on 4/1/36
(2) unilateral collateral posting by CP
(3) collateral posted by cp under terms and conditions of JPM AAA Enhanced ISDA; \$0 threshold regardless of ratings
(4) unilateral termination at BATA's discretion
(5) original trade date was 11/15/2005
(6) original effective date was 2/8/06, the original swap was novated on 8/28/08 and 9/2/08 for \$60,000,000 and \$125,000,000 respectively

Metropolitan Transportation Commission
Schedule of Interest Rate Forward Swap for Series 2007 – BATA Proprietary Fund
For the Year Ended June 30, 2009

Schedule 18

	SERIES A 2007	SERIES B 2007	SERIES 2007	SERIES 2007	SERIES 2007	SERIES 2007	SERIES 2007	Total
Notional Amount	\$270,000,000	\$260,000,000	\$125,000,000	\$50,000,000	\$85,000,000	\$170,000,000	\$40,000,000	\$1,000,000,000
Trade Date	5/16/2006 (5)	11/30/2005	11/30/2005	11/30/2005	8/28/2008	9/2/2008	9/2/2008	
Effective Date	11/1/2007	11/1/2007	9/2/2008 (5)	11/1/2007	8/28/2008 (6)	9/2/2008 (6)	9/2/2008 (6)	
Swap Mode	69.33% 5 Yr LIBOR CMS (1) 75.08% One Mth LIBOR	53.8% One Mth LIBOR + 0.74%	68% One Mth LIBOR	68% One Mth LIBOR	68% One Mth LIBOR	68 % One Mth LIBOR	68% One Mth LIBOR	
Maturity	4/1/2046	4/1/2047	4/1/2047	4/1/2047	4/1/2047	4/1/2047	4/1/2047	
Basis Cost	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Swap Cost	4.0000%	3.6360%	3.6407%	3.6255%	3.6357%	3.6357%	3.6357%	
Counterparty (CP)	JP Morgan Chase AAA Enhanced ISDA	Citibank N.A.	Ambac Financial Services	Bank of America, N.A.	Goldman Sachs Mitsui Marine Derivative Products	Bank of New York Mellon	Bank of New York Mellon	
S&P/Moodys	AAA/Aaa	A+/A1	BBB/Ba3	A+/Aa3	AAA/Aa1	AA/Aaa	AA/Aaa	
Ratings Outlook	None	Stable	Negative	Stable	Negative/None	Stable	Stable	
Termination Value								
Due from (to) CP	(\$36,089,708)	(\$31,164,278)	(\$18,804,788)	(\$7,386,444)	(\$12,712,146)	(\$25,424,162)	(\$5,982,707)	(\$137,564,233)
Credit Risk								
CP Collateral Posting (2)								
1a) CP = "A-", "A" or "A+" (S&P) or	(3)	Yes	No	Yes	No	No	No	
1b) CP = "A3", "A2", or "A1" (Moodys) and	(3)	Yes	No	No	No	No	No	
2) Termination Value > \$10 million	(3)	No	No	No	No	No	No	
CP Collateral Posting (2)								
1c) CP < A- (S&P) or	(3)	No	Yes	No	No	No	No	
1d) CP < A3 (Moodys)	(3)	No	Yes	No	No	No	No	
2) Termination Value > \$0	(3)	No	No	No	No	No	No	
Collateral Posted by CP	(3)							
Termination Risk (4)	No	No	No	No	No	No	No	
Rollover Risk	No	No	No	No	No	No	No	

(1) amended on 6/1/06 from 75.08% one month libor; swap mode is in 2 legs, converts back to 75.08% one month libor on 4/1/2041

(2) unilateral collateral posting by CP

(3) collateral posted by cp under terms and conditions of JPM AAA ISDA; \$0 threshold regardless of ratings; collateral posted as of June 30, 2009 was approximately \$133,653.

(4) unilateral termination at BATA's discretion

(5) original effective date was 11/01/07

(6) original effective date was 11/1/07, the original swap was novated on 8/28/08 and 9/2/08 for \$85 million and \$210 million, respectively.

Metropolitan Transportation Commission
Schedule of Interest Rate Forward Swap for Series 2008 – BATA Proprietary Fund
For the Year Ended June 30, 2009

Schedule 19

	SERIES 2008 F-1	SERIES 2008 F-1	SERIES 2008 F-1	SERIES 2008 F-1	Total
Notional Amount	\$145,400,000	\$146,445,000	\$105,355,000	\$160,000,000	\$557,200,000
Trade Date	8/28/2008	8/28/2008	8/28/2008	8/28/2008	
Effective Date	8/28/2008	8/28/2008	8/28/2008	8/28/2008	
Swap Fix Receiver Rate	3.9025%	4.0400%	3.9670%	4.0130%	
Maturity	4/1/2047	4/1/2047	4/1/2047	4/1/2045	
Basis Cost	No	No	No	No	
Swap Payer Index	SIFMA	SIFMA	SIFMA	SIFMA	
Counterparty (CP)	JP Morgan Chase Bank, N.A.	Bank of New York Mellon	Citibank N.A.	Bank of America, N.A.	
S&P/Moodys	AA-/Aa1	AA/Aaa	A+/A1	A+/Aa3	
Ratings Outlook	Negative	Stable	Stable	Stable	
Termination Value					
Due from (to) CP	(\$2,698,174)	(\$2,927,345)	(\$2,677,260)	(\$3,437,379)	(\$11,740,158)
Credit Risk					
CP Collateral Posting (1)					
1a) CP = "A-", "A", or "A+" (S&P) or	No	No	Yes	Yes	
1b) CP = "A3", "A2" or "A1" (Moodys) and	No	No	Yes	No	
2) Termination Value > \$10 million	No	No	No	No	
CP Collateral Posting (1)					
1c) CP < A- (S&P) or	No	No	No	No	
1d) CP < A3 (Moodys)	No	No	No	No	
2) Termination Value > \$0	No	No	No	No	
Termination Risk (2)	Yes	Yes	Yes	Yes	
Rollover Risk	Yes	Yes	Yes	Yes	

(1) swap termination option by CP on 4/1/2011

(2) unilateral termination at BATA's discretion with 15 days notice; CP has one time termination option on 4/1/2011

STATISTICAL SECTION

This part of the MTC's comprehensive annual financial report presents detailed information to aid in understanding information contained in the financial statements, note disclosures, and required supplementary information.

Contents	Page
-----------------	-------------

Financial Trends	110
-------------------------	------------

These schedules provide trend information to assist the reader in understanding the change in MTC's financial performance over time.

Revenue Capacity	115
-------------------------	------------

These schedules include information to help the reader assess MTC's most significant local revenue source, Toll Bridge Revenue.

Debt Capacity	120
----------------------	------------

These schedules provide information to help the reader assess the affordability of MTC's current levels of outstanding debt and its ability to issue additional debt in the future.

Demographic and Economic Information	122
---	------------

These schedules offer demographic and economic indicators to help the reader understand the environment in which MTC's financial activities take place.

Operating Information	124
------------------------------	------------

These schedules contain service and infrastructure data to help the reader understand how the information in MTC's financial report relates to the services provided and the activities performed.

Metropolitan Transportation Commission
Net Assets (deficit) by Component (\$000)
By Fiscal Year

Table 1

	FISCAL YEAR							
	2002	2003	2004	2005	2006	2007	2008*	2009
Governmental activities								
Invested in capital assets, net of related debt	\$ 3,466	\$ 3,145	\$ 2,946	\$ 6,051	\$ 5,827	\$ 6,015	\$ 8,768	\$ 8,393
Restricted	101,516	123,408	116,532	104,451	117,117	157,234	337,420	329,243
Unrestricted	63,366	37,499	35,169	49,795	50,970	130,205	(33,269)	(29,911)
Total governmental activities net assets	\$ 168,348	\$ 164,052	\$ 154,647	\$ 160,297	\$ 173,914	\$ 293,454	\$ 312,919	\$ 307,725
Business-type activities								
Invested in capital assets, net of related debt	\$ 1,274	\$ 2,137	\$ 1,886	\$ 4,895	\$ 5,539	\$ 5,596	\$ 8,206	\$ 12,779
Restricted	125,000	130,000	175,000	257,670	643,444	691,735	338,458	293,873
Unrestricted	288,981	40,210	(320,399)	(592,302)	(1,914,340)	(2,347,410)	(2,549,520)	(3,304,407)
Total business-type activities net assets	\$ 415,255	\$ 172,347	\$ (143,513)	\$ (329,737)	\$ (1,265,357)	\$ (1,650,079)	\$ (2,202,856)	\$ (2,997,755)
Total Primary government								
Invested in capital assets, net of related debt	\$ 4,740	\$ 5,282	\$ 4,832	\$ 10,946	\$ 11,366	\$ 11,611	\$ 16,974	\$ 21,172
Restricted	226,516	253,408	291,532	362,121	760,560	848,969	675,878	623,116
Unrestricted	352,347	77,709	(285,230)	(542,507)	(1,863,369)	(2,217,205)	(2,582,789)	(3,334,318)
Total primary government net assets	\$ 583,603	\$ 336,399	\$ 11,134	\$ (169,440)	\$ (1,091,443)	\$ (1,356,625)	\$ (1,889,937)	\$ (2,690,030)

*Note: Fiscal 2008 was restated per GASB 54. Fiscal years 2002 through 2007 have not been restated.

Metropolitan Transportation Commission
Changes in Net Assets (\$000)
By Fiscal Year

Table 2

	FISCAL YEAR							
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses								
Governmental activities:								
General government	\$ 45,895	\$ 48,571	\$ 47,238	\$ 47,452	\$ 63,297	\$ 93,884	\$ 85,203	\$ 86,672
Transportation	92,787	105,152	81,873	71,885	87,731	145,647	152,999	99,154
Total governmental activities expenses	<u>138,682</u>	<u>153,723</u>	<u>129,111</u>	<u>119,337</u>	<u>151,028</u>	<u>239,531</u>	<u>238,202</u>	<u>185,826</u>
Business-type activities:								
Toll bridge activities	\$ 347,030	\$ 390,063	\$ 451,930	\$ 433,703	\$ 617,546	\$ 1,155,916	\$ 1,234,968	\$ 1,299,135
Congestion relief	9,251	10,376	10,869	11,789	12,402	16,892	13,675	14,363
Total business-type activities expenses	<u>356,281</u>	<u>400,439</u>	<u>462,799</u>	<u>445,492</u>	<u>629,948</u>	<u>1,172,808</u>	<u>1,248,643</u>	<u>1,313,498</u>
Total primary government expenses	<u>\$ 494,963</u>	<u>\$ 554,162</u>	<u>\$ 591,910</u>	<u>\$ 564,829</u>	<u>\$ 780,976</u>	<u>\$ 1,412,339</u>	<u>\$ 1,486,845</u>	<u>\$ 1,499,324</u>
Program Revenues								
Governmental activities:								
Charges for services								
Operating grants and contributions	\$ 47,069	\$ 48,068	\$ 49,974	\$ 50,165	\$ 57,641	\$ 320,311	\$ 207,496	\$ 85,048
Capital grants and contributions	64,473	72,345	42,344	44,957	70,770	-	9,858	61,796
Total governmental activities program revenues	<u>111,542</u>	<u>120,413</u>	<u>92,318</u>	<u>95,122</u>	<u>128,411</u>	<u>320,311</u>	<u>217,354</u>	<u>146,844</u>
Business-type activities:								
Charges for services								
Operating grants and contributions	150,128	151,914	152,937	256,466	293,000	434,341	497,712	492,963
Operating grants and contributions	7,068	7,074	6,718	8,130	8,868	283,082	110,372	53,490
Capital grants and contributions	-	-	-	-	499,403	1,235	-	-
Total business-type activities program revenues	<u>157,196</u>	<u>158,988</u>	<u>159,655</u>	<u>264,596</u>	<u>801,271</u>	<u>718,658</u>	<u>608,084</u>	<u>546,453</u>
Total primary government program revenues	<u>\$ 268,738</u>	<u>\$ 279,401</u>	<u>\$ 251,973</u>	<u>\$ 359,718</u>	<u>\$ 929,682</u>	<u>\$ 1,038,969</u>	<u>\$ 825,438</u>	<u>\$ 693,297</u>
Net (expense)/revenue								
Governmental activities	\$ (27,140)	\$ (33,310)	\$ (36,793)	\$ (24,215)	\$ (22,617)	\$ 80,780	\$ (20,848)	\$ (38,982)
Business-type activities	(199,085)	(241,451)	(303,144)	(180,896)	171,323	(454,150)	(640,559)	(767,045)
Total primary government net expense	<u>\$ (226,225)</u>	<u>\$ (274,761)</u>	<u>\$ (339,937)</u>	<u>\$ (205,111)</u>	<u>\$ 148,706</u>	<u>\$ (373,370)</u>	<u>\$ (661,407)</u>	<u>\$ (806,027)</u>

Metropolitan Transportation Commission
Changes in Net Assets (\$000), *continued*
By Fiscal Year

Table 2

	FISCAL YEAR							
	2002	2003	2004	2005	2006	2007	2008	2009
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Restricted investment earnings	\$ 4,375	\$ 1,764	\$ 1,090	\$ 2,791	\$ 3,996	\$ 9,498	\$ 1,454	\$ 784
Unrestricted investment earnings	-	-	-	-	-	1,410	9,936	5,002
Transfers	27,013	27,250	26,298	27,074	32,238	27,852	28,922	28,003
Total governmental activities	31,388	29,014	27,388	29,865	36,234	38,760	40,312	33,789
Business-type activities:								
Unrestricted investment earnings	45,598	25,793	11,185	21,746	44,857	97,280	116,704	149
Contributed capital	-	-	2,397	-	-	-	-	-
Extraordinary item	-	-	-	-	(1,119,562)	-	-	-
Transfers	(27,013)	(27,250)	(26,298)	(27,074)	(32,238)	(27,852)	(28,922)	(28,003)
Total business-type activities	18,585	(1,457)	(12,716)	(5,328)	(1,106,943)	69,428	87,782	(27,854)
Total primary government	\$ 49,973	\$ 27,557	\$ 14,672	\$ 24,537	\$ (1,070,709)	\$ 108,188	\$ 128,094	\$ 5,935
Change in Net Assets								
Governmental activities	\$ 4,248	\$ (4,296)	\$ (9,405)	\$ 5,650	\$ 13,617	\$ 119,540	\$ 19,465	\$ (5,194)
Business-type activities	(180,500)	(242,908)	(315,860)	(186,224)	(935,620)	(384,722)	(552,777)	(794,899)
Total primary government	\$ (176,252)	\$ (247,204)	\$ (325,265)	\$ (180,574)	\$ (922,003)	\$ (265,182)	\$ (533,312)	\$ (800,093)

**Metropolitan Transportation Commission
Fund Balances of Governmental Funds (\$000)
By Fiscal Year**

Table 3

	FISCAL YEAR							
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008*</u>	<u>2009</u>
General fund								
Reserved	\$ 15,989	\$ 25,259	\$ 20,310	\$ 15,647	\$ 15,186	\$ 13,949	\$ -	\$ -
Unreserved	13,245	1,953	4,133	5,591	8,832	12,870	-	-
Total general fund	<u>\$ 29,234</u>	<u>\$ 27,212</u>	<u>\$ 24,443</u>	<u>\$ 21,238</u>	<u>\$ 24,018</u>	<u>\$ 26,819</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds								
Reserved	\$ 53,087	\$ 58,214	\$ 48,413	\$ 43,938	\$ 44,931	\$ 97,455	\$ -	\$ -
Unreserved, reported in:								
Capital projects fund	-	-	-	-	-	96	-	-
Special revenue funds	50,194	35,601	31,072	35,032	44,556	117,239	-	-
Total all other governmental funds	<u>\$ 103,281</u>	<u>\$ 93,815</u>	<u>\$ 79,485</u>	<u>\$ 78,970</u>	<u>\$ 89,487</u>	<u>\$ 214,790</u>	<u>\$ -</u>	<u>\$ -</u>
General fund								
Nonspendable	-	-	-	-	-	-	\$ 408	\$ 593
Restricted for	-	-	-	-	-	-	4,175	5,086
Committed to	-	-	-	-	-	-	3,002	3,836
Unassigned	-	-	-	-	-	-	11,676	10,210
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,262</u>	<u>\$ 19,725</u>
All other governmental funds								
Nonspendable	-	-	-	-	-	-	\$ -	\$ -
Restricted for	-	-	-	-	-	-	272,730	268,794
Committed to	-	-	-	-	-	-	7,372	6,550
Unassigned	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,102</u>	<u>\$ 275,344</u>

*Note: Fiscal 2008 was restated per GASB 54. Fiscal years 2002 through 2007 have not been restated.

Metropolitan Transportation Commission
Changes in Fund Balances of Governmental Funds (\$000)
By Fiscal Year

Table 4

	FISCAL YEAR							
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues								
Sales taxes	\$ 9,326	\$ 8,903	\$ 9,087	\$ 9,562	\$ 10,355	\$ 10,626	\$ 10,800	\$ 9,848
Grants - Federal	24,334	28,129	30,979	32,568	37,452	44,211	50,727	41,426
Grants - State	71,062	77,009	45,821	47,339	74,084	227,809	127,565	61,796
Local agencies revenues and refunds	6,819	6,372	6,430	5,653	6,520	37,666	33,039	33,774
Investment income - unrestricted	4,375	1,764	1,090	2,791	3,997	9,498	11,346	5,002
Investment income - restricted	-	-	-	-	-	-	1,454	783
Total revenues	115,916	122,177	93,407	97,913	132,408	329,810	234,931	152,629
Expenditures								
General government	45,502	48,211	44,958	38,805	49,945	59,182	74,153	64,358
Allocation to other agencies	100,528	112,648	91,680	81,185	95,765	156,210	163,201	107,027
Capital outlay	209	56	166	10,540	5,639	14,166	15,744	13,542
Total expenditures	146,239	160,915	136,804	130,530	151,349	229,558	253,098	184,927
Excess of revenues over (under) expenditures	(30,323)	(38,738)	(43,397)	(32,617)	(18,941)	100,252	(18,167)	(32,298)
Other financing sources (uses)								
Other financing source	-	-	-	-	-	-	47,000	-
Transfer in	35,875	31,378	29,964	29,375	35,980	42,543	49,778	57,683
Transfer out	(8,863)	(4,127)	(3,666)	(2,300)	(3,742)	(14,691)	(20,856)	(29,680)
Total other financing sources (uses)	27,012	27,251	26,298	27,075	32,238	27,852	75,922	28,003
Net change in fund balances	\$ (3,311)	\$ (11,487)	\$ (17,099)	\$ (5,542)	\$ 13,297	\$ 128,104	\$ 57,755	\$ (4,295)

**Metropolitan Transportation Commission
Primary Government Revenues
By Fiscal Year**

Table 5

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES		Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Restricted Investment Earnings	Unrestricted Investment Earnings	
2000	\$ 146,570,469	\$ 31,848,657	\$ 36,779,136	\$ -	\$ 44,447,110	\$ 259,645,372
2001	¹ 150,759,047	38,906,141	44,648,314	-	50,626,342	284,939,844
2002	150,127,560	44,810,738	64,472,632	-	49,973,084	309,384,014
2003	² 151,914,404	46,238,665	72,344,529	-	27,557,608	298,055,206
2004	152,936,898	47,604,184	42,343,900	-	12,274,572	255,159,554
2005	³ 256,466,211	48,732,356	44,957,468	-	24,537,489	374,693,524
2006	⁴ 292,999,899	66,509,695	570,172,943	-	48,853,834	978,536,371
2007	⁵ 434,341,478	603,392,696	1,234,760	1,410,000	106,778,738	1,147,157,672
2008	⁶ 497,712,304	317,868,256	9,858,000	1,454,256	126,640,261	953,533,077
2009	⁷ 492,963,040	200,334,018	-	783,516	5,150,515	699,231,089

¹ Excludes \$400 million bond proceeds

² Excludes \$300 million bond proceeds

³ Excludes \$300 million bond proceeds

⁴ Excludes \$2,149 million bond proceeds

⁵ Excludes \$811 million bond proceeds

⁶ Excludes \$1,008 million bond proceeds

⁷ Excludes \$708 million bond proceeds

**Metropolitan Transportation Commission
Primary Government Expenses by Function
By Fiscal Year**

Table 6

<u>Fiscal Year</u>	<u>General Government</u>	<u>Transportation</u>	<u>Toll Bridge Activities</u>	<u>Congestion Relief</u>	<u>Total</u>
2000	\$ 29,698,823	\$ 185,263,198	\$ 33,982,565	\$ 11,849,116	\$ 260,793,702
2001	38,845,325	58,179,156	277,944,435	9,618,902	384,587,818
2002	45,894,987	92,787,010	347,029,659	9,251,327	494,962,983
2003	48,570,719	105,152,624	390,063,272	10,375,587	554,162,202
2004	47,237,837	81,873,193	451,929,595	10,869,417	591,910,042
2005	47,451,629	71,885,313	433,703,072	11,788,922	564,828,936
2006	63,297,372	87,731,178	617,546,375	12,401,445	780,976,370
2007	93,884,140	145,646,986	1,155,916,387	16,891,976	1,412,339,489
2008	85,202,758	152,998,857	1,234,968,178	13,675,326	1,486,845,119
2009	86,671,886	99,153,429	1,299,135,147	14,363,137	1,499,323,599

Metropolitan Transportation Commission
Toll Revenues – By Bridge
By Fiscal Year

Table 7

Fiscal Year	San Francisco-Oakland Bay Bridge	San Mateo-Hayward Bridge	Dumbarton Bridge	Carquinez Bridge	Benicia-Martinez Bridge	Antioch Bridge	Richmond-San Rafael Bridge	Total Revenue
2002	\$48,549,475	\$15,887,162	\$11,548,514	\$26,948,118	\$21,490,553	\$3,369,095	\$14,544,342	\$142,337,259
2003	48,788,086	16,689,764	11,114,225	27,475,268	21,792,680	3,422,296	14,917,557	144,199,876
2004	48,359,687	17,798,598	10,849,858	27,665,208	22,070,380	3,618,949	14,813,522	145,176,202
2005	85,879,816	30,369,927	18,559,373	46,458,835	36,529,638	5,850,611	24,492,701	248,140,901
2006	94,092,670	35,638,094	21,839,387	51,766,708	41,578,791	6,675,489	28,685,717	280,276,856
2007	141,806,435	53,621,361	33,662,371	77,320,278	62,637,940	9,905,926	43,400,541	422,354,852
2008	161,335,048	59,628,110	37,589,986	85,225,636	73,663,301	10,545,060	49,389,963	477,377,104
2009	163,424,734	56,451,232	35,491,342	83,121,692	73,535,614	9,848,575	48,263,187	470,136,376

**Metropolitan Transportation Commission
Paid and Free Vehicles – By Bridge (in Number of Vehicles)
By Fiscal Year**

Table 8

Fiscal Year	San Francisco-Oakland Bay Bridge	San Mateo-Hayward Bridge	Dumbarton Bridge	Carquinez Bridge	Benicia-Martinez Bridge	Antioch Bridge	Richmond-San Rafael Bridge	Total Traffic
2002	50,081,390	15,183,309	12,275,888	23,135,711	18,412,461	2,480,315	13,036,822	134,605,896
2003	49,412,655	15,771,699	11,539,424	23,305,920	18,517,754	2,522,697	13,062,238	134,132,387
2004	49,181,230	16,716,970	11,182,599	23,610,150	18,775,231	2,659,370	13,036,614	135,162,164
2005	48,092,917	16,551,900	10,779,979	23,103,224	18,261,679	2,676,269	12,544,235	132,010,203
2006	46,253,979	16,948,414	10,957,158	22,709,571	18,292,428	2,687,915	12,645,557	130,495,022
2007	45,568,951	16,901,880	11,108,116	22,762,879	18,230,344	2,729,276	12,664,782	129,966,228
2008	45,139,513	16,376,583	10,767,813	21,795,287	18,508,003	2,559,936	12,528,248	127,675,383
2009	45,568,253	15,466,520	10,214,522	21,091,173	18,295,365	2,345,007	12,215,518	125,196,358

Metropolitan Transportation Commission
Average Toll Rate Revenues (\$000) – By Bridge
By Fiscal Year

Table 9

<u>Fiscal Year</u>	<u>Antioch</u>	<u>Benicia Martinez</u>	<u>Carquinez</u>	<u>Richmond</u>	<u>San Mateo- Hayward</u>	<u>Dumbarton</u>	<u>San Francisco- Oakland</u>
2002							
No. of Paid Vehicles	2,325	17,733	21,678	12,468	13,726	10,779	45,118
Average Toll Rate	\$1.45	\$1.21	\$1.24	\$1.17	\$1.16	\$1.07	\$1.08
Total Revenue	\$3,369	\$21,491	\$26,948	\$14,544	\$15,887	\$11,549	\$48,549
2003							
No. of Paid Vehicles	2,354	17,794	21,824	12,513	14,343	10,224	44,996
Average Toll Rate	\$1.45	\$1.22	\$1.26	\$1.19	\$1.16	\$1.09	\$1.08
Total Revenue	\$3,422	\$21,793	\$27,475	\$14,918	\$16,690	\$11,114	\$48,788
2004							
No. of Paid Vehicles	2,478	17,988	22,054	12,399	15,201	9,977	44,646
Average Toll Rate	\$1.46	\$1.23	\$1.25	\$1.19	\$1.17	\$1.09	\$1.08
Total Revenue	\$3,619	\$22,070	\$27,665	\$14,814	\$17,799	\$10,850	\$48,360
2005							
No. of Paid Vehicles	2,472	17,116	21,344	11,758	14,790	9,298	43,357
Average Toll Rate	\$2.37	\$2.13	\$2.18	\$2.08	\$2.05	\$2.00	\$1.98
Total Revenue	\$5,851	\$36,530	\$46,459	\$24,493	\$30,370	\$18,559	\$85,880
2006							
No. of Paid Vehicles	2,479	17,071	20,914	11,908	15,131	9,529	41,265
Average Toll Rate	\$2.69	\$2.44	\$2.48	\$2.41	\$2.36	\$2.29	\$2.28
Total Revenue	\$6,675	\$41,579	\$51,767	\$28,686	\$35,638	\$21,839	\$94,093
2007							
No. of Paid Vehicles	2,517	16,975	20,722	11,913	14,881	9,516	40,134
Average Toll Rate	\$3.94	\$3.69	\$3.73	\$3.64	\$3.60	\$3.54	\$3.53
Total Revenue	\$9,906	\$62,638	\$77,320	\$43,401	\$53,621	\$33,662	\$141,807
2008							
No. of Paid Vehicles	2,366	17,440	19,875	11,782	14,358	9,194	39,555
Average Toll Rate	\$4.46	\$4.22	\$4.29	\$4.19	\$4.15	\$4.09	\$4.08
Total Revenue	\$10,545	\$73,663	\$85,226	\$49,390	\$59,628	\$37,590	\$161,335
2009							
No. of Paid Vehicles	2,208	17,426	19,441	11,542	13,629	8,708	40,118
Average Toll Rate	\$4.46	\$4.22	\$4.28	\$4.18	\$4.14	\$4.08	\$4.07
Total Revenue	\$9,849	\$73,536	\$83,122	\$48,263	\$56,451	\$35,491	\$163,425

Metropolitan Transportation Commission
Ratios of General Bonded Debt Outstanding
By Fiscal Year

Table 10

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	Less: Amounts Available in Debt Service Fund	<u>Total</u>	<u>Toll Revenue</u>	<u>Per Toll Vehicle</u>
2002	\$ 400,000,000	\$ -	\$ 400,000,000	\$ 142,337,259	\$ 2.97
2003	700,000,000	-	700,000,000	144,199,876	5.22
2004	700,000,000	-	700,000,000	145,176,202	5.18
2005	1,000,000,000	-	1,000,000,000	248,140,901	7.58
2006	3,143,420,000	24,148,268	3,119,271,732	280,276,856	23.90
2007	3,863,250,000	24,148,268	3,839,101,732	422,354,852	29.54
2008	4,328,390,000	238,449,821	4,089,940,179	477,377,104	32.03
2009	4,338,155,000	282,727,772	4,055,427,228	470,136,376	32.39

Notes:

*No Debt prior to 2001

**Bonded debt represents 99 percent of all outstanding debt

Metropolitan Transportation Commission
Pledged-Revenue Coverage
By Fiscal Year

Table 11

Tolls Revenue Bonds						
<u>Fiscal Year</u>	<u>Toll Revenue</u>	Less: <u>Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
2002	\$ 142,337,259	\$ 32,433,627	\$ 109,903,632	\$ -	\$ 13,357,928	8.23
2003	144,199,876	38,836,593	105,363,283	-	20,440,983	5.15
2004	145,176,202	48,028,344	97,147,858	-	26,663,420	3.64
2005	248,140,901	54,371,891	193,769,010	-	35,373,668	5.48
2006	280,276,856	81,589,254	198,687,602	5,785,000	63,146,496	2.88
2007	422,354,852	100,926,883	321,427,969	29,705,000	131,438,684	1.99
2008	477,377,104	101,090,539	376,286,565	42,620,000	191,859,414	1.60
2009	470,136,376	101,572,555	368,563,821	40,865,000	197,742,351	1.54

**Metropolitan Transportation Commission
Miscellaneous Statistics
June 30, 2009**

Table 12

Date of Incorporation	1970
Form of Government	Commissioners with Appointed Executive Director
Number of Commissioners	16 Voting and 3 Non-Voting Members
Number of Employees (Approved Positions)	166
Type of Tax Support	3.5 % of TDA Sales Tax
Region in Which Commission Operates	San Francisco Bay Area San Jose, San Francisco & Oakland Combined Statistic Area including San Benito & Santa Cruz
Number of Counties in the Region	9
Area of Authority in Square Miles	6,980
Population of Region in Which Commission Operates	7,375,678
Number of Toll Bridges in the Region	8
Traffic for All Toll Bridges - Number of Vehicles (excluding Golden Gate Bridge Highway District)	125,196,358
Toll Revenues (excluding Golden Gate Bridge Highway District)	\$ 470,136,376
Number of Call Boxes in the Region	2,312

**Metropolitan Transportation Commission
Demographic Statistics for Nine San Francisco Bay Area Counties
Last Ten Calendar Years**

Table 13

<u>Year</u>	<u>Population¹</u>	<u>Per Capita Income^{2, 5}</u>	<u>Median Age^{2, 5}</u>	<u>School Enrollment³</u>	<u>Unemployment Rate⁴</u>
2000	6,764,500	30,934	36.6	975,710	2.50%
2001	6,861,500	N/A	N/A	980,475	4.06%
2002	6,936,700	N/A	N/A	972,766	6.47%
2003	6,994,500	N/A	N/A	976,025	6.46%
2004	7,009,400	N/A	N/A	974,281	5.30%
2005	7,096,575	N/A	N/A	973,751	4.49%
2006	7,126,284	N/A	N/A	971,392	4.61%
2007	7,204,492	N/A	N/A	970,721	4.19%
2008	7,301,080	N/A	N/A	974,089	5.81%
2009	7,375,678	N/A	N/A	978,117	10.58%

Data Sources

¹ State of California, Dept. of Finance, Demographic Research Unit

² Bureau of Census

³ California Department of Education

⁴ State of California, Employment Development Department

⁵ Bureau of Census conducts survey every ten years for the Median Age and Per Capita Income of the nine-county region as a whole.

**Metropolitan Transportation Commission
Full-Time Equivalent Employees by Function
Last Ten Fiscal Years**

Table 14

Functions	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental Activities										
General government	57	58	58	56	55	56	65	65	66	66
Transportation	53	58	58	59	59	58	68	68	67	67
Business-type Activities										
Toll bridge activities	6	8	8	9	9	10	30	30	33	33
Congestion relief	5	5	5	5	6	6	6	6	4	4
	<u>121</u>	<u>129</u>	<u>129</u>	<u>129</u>	<u>129</u>	<u>130</u>	<u>169</u>	<u>169</u>	<u>170</u>	<u>170</u>

Metropolitan Transportation Commission
Ratio of Retiree Medical Premium to Covered Payroll
By Fiscal Year

Table 15

<u>Fiscal Year</u>	<u>Retiree Premiums</u>	<u>Covered Payroll</u>	<u>% of Covered Payroll</u>
2000	\$ 77,882	\$ 8,383,503 *	0.9%
2001	99,109	9,035,190 *	1.1%
2002	120,377	10,346,350 *	1.2%
2003	152,096	11,177,301 *	1.4%
2004	217,975	11,289,637 *	1.9%
2005	268,105	11,694,664 *	2.3%
2006	308,512	12,687,014 *	2.4%
2007	353,378	15,193,161 *	2.3%
2008	428,810	16,122,962 *	2.7%
2009	452,003	16,711,761 *	2.7%

* From MTC records

(This page intentionally left blank)

APPENDIX B

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR INDENTURE

TABLE OF CONTENTS

	Page
DEFINITIONS.....	B-1
THE SENIOR INDENTURE.....	B-20
Proposed Amendment.....	B-20
Statutory Lien, Pledge of State, Pledge of Revenue and Funds and Accounts.....	B-21
Conversion of Interest Rate Determination Method.....	B-21
Mechanics of Optional and Mandatory Tenders.....	B-24
Purchase of Senior Bonds of a Series.....	B-24
Remarketing of Tendered Senior Bonds.....	B-24
Disbursements from the Bond Purchase Fund.....	B-27
Liquidity Instruments.....	B-28
Substitute Liquidity Instruments.....	B-29
Purchase of Senior Bonds at Direction of Authority.....	B-30
Funds and Accounts.....	B-31
Investment of Moneys in Funds and Accounts.....	B-35
Additional Senior Bonds; Subordinate Obligations.....	B-36
Covenants of the Authority.....	B-37
Events of Default and Remedies of Bondholders.....	B-39
Senior Indenture Trustee.....	B-40
Modification or Amendment of the Senior Indenture.....	B-41
Discharge of Lien.....	B-43
Defeasance of Senior Bonds Supported by a Liquidity Instrument.....	B-44
Liability of Authority Limited to Revenue.....	B-44
Rights of Credit Providers.....	B-45

Set forth below are definitions of certain terms used elsewhere in the Information Statement or the most recent supplement thereto. In addition, this APPENDIX B includes a summary of certain provisions of the Master Indenture, dated as of May 1, 2001, as supplemented, including as supplemented by the Fourteenth Supplemental Indenture, dated as of November 1, 2009 (hereinafter collectively referred to as the “Senior Indenture”), between the Bay Area Toll Authority and Union Bank, N. A., as trustee.

This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Senior Indenture. This summary does not repeat information set forth in the Information Statement, or any Supplement to the Information Statement, concerning terms (such as interest rates and maturities), redemption provisions, and certain other features of any particular series of the Senior Bonds that are described in the most recent Supplement to the Information Statement that describes that series of the Senior Bonds. See also “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS” in the Information Statement for information about the security and sources of payment for Senior Bonds.

The Authority has various Series of Outstanding Senior Bonds that currently bear interest at the Weekly Rate, determined in accordance with the provisions of the Senior Indenture. Upon satisfaction of certain conditions set forth in the Senior Indenture, the Senior Bonds of such Series may bear interest calculated pursuant to a different Interest Rate Determination Method (which may be the Daily Rate, the Weekly Rate, the Commercial Paper Rate, the Index Rate, the Term Rate or the Fixed Rate). THIS APPENDIX B IS NOT INTENDED TO PROVIDE INFORMATION ABOUT SUCH SERIES OF SENIOR BONDS AFTER CONVERSION TO ANOTHER INTEREST RATE DETERMINATION METHOD (EXCEPT WITH RESPECT TO THE CONVERSION OF ANY SUCH SERIES OF SENIOR BONDS TO A DAILY RATE).

DEFINITIONS

“AB 664 Net Toll Revenue Reserves” means the funds generated from a toll increase on the three Bay Area Bridges which comprise the Southern Bridge Group, enacted by legislation referred to as “AB 664,” which took effect in 1977, which funds are transferred by the Authority to MTC on an annual basis and allocated by MTC to capital projects that further development of public transit in the vicinity of the three Bay Area Bridges which comprise the Southern Bridge Group.

“Act” means Chapter 4, Chapter 4.3 and Chapter 4.5 of Division 17 of the California Streets and Highways Code and the Revenue Bond Law of 1941, as each may be amended from time to time hereafter.

“Annual Debt Service” means, at any point in time, with respect to Senior Bonds then Outstanding, the aggregate amount of principal and interest scheduled to become due (either at maturity or by mandatory redemption) and sinking fund payments required to be paid in the then current Fiscal Year on all Outstanding Senior Bonds, as calculated by the Authority in accordance with this definition. For purposes of calculating Annual Debt Service and Maximum Annual Debt Service, the following assumptions are to be used to calculate the principal and interest becoming due in any Fiscal Year:

(i) in determining the principal amount due in each 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 principal, including any minimum sinking fund account payments;

(ii) if 20% or more of the principal of such Senior Bonds is not due until the final stated maturity of such Senior Bonds, principal and interest on such Senior Bonds may, at the option of the Authority, be treated as if such principal and interest were due based upon a level amortization of such principal and interest over the term of such Senior Bonds;

(iii) if the Senior Bonds are supported by a Credit Support Instrument, in the form of a line of credit or a letter of credit, principal may, at the option of the Authority, be treated as if it were due based upon a level amortization of such principal over the maximum term of repayment of borrowings under the Credit Support Agreement entered into in connection with such line of credit or letter of credit;

(iv) if any Outstanding Senior Bonds constitute variable interest rate Senior Bonds, the interest rate on such variable interest rate Senior Bonds shall be assumed to be 110% of the greater of (a) the daily average interest rate on such Senior Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Senior Bonds shall have been Outstanding, or (b) the rate of interest on such Senior Bonds on the date of calculation;

(v) if Senior Bonds proposed to be issued will be variable interest rate Senior Bonds the interest on which is excluded from gross income for federal income tax purposes, then such Senior Bonds shall be assumed to bear interest at an interest rate equal to 110% of the average SIFMA Swap Index during the three (3) months preceding the month of sale of such Senior Bonds, or if SIFMA Swap Index is no longer published, at an interest rate equal to 75% of the average One Month USD LIBOR Rate during the three (3) months preceding the month of sale of such Senior Bonds, or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Authority;

(vi) if Senior Bonds proposed to be issued will be variable interest rate Senior Bonds the interest on which is included in gross income for federal income tax purposes, then such Senior Bonds shall be assumed to bear interest at an interest rate equal to 110% of average One Month USD LIBOR Rate during the three (3) months preceding the month of sale of such Senior Bonds, or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Authority;

(vii) if the Senior Bonds are, or will be, upon issuance part of a Commercial Paper Program, the principal of such Senior Bonds constituting commercial paper (hereinafter in this definition referred to as "commercial paper") 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 commercial paper shall be calculated as if such commercial paper were variable interest rate Senior Bonds;

(viii) notwithstanding subsections (iv), (v), (vi) or (vii) above, with respect to any variable interest rate Senior Bonds or any commercial paper, if (A) the interest rate on such variable interest rate Senior Bonds or commercial paper, plus (B) the payments received and made by the Authority under a Qualified Swap Agreement or a Swap with respect to such variable interest rate Senior Bonds or commercial paper, are expected to produce a synthetic fixed rate to be paid by the Authority (e.g., a Qualified Swap Agreement or a Swap under which the Authority pays a fixed rate and receives a variable rate which is expected to equal or approximate the rate of interest on such variable interest rate Senior Bonds or commercial paper), the variable interest rate Senior Bonds or commercial paper, as the case may be, shall be treated as bearing such synthetic fixed rate for the duration of the synthetic fixed rate; provided that: (X) during any period when the Swap Party has a long-term credit rating below the two highest long-term Rating Categories by Moody's and S&P, unless the Qualified Swap Agreement or Swap is rated in one of the two highest long-term Rating Categories of Moody's and S&P, or (Y) when there is a default under the Qualified Swap Agreement or Swap, or (Z) after a termination event has occurred with respect to the Authority under the Qualified Swap Agreement or Swap, such variable

interest rate Senior Bonds or commercial paper shall be assumed to bear interest at an interest rate equal to the higher of: (1) the synthetic fixed rate, or (2) the assumed interest rate calculated as described in subsections (iv), (v), (vi) or (vii) above;

(ix) with respect to any fixed interest rate Senior Bonds, if (A) the interest rate on such fixed rate Senior Bonds, plus (B) the payments received and made by the Authority under a Qualified Swap Agreement or a Swap with respect to such fixed rate Senior Bonds, are expected to produce a synthetic variable rate to be paid by the Authority (e.g., a Qualified Swap Agreement or a Swap under which the Authority pays a variable rate and receives a fixed rate which is expected to equal the rate of interest on such fixed interest rate Senior Bonds), the fixed interest rate Senior Bonds, shall be treated as bearing such synthetic variable rate for the duration of the synthetic variable rate calculated as provided in (v) above;

(x) if any of the Senior Bonds are, or upon issuance will be, Paired Obligations, the interest thereon shall be the resulting linked rate or effective fixed rate to be paid with respect to such Paired Obligations; and

(xi) principal and interest payments on Senior Bonds shall be excluded to the extent such payments are to be paid from amounts then currently on deposit with the Senior Indenture Trustee or other fiduciary in escrow specifically therefor and restricted to Government Obligations and interest payments shall be excluded to the extent that such interest payments are to be paid from the proceeds of Senior Bonds held by the Senior Indenture Trustee or other fiduciary as capitalized interest specifically to pay such interest.

“Authority” means the Bay Area Toll Authority, a public entity duly established and existing pursuant to the Act, and any successor thereto.

“Authority Account” means an account established within the Bond Purchase Fund pursuant to the Senior Indenture.

“Authority Administrative Costs” means the amount which the Authority may retain on an annual basis, after payment of debt service on Outstanding Senior Bonds and the costs of Operation & Maintenance Expenses, for its cost of administration pursuant to Section 30958 of the Act, such amount not to exceed one percent (1%) of the gross revenues collected from the tolls annually on the Bay Area Bridges.

“Authorized Denominations” means, with respect to a Series of Senior Bonds bearing interest at a fixed rate, \$5,000 and any integral multiple thereof, and with respect to a Series of Senior Bonds during a Daily Rate Period or Weekly Rate Period, \$100,000 and any integral multiple of \$5,000 in excess thereof.

“Authorized Representative” means the Executive Director, the Deputy Executive Director, the Manager of Finance of the Authority (now known as the Chief Financial Officer of the Authority), or any other employee of the Authority at the time designated to act on behalf of the Authority in a Certificate of the Authority executed by any of the foregoing officers and filed with the Senior Indenture Trustee, which Certificate shall contain such employee’s specimen signature.

“Bay Area Bridges” means the state owned bridges in the San Francisco Bay Area under the jurisdiction of the Authority, comprised of the Antioch Bridge, the Benicia-Martinez Bridge, the Carquinez Bridge, the Dumbarton Bridge, the Richmond-San Rafael Bridge, the San Francisco-Oakland Bay Bridge, the San Mateo-Hayward Bridge, and any additional bridges added after January 1, 2006, to

the Authority's jurisdiction and designated by resolution of the Board to be included as a "Bay Area Bridge" under the Senior Indenture. Each Bay Area Bridge includes the existing bridge or bridges and any additional adjacent spans added thereto as toll bridge program capital improvements.

"Bay Area Toll Account" means the account by that name created pursuant to Section 30953 of the Act.

"Beneficial Owner" means, with respect to any Book-Entry Bond, the beneficial owner of such Senior Bond as determined in accordance with the applicable rules of the Securities Depository for such Book-Entry Bonds.

"Board" means the governing board of the Authority.

"Book-Entry Bonds" means Senior Bonds issued under a book-entry only depository system as provided in the Senior Indenture.

"Bond Counsel" means a firm of nationally-recognized attorneys-at-law experienced in legal work relating to the issuance of municipal bonds selected by the Authority.

"Bond Fund" means the fund by that name created pursuant to the Senior Indenture.

"Bond Register" means the registration books for the ownership of Senior Bonds maintained by the Senior Indenture Trustee pursuant to the Senior Indenture.

"Bondholder" or "Holder" or "Owner" means the record owner of any Senior Bond shown on the books of registration kept by the Senior Indenture Trustee, which, during any period when ownership of the Senior Bond is determined by book entry at a Securities Depository, shall be the Securities Depository.

"Bridge Toll Revenues" means toll revenues and all other income allocated to the Authority pursuant to Section 30953 of the Act derived from the Bay Area Bridges and not limited or restricted to a specific purpose, including revenues from the seismic retrofit surcharge collected pursuant to Section 31010 of the Act that are transferred or paid to the Authority for deposit in the Bay Area Toll Account.

"Build America Bonds Amendment" means the proposed amendment described below under "THE SENIOR INDENTURE—Proposed Amendment."

"Business Day" means any day, other than a Saturday, Sunday or other day on which the New York Stock Exchange is closed or on which banks are authorized or obligated by law or executive order to be closed in the State of California, the State of New York or any city in which the Principal Office of the Senior Indenture Trustee or the principal office of any Credit Provider is located.

"Calendar Week" means the period of seven days from and including Thursday of any week to and including Wednesday of the next following week.

"Caltrans" means the California Department of Transportation.

"Certificate of the Authority" means an instrument in writing signed by an Authorized Representative of the Authority.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.

“Commercial Paper Program” means a program of short-term Senior Bonds having the characteristics of commercial paper (i) in that such Senior Bonds have a stated maturity not later than 270 days from their date of issue and (ii) that maturing Senior Bonds of such program may be paid with the proceeds of renewal Senior Bonds.

“Commercial Paper Rate” means the interest rate on any Senior Bond in the Commercial Paper Rate Period established from time to time pursuant to the provisions of the Senior Indenture.

“Commercial Paper Rate Period” means each period during which a Series of Senior Bonds bears interest at a Commercial Paper Rate determined pursuant to the provisions of the Senior Indenture.

“Construction Fund” means, with respect to a Series of Senior Bonds, a Construction Fund established in the Supplemental Indenture providing for the issuance of such Series of Senior Bonds.

“Conversion” means the conversion of any Series of Senior Bonds from one Interest Rate Determination Method or Mode to another, which may be made from time to time in accordance with the terms of the Senior Indenture.

“Conversion Date” means the date the Conversion of a Series of Senior Bonds becomes effective in accordance with the provisions of the Senior Indenture (or, with respect to notices, time periods and requirements in connection with the proceedings for such Conversion, the day on which it is proposed that such Conversion occur).

“Conversion Notice” means a written notice of an Authorized Representative delivered by the Authority to change the Interest Rate Determination Method for a Series of Senior Bonds, such notice to be delivered to the Senior Indenture Trustee, the Remarketing Agent and the applicable Liquidity Provider.

“Cost” means cost as defined in the Act.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority and related to the authorization, execution, sale and delivery of Senior Bonds, including, but not limited to, advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Senior Indenture 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 Senior Bonds, surety, insurance, liquidity and credit enhancements costs, and any other cost, charge or fee incurred in connection with the issuance of Senior Bonds.

“Credit Provider” means any municipal bond insurance company, bank or other financial institution or organization or group of financial institutions or organizations which are performing in all material respects its or their obligations, as applicable, under any Credit Support Instrument provided with respect to a Series of Senior Bonds and any successor to such provider or providers, or any replacement therefor.

“Credit Provider Bonds” means any Senior Bonds purchased with funds provided under a Liquidity Instrument as provided in the Senior Indenture for so long as such Senior Bonds are held by or

for the account of, or are pledged to, the applicable Credit Provider in accordance with the Senior Indenture.

“Credit Provider Reimbursement Obligations” means obligations of the Authority to pay from the Bay Area Toll Account amounts due under a Credit Support Agreement, including, without limitation, amounts advanced by a Credit Provider pursuant to a Credit Support Instrument as credit support or liquidity for Senior Bonds and the interest with respect thereto.

“Credit Support Agreement” means, with respect to any Credit Support Instrument for a Series of Senior Bonds, the agreement or agreements (which may be the Credit Support Instrument itself) between the Authority or the Senior Indenture Trustee, as applicable, and the applicable Credit Provider, as originally executed or as such agreement or instrument may from time to time be amended or supplemented in accordance with its terms, providing for the issuance of the Credit Support Instrument to which such Credit Support Agreement relates and the reimbursement of the Credit Provider for payments made thereunder, or any subsequent agreement pursuant to which a substitute Credit Support Instrument is provided, together with any related pledge agreement, security agreement or other security document entered into in connection therewith.

“Credit Support Instrument” means a policy of insurance, a letter of credit, a line of credit, stand-by purchase agreement, revolving credit agreement or other credit arrangement pursuant to which a Credit Provider provides credit or liquidity support with respect to the payment of interest, principal or the Purchase Price of any Series of Senior Bonds, as the as same may be amended from time to time pursuant to its terms, and any replacement therefor.

“CUSIP” means the Committee on Uniform Securities Identification Procedures of the American Bankers Association, or any successor to its functions.

“Daily Put Bonds” means any Series of Senior Bonds bearing interest at a Daily Rate tendered for purchase pursuant to the provisions of the Senior Indenture.

“Daily Rate” means the interest rate on any Senior Bond in the Daily Rate Period established from time to time pursuant to the Senior Indenture.

“Daily Rate Index” means, on any Business Day, the SIFMA Swap Index, or, if the SIFMA Swap Index is no longer published, an index or rate agreed upon by the Authority and the Remarketing Agents, but in no event in excess of the Maximum Interest Rate.

“Daily Rate Period” means any period during which a Series of Senior Bonds bears interest at the Daily Rate established pursuant to the provisions of the Senior Indenture.

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

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

“Event of Default” means any of the events specified in the Senior Indenture as an Event of Default.

“Expiration” (and other forms of “expire”) means, when used with respect to a Liquidity Instrument, the expiration of such Liquidity Instrument in accordance with its terms.

“Favorable Opinion of Bond Counsel” means, with respect to any action requiring such an opinion, an Opinion of Bond Counsel to the effect that such action will not, in and of itself, adversely affect the Tax-Exempt status of interest on the Senior Bonds or such portion thereof as shall be affected thereby.

“Fees and Expenses” means fees and expenses incurred by the Authority in connection with the Senior Bonds.

“Fees and Expenses Fund” means the fund by that name created pursuant to the Senior Indenture.

“Fiscal Year” means the period of twelve months terminating on June 30 of each year, or any other annual period hereafter selected and designated by the Authority as its Fiscal Year in accordance with applicable law. References in the Senior Indenture to the next Fiscal Year or Fiscal Years of the Authority shall mean the Fiscal Year or Fiscal Years after the then current Fiscal Year.

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

“Five Percent Reserves” means an amount of up to five percent (5%) of the funds generated by Regional Measure 1 which are transferred by the Authority to MTC on an annual basis to be applied by MTC to projects that will help reduce vehicular congestion on the Bay Area Bridges and for the planning, construction, operation and acquisition of rapid water transit systems. Five Percent Reserves are described as “Two Percent Transit Reserves” in the Information Statement under “THE BRIDGE SYSTEM – Transfers to MTC.”

“Fixed Rate” means the fixed rate borne by a Series of Senior Bonds from the Fixed Rate Conversion Date for such Series of Senior Bonds, which rate shall be established in accordance with the provisions of the Senior Indenture.

“Fixed Rate Conversion Date” means any Conversion Date on which the interest rate on a Series of Senior Bonds shall be converted to a Fixed Rate.

“Fixed Rate Period” means the period from and including the Fixed Rate Conversion Date of a Series of Senior Bonds converted to a Fixed Rate to and including their maturity date or earlier date of redemption.

“Government Obligations” means: (i) non-callable obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States, including, but not limited to, all direct or fully guaranteed U.S. Treasury Obligations, Farmers Home Administration Certificates of beneficial ownership, General Services Administration Participation certificates, U.S. Maritime Administration Guaranteed Title XI financing, Small Business Administration - Guaranteed participation certificates and Guaranteed pool certificates, Government National Mortgage Association (GNMA) - GNMA guaranteed mortgage-backed securities and GNMA guaranteed participation certificates, U.S. Department of Housing and Urban Development Local authority bonds, Washington Metropolitan Area

Transit Authority Guaranteed transit bonds, and State and Local Government Series; (ii) non-callable obligations of government-sponsored agencies that are not backed by the full faith and credit of the U.S. Government, including, but not limited to, Federal Home Loan Mortgage Corp. (FHLMC) Debt Obligations, Farm Credit System (formerly Federal Land Banks, Intermediate Credit Banks, and Banks for Cooperatives) Consolidated Systemwide bonds and notes, Federal Home Loan Banks (FHL Banks) Consolidated debt obligations, Federal National Mortgage Association (FNMA) Debt Obligations, and Resolution Funding Corp. (REFCORP) Debt obligations; and (iii) certain stripped securities where the principal-only and interest-only strips are derived from non-callable obligations issued by the U.S. Treasury and REFCORP securities stripped by the Federal Reserve Bank of New York, excluding custodial receipts, i.e. CATs, TIGERS, unit investment trusts and mutual funds, etc.

“Independent Certified Public Accountant” means any certified public accountant or firm of such accountants appointed by the Authority, and who, or each of whom, is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

“Index Agent” means the Senior Indenture Trustee or such other Person acceptable to the Senior Indenture Trustee as may be designated by the Authority to act as the Index Agent for the Senior Indenture Trustee.

“Index Bonds” means a Series of Senior Bonds bearing interest at the Index Rate.

“Index Rate” means the interest rate established from time to time pursuant to the Senior Indenture, provided, however, that in no event may the Index Rate exceed the Maximum Interest Rate.

“Index Rate Period” means any period during which a Series of Senior Bonds bears interest at the Index Rate.

“Initial Senior Bonds” means the Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds (Variable Rate Demand Bonds), 2001 Series A, 2001 Series B and 2001 Series C, and the Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds (Fixed Rate Bonds), 2001 Series D.

“Interest Account” means the account by that name created pursuant to the Senior Indenture.

“Interest Payment Date” means (a) with respect to fixed rate Senior Bonds, April 1 and October 1 of each year; (b) with respect to variable rate Senior Bonds (i) in the Daily Rate Period or the Weekly Rate Period, the first Business Day of each calendar month, (ii) in the Commercial Paper Rate Period, the day immediately succeeding the last day of each Commercial Paper Rate Period for such Senior Bonds, (iii) in the Term Rate Period or the Fixed Rate Period, April 1 and October 1 of each year, (iv) in the Index Rate Period, on the first Business Day of each January, April, July and October or, if the Authority obtains a Favorable Opinion of Bond Counsel, on such other periodic dates as may be selected by the Authority in accordance with the terms of the Senior Indenture, and (v) in any Rate Period, each Conversion Date; and (c) with respect to all Senior Bonds, the final maturity date or redemption date of such Senior Bond.

“Interest Rate Determination Method” means any of the methods of determining the interest rate on a Series of Senior Bonds from time to time as described in the Senior Indenture.

“Interest Rate Mode” means, with respect to a Senior Bond of a Series, the type of interest rate paid on Senior Bonds of that Series consisting of either a Daily Rate, Weekly Rate, Commercial Paper Rate, Term Rate, Index Rate (certain series only) or Fixed Rate, as the case may be.

“Issue Date” means, with respect to a Series of Senior Bonds, the date on which such Senior Bonds are first delivered to the purchasers thereof.

“Liquidity Instrument” means the instrument pursuant to which liquidity is provided to Senior Bonds of a Series and any substitute Liquidity Instrument provided pursuant to the Senior Indenture.

“Liquidity Provider” means each bank or any successor Liquidity Provider providing liquidity for the Purchase Price of a Series of the Reoffered Bonds pursuant to a Liquidity Instrument.

“London Banking Day” means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency) in the City of London, United Kingdom.

“Mandatory Tender Bonds” means a Series of Senior Bonds subject to mandatory tender in accordance with the provisions of the Senior Indenture.

“Maximum Annual Debt Service” means the maximum amount of Annual Debt Service becoming due during the period from the date of such determination through the final maturity date of the Senior Bonds then Outstanding, as calculated by the Authority, utilizing the assumptions set forth under the definition of Annual Debt Service.

“Maximum Interest Rate” means: (a) with respect to Senior Bonds of a Series other than Credit Provider Bonds, (i) for the benefit of which a Liquidity Instrument is in effect, the rate of interest specified in such Liquidity Instrument that is used to determine the amount available under such Liquidity Instrument for payment of interest due and payable to Owners of such Senior Bonds, but in no event greater than twelve percent (12%) per annum, and (ii) at all other times, twelve percent (12%) per annum; and (b) with respect to Credit Provider Bonds, the lesser of (i) 15% per annum or (ii) the maximum rate of interest with respect to such Credit Provider Bonds permitted by applicable law.

“Moody’s” means Moody’s Investors Service, 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, the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“MTC” means the Metropolitan Transportation Commission, a regional transportation commission duly established and existing pursuant to Sections 66500 et seq. of the California Government Code, and any successor thereto.

“MTC Transfers” means the AB 664 Net Toll Revenue Reserves, the Five Percent Reserves, the Rail Extension Reserves, the Regional Measure 2 Reserves, and the Authority Administrative Costs.

“Net Revenue” means, for any Fiscal Year, Revenue less Operations & Maintenance Expenses, as set forth in the audited financial statements of the Authority.

“Nominee” means the nominee of the Securities Depository for the Book-Entry Bonds in whose name such Senior Bonds are to be registered. The initial Nominee shall be Cede & Co., as the nominee of DTC.

“One Month USD LIBOR Rate” means the British Banker’s Association average of interbank offered rates in the London market for Dollar deposits for a one month period as reported in the Wall Street Journal or, if not reported in such newspaper, as reported in such other source as may be selected by the Authority.

“Operations & Maintenance Expenses” means all expenses related to Caltrans operations and maintenance of toll facilities on the Bay Area Bridges determined in accordance with generally accepted accounting principles, including but not limited to, toll collection costs, including wages and salaries, maintenance and electrical energy for toll administration buildings and toll booths, the San Francisco-Oakland Bay Bridge architectural lighting and maintenance and operation of the existing Transbay Transit Terminal, excluding (i) depreciation or obsolescence charges or reserves therefor, (ii) amortization of intangibles or other bookkeeping entries of a similar nature, (iii) costs of maintenance of the Bay Area Bridges and other structures, roadbeds, pavement, drainage systems, debris removal, landscaping, traffic guidance systems, ice controls, dedicated bridge maintenance stations and maintenance training that, in accordance with Section 188.4 of the California Streets and Highways Code, as normal highway maintenance, are to be paid from the State Highway Account, as further set forth in the Cooperative Agreement, dated July 1, 2003, between the Authority and Caltrans, as amended from time to time pursuant to its terms, and (iv) Subordinated Maintenance Expenditures.

“Operations and Maintenance Fund” means the fund by that name created and held by the Authority pursuant to the Senior Indenture.

“Opinion of Bond Counsel” means a written opinion of Bond Counsel.

“Optional Purchase Date” means each date on which a Series of Senior Bonds would be subject to optional redemption and therefore are subject to purchase at the option of the Authority pursuant to the provisions of the Senior Indenture.

“Optional Purchase Price” means, with respect to the purchase of a Series of Senior Bonds to be purchased on any Optional Purchase Date pursuant to the provisions of the Senior Indenture, the principal amount of such Senior Bonds to be purchased on such Optional Purchase Date, plus accrued interest to such Optional Purchase Date, plus an amount equal to the premium, if any, that would be payable upon the redemption, at the option of the Authority exercised on such Optional Purchase Date, of such Senior Bonds to be purchased.

“Outstanding” means all Senior Bonds which have been authenticated and delivered by the Senior Indenture Trustee under the Senior Indenture, except: (i) Senior Bonds canceled or delivered for cancellation at or prior to such date; (ii) Senior Bonds deemed to be paid in accordance with the provisions of the Senior Indenture; (iii) Senior Bonds in lieu of which others have been authenticated under the Senior Indenture; and (iv) all Senior Bonds held by or for the account of the Authority.

“Paired Obligations” shall mean any Series (or portion thereof) of Senior Bonds designated as Paired Obligations in a Supplemental Indenture authorizing the issuance thereof, which are simultaneously issued (a) the principal of which is of equal amount maturing and to be redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (b) the interest rates on which, taken together, result in an irrevocably fixed interest rate obligation of the Authority for the terms of such Paired Obligations.

“Participants” means, with respect to a Securities Depository for Book-Entry Bonds, those participants listed in such Securities Depository’s book-entry system as having an interest in the Senior Bonds.

“Permitted Investments” means the following:

- (i) any Government Obligations;
- (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, Farm Credit System, Federal Home Loan Banks and Federal Home Loan Mortgage Corporation, Student Loan Marketing Association Financing Corp., and U.S. Agency for International Development guaranteed notes;
- (iv) housing authority bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;
- (v) obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing; provided that such obligations are rated in either of the two highest Rating Categories by Moody’s and S&P;
- (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) or (ii) which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the interest payment dates and the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described above in clause (i) or (ii) which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay the principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (vi) on the interest payment dates and the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (vi), as appropriate, and (d) which are rated in one of the two highest long-term Rating Categories by Moody’s and S&P;
- (vii) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are rated by Moody’s and S&P in their highest short-term Rating Category, or, if the term of such indebtedness is longer than three (3) years, rated by Moody’s and S&P in one of their 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 Senior Indenture Trustee or any of its affiliates) or by a state licensed branch of any foreign bank, provided that such certificates of deposit shall be purchased directly from such bank, trust company, national banking association or branch and shall be either (1) continuously and fully insured by the Federal Deposit Insurance Corporation, or (2) continuously and fully secured by such securities and obligations as are described above in clauses (i) through (v), inclusive, which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Senior Indenture Trustee or third-party agent, as custodian, by the bank, trust company, national banking association or branch issuing such certificates of deposit, and the bank, trust company, national banking association or branch issuing each such certificate of deposit required to be so secured shall furnish the Senior Indenture 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 Senior Indenture 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 and S&P;

(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 short-term Rating Category, if any, and in either of the two highest long-term Rating Categories, if any, by Moody's and S&P, and that the corporations providing the liquidity agreement and credit facility have, at the date of acquisition of the variable rate obligations by the Senior Indenture 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 and S&P;

(xi) any repurchase agreement entered into with a financial institution or insurance company which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated (or the parent company of which is rated) in either of the two highest long-term Rating Categories by Moody's and S&P, which agreement is secured by any one or more of the securities and obligations described in clauses (i), (ii), (iii) or (iv) above, which shall have a market value (exclusive of accrued interest and valued at least weekly) at least equal to one hundred three percent (103%) of the principal amount of such investment and shall be lodged with the Senior Indenture Trustee or other fiduciary, as custodian, by the provider executing such repurchase agreement, and the provider executing each such repurchase agreement required to be so secured shall furnish the Senior Indenture Trustee with an undertaking satisfactory to the Senior Indenture Trustee to the effect that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least weekly) will be an amount equal to one hundred three percent (103%) of the principal amount of each such repurchase agreement and the Senior Indenture Trustee shall be entitled to rely on each such undertaking;

(xii) any cash sweep or similar account arrangement of or available to the Senior Indenture 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, including money market funds from which the Senior Indenture Trustee or its affiliates derive a fee for investment advisory or

other services to the fund, the entire investments of which are limited to investments described in clauses (i), (ii), (iii), (iv), (v) and (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, or the obligations under which are guaranteed by, a financial institution or insurance company or domestic or foreign bank which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated (or the parent company of which is rated) in either of the two highest long-term Rating Categories by Moody’s and S&P;

(xiv) shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (i) through (vi) above and which companies have either the highest rating by Moody’s and S&P or have an investment advisor registered with the Securities and Exchange Commission with not less than 5 years experience investing in such securities and obligations and with assets under management in excess of \$500,000,000;

(xv) shares in a California common law trust, established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code, which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended from time to time;

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

(xvii) any investment approved by the Board for which confirmation is received from each rating agency then rating any of the Senior Bonds that such investment will not adversely affect such rating agency’s rating on such Senior Bonds; and

(xviii) any other investment approved in writing by each Credit Provider then providing a Credit Support Instrument for any Series of Senior Bonds then Outstanding.

“Person” means any natural person, firm, partnership, association, corporation, or public body.

“Principal Account” means the account by that name created pursuant to the Senior Indenture.

“Principal Office” means, with respect to the Senior Indenture Trustee, the corporate trust office of the Senior Indenture Trustee at 350 California Street, 11th Floor, San Francisco, California 94104, Attention: Corporate Trust Department, or such other or additional offices as may be designated by the Senior Indenture Trustee from time to time, and means, with respect to a Credit Provider, the office designated as such in writing by such party in a notice delivered to the Senior Indenture Trustee and the Authority.

“Project” means, with respect to a Series of Senior Bonds, that toll bridge program capital improvement or those toll bridge program capital improvements, which are financed or refinanced with the proceeds of such Series of Senior Bonds, as more fully described in the Supplemental Indenture providing for the issuance of such Series of Senior Bonds and the Tax Certificate delivered in connection with such Series of Senior Bonds.

“Purchase Date” means any date on which any Senior Bond is purchased pursuant to the provisions of the Senior Indenture.

“Purchase Price” means, with respect to any Senior Bond tendered or deemed tendered pursuant to the Senior Indenture, an amount equal to 100% of the principal amount of any Senior Bond tendered or deemed tendered to the Senior Indenture Trustee for purchase pursuant to the Senior Indenture, plus, if such Purchase Date is not an Interest Payment Date, accrued interest thereon to but not including the Purchase Date; provided, however, if such Purchase Date occurs before an Interest Payment Date, but after the Record Date applicable to such Interest Payment Date, then the Purchase Price shall not include accrued interest, which shall be paid to the Owner of record as of the applicable Record Date.

“Qualified Swap Agreement” means a contract or agreement, intended to place such Series of Senior Bonds or portion thereof or such applicable investments, as the Authority shall specify in a resolution authorizing the execution of such contract or agreement, on the interest rate, currency, cash flow or other basis desired by the Authority, payments (other than payments of fees and expenses and termination payments which shall in all cases be payable on a subordinate basis) with respect to which the Authority has specified in its authorizing resolution shall be payable from Revenue on a parity with the payment of Senior Bonds, including, without limitation, any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the Authority and a Swap Party, provided that in each case: (i) the notional amount of the Qualified Swap Agreement shall not exceed the principal amount of the related Series of Senior Bonds or portion thereof or the amount of such investments, as applicable; and (ii) the Authority shall have received a Rating Confirmation from each Rating Agency then rating any Series of Senior Bonds with respect to such Qualified Swap Agreement.

“Rail Extension Reserves” means ninety percent (90%) of the twenty-five cent (25¢) toll increase on two-axle vehicles on the San Francisco-Oakland Bay Bridge authorized by Regional Measure 1 which are transferred by the Authority to MTC on an annual basis to be applied by MTC to rail transit capital extension and improvement projects that are designed to reduce vehicular traffic congestion on the San Francisco-Oakland Bay Bridge.

“Rate” means, with respect to any Senior Bond of a Series, the interest rate applicable to such Senior Bond as provided in the Senior Indenture.

“Rate Index” means the Daily Index, the Weekly Rate Index or both, as the context may require.

“Rate Period” means any Daily Rate Period, Weekly Rate Period, Commercial Paper Rate Period, Term Rate Period, Index Rate Period or Fixed Rate Period.

“Rating Agency” means each of Fitch, Moody’s and S&P.

“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.

“Rating Confirmation” means written evidence from each rating agency then rating any Series of Senior Bonds to the effect that, following the event which requires the Rating Confirmation, the then current rating for such Series of Senior Bonds will not be lowered or withdrawn solely as a result of the occurrence of such event.

“Rebate Fund” means the fund by that name created pursuant to the Senior Indenture.

“Record Date” means for any Interest Payment Date in respect of any Daily Rate Period or Weekly Rate Period, the Business Day next preceding such Interest Payment Date.

“Redemption Date” means the date fixed for redemption of Senior Bonds of a Series subject to redemption in any notice of redemption given in accordance with the terms of the Senior Indenture.

“Redemption Fund” means the fund by that name created pursuant to the Senior Indenture.

“Redemption Price” means, with respect to any Senior Bond or a portion thereof, 100% of the principal amount thereof to be redeemed, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Senior Bond or the Senior Indenture.

“Regional Measure 1” means Regional Measure 1 which was approved by voters of the City and County of San Francisco and the counties of Alameda, Contra Costa, Marin, San Mateo, Santa Clara and Solano on November 8, 1988 and which took effect on January 1, 1989.

“Regional Measure 2” means Regional Measure 2 which was approved by voters of the City and County of San Francisco and the counties of Alameda, Contra Costa, Marin, San Mateo, Santa Clara and Solano on March 2, 2004 and which took effect on July 1, 2004.

“Regional Measure 2 Reserves” means an amount of up to thirty eight percent (38%) of the funds generated by Regional Measure 2 which are transferred by the Authority to MTC on an annual basis to be applied by MTC to provide operating assistance for transit purposes pursuant to Section 30914(d) of the Act.

“Remarketing Agent” means the one or more banks, trust companies or members of the National Association of Securities Dealers, Inc. meeting the qualifications set forth in the Senior Indenture and appointed by an Authorized Representative to serve as Remarketing Agent for any Series of Senior Bonds.

“Remarketing Agreement” means any agreement or agreements entered into by and between the Authority and a Remarketing Agent for any Series of Senior Bonds.

“Representation Letter” means the letter or letters of representation from the Authority to, or other instrument or agreement with, a Securities Depository for Book-Entry Bonds, in which the Authority, among other things, makes certain representations to the Securities Depository with respect to the Book-Entry Bonds, the payment thereof and delivery of notices with respect thereto.

“Reserve Facility” means a surety bond or insurance policy issued to the Senior Indenture Trustee by a company licensed to issue a surety bond or insurance policy guaranteeing the timely payment of the principal of and interest on the Senior Bonds, which company shall be rated in the highest long-term rating category by Moody’s and S&P, or a letter of credit issued or confirmed by a state or national bank, or a foreign bank with an agency or branch located in the continental United States, which has

outstanding an issue of unsecured long term debt securities rated in at least the second highest long-term rating category by Moody's and S&P, or any combination thereof, deposited with the Senior Indenture Trustee by the Authority to satisfy the Reserve Requirement or a portion thereof.

"Reserve Facility Costs" means amounts owed with respect to repayment of draws on a Reserve Facility, including interest thereon at the rate specified in the agreement pertaining to such Reserve Facility and expenses owed to the Reserve Facility Provider in connection with such Reserve Facility.

"Reserve Facility Provider" means any provider of a Reserve Facility, any successor thereto or any replacement therefor.

"Reserve Fund" means the fund by that name created pursuant to the Senior Indenture.

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

"Revenue" means: (i) Bridge Toll Revenues; (ii) all interest or other income from investment of money in any fund or account of the Authority, including the Operations and Maintenance Fund established pursuant to the Senior Indenture and held by the Authority; (iii) all amounts on deposit in the funds and accounts established pursuant to the Senior Indenture and held by the Senior Indenture Trustee (excluding the Rebate Fund and any fund or account established to hold the proceeds of a drawing on any Credit Support Instrument) and all interest or other income from investment of money in the funds and accounts established pursuant to the Senior Indenture and held by the Senior Indenture Trustee (excluding the Rebate Fund and any fund or account established to hold the proceeds of a drawing on any Credit Support Instrument); and (iv) all Swap Revenues.

"Revenue Bond Law of 1941" means Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code (commencing with Section 54300), as may be amended from time to time hereafter.

"S&P" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, 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, the term "S & P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

"Securities Depository" means a trust company or other entity which provides a book-entry system for the registration of ownership interests of Participants in securities and which is acting as security depository for Book-Entry Bonds.

"Semi-Annual Interest Payment Date" means April 1 or October 1.

“Senior Bonds” means the bonds or commercial paper identified as the Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds authorized by, and at any time Outstanding pursuant to, the Senior Indenture.

“Senior Indenture” or “Master Indenture” means the Master Indenture, dated as of May 1, 2001, between the Authority and the Senior Indenture Trustee, as the same may be amended or supplemented from time to time as permitted thereby.

“Senior Indenture Trustee” means Union Bank, N.A., as trustee under the Senior Indenture, and its successors and assigns.

“Senior Parity Obligations” means obligations of the Authority, the principal of and interest on which are payable from Revenue on a parity with the payment of the Senior Bonds, including payments due under Credit Support Agreements and Qualified Swap Agreements (excluding fees and expenses and termination payments on Qualified Swap Agreements which shall be payable on a subordinate basis).

“Series” means all Senior Bonds identified in a Supplemental Indenture as a separate Series.

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

“Sinking Fund Installment” means, with respect to any Series of Senior Bonds, each amount so designated for the Term Bonds of such Series in the Supplemental Indenture providing for the issuance of such Series of Senior Bonds requiring payments by the Authority to be applied to the retirement of such Series of Senior Bonds on and prior to the stated maturity date thereof.

“Southern Bridge Group” means the Dumbarton Bridge, the San Francisco-Oakland Bay Bridge and the San Mateo-Hayward Bridge.

“State” means the State of California.

“Subordinated Maintenance Expenditures” means maintenance expenditures payable to Caltrans from Bridge Toll Revenues that are Category A maintenance expenditures within the meaning of Streets and Highways Code section 188.4, including all normal highway maintenance on the Bay Area Bridges that would be performed by the State according to State procedures if the Bay Area Bridges were toll-free state facilities.”

“Subordinate Obligations” means any obligations of the Authority secured by and payable from Revenue on a basis which is subordinate to the Senior Bonds and Senior Parity Obligations, including, without limitation, fees and expenses and termination payments on Qualified Swap Agreements and payments on Swaps.

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

“Subsidy Payments” means payments from the United States Treasury to or upon the order of the Authority with respect to the eligible Senior Bonds pursuant to Sections 54AA and 6431 of the Code in an amount equal to 35% of the interest due thereon on each Interest Payment Date.

“Supplemental Indenture” means any indenture executed and delivered by the Authority and the Senior Indenture Trustee that is stated to be a supplemental indenture to the Master Indenture.

“Swap” means any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the Authority and a Swap Party, which is not a Qualified Swap Agreement.

“Swap Party” means each entity which is a party to either a Qualified Swap Agreement or a Swap entered into with the Authority.

“Swap Revenues” means any amount paid by a Swap Party to the Authority pursuant to any Qualified Swap Agreement or Swap, after any netting of payments required by such Qualified Swap Agreement or Swap, as applicable, and any payments paid to the Authority by a Swap Party as consideration for termination or amendment of a Qualified Swap Agreement or Swap, as applicable.

“Tax Certificate” means the Tax Certificate delivered by the Authority at the time of the issuance of a Series of Senior Bonds the interest on which is intended to be exempt from federal income taxation, as the same may be amended and supplemented in accordance with its terms.

“Tax-Exempt” means, with respect to interest on any obligations of a state or local government, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a “substantial user” of facilities financed with such obligations or a “related person” within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

“Tax-Exempt Securities” means bonds, notes or other securities the interest on which is Tax-Exempt.

“Term Bonds” means Senior Bonds of any Series which are payable on or before their specified maturity dates from Sinking Fund Installments established for that purpose in the Supplemental Indenture providing for the issuance of such Series of Senior Bonds, which Sinking Fund Installments are calculated to retire such Senior Bonds on or before their specified maturity dates.

“Term Rate” means the interest rate on any Series of Senior Bonds in the Term Rate Period established from time to time pursuant to the provisions of the Senior Indenture.

“Term Rate Computation Date” means any Business Day during the period from and including the date of receipt of a Conversion Notice relating to a Conversion to a Term Rate for any Series of Senior Bonds to and including the Business Day next preceding the proposed Term Rate Conversion Date.

“Term Rate Continuation Notice” means a written notice of an Authorized Representative delivered by the Authority to establish a new Term Rate Period for any Series of Senior Bonds in the Term Rate, such notice to be delivered to the Senior Indenture Trustee, the Remarketing Agent and the applicable Liquidity Provider as specified in the Senior Indenture.

“Term Rate Conversion Date” means: (i) the Conversion Date on which the interest rate on any Series of Senior Bonds shall be converted to a Term Rate; and (ii) the date on which a new Term Rate Period and Term Rate are to be established.

“Term Rate Period” means any period during which any Series of Senior Bonds bear interest at the Term Rate established pursuant to the provisions of the Senior Indenture.

“Termination” (and other forms of “terminate”) means, when used with respect to any Liquidity Instrument, the replacement, removal, surrender or other termination of such Liquidity Instrument by the Authority other than an Expiration or an extension or renewal thereof; provided, however, that Termination does not include immediate suspension or termination events.

“Three-Month LIBOR Rate” means the rate for deposits in U.S. dollars with a three-month maturity that appears on Reuters Screen LIBOR01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m., London time, on the Index Rate Determination Date, except that, if such rate does not appear on such page on the Index Rate Determination Date, the Three-Month LIBOR Rate means a rate determined on the basis of the rates at which deposits in U.S. dollars for a three-month maturity and in a principal amount of at least U.S. \$1,000,000 are offered at approximately 11:00 a.m., London time, on the Index Rate Determination Date, to prime banks in the London interbank market by three major banks in the London interbank market (herein referred to as the “Reference Banks”) selected by the Index Agent (provided, however, that if the Index Agent is the Senior Indenture Trustee, the Senior Indenture Trustee may appoint an agent to identify such Reference Banks). The Index Agent is to request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the Three-Month LIBOR Rate will be the arithmetic mean of such quotations. If fewer than two quotations are provided, the Three-Month LIBOR Rate will be the arithmetic mean of the rates quoted by three (if three quotations are not provided, two or one, as applicable) major banks in New York City, selected by the Index Agent, at approximately 11:00 a.m., New York City time, on the Index Rate Determination Date for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. \$1,000,000 having a three-month maturity. If none of the banks in New York City selected by the Index Agent is then quoting rates for such loans, then the Three-Month LIBOR Rate for the ensuing interest period will mean the Three-Month LIBOR Rate then in effect in the immediately preceding Index Rate Interest Accrual Period.

“Toll Coverage Calculation Date” means the date the Authority computes the coverage ratios required to be computed pursuant to the provisions of the Senior Indenture, which date shall be within 10 Business Days of the beginning of each Fiscal Year.

“Traffic Consultant” means any engineer or engineering firm or other consulting firm with requisite expertise appointed by the Authority to prepare estimates of Bridge Toll Revenues. The appointed Person or entity may not be an employee of the Authority or MTC, but may have other contracts with the Authority or MTC or any other Person to provide, directly or indirectly, other services to the Authority or MTC and still be appointed as Traffic Consultant.

“Treasury Rate” means the interest rate applicable to 13-week United States Treasury bills determined by the Remarketing Agent on the basis of the average per annum discount rate at which such 13-week Treasury bills shall have been sold at the most recent Treasury auction.

“Variable Rate” means any of the Daily Rate, the Weekly Rate, the Commercial Paper Rate, the Term Rate or the Index Rate.

“Variable Rate Demand Bonds” means Series of Senior Bonds bearing interest at a Daily Rate or a Weekly Rate.

“Weekly Put Bonds” means any Senior Bond of a Series bearing interest at a Weekly Rate tendered for purchase pursuant to the provisions of the Senior Indenture.

“Weekly Rate” means the interest rate on any Series of Senior Bonds in the Weekly Rate Period established from time to time pursuant to the provisions of the Senior Indenture.

“Weekly Rate Index” means, on any Business Day, the SIFMA Swap Index or, if the SIFMA Swap Index is no longer published, an index or rate agreed upon by the Authority and the Remarketing Agents, but in no event in excess of the Maximum Interest Rate.

“Weekly Rate Period” means each period during which any Series of Senior Bonds bear interest at the Weekly Rate established pursuant to the provisions of the Senior Indenture.

“Written Request of the Authority” means an instrument in writing signed by an Authorized Representative.

THE SENIOR INDENTURE

Proposed Amendment

Pursuant to the Senior Indenture, the Authority is proposing the Build America Bonds Amendment summarized below which requires the consent of the Holders of not less than a majority of the aggregate principal amount of Outstanding Senior Bonds. The time period during which Owners may consent is prescribed by the Authority as three years from August 1, 2009. The Build America Bonds Amendment would amend the above definition of “Annual Debt Service” by the addition of the following subparagraph (xii) and provide that upon the effective date of the amendment and thereafter, Net Revenue shall be calculated by excluding therefrom any Subsidy Payments that otherwise would be included in Net Revenue. Subparagraph (xii) would read as follows:

“(xii) if any of the Senior Bonds are, or upon issuance will be, Senior Bonds for which the Authority is entitled to receive interest rate subsidy payments from the federal government (including, without limitation, subsidy payments on account of the issuance of build America bonds pursuant to the federal American Recovery and Reinvestment Act of 2009), as evidenced by an Opinion of Bond Counsel delivered at the time of issuance of such Senior Bonds, the Senior Bonds shall be treated as bearing an interest rate equal to the rate of interest borne by the Senior Bonds for the period of determination minus the federal interest rate subsidy payments to which the Authority is entitled for that period if the Authority irrevocably directs that those federal interest rate subsidy payments be made directly to the Senior Indenture Trustee for the payment of interest on Senior Bonds pursuant to the Senior Indenture.”

The purchasers and any subsequent owners of any Senior Bonds issued after May 1, 2009, and the owners of any Senior Bonds remarketed after a mandatory tender after May 1, 2009, have been or will be deemed, by acceptance of such Senior Bonds, to have irrevocably consented to the proposed Build America Bonds Amendment. The Build America Bonds Amendment will only be adopted by the Authority upon determination that the requisite consents to such amendment have been obtained.

Statutory Lien, Pledge of State, Pledge of Revenue and Funds and Accounts

Statutory Lien. All Bridge Toll Revenues shall be deposited by the Authority in the Bay Area Toll Account and are subject to a statutory lien created pursuant to Section 30960 of the Act in favor of the Bondholders to secure all amounts due on the Senior Bonds and in favor of any provider of credit enhancement for the Senior Bonds to secure all amounts due to that provider with respect to those Senior Bonds. Pursuant to Section 30960 of the Act, such lien, subject to expenditures for operation and maintenance of the Bay Area Bridges, including toll collection, unless those expenditures are otherwise provided for by statute as provided in Section 30960(c) of the Act, shall immediately attach to the Bridge Toll Revenues as such Bridge Toll Revenues are received by the Authority and shall be effective, binding, and enforceable against the Authority, its successors, creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any physical delivery, recordation, filing, or further act, and the Bridge Toll Revenues shall remain subject to such statutory lien until all Senior Bonds are paid in full or provision made therefor, and the Bay Area Bridges shall not become toll-free prior to that time.

Pledge of State. Pursuant to Section 30963 of the Act, the State pledges and agrees with the Holders of the Senior Bonds and those parties who may enter into contracts with the Authority pursuant to the Act that the State will not limit, alter, or restrict the rights vested by the Act in the Authority to finance the toll bridge improvements authorized by the Act and agrees not to impair the terms of any agreements made with the Holders of the Senior Bonds and the parties who may enter into contracts with the Authority pursuant to the Act and pledges and agrees not to impair the rights or remedies of the Holders of Senior Bonds or any such parties until the Senior Bonds, together with interest, are fully paid and discharged and any contracts are fully performed on the part of the Authority.

Pledge of Revenue and Certain Funds and Accounts. All Revenue and all amounts (including the proceeds of Senior Bonds) held by the Senior Indenture Trustee in each fund and account established under the Senior Indenture (except for amounts on deposit in the Rebate Fund and amounts on deposit in any fund or account established to hold the proceeds of a drawing on any Credit Support Instrument) are pledged to secure the punctual payment of the principal of and interest on the Senior Bonds, Senior Parity Obligations and Reserve Facility Costs, subject only to the provisions of the Senior Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. Said pledge constitutes a first lien on such amounts, is valid and binding from and after the issuance of the Initial Senior Bonds, without any physical delivery or further act and will be irrevocable until all Senior Bonds, Senior Parity Obligations and Reserve Facility Costs are no longer outstanding.

Conversion of Interest Rate Determination Method.

Notice of Conversion. Each Conversion Notice must specify: (A) the proposed Conversion Date; (B) the new Interest Rate Determination Method to take effect; (C) if the Conversion is to a Term Rate, the Term Rate Period; (D) whether the Liquidity Support Instrument then in effect, if any, will remain in effect and, if applicable, the terms upon which the Owners of the Variable Rate Reoffered Bonds shall have the option to tender such bonds for purchase during the new Interest Rate Determination Method; (E) if a new Liquidity Support Instrument will be in effect after the proposed Conversion Date,

the form and terms of such Liquidity Support Instrument; (F) if the Conversion is to a Term Rate Period or Fixed Rate Period, the redemption dates and redemption prices applicable to such Term Rate Period or Fixed Rate Period and (G) if the Conversion is to an Index Rate Period, the Index Rate Index, the optional redemption provisions and the Interest Payment Dates to apply to such Series of Senior Bonds and appointing an Index Agent and a Remarketing Agent for such Series of Senior Bonds. The Conversion Notice must be accompanied by (i) an Opinion of Bond Counsel stating that the Conversion is authorized and permitted under the Senior Indenture and will not, in and of itself, adversely affect the Tax-Exempt status of the interest on any of the Series of Senior Bonds to be converted, and (ii) a notice of the new Liquidity Provider, if applicable, and the new Liquidity Instrument, if at the same time as such Series of Senior Bonds are being converted there is to be a change of Liquidity Provider or Liquidity Instrument with respect to such Series of Senior Bonds.

Notice to Owners. Upon receipt of a Conversion Notice from an Authorized Representative, as soon as possible, but in any event not less than 30 days prior to the proposed Conversion Date, the Senior Indenture Trustee is to give notice by first-class mail to the affected Owners of the Series of Senior Bonds to be converted, which notice is to state in substance:

(A) that the Interest Rate Determination Method for the applicable Series of Senior Bonds is to be converted to the specified Variable Rate or the Fixed Rate, as the case may be, on the applicable Conversion Date if the conditions specified in the Senior Indenture (and generally described in such notice) are satisfied on or before such date;

(B) the applicable Conversion Date;

(C) that the Authority has delivered to the Senior Indenture Trustee an Opinion of Bond Counsel and a summary of the matters covered in such opinion in the form provided to the Senior Indenture Trustee by the Authority;

(D) that the Interest Rate Determination Method for such Series of Senior Bonds will not be converted unless the Opinion of Bond Counsel referred to above is redelivered to the Senior Indenture Trustee on (and as of) the Conversion Date and all such Senior Bonds are successfully purchased and remarketed in the new Interest Rate Determination Method on the Conversion Date;

(E) the CUSIP numbers or other identification information of such Senior Bonds;

(F) that all such Senior Bonds are subject to mandatory tender for purchase on the Conversion Date at the Purchase Price; and

(G) that, to the extent that there is to be on deposit with the Senior Indenture Trustee on the applicable Conversion Date an amount of money sufficient to pay the Purchase Price thereof, all such Series of Senior Bonds to be converted on the Conversion Date not delivered to the Senior Indenture Trustee on or prior to the Conversion Date are to be deemed to have been properly tendered for purchase and are to cease to constitute or represent a right on behalf of the Owner thereof to the payment of principal thereof or interest thereon and are to represent and constitute only the right to payment of the Purchase Price on deposit with the Senior Indenture Trustee, without interest accruing thereon after the Conversion Date.

Notice Failure No Bar. Failure of an Owner of a Senior Bond being converted to a new Interest Rate Determination Method to receive the notice of Conversion described above, or any defect therein, is not to affect the validity of any Rate or any continuation of or change in the Interest Rate Determination

Method for any such Senior Bonds or extend the period for tendering any of such Senior Bonds for purchase, and the Senior Indenture Trustee is not to be liable to any Owner of such a Senior Bond by reason of the failure of such Owner to receive such notice or any defect therein.

Rescission of Election. The Authority may rescind any Conversion Notice with respect to a Series of Senior Bonds prior to the proposed Conversion Date set forth in the Conversion Notice by giving written notice thereof to the Senior Indenture Trustee, the Liquidity Provider for the applicable Series of Senior Bonds and the applicable Remarketing Agent two or more Business Days prior to such proposed Conversion Date. If the Senior Indenture Trustee receives notice of such rescission prior to the time the Senior Indenture Trustee has given notice of the Conversion to the Owners of the affected Series of Senior Bonds, then the Conversion Notice previously delivered by the Authority is to be of no force and effect. If the Senior Indenture Trustee receives notice from the Authority of rescission of the Conversion Notice after the Senior Indenture Trustee has given notice of the Conversion to the Owners of the affected Series of Senior Bonds, then such Series of Senior Bonds are to continue to be subject to mandatory tender for purchase on the Conversion Date specified in the Conversion Notice and the Rate Period for such Series of Senior Bonds is to automatically adjust to, or continue as, a Weekly Rate Period on the Conversion Date specified in the Conversion Notice.

Limitations. Any Conversion must comply with the following:

(A) the Conversion Date must be a date on which such Series of Senior Bonds are subject to mandatory tender;

(B) the Conversion Date must be a Business Day;

(C) the Liquidity Instrument for such Senior Bonds after a Conversion to a Variable Rate must cover (except for conversion to an Index Rate Period or a Term Rate Period) principal plus accrued interest (computed at the Maximum Interest Rate then in effect on the basis of a 365-day year and actual days elapsed or a 360 day year of twelve 30-day months, as applicable) for the maximum number of days between Interest Payment Dates permitted under that Interest Rate Determination Method, plus such additional number of days, if any, as shall be required by each Rating Agency then rating such Series of Senior Bonds; provided that if the number of days of interest coverage provided by the applicable Liquidity Instrument is being changed from the number of days previously in place, the Senior Indenture Trustee shall have also received a Rating Confirmation from each of the Rating Agencies then rating such Senior Bonds;

(D) no Conversion shall become effective unless the Opinion of Bond Counsel is redelivered on (and as of) the Conversion Date and all affected Outstanding Senior Bonds are successfully purchased or deemed purchased and remarketed in the new Interest Rate Determination Method on the Conversion Date; and

(E) upon Conversion of any Series of Senior Bonds to a Fixed Rate Period, an Index Rate Period or a Term Rate Period, an Authorized Representative may provide in the Conversion Notice to the applicable Liquidity Provider a request for termination of the Liquidity Instrument with respect to such Senior Bonds to be effective upon such Conversion to a Fixed Rate Period, an Index Rate Period or a Term Rate Period.

No Conversion During Continuance of Event of Default. No Conversion is to occur if at the time of such Conversion an Event of Default shall have occurred and be continuing.

Conversion of Credit Provider Bonds. Notwithstanding anything to the contrary contained in the Senior Indenture, if all of the Outstanding Senior Bonds of any Series are Credit Provider Bonds, such Senior Bonds may be converted to a Fixed Rate on such Conversion Date as shall be acceptable to the applicable Liquidity Provider, the Senior Indenture Trustee, the Remarketing Agent and the Authority, provided that on such Conversion Date the Authority is to deliver to the Senior Indenture Trustee an Opinion of Bond Counsel stating that the Conversion is authorized and permitted under the Senior Indenture and will not, in and of itself, adversely affect the Tax-Exempt status of the interest on any Senior Bonds of such Series.

Mechanics of Optional and Mandatory Tenders

Purchase of Senior Bonds of a Series

Delivery of a Senior Bond to the Senior Indenture Trustee in connection with any optional or mandatory tender for purchase pursuant to the Senior Indenture is to be effected by the making of, or the irrevocable authorization to make, appropriate entries on the books of the Securities Depository for such Senior Bond or any Participant of such Securities Depository to reflect the transfer of the beneficial ownership interest in such Senior Bond to the account of the Senior Indenture Trustee, or to the account of a Participant of such Securities Depository acting on behalf of the Senior Indenture Trustee.

If moneys sufficient to pay the Purchase Price of Senior Bonds to be purchased pursuant to the Senior Indenture are held by the Senior Indenture Trustee on the applicable Purchase Date, such Senior Bonds are to be deemed to have been purchased for all purposes of the Senior Indenture, irrespective of whether or not such Senior Bonds have been delivered to the Senior Indenture Trustee or transferred on the books of a Securities Depository for such Senior Bonds, and neither the former Owner or Beneficial Owner of such Senior Bonds nor any other person will have any claim thereon, under the Senior Indenture or otherwise, for any amount other than the Purchase Price thereof.

In the event of non-delivery of any Senior Bond to be purchased pursuant to the Senior Indenture, the Senior Indenture Trustee is to segregate and hold uninvested the moneys for the Purchase Price of such Senior Bond in trust, without liability for interest thereon, for the benefit of the former Owners or Beneficial Owners of such Senior Bond, who will, except as provided in the following sentence, thereafter be restricted exclusively to such moneys for the satisfaction of any claim for the Purchase Price of such Senior Bond. Any moneys that the Senior Indenture Trustee segregates and holds in trust for the payment of the Purchase Price of any Senior Bond and remaining unclaimed for two years after the date of purchase is to be paid automatically to the Authority. After the payment of such unclaimed moneys to the Authority, the former Owner or Beneficial Owner of such Senior Bond is to look only to the Authority for the payment thereof.

Remarketing of Tendered Senior Bonds.

Daily Put Bonds. Not later than 11:15 a.m. (New York City time) on each Business Day on which the Senior Indenture Trustee receives a notice from a Owner or Beneficial Owner of a Senior Bond bearing interest at a Daily Rate to be tendered pursuant to the provisions of the Senior Indenture permitting the Owner to tender such Senior Bond (the “Daily Put Bonds”), the Senior Indenture Trustee is to give notice to the Remarketing Agent and the Authority, specifying the principal amount of Senior Bonds for which it has received such notice and the names of the Owner or Owners thereof. The Remarketing Agent will thereupon offer for sale and use its best efforts to find purchasers for such Daily Put Bonds, other than Credit Provider Bonds, which are to be remarketed pursuant to the Senior Indenture.

Not later than 11:30 a.m. (New York City time) on the Purchase Date described in the immediately preceding paragraph, the Senior Indenture Trustee is to give notice to the Remarketing Agent and the Authority of the accrued amount of interest payable with respect to the Daily Put Bonds as of such Purchase Date and confirming the aggregate principal amount of the Daily Put Bonds.

Not later than 12:00 noon (New York City time) on any Purchase Date for Daily Put Bonds, the Remarketing Agent is to give notice to the Authority and the Senior Indenture Trustee of the principal amount of any Daily Put Bonds, that have not been remarketed in accordance with the applicable Remarketing Agreement and its commitment to deliver funds from the Daily Put Bonds that have been remarketed to the Senior Indenture Trustee by 2:00 p.m. (New York City time) on such day pursuant to the Senior Indenture.

If a Remarketing Agent's notice pursuant to the immediately preceding paragraph indicates that such Remarketing Agent has on hand less remarketing proceeds than are needed to purchase all the Daily Put Bonds to be purchased on any Purchase Date or if the Senior Indenture Trustee does not receive a notice from the Remarketing Agent pursuant to the immediately preceding paragraph, the Senior Indenture Trustee is to demand payment under the applicable Liquidity Instrument then in effect with respect to the Tendered Bonds by 12:30 p.m. (New York City time) on such Purchase Date so as to provide by 3:00 p.m. (New York City time) on such Purchase Date an amount sufficient, together with the remarketing proceeds to be available for such purchase, calculated solely on the basis of the notice given by the Remarketing Agent pursuant to the paragraph above, to pay the Purchase Price of the Daily Put Bonds. The Senior Indenture Trustee, immediately after such demand for payment, is to give notice to the Authority of the amount, if any, of such demand.

Weekly Put Bonds. Not later than 10:30 a.m. (New York City time) on each Business Day succeeding a day on which the Senior Indenture Trustee receives a notice from an Owner or Beneficial Owner of Senior Bonds bearing interest at a Weekly Rate to be tendered pursuant to the provisions of the Senior Indenture permitting the Owner to tender such Senior Bond (the "Weekly Put Bonds"), the Senior Indenture Trustee is to give notice to the Remarketing Agent and the Authority specifying the principal amount of Senior Bonds for which it has received such notice, the names of the Owner or Owners thereof and the Purchase Date. The Remarketing Agent is to thereupon offer for sale and use its best efforts to find purchasers for such Weekly Put Bonds, other than Credit Provider Bonds, which are to be remarketed pursuant to the Senior Indenture.

Not later than 11:00 a.m. (New York City time) on the Business Day immediately preceding the Purchase Date described in the immediately preceding paragraph, the Senior Indenture Trustee is to give notice to the Remarketing Agent and the Authority of the accrued amount of interest payable with respect to the Weekly Put Bonds as of such Purchase Date and confirming the aggregate principal amount of the Weekly Put Bonds.

Not later than 11:30 a.m. (New York City time) on any Purchase Date for Weekly Put Bonds, the Remarketing Agent is to give notice to the Authority and the Senior Indenture Trustee of the principal amount of Weekly Put Bonds that have not been remarketed in accordance with the applicable Remarketing Agreement and its commitment to deliver funds from the Weekly Put Bonds that have been remarketed to the Senior Indenture Trustee by 2:00 p.m. (New York City time) on the Purchase Date pursuant to the Senior Indenture.

If a Remarketing Agent's notice pursuant to the immediately preceding paragraph indicates that such Remarketing Agent has on hand less remarketing proceeds than are needed to purchase all the Weekly Put Bonds to be purchased on any Purchase Date or if the Senior Indenture Trustee does not

receive a notice from the Remarketing Agent pursuant to the immediately preceding paragraph, the Senior Indenture Trustee is to demand payment under the applicable Liquidity Instrument then in effect with respect to the Weekly Put Bonds by 12:30 p.m. (New York City time) on such Purchase Date so as to provide by 3:00 p.m. (New York City time) on such Purchase Date an amount sufficient, together with the remarketing proceeds to be available for such purchase, calculated solely on the basis of the notice given by the Remarketing Agent pursuant to the immediately preceding paragraph, to pay the Purchase Price of the Weekly Put Bonds. The Senior Indenture Trustee, immediately after such demand for payment, is to give notice to the Authority of the amount, if any, of such demand.

Mandatory Tender Bonds. Not later than 9:30 a.m. (New York City time) on each Purchase Date occurring pursuant to the Senior Indenture, the Senior Indenture Trustee is to give notice to the Remarketing Agent and the Authority specifying the principal amount of all Outstanding Senior Bonds that are subject to mandatory tender on such Purchase Date pursuant to the Senior Indenture (the “Mandatory Tender Bonds”) and the names of the registered Owner or Owners thereof. The Remarketing Agent thereupon is to offer for sale and use its best efforts to find purchasers for such Mandatory Tender Bonds (if there is still an obligation to remarket), other than Credit Provider Bonds, which are to be remarketed pursuant to the appropriate provisions of the Senior Indenture.

Not later than 10:00 a.m. (New York City time) on each Purchase Date described in the paragraph above, the Senior Indenture Trustee is to give notice to the Remarketing Agent and the Authority of the accrued amount of interest payable with respect to the Mandatory Tender Bonds as of the Purchase Date and confirming the aggregate principal amount of the Mandatory Tender Bonds. With respect to Mandatory Tender Bonds that are in an Index Rate Period, the Senior Indenture Trustee is to also give notice to the Remarketing Agent and the Authority of the premium, if any, payable with respect to such Mandatory Tender Bonds as of the Purchase Date.

Not later than 11:30 a.m. (New York City time) on any Purchase Date with respect to Mandatory Tender Bonds, the Remarketing Agent is to give notice to the Senior Indenture Trustee and the Authority of the principal amount of Mandatory Tender Bonds that have not been remarketed in accordance with the Remarketing Agreement and its written commitment to deliver funds from the Mandatory Tender Bonds that have been remarketed to the Senior Indenture Trustee by 2:00 p.m. (New York City time) on the Purchase Date pursuant to the Senior Indenture.

If a Remarketing Agent’s notice pursuant to the immediately preceding paragraph indicates that such Remarketing Agent has on hand less remarketing proceeds than are needed to purchase all the Mandatory Tender Bonds to be purchased on such Purchase Date or if the Senior Indenture Trustee does not receive a notice from the Remarketing Agent pursuant to the immediately preceding paragraph, the Senior Indenture Trustee is to demand payment under the applicable Liquidity Instrument then in effect with respect to the Mandatory Tender Bonds by 12:30 p.m. (New York City time) on such Purchase Date so as to provide by 3:00 p.m. (New York City time) on such Purchase Date an amount sufficient, together with the remarketing proceeds to be available for such purchase, calculated solely on the basis of the notice given by the Remarketing Agent pursuant to the paragraph above, to pay the Purchase Price of the Mandatory Tender Bonds. The Senior Indenture Trustee, immediately after such demand for payment, is to give notice to the Authority of the amount, if any, of such demand.

Optional Authority Deposit. If a Remarketing Agent’s notice to the Senior Indenture Trustee and the Authority pursuant to the provisions summarized above indicates that such Remarketing Agent has remarketed less than all the Daily Put Bonds, Weekly Put Bonds, or Mandatory Tender Bonds to be purchased on any Purchase Date and the Senior Indenture Trustee does not receive sufficient funds from, or has received notice from a Liquidity Provider that it will not provide sufficient funds from, draws on

the applicable Liquidity Instrument to pay the Purchase Price of all such Senior Bonds that have not been remarketed by 2:00 p.m. (New York City time) on the Purchase Date, the Senior Indenture Trustee immediately (but in no event later than 2:30 p.m. (New York City time)) is to give notice to the Authority specifying the principal amount and the Purchase Price of such Senior Bonds for which moneys will not be available in the applicable Bond Purchase Fund and requesting the Authority to deposit with the Senior Indenture Trustee as soon as possible on such Purchase Date, preferably by 3:00 p.m. (New York City time), an amount sufficient to pay that portion of the Purchase Price for which moneys will not be available in the applicable Bond Purchase Fund, such notice to be confirmed immediately by telecopy to the Authority. Such deposit by the Authority is to be at the option of the Authority.

Insufficient Funds. The Senior Indenture provides that if sufficient funds are not available for the purchase of all Senior Bonds tendered and required to be purchased on any Purchase Date, all Senior Bonds of such Series are to bear interest at the lesser of the SIFMA Swap Index plus 3% and the Maximum Interest Rate from the date of such failed purchase until all such Senior Bonds are purchased as required in accordance with the Senior Indenture, and that all tendered Senior Bonds of such Series are to be returned. Thereafter, the Senior Indenture Trustee is to continue to take all such action available to it to obtain remarketing proceeds from the Remarketing Agent and sufficient other funds from the Liquidity Providers to purchase all Senior Bonds required to be purchased. The Senior Indenture provides that such failed purchase and return shall not constitute an Event of Default.

Limitation. The Remarketing Agent is to remarket the Senior Bonds, as provided therein, at not less than the Purchase Price thereof, except for Credit Provider Bonds, which are to be remarketed pursuant to the appropriate provisions of the Senior Indenture.

Deposits into Accounts in the Bond Purchase Fund. The terms of any sale by a Remarketing Agent of any Senior Bond tendered or deemed tendered for purchase pursuant to the Senior Indenture are to provide for the payment of the Purchase Price for such tendered or deemed tendered Senior Bond by such Remarketing Agent to the Senior Indenture Trustee for deposit in the applicable Remarketing Account of the applicable Bond Purchase Fund in immediately available funds at or before 2:00 p.m. (New York City time) on the Purchase Date. The Remarketing Agent is to cause to be paid to the Senior Indenture Trustee on each Purchase Date for tendered or deemed tendered Senior Bonds all amounts representing proceeds of the remarketing of such Senior Bonds, based upon the notice given by the Remarketing Agent pursuant to the Senior Indenture. All such amounts are to be deposited in the applicable Remarketing Account. The Senior Indenture Trustee is to deposit in the applicable Liquidity Instrument Purchase Account all amounts received under a Liquidity Instrument pursuant to the Senior Indenture. Upon receipt of any notice from the Senior Indenture Trustee that insufficient funds are on deposit in the applicable Bond Purchase Fund to pay the full Purchase Price of all Senior Bonds to be purchased on a Purchase Date, the Authority, at its option, is to deliver or cause to be delivered to the Senior Indenture Trustee immediately available funds in an amount equal to such deficiency prior to 3:00 p.m. (New York City time) on the Purchase Date. Any such funds are to be deposited in the applicable Authority Account. The Senior Indenture Trustee is to hold amounts in the applicable Bond Purchase Fund uninvested.

Disbursements from the Bond Purchase Fund.

Application of Moneys. Moneys in the applicable Bond Purchase Fund (other than the proceeds of any remarketing of Credit Provider Bonds, which are to be paid to the applicable Liquidity Provider on the remarketing date) are to be applied at or before 3:00 p.m. (New York City time) to the purchase of the applicable Senior Bonds as provided therein by the Senior Indenture Trustee, on each Purchase Date, as follows:

First – Moneys constituting funds in the applicable Remarketing Account are to be used by the Senior Indenture Trustee on any Purchase Date to purchase the applicable Senior Bonds tendered or deemed tendered for purchase at the Purchase Price.

Second – In the event such moneys in the applicable Remarketing Account on any Purchase Date are insufficient to purchase all applicable Senior Bonds tendered or deemed tendered for purchase pursuant to the Senior Indenture on such Purchase Date, moneys in the applicable Liquidity Instrument Purchase Account on such Purchase Date are to be used by the Senior Indenture Trustee at that time to purchase such remaining Senior Bonds at the Purchase Price thereof.

Third – If the amount of money in any applicable Remarketing Account and applicable Liquidity Instrument Purchase Account, if applicable, on any Purchase Date is insufficient to pay in full the Purchase Price of all applicable Senior Bonds tendered or deemed tendered for purchase pursuant to the Senior Indenture on such Purchase Date, moneys in the applicable Authority Account on such Purchase Date, if any, are to be used by the Senior Indenture Trustee at that time to purchase such remaining Senior Bonds at the Purchase Price thereof.

If the Senior Bonds tendered or deemed tendered for purchase pursuant to the Senior Indenture are Book-Entry Bonds, payment of the Purchase Price of such Senior Bonds will be made in accordance with the rules and procedures of the applicable Securities Depository.

Insufficient Funds. If sufficient funds are not available for the purchase of all Senior Bonds of a Series tendered or deemed tendered and required to be purchased on any Purchase Date (with the exception of Senior Bonds in an Index Rate Period), all Senior Bonds of such Series are to bear interest at the lesser of the SIFMA Swap Index plus three percent and the Maximum Interest Rate from the date of such failed purchase until all such Senior Bonds are purchased as required in accordance with the Senior Indenture, and all tendered Senior Bonds of such Series are to be returned to their respective Owners. Notwithstanding any other provision of the Senior Indenture, such failed purchase and return does not constitute an Event of Default. Thereafter, the Senior Indenture Trustee is to continue to take all such action available to it to obtain remarketing proceeds from the Remarketing Agent and sufficient other funds from the Liquidity Provider for such Series of Senior Bonds.

Delivery of Remarketed Bonds. While the Senior Bonds are Book-Entry Bonds, transfer of ownership of the remarketed Senior Bonds is to be effected in accordance with the procedures of the applicable Securities Depository against delivery of funds for deposit into the applicable Remarketing Account of the applicable Bond Purchase Fund equal to the Purchase Price of the Senior Bonds that have been remarketed.

Any Senior Bonds purchased with funds in the applicable Liquidity Instrument Purchase Account of the applicable Bond Purchase Fund are to be delivered and held in accordance with the Senior Indenture. Any Senior Bonds purchased with funds in the applicable Authority Account of the applicable Bond Purchase Fund are to be delivered and held in accordance with the instructions of the Authority furnished to the Senior Indenture Trustee. Such Senior Bonds are to be held available for registration of transfer and delivery by the Senior Indenture Trustee in such manner as may be agreed between the Senior Indenture Trustee and the applicable Liquidity Provider or the Authority, as the case may be.

Liquidity Instruments

With respect to the Senior Bonds bearing interest at a Weekly Rate or a Daily Rate, the Authority is to provide, or cause to be provided, to the Senior Indenture Trustee a Liquidity Instrument for each

Series of Senior Bonds. The Authority may not reduce the amount of the Liquidity Instrument or permit a substitution of a Liquidity Provider thereunder without obtaining a Rating Confirmation with respect to such action unless such action is considered a substitution of the Liquidity Instrument subjecting the Senior Bonds affected thereby to mandatory purchase pursuant to the Senior Indenture. The Authority has the right at any time to provide a substitute Liquidity Instrument for any Liquidity Instrument then in effect. If there have been delivered to the Senior Indenture Trustee (i) a substitute Liquidity Instrument meeting the requirements of the Senior Indenture and (ii) the opinions and documents required by the Senior Indenture, then the Senior Indenture Trustee is to accept such substitute Liquidity Instrument and, if so directed by the Authority, on or after the effective date of such substitute Liquidity Instrument, promptly surrender the Liquidity Instrument being so substituted in accordance with the respective terms thereof for cancellation; provided the Senior Indenture Trustee will not surrender any Liquidity Instrument until all draws or requests to purchase Senior Bonds made under such Liquidity Instrument have been honored in accordance with the terms thereof. In the event that the Authority elects to provide a substitute Liquidity Instrument, the affected Senior Bonds are to be subject to mandatory tender unless a Rating Confirmation is received with respect to such substitution as provided in the Senior Indenture.

In the event that a Liquidity Instrument is in effect, the Senior Indenture Trustee is to make a demand for payment under such Liquidity Instrument, subject to and in accordance with its terms and without seeking indemnity prior to the making of such demand, in order to receive payment thereunder on each Purchase Date.

Any Senior Bonds purchased with payments made under a Liquidity Instrument will constitute Credit Provider Bonds and are to be registered in the name of, or as otherwise directed by, the applicable Liquidity Provider and delivered to or upon the order of, or as otherwise directed by, such Liquidity Provider.

Unless otherwise provided in the Liquidity Instrument, Credit Provider Bonds are to be remarketed by the applicable Remarketing Agent prior to any other Senior Bonds of such Series tendered for purchase pursuant to the Senior Indenture and are to be remarketed in accordance with the terms of the applicable Remarketing Agreement. Upon (i) receipt by the Authority and the Senior Indenture Trustee of written notification from a Liquidity Provider that a Liquidity Instrument has been fully reinstated with respect to principal and interest and (ii) release by the applicable Liquidity Provider of any Credit Provider Bonds that the Remarketing Agent has remarketed, such Senior Bonds are to be made available to the purchasers thereof and no longer constitute Credit Provider Bonds for purposes of the Senior Indenture. The proceeds of any remarketing of Credit Provider Bonds are to be paid to the applicable Liquidity Provider by the Senior Indenture Trustee on such remarketing date in immediately available funds with interest on the sale price being calculated as if such Senior Bond were not a Credit Provider Bond; provided, however, if all such Senior Bonds are Credit Provider Bonds, at par plus accrued interest, and the remarketing date is to be considered an Interest Payment Date.

Substitute Liquidity Instruments

So long as any Series of Senior Bonds bear interest at a Variable Rate other than an Index Rate, a Term Rate or a Fixed Rate, on or prior to the expiration or termination of any existing Liquidity Instrument, including any renewals or extensions thereof (other than an expiration of such Liquidity Instrument at the final maturity of the Series of Senior Bonds to which such Liquidity Instrument relates), the Authority is to provide to the Senior Indenture Trustee a renewal or extension of the term of the existing Liquidity Instrument for such Series of Senior Bonds or a substitute Liquidity Instrument meeting the following requirements: (i) the obligations of the Liquidity Provider under the substitute Liquidity Instrument to purchase such Senior Bonds or otherwise provide for the Purchase Price of such

Senior Bonds tendered or deemed tendered will not be subject to suspension or termination on less than 15 days notice to the Authority and the Senior Indenture Trustee; provided, however, that the obligations of a Liquidity Provider to purchase Senior Bonds of a Series or otherwise provide for the Purchase Price of such Senior Bonds may be immediately suspended or terminated without such notice upon the occurrence of such events as may be provided in a Liquidity Instrument and that are disclosed to the Owners of such Senior Bonds in connection with the provision of such substitute Liquidity Instrument or, if applicable, upon the remarketing of such Senior Bonds upon the mandatory tender thereof as a result of provision of another Liquidity Instrument; (ii) the substitute Liquidity Instrument must take effect on or before the Purchase Date for the applicable Series of Senior Bonds established pursuant to the Senior Indenture; and (iii) the substitute Liquidity Instrument must be in an amount sufficient to pay the maximum Purchase Price of the affected Series of Senior Bonds which is to be applicable during the Rate Period commencing on such substitution.

Prior to the date of the delivery of a substitute Liquidity Instrument to the Senior Indenture Trustee, the Authority is to cause to be furnished to the Senior Indenture Trustee (i) an Opinion of Bond Counsel addressed to the Senior Indenture Trustee to the effect that the delivery of such substitute Liquidity Instrument to the Senior Indenture Trustee is authorized under the Senior Indenture and complies with the terms thereof and will not, in and of itself, adversely affect the Tax-Exempt status of interest on the affected Series of Senior Bonds and (ii) an opinion or opinions of counsel to the Liquidity Provider for such substitute Liquidity Instrument addressed to the Senior Indenture Trustee, to the effect that the substitute Liquidity Instrument has been duly authorized, executed and delivered by the applicable Liquidity Provider and constitutes the valid, legal and binding obligation of such Liquidity Provider enforceable against such Liquidity Provider in accordance with its terms and (iii) if the affected Series of Senior Bonds are not subject to mandatory tender for purchase, the Rating Confirmation required by the Senior Indenture.

The Senior Indenture Trustee is to give notice of the proposed substitution of a Liquidity Instrument not later than the fifteenth day prior to the substitution date.

Purchase of Senior Bonds at Direction of Authority

If less than all of the Outstanding Senior Bonds of any Series are called for mandatory tender for purchase at the direction of the Authority, the principal amount and maturity of such Senior Bonds to be purchased are to be selected by the Authority in its sole discretion. If less than all of any Series of Senior Bonds of like maturity are to be called for mandatory tender for purchase at the direction of the Authority, the particular Senior Bonds or portions of Senior Bonds to be purchased are to be selected at random by the Senior Indenture Trustee in such manner as the Senior Indenture Trustee in its discretion may deem fair and appropriate; provided, however, that in selecting portions of Senior Bonds for purchase, the Senior Indenture Trustee is to treat each Senior Bond of the same Series as representing that number of Senior Bonds of the minimum Authorized Denomination for the Senior Bonds that is obtained by dividing the principal amount of such Senior Bond by the minimum Authorized Denomination for the Senior Bonds.

Deposit of Senior Bonds. The Senior Indenture Trustee agrees to accept and hold all Senior Bonds delivered to it pursuant to the Senior Indenture in trust for the benefit of the respective Owners or Beneficial Owners that will have so delivered such Senior Bonds until the Optional Purchase Price of such Senior Bonds will have been delivered to or for the account of or to the order of such Owners or Beneficial Owners pursuant to the Senior Indenture. Any Senior Bonds purchased pursuant to the Senior Indenture and registered for transfer to the Senior Indenture Trustee are to be held in trust by the Senior Indenture Trustee for the benefit of the Authority until delivery to the Authority.

Payment of Optional Purchase Price of Senior Bonds. Moneys held by the Senior Indenture Trustee for the payment of the Optional Purchase Price of Senior Bonds subject to mandatory tender for purchase at the option of the Authority are to be applied at or before 3:00 p.m. (New York City time) to the purchase of such Senior Bonds. While such Senior Bonds are Book-Entry Bonds, payment of the Optional Purchase Price for tendered Senior Bonds is to be made in accordance with the rules and procedures of the applicable Securities Depository.

Senior Bonds Owned by Authority. Any Senior Bonds purchased by the Authority pursuant to the Senior Indenture are not to be cancelled by the Senior Indenture Trustee unless such cancellation is directed by an Authorized Representative but are to remain Outstanding for all purposes of the Senior Indenture, except as otherwise provided in the Senior Indenture.

The Authority covenants and agrees in the Senior Indenture that it will not transfer or cause the transfer of any Senior Bond purchased by the Authority pursuant to the Senior Indenture unless the Authority delivers to the Senior Indenture Trustee a Favorable Opinion of Bond Counsel with respect to such transfer.

The Authority covenants and agrees in the Senior Indenture that, in the event that at any time there are insufficient funds in the Bond Fund or the Redemption Fund, as applicable, to pay the principal of and interest then due on the Outstanding Senior Bonds, it is to surrender or cause to be surrendered to the Senior Indenture Trustee for cancellation any Senior Bonds held by the Authority.

Funds and Accounts

Establishment and Application of Bond Fund. Not less than three Business Days prior to each date when the Authority is required to pay principal or interest on the Senior Bonds or amounts due on Senior Parity Obligations, as provided in the Senior Indenture, the Authority is to transfer to the Senior Indenture Trustee from the Bay Area Toll Account such amount of Revenue as is required to make such payments. Upon receipt, all Revenue is to be deposited by the Senior Indenture Trustee in the Bond Fund which the Senior Indenture Trustee is to establish, maintain and hold in trust. All Revenue held in the Bond Fund is to be held, applied, used and withdrawn only as provided in the Senior Indenture. On or before the date when principal and interest on the Senior Bonds and amounts due on Senior Parity Obligations are due and payable, the Senior Indenture Trustee is to transfer from the Bond Fund and deposit into the following respective accounts (each of which the Senior Indenture Trustee is to establish and maintain within the Bond Fund), in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenue sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(1) **Interest Account.** The Senior Indenture Trustee is to set aside in the Interest Account in the manner and at the times specified in the Senior Indenture amounts sufficient to pay the interest on the Senior Bonds and Senior Parity Obligations as and when due. Moneys in the Interest Account are to be used and withdrawn by the Senior Indenture Trustee solely for the purpose of paying interest on the Senior Bonds and Senior Parity Obligations as such interest becomes due and payable, provided that moneys in any separate account established to pay interest on a Series of Senior Bonds is to be used and withdrawn solely to pay interest on such Senior Bonds as and when due.

(2) **Principal Account.** The Senior Indenture Trustee is to set aside in the Principal Account in the manner and at the times specified in the Senior Indenture amounts sufficient to pay the principal of Senior Bonds (including any sinking fund payments) as and when due (whether at maturity or upon

redemption or on account of sinking fund requirements). Moneys in the Principal Account are to be used and withdrawn by the Senior Indenture Trustee solely for the purpose of paying principal of the Senior Bonds (including any sinking fund payments) as and when due, provided that moneys in any separate account established to pay principal on a Series of Senior Bonds are to be used and withdrawn solely to pay principal of such Senior Bonds as and when due.

Any moneys remaining in the Bond Fund after the foregoing transfers are to be transferred to the Authority and are to be deposited by the Authority in the Bay Area Toll Account; provided, however, that if the amount then on deposit in the Reserve Fund is less than the Reserve Requirement or if any Reserve Facility Costs will then be due and payable, such moneys are to be transferred to the Reserve Fund until such time as the amount on deposit in the Reserve Fund is equal to the Reserve Requirement and all Reserve Facility Costs have been paid; and provided further that if the amount on deposit in the Reserve Fund is equal to the Reserve Requirement, no Reserve Facility Costs are then due and payable and the Authority is to so direct the Senior Indenture Trustee in writing, such moneys are to be transferred to and deposited in the Subordinate Obligations Fund or if there are no Subordinate Obligations then outstanding, such moneys are to be transferred to and deposited in the Fees and Expenses Fund.

Establishment and Application of the Reserve Fund. On the date of issuance of each Series of Senior Bonds, an amount equal to the Reserve Requirement for such Senior Bonds is required to be deposited in the Reserve Fund. Moneys in the Reserve Fund are to be used and withdrawn by the Senior Indenture Trustee solely for the purposes of paying principal and interest on the Senior Bonds when due when insufficient moneys for the payment thereof are on deposit in the Principal Account and the Interest Account or (together with any other moneys available therefor) for the payment or redemption of all Senior Bonds then Outstanding or, for the payment of the final principal and interest payment of a Series of Senior Bonds, if following such payment the amounts in the Reserve Fund (including the amounts which may be obtained from letters of credit, surety bonds and insurance policies on deposit therein) will equal the Reserve Requirement.

In the event that the Senior Indenture Trustee has withdrawn moneys in the Reserve Fund for the purpose of paying principal and interest on the Senior Bonds when due as provided pursuant to the provisions of the Senior Indenture described in the immediately preceding paragraph, the Senior Indenture Trustee is to promptly notify the Authority of such withdrawal. Upon receipt of such notification, the Authority, on or prior to the first Business Day of each month, commencing the month after such notification is received from the Senior Indenture Trustee by the Authority, is to transfer to the Senior Indenture Trustee for deposit in the Reserve Fund, an amount equal to 1/12th of the aggregate amount of each unreplenished withdrawal until the amount on deposit in the Reserve Fund is equal to the Reserve Requirement.

Upon receipt of any notification from the Senior Indenture Trustee of a deficiency in the Reserve Fund due to any required valuation of investments in the Reserve Fund provided by the Senior Indenture Trustee pursuant to the Senior Indenture, the Authority, on or prior to the first Business Day of each month, commencing the month after such notification is received from the Senior Indenture Trustee by the Authority, is to transfer to the Senior Indenture Trustee for deposit in the Reserve Fund, an amount equal to 1/12th of the aggregate amount of each unreplenished withdrawal until the amount on deposit in the Reserve Fund is equal to the Reserve Requirement.

Funding of the Reserve Fund. The Reserve Requirement for any Series of Senior Bonds, or any portion thereof, may be funded with a Reserve Facility. If the Reserve Requirement is satisfied by a Reserve Facility, the Senior Indenture Trustee is to draw on such Reserve Facility in accordance with its terms and the terms of the Senior Indenture, in a timely manner, to the extent necessary to fund any

deficiency in the Interest Account or the Principal Account. The Authority is to repay solely from Revenue any draws under a Reserve Facility and any Reserve Facility Costs related thereto. Interest is to accrue and be payable on such draws and expenses from the date of payment by a Reserve Facility Provider at the rate specified in the agreement with respect to such Reserve Facility.

If any obligations are due and payable under the Reserve Facility, any new funds deposited into the Reserve Fund are to be used and withdrawn by the Senior Indenture Trustee to pay such obligations. The pledge of amounts on deposit in certain funds and accounts held by the Senior Indenture Trustee under the Senior Indenture to secure payment of Reserve Facility Costs set forth in the Senior Indenture is on a basis subordinate to the pledge of such amounts to the Senior Indenture Trustee for payment of the Senior Bonds and Senior Parity Obligations.

Amounts in respect of Reserve Facility Costs paid to a Reserve Facility Provider are to be credited first to the expenses due, then to interest due and then to principal due. As and to the extent payments are made to a Reserve Facility Provider on account of principal due, the coverage under the Reserve Facility is to be increased by a like amount, subject to the terms of the Reserve Facility. Payment of Reserve Facility Costs with respect to amounts drawn under multiple Reserve Facilities are to be made on a pro-rata basis prior to the replenishment of any cash drawn from the Reserve Fund.

If the Authority fails to pay any Reserve Facility Costs in accordance with the requirements described above, a Reserve Facility Provider is to be entitled to exercise any and all legal and equitable remedies available to such Reserve Facility Provider, including those provided under the Senior Indenture other than remedies which would adversely affect Owners of the Senior Bonds. The Senior Indenture will not be discharged until all Reserve Facility Costs owing to a Reserve Facility Provider have been paid in full. The Authority's obligation to pay such amounts expressly survives payment in full of the Senior Bonds.

In the event that the rating for a Reserve Facility Provider is withdrawn or reduced by Moody's or S&P to a rate below the requirements specified in the definition of Reserve Facility set forth above, the Authority is to obtain a substitute or replacement Reserve Facility within 60 days from the date of such reduction or withdrawal to the extent that, in the judgment of the Authority, such a substitute or replacement Reserve Facility is available upon reasonable terms and at a reasonable cost, or the Authority has deposited cash or other Permitted Investments (to the extent the same are available from Revenue), in order to provide that there is to be on deposit in the Reserve Fund an amount equal to the Reserve Requirement.

If the Authority causes a cash-funded Reserve Fund or any portion thereof to be replaced with a Reserve Facility, the amount on deposit in the Reserve Fund which is being replaced is to be transferred to the Authority which will deposit such amount in the Bay Area Toll Account, subject, in the case where such moneys are proceeds of Senior Bonds, to the receipt by the Authority of an Opinion of Bond Counsel to the effect that such transfer will not cause the interest on the Senior Bonds to be included in gross income for purposes of federal income taxation.

Establishment and Application of Subordinate Obligations Fund. Upon the written direction of the Authority, the Senior Indenture Trustee is to establish, maintain and hold in trust a separate fund designated as the "Subordinate Obligations Fund." After the transfers required from the Bond Fund have been made pursuant to the Senior Indenture, if there are Subordinate Obligations then Outstanding, the Senior Indenture Trustee is to transfer remaining Revenue to the Subordinate Obligations Fund and is to comply with the directions provided by the Authority pursuant to the Senior Indenture with respect to application of amounts deposited in the to the Subordinate Obligations Fund. The Authority has entered

into the Subordinate Indenture, dated as of June 1, 2010, in order to provide for the issuance of Subordinate Obligations and will make debt service payments on bonds issued under the Subordinate Indenture directly from the Bay Area Toll Account and not through the Subordinate Obligations Fund under the Senior Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS” in the Information Statement for information about Subordinate Obligations.

Establishment and Application of Fees and Expenses Fund. The Senior Indenture Trustee is to establish, maintain and hold in trust a separate fund designated as the “Fees and Expenses Fund.” After the transfers required from the Bond Fund have been made pursuant to the Senior Indenture, if there are Subordinate Obligations then Outstanding, the Senior Indenture Trustee is to transfer remaining Revenue to the Subordinate Obligations Fund and is to comply with the directions provided by the Authority pursuant to the Senior Indenture with respect to application of amounts deposited in the Subordinate Obligations Fund. After such funds have been applied, the Senior Indenture Trustee is to transfer remaining Revenue to the Fees and Expenses Fund. All moneys in the Fees and Expenses Fund are to be used and withdrawn by the Senior Indenture Trustee to pay Fees and Expenses as directed by and in accordance with a Written Request of the Authority. Upon the payment of Fees and Expenses by the Senior Indenture Trustee, remaining Revenue, if any, are to be promptly transferred by the Senior Indenture Trustee to the Authority for deposit in the Bay Area Toll Account. The payment of obligations from the Fees and Expenses Fund is subordinate to the payment of Subordinate Obligations, and so the Authority will instruct the Senior Indenture Trustee that, in the event of a shortfall in funds to pay Subordinate Obligations, amounts in the Fees and Expenses Fund that are not needed to pay Senior Obligations will be made available to pay Subordinate Obligations.

Establishment and Application of Redemption Fund. The Senior Indenture Trustee is to establish, maintain and hold in trust a special fund designated as the “Redemption Fund.” All moneys deposited by the Authority with the Senior Indenture Trustee for the purpose of redeeming Senior Bonds of any Series, unless otherwise provided in the Supplemental Indenture establishing the terms and conditions for such Series of Senior Bonds, are to be deposited in the Redemption Fund. All amounts deposited in the Redemption Fund are to be used and withdrawn by the Senior Indenture Trustee solely for the purpose of redeeming Senior Bonds of such Series and maturity as are specified by the Authority in a Written Request of the Authority delivered to the Senior Indenture Trustee, in the manner, at the times and upon the terms and conditions specified in the Supplemental Indenture pursuant to which such Series of Senior Bonds was issued.

Application of Operations and Maintenance Fund. Within ten Business Days after the beginning of each Fiscal Year, the Authority is to deposit in the Operations and Maintenance Fund such amount as is necessary so that the amount on deposit in the Operations and Maintenance Fund will equal two times budgeted Operations & Maintenance Expenses for such Fiscal Year, such amount to be deposited from Bridge Toll Revenues on deposit in the Bay Area Toll Account. Amounts on deposit in the Operations and Maintenance Fund are to be used and withdrawn by the Authority solely to pay Operations & Maintenance Expenses.

In the event that Bridge Toll Revenues on deposit in the Bay Area Toll Account are not sufficient at the beginning of any Fiscal Year to enable the Authority to make the transfer provided for pursuant to the provisions of the Senior Indenture described in the preceding paragraph at the beginning of such Fiscal Year, the Authority is not required to make such transfer for such Fiscal Year and failure of the Authority to make the transfer at the beginning of any Fiscal Year does not constitute an Event of Default under the Senior Indenture for as long as the Authority is in compliance with the provisions of the Senior

Indenture concerning payment of principal and interest on the Senior Bonds and the covenants concerning toll rates described below under the caption “Covenants of the Authority - Toll Rate Covenants.”

Establishment and Application of Rebate Fund. Upon the written direction of the Authority, the Senior Indenture Trustee is to establish and maintain a separate fund designated as the Rebate Fund and there is to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to each Tax Certificate and the Code. All money at any time deposited in the Rebate Fund are to be held by the Senior Indenture Trustee to satisfy the Rebate Requirement (as such term is defined in the Tax Certificate) for payment to the United States of America.

Investment of Moneys in Funds and Accounts

Moneys held by the Authority in the Bay Area Toll Account and in the funds and accounts created under the Senior Indenture and held by the Authority, including the Operations and Maintenance Fund, will be invested and reinvested in any lawful investment of the Authority.

Moneys held by the Senior Indenture Trustee in the funds and accounts created under the Senior Indenture are to be invested and reinvested in Permitted Investments in accordance with the written instructions of an Authorized Representative of the Authority.

Unless otherwise specified in the Supplemental Indenture creating a Series of Senior Bonds, all Permitted Investments are to be held by or under the control of the Senior Indenture Trustee and are to be deemed at all times to be a part of the fund or account which was used to purchase the Permitted Investment. Unless otherwise provided by written instruction of an Authorized Representative or in a Supplemental Indenture, all interest, profits and other income received from the investment of moneys in any fund or account held by the Senior Indenture Trustee, other than a Construction Fund or the Rebate Fund, are to be transferred to the Bond Fund when received and all interest, profits and other income received from the investment of moneys in any Construction Fund are to be deposited in such Construction Fund. All interest, profits and other income received from the investment of moneys in the Rebate Fund will be deposited in the Rebate Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security is to be credited to the fund or account from which such accrued interest was paid.

The Senior Indenture Trustee is authorized to sell or redeem and reduce to cash a sufficient amount of Permitted Investments whenever the cash balance in any fund or account is or will be insufficient to make any required disbursement. Absent specific instructions from an Authorized Representative, the Senior Indenture Trustee is to invest cash balances in Permitted Investments described in clause (xii) of the definition thereof unless otherwise specified in a Supplemental Indenture.

All Investment Securities credited to the Reserve Fund are to be valued as of April 1 of each year (or the next succeeding Business Day if such day is not a Business Day). All Investment Securities credited to the Reserve Fund are to be valued at their fair market value determined to the extent practical by reference to the closing bid price thereof published in the Wall Street Journal or any other financial publication or quotation service selected by the Senior Indenture Trustee in its discretion.

The Senior Indenture Trustee or its affiliates may act as sponsor, advisor, principal or agent in the acquisition or disposition of any investment with the prior written approval of an Authorized Representative. The Senior Indenture Trustee may commingle any of the moneys held by it pursuant to the Senior Indenture (except for amounts on deposit in the Rebate Fund and amounts on deposit in any

fund or account established to hold the proceeds of a drawing on any Credit Support Instrument) for investment purposes only; provided, however, that the Senior Indenture Trustee is to account separately for the moneys belonging to each fund or account established pursuant to the Senior Indenture and held by it.

Additional Senior Bonds; Subordinate Obligations

Restrictions on Issuance of Additional Senior Bonds. Subsequent to the issuance of the Initial Senior Bonds, no additional Senior Bonds (or Senior Parity Obligations) are to be issued unless at least one of the following is true immediately following the issuance of such additional Senior Bonds:

(a) the additional Senior Bonds (or Senior Parity Obligations) are issued for refunding purposes to provide funds for the payment of any or all of the following: (1) the principal or redemption price of the Outstanding Senior Bonds (or Senior Parity Obligations) to be refunded; (2) all expenses incident to the calling, retiring or paying of such Outstanding Senior Bonds (or Senior Parity Obligations) and the Costs of Issuance of such refunding Senior Bonds; (3) interest on all Outstanding Senior Bonds (or Senior Parity Obligations) to be refunded to the date such Senior Bonds will be called for redemption or paid at maturity; and (4) interest on the refunding Senior Bonds (or Senior Parity Obligations) from the date thereof to the date of payment or redemption of the Senior Bonds (or Senior Parity Obligations) to be refunded.

(b) the Board determines that one of the following is true: (1) the ratio of (A) Net Revenue for the most recent Fiscal Year for which audited financial statements are available to (B) Maximum Annual Debt Service on the Senior Bonds (and Senior Parity Obligations), calculated as of the date of sale of, and including such additional Senior Bonds, will not be less than 1.50:1; or (2) the ratio of (A) projected Net Revenue for each of the next three (3) Fiscal Years, including in such projections amounts projected to be received from any adopted toll increase or planned openings of an additional Bay Area Bridge, to (B) Maximum Annual Debt Service on the Senior Bonds (and Senior Parity Obligations), calculated as of the date of sale of, and including such additional Senior Bonds (and Senior Parity Obligations), will not be less than 1.50:1.

Maximum annual debt service with respect to Senior Parity Obligations is to be determined using the principles set forth in the definition of Maximum Annual Debt Service; provided that if a Senior Parity Obligation is contingent upon funds being provided under a Credit Support Instrument to pay principal or purchase price of or interest on a Senior Bond, such Senior Parity Obligations will not be considered outstanding until such payment is made thereunder.

For Additional Senior Bonds and Senior Parity Obligations issued to finance a Project that includes toll bridge program capital improvements for any bridge newly designated after January 1, 2006 as a Bay Area Bridge, projected Net Revenue for such bridge is to be calculated using estimates of Bridge Toll Revenues prepared by a Traffic Consultant unless that bridge has been an operating toll bridge for at least three Fiscal Years.

Proceedings for Issuance of Additional Senior Bonds. Subsequent to the issuance of the Initial Senior Bonds, whenever the Authority determines to issue additional Senior Bonds (and Senior Parity Obligations), the Authority shall, in addition to fulfilling the requirements of the Senior Indenture described above, file with the Senior Indenture Trustee:

(a) a certificate of the Authority stating that no Event of Default specified in the Senior Indenture has occurred and is then continuing;

(b) a certificate of the Authority stating that the requirements of the Senior Indenture described under the caption “Restrictions on Issuance of Additional Senior Bonds” have been satisfied;

(c) if such additional Senior Bonds are being issued based upon compliance with subparagraph (b)(1) above under the caption “Restrictions on Issuance of Additional Senior Bonds,” a Certificate of the Authority stating that nothing has come to the attention of the Authority that would lead the Authority to believe that there has been a material adverse change in the operation of the Bay Area Bridges such that Net Revenue for the then current Fiscal Year would be insufficient to meet the debt service coverage requirement set forth in subparagraph (b)(1) above under the caption “Restrictions on Issuance of Additional Senior Bonds”;

(d) the balance in the Reserve Fund upon receipt of the proceeds of the sale of such Series of Senior Bonds shall be increased, if necessary, to an amount at least equal to the Reserve Requirement with respect to all Senior Bonds Outstanding upon the issuance of such Series of Senior Bonds; and

(e) an Opinion of Bond Counsel to the effect that the execution of the Supplemental Indenture creating such Series of Senior Bonds has been duly authorized by the Authority in accordance with the Senior Indenture and that such Series of Senior Bonds, when duly executed by the Authority and authenticated and delivered by the Senior Indenture Trustee, are to be valid and binding obligations of the Authority.

Subordinate Obligations. Except to the extent restricted by a Supplemental Indenture, the Authority may issue or incur obligations payable out of Revenue on a basis junior and subordinate to the payment of the principal, interest and reserve fund requirements for the Senior Bonds and Senior Parity Obligations, as the same become due and payable and at the times and in the manner as required by the Senior Indenture or as required by the instrument pursuant to which such Senior Parity Obligations were issued or incurred, as applicable.

Covenants of the Authority

Punctual Payment. The Authority is to punctually pay the principal and Purchase Price of and the interest on (and redemption premiums, if any) to become due on the Senior Bonds in strict conformity with the terms of the Act, the Senior Indenture and the Senior Bonds, and is to faithfully observe and perform all of the agreements and covenants contained in the Senior Indenture and the Senior Bonds.

Against Encumbrances; First Lien Indebtedness; Subordinated Bonds. The Authority is not to create or cause or permit to be created any pledge, lien, charge or encumbrance having priority over, or having parity with, the lien of the Senior Bonds and Senior Parity Obligations upon any of the Revenue or issue any bonds, notes or other obligations secured by a pledge of or charge or lien upon Revenue except Senior Bonds and Senior Parity Obligations; provided that the Authority may at any time, or from time to time, issue or incur Subordinate Obligations as provided in the Senior Indenture.

Tax Covenants. The Authority is not to use or permit the use of any proceeds of the Senior Bonds or any funds of the Authority, directly or indirectly, to acquire any securities or obligations that would cause the interest on Senior Bonds intended by the Authority to be exempt from federal income taxation to become subject to federal income taxation, and will not take or permit to be taken any other action or actions, which would cause any such Senior Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code or “federally guaranteed” within the meaning of Section 149(b) of the Code and any such applicable regulations promulgated from time to time thereunder. The Authority is to

observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The Authority covenants to comply with the provisions and procedures of each Tax Certificate.

With respect to build America bonds it has issued, the Authority is not to use or permit the use of any proceeds of such Senior Bonds or any funds of the Authority or any funds held by the Senior Indenture Trustee under the Senior Indenture, directly or indirectly, in any manner, nor to take or omit to take any action, that would adversely affect the receipt of the Subsidy Payments.

Toll Rate Covenants. The Authority covenants that it is at all times to establish and maintain tolls on the Bay Area Bridges at rates sufficient to meet Operations & Maintenance Expenses, to otherwise comply with the Act and to pay debt service on all Outstanding Senior Bonds and Senior Parity Obligations secured by Revenue.

In addition to the requirements of the Senior Indenture described in the above paragraph, while any Senior Bonds or Senior Parity Obligations remain Outstanding, the Authority covenants: (i) to compute Net Revenue, MTC Transfers, Subordinated Maintenance Expenditures, Annual Debt Service, Subordinate Obligations, and the ratios required by the provisions of the Senior Indenture described in the following subsection (iii) (such ratios being hereinafter referred to as the "Coverage Ratios") within ten Business Days after the beginning of each Fiscal Year (such date of computation being hereinafter referred to as a "Toll Coverage Calculation Date"), commencing with the Fiscal Year beginning July 1, 2001; (ii) to furnish to the Senior Indenture Trustee and each Credit Provider a Certificate of the Authority setting forth the results of such computations and such Coverage Ratios, such Certificate to be provided no later than two months after the beginning of each Fiscal Year; and (iii) to increase tolls if on any Toll Coverage Calculation Date, (x) the ratio produced by dividing Net Revenue by the sum of Annual Debt Service and MTC Transfers (such sum being hereinafter referred to as "Fixed Charges"), Subordinated Maintenance Expenditures for the then current Fiscal Year and payments on Subordinate Obligations for the then current Fiscal Year (determined using the principles set forth in the definition of Annual Debt Service but excluding payments that are one-time or extraordinary payments, such as termination payments on Qualified Swap Agreements) is less than 1.0 or (y) the ratio produced by dividing the sum of (1) Net Revenue and (2) any funds then on deposit in the Operations and Maintenance Fund by Fixed Charges for the then current Fiscal Year is less than 1.25, or (z) the ratio produced by dividing Net Revenue by Annual Debt Service for the then current Fiscal Year is less than 1.20. For purposes of such calculations, Net Revenue and Subordinated Maintenance Expenditures are determined by reference to the current budget of the Authority.

Payment of Claims. The Authority is to pay and discharge any and all lawful claims which, if unpaid, might become a charge or lien upon the Revenue or any part thereof or upon any funds in the hands of the Authority or the Senior Indenture Trustee prior to or on a parity with the charge and lien upon the Revenue securing any Senior Bonds.

Accounting Records and Financial Statements. The Authority is to keep appropriate accounting records in accordance with generally accepted accounting principles. Such accounting records, at all times during business hours, are to be subject to the inspection of the Senior Indenture Trustee or of any Holder (or its representative authorized in writing).

The Authority is to prepare and file with the Senior Indenture Trustee annually within 210 days after the close of each Fiscal Year financial statements of the Authority for such fiscal year, together with an audit report thereon prepared by an Independent Certified Public Accountant.

Protection of Revenue and Rights of Holders. The Authority is to preserve and protect the security of the Senior Bonds and Senior Parity Obligations and the rights of the Bondholders and the holders of Senior Parity Obligations and is to warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the Senior Bonds by the Authority, the Senior Bonds are to be incontestable by the Authority.

Payment of Governmental Charges and Compliance with Governmental Regulations. The Authority is to pay and discharge all taxes or payments in lieu of taxes, assessments and other governmental charges or liens that may be levied, assessed or charged upon the Revenue, or any part thereof, promptly as and when the same become due and payable, except that the Authority will not be required to pay any such governmental charges so long as the application or validity thereof is contested in good faith and the Authority has set aside reserves to cover such payments.

Further Assurances. The Authority is to adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Senior Indenture and for the better assuring and confirming unto the Holders of the rights and benefits provided therein.

Debt Policy. The Authority is to maintain in effect at all times a debt policy that includes a prohibition against the use by the Authority of financial instruments authorized by California Government Code sections 5920-5924 or any similar law for speculative purposes.

Toll Rate Coverage and Additional Senior Bonds Calculations. In calculating the additional Senior Bonds (or Senior Parity Obligations) test provided for in the Senior Indenture and determining compliance with the toll rate covenants in the Senior Indenture, the Authority in its computations shall not include in the Revenue component of Net Revenue any amounts on deposit in the Reserve Fund.

Additional Security. The Authority irrevocably directs that all Subsidy Payments be made to the Senior Indenture Trustee for the payment of interest on Senior Bonds pursuant to this Indenture. Any Subsidy Payments received by the Authority shall be promptly remitted to the Senior Indenture Trustee. The Senior Indenture Trustee shall deposit all Subsidy Payments to the Interest Account upon receipt thereof and thereby constitute those amounts Revenue. The Senior Indenture Trustee shall file such forms with the Internal Revenue Service and take all other such actions as the Authority has notified it in writing may be necessary to request and receive the Subsidy Payments on the Authority's behalf and the Senior Indenture Trustee has no responsibility therefor other than following the Authority's written instructions. Unless and until the proposed Build America Bonds Amendment becomes effective, all Subsidy Payments received or expected to be received, as applicable, shall be included in Net Revenue for purposes of the additional bonds test and rate covenants set forth in the Senior Indenture. Upon the effective date of the Build America Bonds Amendment and thereafter, Net Revenue shall be calculated by excluding the Subsidy Payments therefrom but the deposit of the Subsidy Payments to the Interest Account upon receipt thereof shall continue.

Events of Default and Remedies of Bondholders

Events of Default. The following events shall be Events of Default:

(a) Default in the payment of any interest on any Senior Bond when and as the same has become due;

(b) Default in the payment of the principal or Purchase Price of or premium, if any, on any Senior Bond when and as the same has become due, whether at the stated maturity or redemption date thereof or otherwise; or

(c) Default in the observance or performance of any other covenant or agreement of the Authority contained in the Senior Indenture and the continuance thereof for a period of 60 days after written notice thereof to the Authority given by the Senior Indenture Trustee.

Notwithstanding the foregoing, pursuant to amendments to the Senior Indenture, the failure to pay the Purchase Price of Senior Bonds is not an Event of Default. See “Mechanics of Optional and Mandatory Tenders” herein.

In case one or more Events of Default occurs, then and in every such case the Senior Indenture Trustee may, and shall at the request of the Holders of not less than a majority of the aggregate principal amount of any Series of Senior Bonds then Outstanding (or such greater percentage of the Holders of Senior Bonds of any Series as may be specified in the Supplemental Indenture creating such Series), proceed to protect and enforce Bondholder rights by such appropriate judicial proceeding as the Senior Indenture Trustee deems most effectual to protect and enforce any such right, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in the Senior Indenture, or in aid of the exercise of any power granted in the Senior Indenture, or to enforce any other legal or equitable right vested in the Bondholders by the Senior Indenture or the Senior Bonds or by law.

No Acceleration Permitted. The remedies available to the Senior Trustee and the Holders of Senior Bonds upon and following the occurrence of an Event of Default do not include acceleration of the maturity of any Senior Bonds. The remedies available to the Subordinate Indenture Trustee and the holders of Subordinate Bonds upon and following the occurrence of an event of default under the Subordinate Indenture do not include acceleration of the maturity of any Subordinate Bonds.

Senior Indenture Trustee

The Senior Indenture Trustee, during the existence of any Event of Default (which has not been cured), is to exercise such of the rights and powers vested in it by the Senior Indenture, and use the same degree of care and skill in their exercise as reasonable persons would exercise or use under the circumstances in the conduct of their own affairs.

No provision of the Senior Indenture is to be construed to relieve the Senior Indenture Trustee from liability for its own negligent action or its own negligent failure to act, except that, at all times regardless of whether or not any Event of Default shall exist: (i) the duties and obligations of the Senior Indenture Trustee are to be determined solely by the express provisions of the Senior Indenture, and the Senior Indenture Trustee is not to be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations are to be read into this Indenture against the Senior Indenture Trustee; and (ii) in the absence of bad faith on the part of the Senior Indenture Trustee, the Senior Indenture Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Senior Indenture Trustee conforming to the requirements of this Indenture; but in the case of any such certificate or opinion which by any provision of the Senior Indenture is specifically required to be furnished to the Senior Indenture Trustee, the Senior Indenture Trustee is to be under a duty to examine the same to determine whether or not it conforms to the requirements of the Senior Indenture; (iii) the Senior Indenture Trustee is not liable for any error of judgment made in good faith unless it is proved that

the Senior Indenture Trustee was negligent in ascertaining the pertinent facts; and (iv) the Senior Indenture Trustee is not liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of any Credit Provider or the Holders of not less than a majority, or such larger percentage as may be required under the Senior Indenture, in aggregate principal amount of the Senior Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Senior Indenture Trustee or exercising any trust or power conferred upon the Senior Indenture Trustee under the Senior Indenture.

None of the provisions contained in the Senior Indenture shall require the Senior Indenture Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

In case at any time either of the following shall occur: (i) the Senior Indenture Trustee shall cease to be eligible in accordance with the provisions of the Senior Indenture relating to Senior Indenture Trustee eligibility and shall fail to resign after written request therefor by the Authority or by any Holder who has been a bona fide Holder of a Senior Bond for at least six months; or (ii) the Senior Indenture Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Senior Indenture Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Senior Indenture Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, the Authority may remove the Senior Indenture Trustee and appoint a successor trustee by an instrument in writing executed by an Authorized Representative, or any Holder who has been a bona fide Holder of a Senior Bond for at least six months may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Senior Indenture Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Senior Indenture Trustee and appoint a successor trustee.

The Authority or Holders of a majority in aggregate principal amount of the Senior Bonds at the time Outstanding may at any time remove the Senior Indenture Trustee and appoint a successor trustee by an instrument or concurrent instruments in writing signed by an Authorized Representative of the Authority or by such Holders, as the case may be. Any resignation or removal of the Senior Indenture Trustee and appointment of a successor trustee pursuant to any of the applicable provisions of the Senior Indenture shall become effective upon acceptance of appointment by the successor trustee acceptable to the Authority. Any successor trustee shall execute, acknowledge and deliver to the Authority and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusts hereunder, with like effect as if originally named as Senior Indenture Trustee in the Senior Indenture.

Modification or Amendment of the Senior Indenture

Amendments Permitted Without Bondholder Consent. Except to the extent restricted by a Supplemental Indenture, the Authority, without the consent of or notice to any Bondholders, may adopt amendments to the Senior Indenture for one or more of the following purposes:

(a) To grant to or confer upon the Bondholders of any Series any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders;

(b) To grant or pledge to the Bondholders of any Series any additional security;

(c) To amend the Senior Indenture in such manner as may be necessary or convenient in connection with the book-entry system for payments, transfers and other matters relating to the Senior Bonds;

(d) To cure any ambiguity or to correct or supplement any provision contained in the Senior Indenture or in any Supplemental Indenture which may be defective or inconsistent with any provision contained therein or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under the Senior Indenture which will not materially adversely affect the interest of the Bondholders;

(e) To make any change therein necessary, in the Opinion of Bond Counsel, to maintain the exclusion from gross income for federal income tax purposes of the interest on any Outstanding Senior Bonds;

(f) To make modifications or adjustments necessary in order to accommodate a Credit Support Instrument or a Reserve Facility;

(g) To modify, alter, amend or supplement the Senior Indenture or any Supplemental Indenture in any other respect, including any amendments which would otherwise be described in the Senior Indenture, if (i) all Senior Bonds to be affected thereby are variable interest rate bonds, (ii) such amendments will not become effective until written notice thereof has been given to Bondholders by the Senior Indenture Trustee, and (iii) thirty days

will have passed during which time such Bondholders will have had the opportunity to tender their variable interest rate bonds for purchase; and

(h) To issue additional Senior Bonds under the Senior Indenture in accordance with the terms thereof.

Any Supplemental Indenture entered into pursuant to the provisions of the Senior Indenture summarized above are to be deemed not to materially adversely affect the interest of the Bondholders so long as (i) all Senior Bonds are secured by a Credit Support Instrument and (ii) each Credit Provider will have given its written consent to such Supplemental Indenture.

No modification or amendment to the Senior Indenture that affects to a material extent the security or remedies of the Credit Provider will be entered into without the prior written consent of such Credit Provider.

Amendments Requiring Bondholder Consent. Exclusive of amendments authorized by the provisions of the Senior Indenture described above and subject to the terms and provisions of the Senior Indenture, the Holders of not less than a majority of the aggregate principal amount of the then Outstanding Senior Bonds, or if less than all of the Outstanding Senior Bonds are affected, the Holders of not less than a majority of the aggregate principal amount of the Outstanding Senior Bonds affected, will have the right, from time to time, anything contained in the Senior Indenture to the contrary notwithstanding, to consent to such other amendments to the Senior Indenture as will be consented to by the Authority in its sole discretion for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Senior Indenture or in any Supplemental Indenture; provided, however, that nothing in the Senior Indenture is to permit, or be construed as permitting (a) an extension of the maturity of the principal of, or the mandatory redemption date of, or interest on, any Senior Bond, or (b) a reduction in the principal amount of, or the redemption

premium or the rate of interest on, any Senior Bond, (c) a preference or priority of any Senior Bond or Senior Bonds over any other Senior Bond or Senior Bonds except as provided in the provisions of the Senior Indenture summarized above under the heading “Additional Senior Bonds; Subordinate Obligations,” or (d) a reduction in the aggregate principal amount of the Senior Bonds required for any consent to any amendment.

Exclusive of amendments authorized by the provisions of the Senior Indenture described above under the subheading “Amendments Permitted Without Bondholder Consent” and subject to the terms and provisions of the Senior Indenture described therein, the Authority and the Senior Indenture Trustee may also enter into a Supplemental Indenture for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Senior Indenture or in any Supplemental Indenture, which Supplemental Indenture becomes binding, without the consent of any Holder, when the written consents of each Credit Provider then providing a Credit Support Instrument for any Series of Outstanding Senior Bonds will have been obtained and filed with the Senior Indenture Trustee, provided that at such time the payment of principal of and interest on all Senior Bonds then Outstanding are to be insured by or payable under a Credit Support Instrument provided by a Credit Provider then rated in one of the two highest Rating Categories of each rating agency then maintaining a rating on any Senior Bonds and provided, further, however, that nothing in the Senior Indenture is to permit, or be construed as permitting (a) an extension of the maturity of the principal of, or the mandatory redemption date of, or interest on, any Senior Bond, or (b) a reduction in the principal amount of, or the redemption premium or the rate of interest on, any Senior Bond, (c) a preference or priority of any Senior Bond or Senior Bonds over any other Senior Bond or Senior Bonds except as provided in the provisions of the Senior Indenture summarized above under the heading “Additional Senior Bonds; Subordinate Obligations,” or (d) a reduction in the aggregate principal amount of the Senior Bonds required for any consent to any amendment.

Effect of Supplemental Indentures. Upon the execution and delivery of any Supplemental Indenture pursuant to the provisions of the Senior Indenture, the Senior Indenture is to be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Senior Indenture of the Authority, the Senior Indenture Trustee and all Owners of Outstanding Senior Bonds are to thereafter be determined, exercised and enforced subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture are to be deemed to be part of the terms and conditions of the Senior Indenture for any and all purposes.

Discharge of Lien

Discharge of Lien and Security Interest. At the election of the Authority, upon payment in full of all the Senior Bonds and of all amounts payable under the Senior Indenture, the pledge and lien on the Revenue arising under the Senior Indenture is to cease, determine and be void; provided, however, such discharge of the Senior Indenture will not terminate the powers and rights granted to the Senior Indenture Trustee with respect to the payment, transfer and exchange of the Senior Bonds.

If the principal of or interest on any Senior Bonds are to be paid by a Credit Provider, those Senior Bonds are to remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority within the meaning of the Senior Indenture, and the pledge of the Revenue and all covenants, agreements and other obligations of the Authority as therein provided are to continue to exist and will run to the benefit of each Credit Provider, and such Credit Provider is to be subrogated to the rights of the Holders.

Provision for Payment of Senior Bonds. Senior Bonds (or any portion of the Senior Bonds) are deemed to have been paid within the meaning of the above paragraphs if:

(a) there has been irrevocably deposited with the Senior Indenture Trustee in trust either (i) lawful money of the United States of America in an amount which is to be sufficient, or (ii) Government Obligations, the principal and interest on which when due, together with the moneys, if any, deposited with the Senior Indenture Trustee at the same time, are to be sufficient (as confirmed by a report of an Independent Certified Public Accountant), to pay when due the principal amount of, redemption premium (if any) and all unpaid interest on such Senior Bonds (or any portion thereof) to the maturity or the redemption date thereof, as the case may be; and

(b) if any such Senior Bonds are to be redeemed on any date prior to their maturity, (i) the Senior Indenture Trustee has received (not less than 45 days prior to the proposed redemption date) in form satisfactory to it irrevocable instructions from an Authorized Representative to redeem such Senior Bonds on such date and (ii) notice of such redemption has been given or provision satisfactory to the Senior Indenture Trustee has been made for the giving of such notice.

In addition, all money so deposited with the Senior Indenture Trustee as provided in the provisions of the Senior Indenture described in the paragraph above may also be invested and reinvested, at the direction of an Authorized Representative, in Government Obligations, maturing in the amounts and times as set forth in the Senior Indenture, and all income from all Government Obligations in the hands of the Senior Indenture Trustee pursuant to the Senior Indenture which is not required for the payment of the principal of the Senior Bonds and interest and redemption premium, if any, thereon with respect to which such money has been so deposited, is to be deposited in the Bond Fund as and when realized and applied as is other money deposited in the Bond Fund, or in the event there are no longer any Senior Bonds Outstanding under the Senior Indenture, such income is to be automatically paid over to the Authority.

No Senior Bond which is subject to optional or mandatory tender in accordance with the provisions of the Supplemental Indenture pursuant to which such Senior Bond was issued, is to be deemed to be paid within the meaning of the Senior Indenture, unless arrangements have been made to assure that such Senior Bond, if tendered for purchase in accordance with the provisions of the applicable Supplemental Indenture, could be paid and redeemed from such moneys or Government Obligations as are provided pursuant to the provisions described above.

Defeasance of Senior Bonds Supported by a Liquidity Instrument

A Rating Confirmation is required with respect to the defeasance of any Senior Bonds supported by a Liquidity Instrument.

Liability of Authority Limited to Revenue

The Authority is not required to advance any money derived from any source of income other than Revenue as provided in the Senior Indenture for the payment of the interest on or principal or Purchase Price of or redemption premium, if any, on the Senior Bonds or for the performance of any agreements or covenants contained therein. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring an indebtedness prohibited by the Senior Indenture.

Rights of Credit Providers

A Supplemental Indenture authorizing a Series of Senior Bonds may provide that any Credit Provider providing a Credit Support Instrument with respect to Senior Bonds of such Series may exercise any right under the Senior Indenture given to the Owners of the Senior Bonds to which such Credit Support Instrument relates.

All provisions under the Senior Indenture authorizing the exercise of rights by a Credit Provider with respect to consents, approvals, directions, waivers, appointments, requests or other actions, are to be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and is to be read as if the Credit Provider were not mentioned therein (i) during any period during which there is a default by such Credit Provider under the applicable Credit Support Instrument or (ii) after the applicable Credit Support Instrument at any time for any reason ceases to be valid and binding on the Credit Provider, or is declared to be null and void by final judgment of a court of competent jurisdiction, or after the Credit Support Instrument has been rescinded, repudiated by the Credit Provider or terminated, or after a receiver, conservator or liquidator has been appointed for the Credit Provider. All provisions relating to the rights of a Credit Provider are to be of no further force and effect if all amounts owing to the Credit Provider under a Credit Support Instrument have been paid and the Credit Support Instrument provided by such Credit Provider is no longer in effect.

(This page intentionally left blank)

APPENDIX C

**DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE
INDENTURE**

TABLE OF CONTENTS

	Page
DEFINITIONS.....	C-1
THE SUBORDINATE INDENTURE.....	C-12
Statutory Lien; Pledges; Funds and Accounts	C-12
Funds and Accounts Establishment and Application of Bond Fund	C-13
Investment of Moneys in Funds and Accounts.....	C-16
Subsidy Payments	C-17
Additional Subordinate Bonds; Subordinate Parity Obligations; Subordinated Obligations.....	C-17
Events of Default and Remedies of Bondholders	C-20
Subordinate Trustee	C-21
Modification or Amendment of the Subordinate Indenture.....	C-23
Discharge of Lien.....	C-25
Liability of Authority Limited to Revenue	C-26
Rights of Credit Providers	C-26

Set forth below are definitions of certain terms used elsewhere in the Information Statement or the most recent Supplement thereto. In addition, this Appendix C includes a summary of certain provisions of the Subordinate Indenture, dated as of June 1, 2010, as supplemented by the First Supplemental Indenture, dated as of June 1, 2010 (hereinafter collectively referred to as the “Subordinate Indenture”), between the Bay Area Toll Authority and The Bank of New York Mellon Trust Company, N.A., as trustee. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Subordinate Indenture. This summary does not repeat information set forth in the Information Statement, or any Supplement to the Information Statement, concerning terms (such as interest rates and maturities), redemption provisions, and certain other features of any particular series of the Subordinate Bonds that are described in the most recent Supplement to the Information Statement that describes that series of the Subordinate Bonds. See also “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS” in the Information Statement for information about the security and sources of payment for Subordinate Bonds and the security and sources of payment for Senior Obligations.

DEFINITIONS

“Act” means Chapter 4, Chapter 4.3, and Chapter 4.5 of Division 17 of the California Streets and Highways Code and the provisions of the Revenue Bond Law of 1941 made applicable to the Authority by Streets and Highways Code section 30961, as each may be amended from time to time hereafter.

“Authority” means the Bay Area Toll Authority, a public entity duly established and existing pursuant to the Act, and any successor thereto.

“Authorized Denominations” means, with respect to the 2000 Series S-1 Bonds, \$5,000 and any integral multiple thereof, and with respect to any other Series of Subordinate Bonds, the denomination or denominations designated as such in the Supplemental Indenture providing for the issuance of such Series of Subordinate Bonds.

“Authorized Representative” means the Executive Director of the Authority, any Deputy Executive Director of the Authority, the Chief Financial Officer of the Authority, or any other employee of the Authority at the time designated to act on behalf of the Authority in a Certificate of the Authority executed by any of the foregoing officers and filed with the Subordinate Trustee, which Certificate shall contain such employee’s specimen signature.

“Available Revenue” means, for any Fiscal Year, Revenue less Maintenance and Operation Expenses for that Fiscal Year, as set forth in the audited financial statements of the Authority for Fiscal Years for which audited financial statements are available or as projected by the Authority for Fiscal Years for which audited financial statements are not yet available. Available Revenue shall not include any amount on deposit in the Reserve Fund or in the reserve fund under the Senior Indenture or any Subsidy Payments.

“Bay Area Bridges” means the state owned bridges in the San Francisco Bay Area under the jurisdiction of the Authority, comprised of the Antioch Bridge, the Benicia-Martinez Bridge, the Carquinez Bridge, the Dumbarton Bridge, the Richmond-San Rafael Bridge, the San Francisco-Oakland Bay Bridge, the San Mateo-Hayward Bridge, and any additional bridges added to the Authority’s jurisdiction and designated by resolution of the Board to be included as a “Bay Area Bridge” under the Subordinate Indenture. Each Bay Area Bridge includes the existing bridge or bridges and any replacement spans or additional adjacent spans.

“Bay Area Toll Account” means the account by that name created pursuant to Section 30953 of the Act.

“Beneficial Owner” means, with respect to any Book-Entry Bond, the beneficial owner of such Subordinate Bond as determined in accordance with the applicable rules of the Securities Depository for such Book-Entry Bonds.

“Board” means the governing board of the Authority.

“Bond Counsel” means a firm of nationally-recognized attorneys-at-law experienced in legal work relating to the issuance of municipal bonds selected by the Authority.

“Bond Fund” means the fund by that name created pursuant to the Subordinate Indenture.

“Bond Register” means the registration books for the ownership of Subordinate Bonds maintained by the Subordinate Trustee pursuant to the Subordinate Indenture.

“Bondholder” or “Holder” or “Owner” means the record owner of any Subordinate Bond shown on the books of registration kept by the Subordinate Trustee, which, during any period when ownership of such Subordinate Bond is a Book-Entry Bond, shall be the Securities Depository or its Nominee.

“Book-Entry Bonds” means Subordinate Bonds issued under a book-entry only depository system as provided in the Subordinate Indenture.

“Bridge Toll Revenues” means toll revenues and all other income derived by the Authority from the Bay Area Bridges and not limited or restricted by law to a specific purpose.

“Business Day” means any day, other than a Saturday, Sunday or other day on which banks are authorized or obligated by law or executive order to be closed in the State of California or the State of New York or in any city in which the Principal Office of the Subordinate Trustee or the office where draws are to be made on a Credit Provider is located.

“Caltrans” means the California Department of Transportation.

“Certificate of the Authority” means an instrument in writing signed by an Authorized Representative of the Authority.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.

“Commercial Paper Program” means a program of short-term Bonds having the characteristics of commercial paper in that (i) such Subordinate Bonds have a stated maturity not later than 270 days from their date of issue and (ii) maturing Bonds of such program may be paid with the proceeds of renewal Bonds.

“Continuing Disclosure Agreement” means, with respect to each Series of Subordinate Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the Continuing Disclosure Agreement, entered into by the Authority, the Subordinate Trustee and the Dissemination Agent, as the same may be supplemented, modified or amended in accordance with its terms.

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

“Coverage Calculation Date” has the meaning assigned in the Subordinate Indenture.

“Coverage Ratio” has the meaning assigned in the Subordinate Indenture.

“Credit Provider” means any municipal bond insurance company, bank or other financial institution or organization or group of financial institutions or organizations providing a Credit Support Instrument for a Series of Subordinate Bonds.

“Credit Support Instrument” means a policy of insurance, letter of credit, line of credit, standby purchase agreement, revolving credit agreement or other credit arrangement pursuant to which a Credit Provider provides credit or liquidity support with respect to, or available for, the payment of interest, principal or Purchase Price of any Series of Subordinate Bonds, as the same may be amended from time to time pursuant to its terms, and any replacement therefor.

“CUSIP” means the Committee on Uniform Securities Identification Procedures of the American Bankers Association, or any successor to its functions.

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

“Debt Service” for any Fiscal Year means the aggregate amount of payments due on Subordinate Bonds, Subordinate Parity Obligations, and Senior Obligations for that Fiscal Year, as calculated by the Authority, utilizing the assumptions about payments on Subordinate Bonds, Subordinate Parity Obligations, and Senior Obligations listed in the definition of Maximum Annual Debt Service.

“Defeasance Securities” means: (a) non-callable, non-prepayable obligations of the type listed in clause (i) or clause (ii) of the definition of Permitted Investments; (b) non-callable, non-prepayable obligations of the type listed in clause (iii) of the definition of Permitted Investments that are rated in the highest long-term Rating Category by Moody’s or S&P; and (c) bonds and other obligations described in clause (vi) of the definition of Permitted Investments.

“Dissemination Agent” means, with respect to each Series of Subordinate Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the party acting as dissemination agent under the Continuing Disclosure Agreement delivered in connection with such Series of Subordinate Bonds, or any successor dissemination agent designated in writing by the Authority and which has filed a written acceptance with the Authority and the Subordinate Trustee.

“Electronic” means, with respect to notice, notice through the internet or through a time-sharing terminal.

“Event of Default” means any of the events specified in the Subordinate Indenture.

“Fiscal Year” means the period of twelve months terminating on June 30 of each year, or any other annual period hereafter selected and designated by the Authority as its Fiscal Year in accordance with applicable law.

“Independent Certified Public Accountant” means any certified public accountant or firm of such accountants appointed by the Authority, and who, or each of whom, is independent with respect to the Authority, pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

“Interest Account” means the account by that name created pursuant to the Subordinate Indenture.

“Maintenance and Operation Expenses” means all expenses of the Authority and Caltrans for the maintenance and operation of the Bay Area Bridges payable from Revenue, determined in accordance with generally accepted accounting principles, excluding any extraordinary or one-time expenses; expenses paid from proceeds of Subordinate Bonds, Subordinate Parity Obligations or Senior Obligations; capital expenditures; expenditures for rehabilitation and operational improvement projects on the Bay Area Bridges; depreciation or obsolescence charges or reserves therefor; credit, liquidity or

remarketing fees relating to Subordinate Bonds, Subordinate Parity Obligations or Senior Obligations; and amortization of intangibles or other bookkeeping entries of a similar nature.

“Maximum Annual Debt Service” means the highest amount of payments due on Subordinate Bonds, Subordinate Parity Obligations, and Senior Obligations for any Fiscal Year during the period from the date of such determination through the final maturity date of the Subordinate Bonds, Subordinate Parity Obligations, and Senior Obligations then Outstanding and proposed to be issued, as calculated by the Authority, utilizing the following assumptions about payments on Subordinate Bonds, Subordinate Parity Obligations, and Senior Obligations (and if more than one of the following assumptions could apply to any such payment, the Authority shall select the assumption to be applied):

(i) in determining the principal amount of a Subordinate Bond, Subordinate Parity Obligation or Senior Obligation due in each year, payment shall be assumed to be made in accordance with the amortization schedule established for such principal, including any minimum sinking fund or account payments;

(ii) if 20 percent or more of the principal of a Series of Subordinate Bonds, Subordinate Parity Obligations or Senior Obligations is not due until the final stated maturity of that Series of Subordinate Bonds, Subordinate Parity Obligations or Senior Obligations, principal and interest may be treated as if such principal and interest were due based upon a level amortization of such principal and interest over the term of that Series of Subordinate Bonds, Subordinate Parity Obligations or Senior Obligations;

(iii) if the Subordinate Bond, Subordinate Parity Obligation or Senior Obligation is supported by a line of credit or a letter of credit, principal may be treated as if it were due based upon the level amortization of such principal over the maximum term of repayment of borrowings under such line of credit or letter of credit;

(iv) if an Outstanding Subordinate Bond, Subordinate Parity Obligation or Senior Obligation bears a variable interest rate, the interest rate shall be assumed to be the greater of (a) the daily average interest rate during the 12 months ending with the month preceding the date of calculation, or such shorter period that the Subordinate Bond, Subordinate Parity Obligation or Senior Obligation has been Outstanding, or (b) the rate of interest on that Bond, Subordinate Parity Obligation or Senior Obligation on the date of calculation;

(v) if Subordinate Bonds or Subordinate Parity Obligations proposed to be issued will be variable interest rate obligations, the interest on which is excluded from gross income for federal income tax purposes, then such obligations shall be assumed to bear interest at an interest rate equal to the average SIFMA Index during the three months preceding the month of calculation, or if SIFMA Index is no longer published, at an interest rate equal to 75% of the average One Month USD LIBOR Rate during that three month period, or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Authority;

(vi) if Subordinate Bonds or Subordinate Parity Obligations proposed to be issued will be variable interest rate obligations the interest on which is included in gross income for federal income tax purposes, then such obligations shall be assumed to bear interest at an interest rate equal to the average One Month USD LIBOR Rate during the three months preceding the month of calculation, or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Authority;

(vii) if Subordinate Bonds proposed to be issued are part of a Commercial Paper Program, the principal of such Subordinate Bonds may 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 Subordinate Bonds shall be calculated as if such Subordinate Bonds were variable interest rate Subordinate Bonds;

(viii) if the variable interest on any Subordinate Bond, Subordinate Parity Obligation or Senior Obligation plus the variable payments due to the Authority and fixed payments due from the Authority under a Qualified Swap Agreement or a Swap designated by the Authority are treated by the Authority as synthetic fixed rate debt, the variable interest rate Subordinate Bond or Subordinate Parity Obligation or Senior Obligation may be treated as bearing such synthetic fixed rate for the duration of the synthetic fixed rate;

(ix) if the fixed interest on any Subordinate Bond, Subordinate Parity Obligation or Senior Obligation plus the fixed payments due to the Authority and variable payments due from the Authority under a Qualified Swap Agreement or a Swap designated by the Authority are treated by the Authority as synthetic variable rate debt, the fixed interest rate Subordinate Bond, Subordinate Parity Obligation or Senior Obligation may be treated as bearing such synthetic variable rate for the duration of the synthetic variable rate and such synthetic variable rate shall be calculated using the principles of clauses (iv), (v) or (vi) of this definition;

(x) if any of the Subordinate Bonds, Subordinate Parity Obligations, or Senior Obligations are Short-Term Put Bonds, the principal of such obligations may 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 obligations may be calculated as if such obligations were variable interest rate Subordinate Bonds;

(xi) principal and interest payments on Subordinate Bonds, Subordinate Parity Obligations, and Senior Obligations may be excluded to the extent such payments are to be paid from amounts then currently on deposit with the Subordinate Trustee or another fiduciary in escrow specifically therefor and interest payments on any Subordinate Bonds, Subordinate Parity Obligations, and Senior Obligations may be excluded to the extent that such interest payments are to be paid from capitalized interest held by the Subordinate Trustee or another fiduciary specifically to pay such interest;

(xii) if any of the Subordinate Bonds, Subordinate Parity Obligations or Senior Obligations are, or upon issuance will be, obligations for which the Authority is entitled to receive Subsidy Payments, as evidenced by an Opinion of Bond Counsel delivered at the time of issuance of such Subordinate Bonds, Subordinate Parity Obligations or Senior Obligations, the obligations may be treated as bearing an interest rate equal to the rate of interest borne or assumed to be borne, as applicable, by the obligations for the period of determination minus the Subsidy Payments to which the Authority is entitled for that period;

(xiii) Any payment obligation under a Subordinate Bond, Subordinate Parity Obligation or Senior Obligation that was or is optional or contingent (such as the obligation to make a termination payment under a Qualified Swap Agreement or a Swap), whether or not the option is exercised or the contingency occurs, and any payments that are not scheduled payments, may be excluded.

“Moody’s” means Moody’s Investors Service, 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, the term “Moody’s” shall be deemed to refer to any other nationally recognized statistical rating organization selected by the Authority.

“MSRB” means the Municipal Securities Rulemaking Board, and its successors and assigns. Until otherwise designated by the MSRB, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB located at <http://emma.msrb.org>.

“MTC” means the Metropolitan Transportation Commission, a regional transportation commission duly established and existing pursuant to Sections 66500 *et seq.* of the California Government Code, and any successor thereto.

“Nominee” means the nominee of the Securities Depository for the Book-Entry Bonds in whose name such Subordinate Bonds are to be registered. The initial Nominee shall be Cede & Co., as the nominee of DTC.

“One Month USD LIBOR Rate” means the British Banker’s Association average of interbank offered rates in the London market for Dollar deposits for a one month period.

“Opinion of Bond Counsel” means a written opinion of Bond Counsel.

“Outstanding,” when used with reference to Subordinate Bonds, Subordinate Parity Obligations, and Senior Obligations means all Subordinate Bonds, Subordinate Parity Obligations, and Senior Obligations that have been issued by the Authority, except Subordinate Bonds, Subordinate Parity Obligations, and Senior Obligations: (i) canceled or delivered for cancellation; (ii) deemed to be paid in accordance with the provisions of the Subordinate Indenture or any similar provisions in the constituent instruments defining the rights of the holders of Subordinate Parity Obligations or Senior Obligations; (iii) in lieu of which other Subordinate Bonds, Subordinate Parity Obligations or Senior Obligations have been authenticated under the provisions of the Subordinate Indenture or any similar provisions in the constituent instruments defining the rights of the holders of Subordinate Parity Obligations or Senior Obligations; and (iv) held by or for the account of the Authority.

“Participating Underwriter” means any of the original underwriters of any Series of Subordinate Bonds required to comply with Rule 15c2-12.

“Permitted Investments” means the following:

(i) bonds or other obligations of or fully and unconditionally guaranteed by the United States of America as to timely payment of principal and interest on such bonds or other obligations, including obligations described in clause (iii) below to the extent fully and unconditionally guaranteed by the United States of America, and including interest strips of any such obligations or of bonds issued by the Resolution Funding Corporation and held in book-entry form by the Federal Reserve Bank of New York;

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

(iii) federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including obligations of Fannie Mae Corporation, Government National Mortgage Association, Farm Credit System Financial Corporation, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Tennessee Valley Authority, Washington Metropolitan Area Transit Authority, United States Import-Export Bank, United States Department of Housing and Urban Development, Farmers Home Administration, General Services Administration, and United States Maritime Administration;

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

(v) obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing; provided that such obligations are rated in either of the two highest Rating Categories by Moody’s or S&P; provided, that, in the event such obligations are in the form of variable rate demand bonds, the obligations shall have mandatory investor tender rights supported by a third-party liquidity facility from a financial institution with short-term ratings in the highest Rating Category by Moody’s or S&P;

(vi) any bonds or other obligations of any state of the United States of America or any political subdivision thereof (a) that 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) that are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described above in clause (i) or (ii) which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the interest payment dates and the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described above in clause (i) or (ii) that 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) that are rated in one of the two highest long-term Rating Categories by Moody's or S&P;

(vii) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation that are rated by Moody's or S&P in their highest short-term Rating Category, or, if the term of such indebtedness is longer than three (3) years, rated by Moody's or S&P in one of their two highest long-term Rating Categories, for comparable types of debt obligations;

(viii) demand or time deposits, trust funds, trust accounts, interest-bearing money market accounts, interest bearing deposits, overnight bank deposits, bankers' acceptances of depository institutions or certificates of deposit, whether negotiable or nonnegotiable, including those placed by a third party pursuant to an agreement between the Authority and the Subordinate Trustee 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 Subordinate Trustee or any of its affiliates) or by a state licensed branch of any foreign bank, provided that such certificates of deposit shall be purchased directly from such bank, trust company, national banking association or branch and shall be either (1) continuously and fully insured by the Federal Deposit Insurance Corporation, or (2) continuously and fully secured by such securities and obligations as are described above in clauses (i) through (v), inclusive, that 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 Subordinate Trustee or third-party agent, as custodian, by the bank, trust company, national banking association or branch issuing such certificates of deposit, and the bank, trust company, national banking association or branch issuing each such certificate of deposit required to be so secured shall furnish the Subordinate 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 Subordinate Trustee shall be entitled to rely on each such undertaking, or (3) rated in one of the two highest long-term Rating Categories by Moody's or S&P;

(ix) taxable commercial paper or tax-exempt commercial paper rated in the highest Rating Category by Moody's or S&P;

(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 short-term Rating Category, if any, and in either of the two highest long-term Rating Categories, if any, by Moody's or S&P, and that the corporations providing the liquidity agreement and credit facility have, at the date of acquisition of the variable rate obligations by the Subordinate 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 or S&P;

(xi) any repurchase agreement entered into with a financial institution or insurance company (including the Subordinate Trustee or any of its affiliates) that has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated (or the parent company of which is rated) in either of the two highest long-term Rating Categories by Moody's or S&P, which agreement is secured by any one or more of the securities and obligations described in clauses (i), (ii), (iii) or (iv) above, which shall have a market value (exclusive of accrued interest and valued at least weekly) at least equal to one hundred three percent (103%) of the principal amount of such investment and shall be lodged with the Subordinate Trustee or other fiduciary, as custodian, by the provider executing such repurchase agreement, and the provider executing each such repurchase agreement required to be so secured shall furnish the Subordinate Trustee with an undertaking satisfactory to the Subordinate Trustee to the effect that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least weekly) will be an amount equal to one hundred three percent (103%) of the principal amount of each such repurchase agreement and the Subordinate Trustee shall be entitled to rely on each such undertaking;

(xii) any cash sweep or similar account arrangement of or available to the Subordinate Trustee, the investments of which are limited to investments described in clauses (i), (ii), (iii), (iv), (v) and (xi) of this definition of Permitted Investments 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 Permitted Investments; 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), including, without limitation any mutual fund for which the Subordinate Trustee or an affiliate of the Subordinate Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (1) the Subordinate Trustee or an affiliate of the Subordinate Trustee receives fees from funds for services rendered, (2) the Subordinate Trustee collects fees for services rendered pursuant to the Subordinate Indenture, which fees are separate from the fees received from such funds, and (3) services performed for such funds and pursuant to the Subordinate Indenture may at times duplicate those provided to such funds by the Subordinate Trustee or an affiliate of the Subordinate Trustee;

(xiii) any investment agreement with, or the obligations under which are guaranteed by, a financial institution or insurance company or domestic or foreign bank that has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated (or the parent company of which is rated) in either of the two highest long-term Rating Categories by Moody's or S&P;

(xiv) shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (i) through (vi) above and which companies have either the highest rating by Moody's or S&P or have an investment advisor registered with the Securities and Exchange Commission with not less than 5 years experience investing in such securities and obligations and with assets under management in excess of \$500,000,000;

(xv) shares in a California common law trust, established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code, that invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended from time to time;

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

(xvii) any investment approved by the Board for which a Rating Confirmation is received from each rating agency then rating any of the Subordinate Bonds at the request of the Authority that such investment will not adversely affect such rating agency's rating on such Subordinate Bonds.

"Person" means any natural person, firm, partnership, association, corporation, or public body.

"Principal Account" means the account by that name created pursuant to the Subordinate Indenture.

"Principal Office" means, with respect to the Subordinate Trustee, the corporate trust office of the Subordinate Trustee at 700 South Flower Street, Suite 500, Los Angeles, CA 90017, and solely for purposes of the presentation of Subordinate Bonds for transfer, exchange or payment, such other or additional offices as may be designated by the Subordinate Trustee from time to time.

"Project Fund" means, with respect to a Series of Subordinate Bonds, a Project Fund established in the Supplemental Indenture providing for the issuance of such Series of Subordinate Bonds.

"Purchase Price" means, with respect to Subordinate Bonds, the amount set forth in the Subordinate Indenture as the amount to be paid when such Subordinate Bonds are tendered for purchase or deemed tendered for purchase in accordance with the provisions of the Subordinate Indenture.

"Qualified Swap Agreement" means a contract or agreement, intended to place Senior Bonds or such investments as the Authority shall specify in a resolution authorizing the execution of such contract or agreement, on the interest rate, currency, cash flow or other basis desired by the Authority, payments (other than payments of fees and expenses and termination payments) with respect to which the Authority has specified in its authorizing resolution shall be payable from Revenue on a parity with the payment of Senior Bonds, including, without limitation, any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the Authority and a Swap Party, provided that in each case: (i) the notional amount of the Qualified Swap Agreement shall not exceed the principal amount of the related Senior Bonds or the amount of such investments, as applicable; and (ii) the Authority shall have received a Rating Confirmation from each Rating Agency then rating any series of Senior Bonds at the request of the Authority with respect to such Qualified Swap Agreement.

"Rating Agency" means each of Moody's and S&P.

"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.

"Rating Confirmation" means written evidence from each rating agency then rating any Series of Subordinate Bonds or Senior Bonds at the request of the Authority to the effect that, following the event that requires the Rating Confirmation, the then current rating for such Series of Subordinate Bonds or Senior Bonds, as applicable, will not be lowered to a lower Rating Category or suspended or withdrawn solely as a result of the occurrence of such event.

"Rebate Fund" means the fund by that name created pursuant to the Subordinate Indenture.

"Redemption Fund" means the fund by that name created pursuant to the Subordinate Indenture.

“Representation Letter” means the letter or letters of representation from the Authority to, or other instrument or agreement with, a Securities Depository for Book-Entry Bonds, in which the Authority, among other things, makes certain representations to the Securities Depository with respect to the Book-Entry Bonds, the payment thereof and delivery of notices with respect thereto.

“Reserve Facility” means a surety bond or insurance policy issued to the Subordinate Trustee by a company licensed to issue a surety bond or insurance policy guaranteeing the timely payment of the principal of and interest on the Subordinate Bonds supported by the Reserve Facility.

“Reserve Facility Costs” means amounts owed with respect to repayment of draws on a Reserve Facility, including interest thereon at the rate specified in the agreement pertaining to such Reserve Facility and expenses owed to the Reserve Facility Provider in connection with such Reserve Facility.

“Reserve Facility Provider” means any provider of a Reserve Facility, any successor thereto or any replacement therefor.

“Reserve Fund” means the fund by that name created pursuant to the Subordinate Indenture.

“Reserve Requirement” for any Subordinate Bonds means, as of any date of calculation, the amount specified by a Supplemental Indenture as the amount required to be held in the Reserve Fund for the payment of principal of and interest on those Subordinate Bonds.

“Revenue,” as defined in the Subordinate Indenture, means: (i) Bridge Toll Revenues; (ii) all interest or other income from investment of money in any fund or account of the Authority, including the Operations and Maintenance Fund established under the Senior Indenture; (iii) all amounts on deposit in the funds and accounts established pursuant to the Senior Indenture and held by the Senior Indenture Trustee (excluding amounts held in the reserve fund for Senior Bonds, the proceeds of sale of Senior Bonds, Subsidy Payments with respect to Senior Bonds, the rebate fund under the Senior Indenture and any fund or account established to hold the proceeds of a drawing on any credit support instrument (as defined in the Senior Indenture)); (iv) all amounts on deposit in the funds and accounts established pursuant to the Subordinate Indenture and held by the Subordinate Trustee (excluding the Rebate Fund and any fund or account established to hold the proceeds of a drawing on any Credit Support Instrument and including any Subsidy Payments deposited pursuant to the Subordinate Indenture); (v) all interest or other income from investment of money in the funds and accounts established pursuant to the Senior Indenture and held by the Senior Indenture Trustee (excluding the proceeds of Senior Obligations, Subsidy Payments with respect to Senior Bonds, the rebate fund under the Senior Indenture and any fund or account established to hold the proceeds of a drawing on any credit support instrument (as defined in the Senior Indenture)); (vi) all interest or other income from investment of money in the funds and accounts established pursuant to the Subordinate Indenture and held by the Subordinate Trustee (excluding the Rebate Fund and any fund or account established to hold the proceeds of a drawing on any Credit Support Instrument); and (vii) all Swap Revenues.

“Revenue Bond Law of 1941” means Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code (commencing with Section 54300), as the same may be amended from time to time hereafter.

“Rule 15c2-12” means Securities and Exchange Commission 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.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, 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, the term “S&P” shall be deemed to refer to any other nationally recognized statistical rating organization selected by the Authority.

“Securities Depository” means DTC or any other trust company or other entity that provides a book-entry system for the registration of ownership interests in securities and which is acting as security depository for Book-Entry Bonds.

“Senior Bonds” means bonds or commercial paper authorized by, and at any time Outstanding pursuant to, the Senior Indenture and bonds or commercial paper that are “parity obligations” as defined in the Senior Indenture.

“Senior Indenture” means the Master Indenture between the Authority and Union Bank, N.A., as Trustee, dated as of May 1, 2001, as amended and supplemented, and each other indenture of trust or resolution, if any, under which Senior Bonds are Outstanding.

“Senior Indenture Fees and Expenses Fund” means the special fund created under the Senior Indenture designated therein as the “Fees and Expenses Fund.”

“Senior Indenture Trustee” means the trustee under the Senior Indenture.

“Senior Obligations” means Senior Bonds, regularly-scheduled payments on Qualified Swap Agreements, reserve costs for Senior Obligations required by the Senior Indenture, and other obligations of the Authority that are payable from Revenue on a parity with the payment of principal of and interest on Senior Bonds or otherwise prior to the Subordinate Bonds and Subordinate Parity Obligations.

“Series” means all Subordinate Bonds identified in the Subordinate Indenture as a separate Series or all Senior Bonds identified in the Senior Indenture as a separate Series, as applicable.

“Short-Term Put Bond” means a Subordinate Bond, Subordinate Parity Obligation or Senior Obligation with a stated maturity of five years or less, the principal of which the Authority determines on or before the date of issuance that it intends to pay from remarketing proceeds or proceeds of refunding obligations.

“SIFMA Index” means Securities Industry and Financial Markets Association Municipal Swap Index as of the most recent date such index was published by the Securities Industry and Financial Markets Association or any successor thereto, or in the event such index is no longer published by the Securities Industry and Financial Markets Association or any successor thereto, such comparable replacement index as shall be published by the Securities Industry and Financial Markets Association or any successor thereto. In the event that such comparable replacement index is no longer published by the Securities Industry and Financial Markets Association or any successor thereto, an alternative index shall be selected by the Authority.

“Sinking Fund Installment” means, with respect to any Series of Subordinate Bonds, each amount so designated for the Term Bonds of such Series in the Supplemental Indenture providing for the issuance of such Series of Subordinate Bonds requiring payments by the Authority to be applied to the retirement of such Series of Subordinate Bonds on and prior to the stated maturity date thereof.

“State” means the State of California.

“Subordinate Bonds” means the Subordinate Bonds or commercial paper identified as the Bay Area Toll Authority San Francisco Bay Area Subordinate Toll Bridge Revenue Bonds authorized by, and at any time Outstanding pursuant to, the Subordinate Indenture.

“Subordinate Indenture” means the Subordinate Indenture, dated as of June 1, 2010, as supplemented by the First Supplemental Indenture, dated as of June 1, 2010, by and between the Authority and the Subordinate Trustee, as the same may be amended or further supplemented from time to time as permitted thereby.

“Subordinate Parity Obligations” means obligations of the Authority that are payable from Revenue on a parity with the payment of principal of and interest on Subordinate Bonds, including payments to the holders of obligations of the Authority entered into pursuant to California Government Code section 5922 (or any similar statute), in each case to the extent the Authority has contracted to make those payments as Subordinate Parity Obligations.

“Subordinate Trustee” means The Bank of New York Mellon Trust Company, N.A., a national bank association duly organized and existing under and by virtue of the laws of the United States of America, or its successor.

“Subsidy Payments” means payments from the United States Treasury to or upon the order of the Authority pursuant to Sections 54AA and 6431 of the Code with respect to Subordinate Bonds, Subordinate Parity Obligations, or Senior Obligations.

“Supplemental Indenture” means any indenture executed and delivered by the Authority and the Subordinate Trustee that is stated to be a supplemental indenture to the Subordinate Indenture.

“Swap” means any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the Authority and a Swap Party, which is not a Qualified Swap Agreement.

“Swap Party” means each entity that is a party to either a Qualified Swap Agreement or a Swap entered into with the Authority.

“Swap Revenues” means any amount paid by a Swap Party to the Authority pursuant to any Qualified Swap Agreement or Swap, after any netting of payments required by such Qualified Swap Agreement or Swap, as applicable, and any payments paid to the Authority by a Swap Party as consideration for termination or amendment of a Qualified Swap Agreement or Swap, as applicable.

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

“Term Bonds” means Subordinate Bonds of any Series that are payable on or before their specified maturity dates from Sinking Fund Installments established for that purpose in the Supplemental Indenture providing for the issuance of such Series of Subordinate Bonds, which Sinking Fund Installments are calculated to retire such Subordinate Bonds on or before their specified maturity dates.

“Written Instruction” means the Written Request of the Authority dated the date of delivery of the first Series of Subordinate Bonds and entitled “Instructions to Bond Trustees Regarding Fund Transfers Under Master Indenture and Subordinate Indenture.”

“Written Request of the Authority” means an instrument in writing signed by an Authorized Representative.

THE SUBORDINATE INDENTURE

Statutory Lien; Pledges; Funds and Accounts

Statutory Lien. All Bridge Toll Revenues are to be deposited by the Authority in the Bay Area Toll Account and are subject to a statutory lien created pursuant to Section 30960 of the Act in favor of the holders of Senior Bonds and Bondholders to secure all amounts due on the Senior Bonds and the Subordinate Bonds and in favor of any provider of credit enhancement for the Senior Bonds and the Subordinate Bonds to secure all amounts due to that provider with respect to the Senior Bonds and the Subordinate Bonds, respectively. Pursuant to Section 30960 of the Act, such lien, subject to expenditures

for operation and maintenance of the Bay Area Bridges, including toll collection, unless those expenditures are otherwise provided for by statute as provided in Section 30960(c) of the Act, shall immediately attach to the Bridge Toll Revenues as such Bridge Toll Revenues are received by the Authority and shall be effective, binding, and enforceable against the Authority, its successors, creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any physical delivery, recordation, filing, or further act, and the Bridge Toll Revenues shall remain subject to such statutory lien until all Subordinate Bonds are paid in full or provision made therefor, and the Bay Area Bridges shall not become toll-free prior to that time.

Pledge of State. Pursuant to Section 30963 of the Act, the State pledges and agrees with the Holders of the Subordinate Bonds and those parties who may enter into contracts with the Authority pursuant to the Act that the State will not limit, alter, or restrict the rights vested by the Act in the Authority to finance the toll bridge improvements authorized by the Act and agrees not to impair the terms of any agreements made with the Holders of the Subordinate Bonds and the parties who may enter into contracts with the Authority pursuant to the Act and pledges and agrees not to impair the rights or remedies of the Holders of Subordinate Bonds or any such parties until the Subordinate Bonds, together with interest, are fully paid and discharged and any contracts are fully performed on the part of the Authority.

Pledge of Revenue and Certain Funds and Accounts. All Revenue and all amounts (including the proceeds of Subordinate Bonds) held by the Subordinate Trustee in each fund and account established under the Subordinate Indenture (except for amounts on deposit in the Rebate Fund and amounts on deposit in any fund or account established to hold the proceeds of a drawing on any Credit Support Instrument) are pledged to secure the punctual payment of the principal of and interest on the Subordinate Bonds, Subordinate Parity Obligations and Reserve Facility Costs, subject only to the provisions of the Subordinate Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. Said pledge constitutes a lien on such amounts, is valid and binding without any physical delivery or further act and will be irrevocable until all Subordinate Bonds, Subordinate Parity Obligations and Reserve Facility Costs are no longer Outstanding. The pledge and lien are subordinate to every pledge and lien, theretofore or thereafter made, to secure the payment of the principal of and interest on Senior Bonds and amounts due on other Senior Obligations. The pledge to secure payment of Reserve Facility Costs set forth in the Subordinate Indenture is on a basis subordinate to the pledge of such amounts to the Subordinate Trustee for payment of the Subordinate Bonds and Subordinate Parity Obligations.

Funds and Accounts Establishment and Application of Bond Fund

Establishment and Application of Bond Fund. Not less than three Business Days prior to each date when the Authority is required to pay principal or interest on the Subordinate Bonds or amounts due on Subordinate Parity Obligations, as provided in the Subordinate Indenture, the Authority is to transfer to the Subordinate Trustee, from the Bay Area Toll Account, for deposit in the Bond Fund, such amount of Revenue as is required to increase the balance of the Bond Fund to an amount sufficient to pay all Subordinate Bonds and Subordinate Parity Obligations then due and payable and such amount as is required by the Subordinate Indenture to replenish the Reserve Fund for any Subordinate Bonds and to pay Reserve Facility Costs then due and payable. To the extent the interest rate on the Subordinate Bonds or Subordinate Parity Obligations has not yet been determined, the Subordinate Trustee is to assume such rate to be 12% per annum or such other rate as the Authority specifies to the Subordinate Trustee in writing at the time of such transfer.

All Revenue so received by the Subordinate Trustee will be deposited by the Subordinate Trustee as the Bond Fund, which the Subordinate Trustee is to establish, maintain and hold in trust. All Subsidy Payments with respect to Subordinate Bonds received by the Subordinate Trustee will be deposited in the Bond Fund. All amounts held in the Bond Fund are to be held, applied, used and

withdrawn only as provided in the Subordinate Indenture or in the Written Instruction. As explained in the Information Statement under “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS—Certain Provisions of the Subordinate Indenture—Transfers of Revenue,” the Subordinate Indenture Trustee will be instructed by the Authority to transfer to the Senior Indenture Trustee any Revenue (as defined in the Senior Indenture) on deposit in the Bond Fund held by the Subordinate Indenture Trustee to the extent that there is any shortfall in amounts needed to make timely payments of principal, interest, and premium, if any, on Senior Obligations or to replenish the reserve fund for the Senior Bonds. Any such transfer to the Senior Indenture Trustee will not include proceeds of Subordinate Bonds, amounts attributable to interest subsidy payments received from the federal government on account of the issuance of Subordinate Bonds as Build America Bonds or any amounts attributable to a reserve account for Subordinate Bonds. The Senior Indenture Trustee will be instructed by the Authority to transfer to the Subordinate Indenture Trustee any amounts on deposit in the Fees and Expenses Fund under the Senior Indenture to the extent that there is any shortfall in the Bond Fund under the Subordinate Indenture of amounts needed to make timely payments of principal, interest, and premium, if any, on Subordinate Obligations and to replenish the reserve fund for the Subordinate Bonds, provided that no such transfer is to be made to the extent there is also a concurrent shortfall in the Bond Fund or reserve fund under the Senior Indenture. The Authority will instruct each trustee to notify the other trustee on the third Business Day preceding each principal or interest payment date of the need for such a transfer and to request such transfer on the second Business Day preceding each such payment date.

On or before each date when principal and interest on the Subordinate Bonds and amounts due on Subordinate Parity Obligations are due and payable, the Subordinate Trustee is to transfer from the Bond Fund and deposit (or transfer as appropriate to the holder or trustee of such Subordinate Parity Obligations the amounts then due thereon) into the following respective accounts (each of which the Subordinate Trustee is to establish and maintain within the Bond Fund), in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenue sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority.

(a) **Interest Account.** The Subordinate Trustee is to set aside in the Interest Account in the manner and at the times specified in the Subordinate Indenture amounts sufficient to pay the interest on the Subordinate Bonds and amounts due on Subordinate Parity Obligations as and when due. Moneys in the Interest Account are to be used and withdrawn by the Subordinate Trustee solely for the purpose of paying interest on the Subordinate Bonds and amounts due on Subordinate Parity Obligations as such interest and other amounts becomes due and payable, provided that moneys in any separate account established to pay interest on a Series of Subordinate Bonds is to be used and withdrawn solely to pay interest on such Subordinate Bonds as and when due.

(b) **Principal Account.** The Subordinate Trustee is to set aside in the Principal Account in the manner and at the times specified in the Subordinate Indenture amounts sufficient to pay the principal of Subordinate Bonds (including any sinking fund payments) as and when due (whether at maturity or upon redemption or on account of sinking fund requirements). Moneys in the Principal Account are to be used and withdrawn by the Subordinate Trustee solely for the purpose of paying principal of the Subordinate Bonds (including any sinking fund payments) as and when due, provided that moneys in any separate account established to pay principal on a Series of Subordinate Bonds are to be used and withdrawn solely to pay principal of such Subordinate Bonds as and when due.

Any moneys remaining in the Bond Fund after the foregoing transfers are to be transferred to the Reserve Fund until the amount on deposit in the Reserve Fund is equal to the Reserve Requirement for all Subordinate Bonds that have a Reserve Requirement and all Reserve Facility Costs have been paid and, if amounts remain on deposit in the Bond Fund after all such transfers are made, such amounts are to be transferred to or upon the order of the Authority. If such amounts are not sufficient to

fulfill the Reserve Requirement for each Reserve Account within the Reserve Fund, such moneys transferred to the Reserve Fund are to be allocated ratably among each Reserve Account in proportion to the then-current deficiency therein.

Establishment, Funding and Application of the Reserve Fund. On the date of issuance of any Series of Subordinate Bonds that has a Reserve Requirement, the Reserve Requirement for those Subordinate Bonds will be deposited in the Reserve Fund in an account solely for the benefit of those Subordinate Bonds. Alternatively, the Supplemental Indenture for any Series of Subordinate Bonds may establish a pooled Reserve Requirement for that Series of Subordinate Bonds and any one or more subsequently issued Series of Subordinate Bonds with the same pooled Reserve Requirement, in which case the Reserve Requirement for the initial such Series of Subordinate Bonds will be deposited in the Reserve Fund in an account solely for the benefit of those Subordinate Bonds and any additional Subordinate Bonds with the same pooled Reserve Requirement, and on the date of issuance of any such additional Subordinate Bonds, there will be deposited in the account the amount necessary to increase the balance in the account to an amount equal to the Reserve Requirement for all Subordinate Bonds secured by that account.

Moneys in an account in the Reserve Fund are to be used and withdrawn by the Subordinate Trustee solely for the purposes of paying principal of and interest on the Subordinate Bonds for which such account is held when such principal and interest are due if insufficient moneys for the payment thereof are on deposit in the Principal Account and the Interest Account or (together with any other moneys available therefor) for the payment of principal and interest on all such Subordinate Bonds then Outstanding when due whether upon maturity or earlier redemption or, for the payment of the final principal and interest payment of all such Subordinate Bonds that are Outstanding.

In the event that the Subordinate Trustee has withdrawn moneys in an account in the Reserve Fund for the purpose of paying principal and interest on Subordinate Bonds when due as provided in the provisions of the Subordinate Indenture described in the immediately preceding paragraph, the Subordinate Trustee will promptly notify the Authority of such withdrawal. Upon receipt of such notification, the Authority, on or prior to the first Business Day of each month, commencing the month after such notification is received from the Subordinate Trustee by the Authority, is to transfer to the Subordinate Trustee for deposit in that depleted account in the Reserve Fund, an amount equal to 1/12th of the aggregate amount of each unreplenished withdrawal until the amount on deposit in that account in the Reserve Fund is equal to the Reserve Requirement for the Subordinate Bonds secured by that account.

Upon receipt of any notification from the Subordinate Trustee of a deficiency in the Reserve Fund due to any required valuation of investments in the Reserve Fund provided by the Subordinate Trustee pursuant to the Subordinate Indenture, the Authority, on or prior to the first Business Day of each month, commencing the month after such notification is received from the Subordinate Trustee by the Authority, is to transfer to the Subordinate Trustee for deposit in the Reserve Fund, an amount equal to 1/12th of the aggregate amount of such deficiency until the amount on deposit in the Reserve Fund is equal to the Reserve Requirement for all Subordinate Bonds secured by the Reserve Fund.

The Reserve Requirement for any Series of Subordinate Bonds may be permitted or required by the Supplemental Indenture establishing the Reserve Requirement to be funded in whole or in part with a Reserve Facility. The terms and conditions for any Reserve Facility are to be set forth in the Reserve Facility or the Supplemental Indenture establishing the Reserve Requirement to be met in whole or in part by the Reserve Facility, provided that those terms and conditions must conform to and be consistent with the provisions set forth in the Subordinate Indenture.

The Subordinate Trustee is to withdraw cash (and liquidate investments to produce cash) and draw on Reserve Facilities in any account in the Reserve Fund to fund payments of principal of and

interest on Subordinate Bonds supported by such account in the Reserve Fund in the manner and in the order specified in the applicable Supplemental Indenture or Supplemental Indentures.

The Subordinate Indenture will not be discharged until all Reserve Facility Costs owing to a Reserve Facility Provider have been paid in full.

Establishment and Application of Redemption Fund. The Subordinate Trustee is to establish, maintain and hold in trust a special fund designated as the “Redemption Fund.” All moneys deposited by the Authority with the Subordinate Trustee for the purpose of redeeming Subordinate Bonds of any Series, unless otherwise provided in the Supplemental Indenture establishing the terms and conditions for such Series of Subordinate Bonds, are to be deposited in the Redemption Fund. All amounts deposited in the Redemption Fund are to be used and withdrawn by the Subordinate Trustee solely for the purpose of redeeming Subordinate Bonds of such Series and maturity as are specified by the Authority in a Written Request of the Authority delivered to the Subordinate Trustee, in the manner, at the times and upon the terms and conditions specified in the Supplemental Indenture pursuant to which such Series of Subordinate Bonds was issued. Such Written Request of the Authority may specify that amounts on deposit in the Redemption Fund that remain unclaimed for a specified period of time will be paid to the Authority, and the Subordinate Trustee is to pay such unclaimed amounts to the Authority in accordance with the Written Request of the Authority.

Establishment and Application of Rebate Fund. Upon the Written Request of the Authority, the Subordinate Trustee is to establish, maintain and hold in trust a separate fund designated as the “Rebate Fund” and there will be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to each Tax Certificate and the Code. All money at any time deposited in the Rebate Fund is to be held by the Subordinate Trustee to satisfy the Rebate Requirement (as defined in the Tax Certificate) for payment to the United States of America. The Subordinate Trustee will have no responsibility with respect to the Rebate Fund or the Rebate Requirement except to follow the written instructions of the Authority.

Investment of Moneys in Funds and Accounts

Moneys held by the Authority in the Bay Area Toll Account and in the funds and accounts created under the Subordinate Indenture and held by the Authority will be invested and reinvested in any lawful investment of the Authority.

Moneys held by the Subordinate Trustee in the funds and accounts created under the Subordinate Indenture are to be invested and reinvested in Permitted Investments in accordance with the written instructions of an Authorized Representative.

Unless otherwise specified in the Supplemental Indenture creating a Series of Subordinate Bonds, all Permitted Investments are to be held by or under the control of the Subordinate Trustee and will be deemed at all times to be a part of the fund or account that was used to purchase the Permitted Investment. Unless otherwise provided by a Written Request of the Authority or in a Supplemental Indenture, all interest, profits and other income received from the investment of moneys in any fund or account held by the Subordinate Trustee, other than the Rebate Fund or a Project Fund, are to be transferred to the Bond Fund when received. All interest, profits and other income received from the investment of moneys in the Rebate Fund will be deposited in the Rebate Fund. Unless otherwise provided in the Supplemental Indenture establishing a Project Fund, all interest, profits and other income received from the investment of moneys in each Project Fund are to be deposited in such Project Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Permitted Investment equal to the amount of accrued interest, if any, paid as part of the purchase price of such Permitted Investment is to be credited to the fund or account from which such accrued interest was paid.

The Subordinate Trustee is authorized to sell or redeem and reduce to cash a sufficient amount of Permitted Investments whenever the cash balance in any fund or account is or will be insufficient to make any required disbursement. The Subordinate Trustee is not to be responsible for any depreciation in the value of any Permitted Investment or for any loss resulting from such sale or redemption. Absent a Written Request of the Authority instructing the Subordinate Trustee how to invest the cash balance in a fund or account held by the Subordinate Trustee thereunder, the Subordinate Trustee is to hold such cash balances uninvested pending its receipt of such a Written Request of the Authority.

All Permitted Investments credited to the Reserve Fund are to be valued as of April 1 of each year (or the next succeeding Business Day if such day is not a Business Day). All Permitted Investments credited to the Reserve Fund are to be valued at their fair market value determined to the extent practical by reference to the closing bid price thereof published in *The Wall Street Journal* or any other financial publication or generally recognized pricing information service selected by the Subordinate Trustee in its discretion. The Subordinate Trustee may use and rely conclusively and without liability upon any generally recognized pricing information service (including brokers and dealers in securities) available to it.

The Subordinate Trustee or its affiliates may act as sponsor, advisor, principal or agent in the acquisition or disposition of any investment with the prior written approval of an Authorized Representative. The Subordinate Trustee may commingle any of the moneys held by it pursuant to the Subordinate Indenture (except for amounts on deposit in the Rebate Fund and amounts on deposit in any fund or account established to hold the proceeds of a drawing on any Credit Support Instrument) for investment purposes only; provided, however, that the Subordinate Trustee is to account separately for the moneys belonging to each fund or account established pursuant to the Subordinate Indenture and held by it.

Subsidy Payments

The Authority irrevocably directs in the Subordinate Indenture that all Subsidy Payments with respect to Subordinate Bonds be made directly to the Subordinate Trustee for deposit in the Bond Fund pursuant to the Subordinate Indenture. Any such Subsidy Payments received by the Authority will be promptly remitted to the Subordinate Trustee. The Subordinate Trustee will deposit all such Subsidy Payments to the Bond Fund upon receipt thereof and thereby constitute those amounts Revenue. The Subordinate Trustee will file such forms with the Internal Revenue Service and take all other such actions as the Authority has notified it in writing may be necessary to request and receive such Subsidy Payments on the Authority's behalf and the Subordinate Trustee will have no responsibility therefor other than following the Authority's written instructions.

Additional Subordinate Bonds; Subordinate Parity Obligations; Subordinated Obligations

Restrictions on Issuance of Additional Subordinate Bonds. Subsequent to the initial issuance of Subordinate Bonds pursuant to the Subordinate Indenture, additional Subordinate Bonds or Subordinate Parity Obligations may be issued if the requirements of (a) or (b) below are met.

(a) the Subordinate Bonds or Subordinate Parity Obligations are issued for refunding purposes to provide funds for the payment of any or all of the following: (1) the principal or redemption price of the Outstanding Subordinate Bonds or Subordinate Parity Obligations or Senior Obligations to be refunded; (2) all expenses incident to the calling, retiring or paying of such Outstanding Subordinate Bonds or Subordinate Parity Obligations or Senior Obligations, the Costs of Issuance of such refunding Subordinate Bonds or Subordinate Parity Obligations, and any termination payments or other payments to the holders of obligations of the Authority entered into pursuant to California Government Code Section 5922 (or any similar statute) related to such Outstanding Subordinate Bonds or Subordinate Parity Obligations or Senior Obligations; (3) interest on all Outstanding Subordinate Bonds or Subordinate Parity Obligations or Senior Obligations to be refunded to the date such Subordinate Bonds or

Subordinate Parity Obligations or Senior Obligations will be called for redemption or paid at maturity; and (4) interest on the refunding Subordinate Bonds or Subordinate Parity Obligations from the date thereof to the date of payment or redemption of the Subordinate Bonds or Subordinate Parity Obligations or Senior Obligations to be refunded.

(b) the Authorized Representative determines and certifies, as of the date of issuance of the additional Subordinate Bonds or Subordinate Parity Obligations, that either: (1) the ratio of (A) Available Revenue for the most recent Fiscal Year for which audited financial statements are available to (B) Maximum Annual Debt Service, calculated as of the date of sale of, and including, such Subordinate Bonds or Subordinate Parity Obligations, will not be less than 1.20:1; or (2) the ratio of (A) projected Available Revenue for each of three consecutive Fiscal Years (beginning with the current Fiscal Year or the Fiscal Year after the current Fiscal Year) to (B) Debt Service, calculated as of the date of sale of and including such Subordinate Bonds or Subordinate Parity Obligations, for each such Fiscal Year, will not be less than 1.20:1, and of (X) projected Available Revenue for the third such consecutive Fiscal Year to (Y) Maximum Annual Debt Service, calculated as of the date of sale of, and including, such Subordinate Bonds or Subordinate Parity Obligations, will not be less than 1.20:1. In calculating projected Available Revenue, the Authority will take into account amounts projected to be received from any adopted toll increase or increases and any additional Bay Area Bridge or Bridges.

Proceedings for Issuance of Additional Subordinate Bonds. Subsequent to the initial issuance of Subordinate Bonds, whenever the Authority determines to issue additional Subordinate Bonds or Subordinate Parity Obligations, the Authority will, in addition to fulfilling the requirements of the Subordinate Indenture described above, file or provide to the Subordinate Trustee:

(a) a certificate of the Authority stating that no Event of Default has occurred and is then continuing;

(b) a certificate of the Authority stating that the applicable requirements of the Subordinate Indenture described under the caption "Restrictions on Issuance of Additional Subordinate Bonds" have been satisfied;

(c) such amount, in cash or in the form of a Reserve Facility, as will equal the Reserve Requirement, if any, for such Series of Subordinate Bonds for deposit in the Reserve Fund; and

(d) an Opinion of Bond Counsel to the effect that the Supplemental Indenture creating such Series of Subordinate Bonds has been executed and delivered by the Authority in accordance with the Subordinate Indenture and that such Series of Subordinate Bonds, when duly executed by the Authority and authenticated and delivered by the Subordinate Trustee, will be valid and binding obligations of the Authority.

Subordinated Obligations. Except to the extent restricted by a Supplemental Indenture, the Authority may issue or incur obligations payable out of Revenue on a basis junior and subordinate to the payment of the principal, interest and reserve fund requirements for the Subordinate Bonds and any Subordinate Parity Obligations.

Covenants of the Authority

Punctual Payment and Performance. The Authority will punctually pay the principal of and the interest on (and redemption premiums, if any) to become due on the Subordinate Bonds in strict conformity with the terms of the Act, the Subordinate Indenture and the Subordinate Bonds, and will faithfully observe and perform all of the agreements and covenants contained in the Subordinate Indenture and the Subordinate Bonds.

Against Encumbrances. The Authority will not create or cause or permit to be created any pledge, lien, charge or encumbrance having priority over the lien of the Subordinate Bonds and Subordinate Parity Obligations upon any of the Revenue except Senior Obligations. The Authority will

not create or cause or permit to be created any pledge, lien, charge or encumbrance having parity with the lien of the Subordinate Bonds and Subordinate Parity Obligations upon any of the Revenue except Subordinate Bonds and Subordinate Parity Obligations. The Authority will not create or permit to be created or issue any Subordinate Bonds, notes or other obligations secured by a pledge of or charge or lien upon Revenue except Senior Obligations, Subordinate Bonds and Subordinate Parity Obligations, provided that the Authority may at any time, or from time to time, issue or incur subordinated obligations as provided in the Subordinate Indenture.

Tax Covenants. The Authority will not use or permit the use of any proceeds of the Subordinate Bonds or any funds of the Authority, directly or indirectly, to acquire any securities or obligations that would cause the interest on Subordinate Bonds intended by the Authority to be exempt from federal income taxation to become subject to federal income taxation, and will not take or permit to be taken any other action or actions that would cause any such Subordinate Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code or “federally guaranteed” within the meaning of Section 149(b) of the Code and any such applicable regulations promulgated from time to time thereunder. The Authority will observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The Authority will comply with all requirements of Sections 148 and 149(b) of the Code to the extent applicable to Subordinate Bonds. In the event that at any time the Authority is of the opinion that for purposes of the provisions of the Subordinate Indenture it is necessary to restrict or to limit the yield on the investment of any moneys held by the Subordinate Trustee under the Subordinate Indenture, the Authority will so instruct the Subordinate Trustee under the Subordinate Indenture in writing, and the Subordinate Trustee is to take such action as may be necessary in accordance with such instructions.

Revenue Covenants. (a) The Authority covenants that it will at all times establish and maintain tolls on the Bay Area Bridges at rates projected by it to generate sufficient Revenue to pay, as and when due, amounts due on all Outstanding Senior Bonds, other Senior Obligations, Subordinate Bonds and Subordinate Parity Obligations, Maintenance and Operation Expenses, and other obligations of the Authority, and to otherwise comply with the Act.

(b) The Authority covenants to: (i) compute projected Available Revenue for each Fiscal Year (commencing with the Fiscal Year beginning July 1, 2010) and the ratio produced by dividing projected Available Revenue by projected Debt Service for that Fiscal Year (such ratio being hereinafter referred to as the “Coverage Ratio”) within ten Business Days after the beginning of that Fiscal Year (such date of computation being hereinafter referred to as a “Coverage Calculation Date”); (ii) to promptly furnish to the Subordinate Trustee a Certificate of the Authority setting forth the results of such computations; and (iii) if the Coverage Ratio is less than 1.20:1, to take such action as promptly as practicable after the Coverage Calculation Date (including, without limitation, increasing Bridge Toll Revenues through toll increases) as the Authority projects is necessary to cause the projected Coverage Ratio for that Fiscal Year to equal or exceed 1.20:1.

Payment of Claims. The Authority will pay and discharge any and all lawful claims that, if unpaid, might become a charge or lien upon the Revenue or any part thereof, or upon any funds in the hands of the Authority or on deposit with the Subordinate Trustee, prior to or on a parity with the charge and lien upon the Revenue securing the Subordinate Bonds and any Subordinate Parity Obligations.

Accounting Records; Financial Statements and Other Reports. (a) The Authority will keep appropriate accounting records in accordance with generally accepted accounting principles. Such accounting records are at all times during business hours subject to the inspection of the Subordinate Trustee or of any Holder (or its representative authorized in writing).

(b) The Authority will prepare and file with the Subordinate Trustee annually within 210 days after the close of each Fiscal Year financial statements of the Authority for such Fiscal Year

(which may be the financial statements of the Metropolitan Transportation Commission while the Authority is treated as a blended component unit thereof), together with an audit report thereon prepared by an Independent Certified Public Accountant.

Protection of Revenue and Rights of Holders. The Authority will preserve and protect the security of the Subordinate Bonds and Subordinate Parity Obligations and the rights of the Bondholders and the holders of Subordinate Parity Obligations and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the Subordinate Bonds by the Authority, the Subordinate Bonds will be incontestable by the Authority.

Payment of Governmental Charges and Compliance with Governmental Regulations. The Authority will pay and discharge all taxes or payments in lieu of taxes, assessments and other governmental charges or liens that may be levied, assessed or charged upon the Revenue, or any part thereof, promptly as and when the same shall become due and payable, except that the Authority is not required to pay any such governmental charges so long as the application or validity thereof is contested in good faith and the Authority has set aside reserves to cover such payments.

Continuing Disclosure. Upon the issuance of any Series of Subordinate Bonds or upon conversion of any Series of Subordinate Bonds to an interest rate period requiring an undertaking regarding continuing disclosure under Rule 15c2-12, the Authority and the Subordinate Trustee covenant and agree in the Subordinate Indenture that they will execute and deliver a Continuing Disclosure Agreement with respect to such Series of Subordinate Bonds and comply with and carry out all of the provisions of such Continuing Disclosure Agreement applicable to each such party. Notwithstanding any other provision of the Subordinate Indenture, failure of the Authority or the Subordinate Trustee to comply with the provisions of any Continuing Disclosure Agreement does not constitute an Event of Default under the Subordinate Indenture; provided, however, that the Subordinate Trustee, at the request of any Participating Underwriter or the Owners of at least twenty-five percent (25%) aggregate principal amount of any Series of Subordinate Bonds then Outstanding, will (but only to the extent that the Subordinate Trustee is indemnified to its satisfaction from any liability or expense, including fees and expenses of its attorneys) or any Owner or Beneficial Owner of a Subordinate Bond may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order to cause the Authority or the Subordinate Trustee, as applicable, to comply with its obligations under this paragraph.

Further Assurances. The Authority will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Subordinate Indenture and for the better assuring and confirming unto the Holders of the rights and benefits provided therein.

Events of Default and Remedies of Bondholders

Events of Default. The following events are Events of Default under the Subordinate Indenture:

- (a) default in the payment of any interest on any Subordinate Bond when and as the same has become due;
- (b) default in the payment of the principal of or premium, if any, on any Subordinate Bond when and as the same has become due, whether at the stated maturity or redemption date thereof or otherwise; and
- (c) default in the observance or performance of any other covenant or agreement of the Authority contained in the Subordinate Indenture and the continuance thereof for a period of 60 days after written notice thereof to the Authority given by the Subordinate Trustee.

The Subordinate Trustee is not required to take notice or be deemed to have notice of any Event of

Default of the type described in clause (c) above unless the Subordinate Trustee has been specifically notified in writing of such default by the Authority, or by the Owners of at least 25% in aggregate principal amount of all Subordinate Bonds then Outstanding, by means of a written notice delivered at the Principal Office of the Subordinate Trustee.

Application of Revenue and Other Funds After Default. If an Event of Default occurs and is continuing, all Revenue pledged under the Subordinate Indenture and any other funds then held or thereafter received by the Subordinate Trustee under any of the provisions of the Subordinate Indenture are to be under the control of and applied by the Subordinate Trustee as follows and in the following order:

(a) first, to the payment of any amounts due the Senior Indenture Trustee pursuant to the Written Instruction;

(b) second, to the payment of any expenses necessary in the opinion of the Subordinate Trustee to protect the interests of the Holders of the Subordinate Bonds and payment of reasonable charges and expenses of the Subordinate Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Subordinate Indenture; and

(c) third, to the payment of the principal and interest then due on Subordinate Bonds and amounts then due on Subordinate Parity Obligations, in the order in which such amounts became due, subject to the provisions of the Subordinate Indenture and of the Written Instruction.

Suits at Law or in Equity and Mandamus. In case one or more Events of Default occur, then and in every such case the Subordinate Trustee may, and will at the request of the Holders of not less than a majority of the aggregate principal amount of any Series of Subordinate Bonds then Outstanding (or such greater percentage of the Holders of Subordinate Bonds of any Series as may be specified in the Supplemental Indenture creating such Series) upon receiving adequate indemnity, potentially including indemnity provided by such Holders, proceed to protect and enforce Bondholder rights by such appropriate judicial proceeding as the Subordinate Trustee deems most effectual to protect and enforce any such right, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in the Subordinate Indenture, or in aid of the exercise of any power granted in the Subordinate Indenture, or to enforce any other legal or equitable right vested in the Bondholders by the Subordinate Indenture or the Subordinate Bonds or by law. The provisions of the Subordinate Indenture constitute a contract with each and every Bondholder and the duties of the Authority are to be enforceable by the Subordinate Trustee on behalf of any Bondholder by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Nothing therein is to be deemed to authorize the Subordinate Trustee to authorize or consent to or accept or adopt on behalf of any Bondholder any plan of reorganization, arrangement, adjustment, or composition affecting the Subordinate Bonds or the rights of any Holder thereof, or to authorize the Subordinate Trustee to vote in respect of the claim of any Bondholder in any such proceeding without the approval of the Bondholders so affected.

No Acceleration Permitted. The remedies available to the Subordinate Trustee and the Holders of Subordinate Bonds upon and following the occurrence of an Event of Default do not include acceleration of the maturity of any Subordinate Bonds. The remedies available to the Senior Indenture Trustee and the holders of Senior Bonds upon and following the occurrence of an event of default under the Senior Indenture do not include acceleration of the maturity of any Senior Bonds.

Subordinate Trustee

The Subordinate Trustee shall be required to perform such duties and only such duties as are specifically set forth in the Subordinate Indenture. The Subordinate Trustee has accepted the duties

imposed upon it under the Subordinate Indenture and agreed, among other things: to hold all sums held by it under the Subordinate Indenture in trust for the benefit of the Holders of Subordinate Bonds; to perform its obligations under the Subordinate Indenture; and to keep such books and records relating to its duties as Subordinate Trustee as shall be consistent with reasonable industry practice.

No provision of the Subordinate Indenture is to be construed to relieve the Subordinate Trustee from liability for its own negligent action or its own negligent failure to act, except that, at all times regardless of whether or not any Event of Default shall exist: (i) the duties and obligations of the Subordinate Trustee are to be determined solely by the express provisions of the Subordinate Indenture, and the Subordinate Trustee is not to be liable except for the performance of such duties and obligations as are specifically set forth in the Subordinate Indenture, and no implied covenants or obligations are to be read into the Subordinate Indenture against the Subordinate Trustee; (ii) in the absence of bad faith on the part of the Subordinate Trustee, the Subordinate Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate, notice, order, requisition, request, consent or opinion furnished to the Subordinate Trustee conforming to the requirements of the Subordinate Indenture; but in the case of any such certificate, notice, order, requisition, request, consent or opinion which by any provision thereof is specifically required to be furnished to the Subordinate Trustee, the Subordinate Trustee is to be under a duty to examine the same to determine whether or not it, on its face, conforms to the requirements of the Subordinate Indenture; (iii) the Subordinate Trustee is not to be liable for any error of judgment made in good faith unless it shall be proved that the Subordinate Trustee was negligent in ascertaining the pertinent facts; and (iv) the Subordinate Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority, or such larger or smaller percentage as may be required under the Subordinate Indenture, in aggregate principal amount of the Subordinate Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Subordinate Trustee or exercising any trust or power conferred upon the Subordinate Trustee under the Subordinate Indenture. The permissive right of the Subordinate Trustee to do things enumerated in the Subordinate Indenture as a right is not to be construed as a duty and the Subordinate Trustee is not to be answerable for other than its negligence or willful misconduct.

None of the provisions contained in the Subordinate Indenture shall require the Subordinate Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers. The Subordinate Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises. Before taking any action under the Subordinate Indenture relating to an Event of Default, the Subordinate Trustee may require that adequate indemnity be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability.

The Subordinate Trustee is not to be accountable for the use or application by the Authority of the proceeds of the Subordinate Bonds or for the use or application of any money paid over to the Authority by the Subordinate Trustee in accordance with the provisions of the Subordinate Indenture. The Subordinate Trustee has no responsibility or liability with respect to any information, statements or recitals in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Subordinate Bonds other than information provided by the Subordinate Trustee for use therein, if any.

Whenever in the administration of the Subordinate Indenture the Subordinate Trustee deems it necessary or desirable that a matter be provided or established prior to taking or suffering any action to be taken under the Subordinate Indenture, such matter (unless other evidence in respect thereof is specifically prescribed in the Subordinate Indenture) may, in the absence of negligence or willful misconduct on the part of the Subordinate Trustee, be deemed to be conclusively proved and established by a Certificate of the Authority and delivered to the Subordinate Trustee and such certificate, in the

absence of negligence or willful misconduct on the part of the Subordinate Trustee, shall be full warrant to the Subordinate Trustee for any action taken, suffered or omitted by it under the provisions of the Subordinate Indenture upon the faith thereof.

Removal. In case at any time either of the following occurs: (i) the Subordinate Trustee shall cease to be eligible in accordance with the provisions of the Subordinate Indenture and fails to resign after written request therefor by the Authority or by any Holder who has been a bona fide Holder of a Subordinate Bond for at least six months; or (ii) the Subordinate Trustee becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Subordinate Trustee or of its property is appointed, or any public officer takes charge or control of the Subordinate Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, the Authority may remove the Subordinate Trustee and appoint a successor trustee by an instrument in writing executed by an Authorized Representative, or any Holder who has been a bona fide Holder of a Subordinate Bond for at least six months may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Subordinate Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it deems proper and prescribe, remove the Subordinate Trustee and appoint a successor trustee. If no successor trustee has been so appointed by the Authority and has accepted appointment within 30 days after such removal, the Subordinate Trustee may petition any court of competent jurisdiction for the appointment of a successor trustee, or any Holder who has been a bona fide Holder of a Subordinate Bond for at least six months may, on behalf of itself and any others similarly situated, petition any such court for the appointment of a successor trustee.

The Authority or Holders of a majority in aggregate principal amount of the Subordinate Bonds at the time Outstanding may at any time remove the Subordinate Trustee and appoint a successor trustee by an instrument or concurrent instruments in writing signed by an Authorized Representative of the Authority or by such Holders, as the case may be.

Any resignation or removal of the Subordinate Trustee and appointment of a successor trustee pursuant to any of the provisions of the Subordinate Indenture becomes effective upon written acceptance of appointment by the successor trustee acceptable to the Authority. Any successor trustee shall execute, acknowledge and deliver to the Authority and to its predecessor trustee an instrument accepting such appointment under the Subordinate Indenture, and thereupon the resignation or removal of the predecessor trustee becomes effective and such successor trustee, without any further act, deed or conveyance, becomes vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusts under the Subordinate Indenture, with like effect as if originally named as Trustee therein; but, nevertheless, on the Written Request of the Authority or the request of the successor trustee, the predecessor trustee ceasing to act shall execute and deliver an instrument transferring to such successor trustee, upon the trusts therein expressed, all the rights, powers and trusts of the Subordinate Trustee so ceasing to act.

The Subordinate Trustee may execute any of the trusts or powers thereof and perform any of its duties and responsibilities under the Subordinate Indenture by or through attorneys, agents or receivers, including issuing and paying agents as provided in the Subordinate Indenture, and the Subordinate Trustee is not to be answerable for the conduct of the same if appointed with due care under the Subordinate Indenture, provided that the Subordinate Trustee remains responsible for its duties under the Subordinate Indenture. The Subordinate Trustee may consult with counsel and the advice or any opinion of counsel is to be full and complete authorization and protection in respect of any action taken or omitted by it under the Subordinate Indenture in the absence of negligence and willful misconduct and in accordance with such advice or opinion of counsel.

Modification or Amendment of the Subordinate Indenture

Amendments Permitted Without Bondholder Consent. Except to the extent restricted by a Supplemental Indenture, the Authority and the Subordinate Trustee, without the consent of or notice

to any Bondholders, may execute Supplemental Indentures amending the Subordinate Indenture for one or more of the following purposes:

- (a) to grant to or confer upon the Bondholders of any Series any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders;
- (b) to grant or pledge to the Bondholders of any Series any additional security;
- (c) to amend the Subordinate Indenture in such manner as may be necessary or convenient in connection with the book-entry system for payments, transfers and other matters relating to the Subordinate Bonds;
- (d) to cure any ambiguity or to correct or supplement any provision of the Subordinate Indenture that, in the Opinion of Bond Counsel, is defective or inconsistent with any other provision of the Subordinate Indenture;
- (e) to make any change therein necessary, in the Opinion of Bond Counsel, to maintain the exclusion from gross income for federal income tax purposes of the interest on any Outstanding Subordinate Bonds intended by the Authority to bear federally tax-exempt interest;
- (f) to make modifications or adjustments necessary in order to accommodate a Credit Support Instrument or a Reserve Facility;
- (g) to modify, alter, amend or supplement the Subordinate Indenture if (1) all of the Subordinate Bonds to be affected thereby are variable interest rate bonds, (2) the modification, alteration, amendment or supplement will not become effective until written notice thereof has been given to Bondholders of the affected Series by the Subordinate Trustee, and (3) 30 days will have passed during which time such Bondholders will have had the opportunity to tender their variable interest rate Subordinate Bonds for purchase;
- (h) to make any change therein that does not materially and adversely affect Bondholders (and the absence of a material or adverse effect may, but is not required to, be evidenced by a Certificate of the Authority or an Opinion of Bond Counsel); and
- (i) to issue additional Subordinate Bonds under the Subordinate Indenture in accordance with the terms of the Subordinate Indenture;

provided, that no such amendment may permit, or be construed as permitting, (i) an extension of the maturity of the principal of, or the mandatory redemption date of, or interest on, any Subordinate Bond, or (ii) a reduction in the principal amount of, or the redemption premium or the rate of interest on, any Subordinate Bond, or (iii) a preference or priority of any Subordinate Bond or Subordinate Bonds over any other Subordinate Bond or Subordinate Bonds, or (iv) a reduction in the aggregate principal amount of the Subordinate Bonds required for any consent to any amendment as described in the following paragraph.

Amendments Requiring Bondholder Consent. Exclusive of amendments authorized by the provisions of the Subordinate Indenture described above and subject to the terms and provisions contained in the Subordinate Indenture and in any Supplemental Indenture, the Holders of not less than a majority of the aggregate principal amount of the then Outstanding Subordinate Bonds, or if less than all of the Outstanding Subordinate Bonds are affected, the Holders of not less than a majority of the aggregate principal amount of the Outstanding Subordinate Bonds affected, will have the right, from time to time, anything contained in the Subordinate Indenture to the contrary notwithstanding, to consent to such other amendments thereto for the purpose of modifying, altering, amending, or supplementing any of the terms or provisions contained in the Subordinate Indenture or in any Supplemental Indenture; provided, however, that nothing in the Subordinate Indenture will permit, or be construed as permitting (i) an extension of the maturity of the principal of, or the mandatory redemption date of, or interest on, any Subordinate Bond, or (ii) a reduction in the principal amount of, or the redemption premium or the rate of

interest on, any Subordinate Bond, or (iii) a preference or priority of any Subordinate Bond or Subordinate Bonds over any other Subordinate Bond or Subordinate Bonds, or (iv) a reduction in the aggregate principal amount of the Subordinate Bonds required for any consent to any amendment.

Execution and Effect of Supplemental Indenture. Prior to executing any Supplemental Indenture, the Subordinate Trustee is entitled to receive and rely upon an Opinion of Bond Counsel to the effect that such Supplemental Indenture is authorized or permitted under the Subordinate Indenture. The Subordinate Trustee is not obligated to execute any Supplemental Indenture adversely affecting its rights, duties protections and immunities under the Subordinate Indenture. Upon the execution and delivery of any Supplemental Indenture pursuant to the provisions of the Subordinate Indenture, the Subordinate Indenture is to be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Subordinate Indenture of the Authority, the Subordinate Trustee and all Owners of Outstanding Subordinate Bonds are thereafter to be determined, exercised and enforced subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture are to be deemed to be part of the terms and conditions of the Subordinate Indenture for any and all purposes.

Discharge of Lien

Discharge of Lien and Security Interest. At the election of the Authority, upon payment in full of all the Subordinate Bonds and of all other amounts payable under the Subordinate Indenture, the pledge and lien on the Revenue arising under the Subordinate Indenture is to cease, determine and be void; provided, however, such discharge of the Subordinate Indenture will not terminate the powers and rights granted to the Subordinate Trustee with respect to the payment, transfer and exchange of the Subordinate Bonds.

The Authority may at any time surrender to the Subordinate Trustee for cancellation any Subordinate Bonds previously authenticated and delivered under the Subordinate Indenture that the Authority at its option may have acquired in any manner whatsoever and such Subordinate Bonds upon such surrender and cancellation will be deemed to be paid and retired.

Notwithstanding any provision in the Subordinate Indenture to the contrary, if the principal of or interest on any Subordinate Bonds are paid by a Credit Provider, those Subordinate Bonds are to remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority within the meaning of the Subordinate Indenture, and the pledge of the Revenue and all covenants, agreements and other obligations of the Authority as therein provided are to continue to exist and will run to the benefit of such Credit Provider, and such Credit Provider is to be subrogated to the rights of the Holders.

Provision for Payment of Subordinate Bonds. Subordinate Bonds (or any portion of the Subordinate Bonds) are to be deemed to have been paid within the meaning of the above paragraphs if:

(a) there have been irrevocably deposited with the Subordinate Trustee in trust either (i) lawful money of the United States of America in an amount that will be sufficient, or (ii) Defeasance Securities, the principal and interest on which when due, together with the moneys, if any, deposited with the Subordinate Trustee at the same time, will be sufficient (as confirmed by a report of an Independent Certified Public Accountant), to pay when due the principal amount of, redemption premium (if any) and all unpaid interest on such Subordinate Bonds (or any portion thereof) to the maturity or the redemption date thereof, as the case may be; and

(b) if any such Subordinate Bonds are to be redeemed on any date prior to their maturity, (i) the Subordinate Trustee has received (not less than 45 days prior to the proposed redemption date) in form satisfactory to it irrevocable written instructions from an Authorized Representative to

redeem such Subordinate Bonds on such date and (ii) notice of such redemption has been given or provision satisfactory to the Subordinate Trustee has been irrevocably made for the giving of such notice.

In addition, all money so deposited with the Subordinate Trustee as provided in the provisions of the Subordinate Indenture described under subparagraph (a)(i) above may also be invested and reinvested, at the written direction of an Authorized Representative, in Defeasance Securities, maturing in the amounts and times as set forth in the Subordinate Indenture, subject to the confirming report of an Independent Certified Public Accountant as to the sufficiency thereof as provided in the provisions of the Subordinate Indenture described under subparagraph (a)(ii) above, and all income from all Defeasance Securities in the hands of the Subordinate Trustee pursuant to the Subordinate Indenture, that is not required for the payment of the principal of the Subordinate Bonds and interest and redemption premium, if any, thereon with respect to which such money has been so deposited, is to be deposited in the Bond Fund as and when realized and applied as is other money deposited in the Bond Fund, or in the event there are no longer any Subordinate Bonds Outstanding under the Subordinate Indenture, such income is to be automatically paid over to the Authority.

Notwithstanding any other provision of the Subordinate Indenture, no Subordinate Bond that is subject to optional or mandatory tender in accordance with the provisions of the Supplemental Indenture pursuant to which such Subordinate Bond was issued, is to be deemed to be paid within the meaning of the Subordinate Indenture, unless arrangements have been made to assure that such Subordinate Bond, if tendered for purchase prior to the date of its redemption or maturity in accordance with the provisions of the applicable Supplemental Indenture, could be paid and redeemed from such moneys or Defeasance Securities as are provided pursuant to the provisions of the Subordinate Indenture summarized under “Provision for Payment of Subordinate Bonds.”

Liability of Authority Limited to Revenue

The Authority is not required to advance any money derived from any source of income other than Revenue as provided in the Subordinate Indenture for the payment of the principal of or redemption premium, if any, or interest on the Subordinate Bonds or for the performance of any agreements or covenants contained therein. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring an indebtedness prohibited by the Subordinate Indenture.

Rights of Credit Providers

A Supplemental Indenture authorizing a Series of Subordinate Bonds may provide that any Credit Provider providing a Credit Support Instrument with respect to Subordinate Bonds of such Series may exercise any right under the Subordinate Indenture given to the Owners of the Subordinate Bonds to which such Credit Support Instrument relates.

All provisions under the Subordinate Indenture authorizing the exercise of rights by a Credit Provider with respect to consents, approvals, directions, waivers, appointments, requests or other actions, are to be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and is to be read as if the Credit Provider were not mentioned therein during any period during which there is a default by such Credit Provider under the applicable Credit Support Instrument or after the applicable Credit Support Instrument at any time for any reason ceases to be valid and binding on the Credit Provider, or is declared to be null and void by final judgment of a court of competent jurisdiction, or after the Credit Support Instrument has been rescinded, repudiated by the Credit Provider or terminated, or after a receiver, conservator or liquidator has been appointed for the Credit Provider or if the Credit Provider is rated below Baa by Moody’s or BBB by S&P. All provisions relating to the rights of a Credit Provider are to be of no further force and effect if all amounts

owing to the Credit Provider under a Credit Support Instrument have been paid and the Credit Support Instrument provided by such Credit Provider is no longer in effect.

(This page intentionally left blank)

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

§ _____
BAY AREA TOLL AUTHORITY
SAN FRANCISCO BAY AREA [SUBORDINATE] TOLL BRIDGE REVENUE BONDS
_____ SERIES _____

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “**Disclosure Agreement**”) is executed and delivered by the Bay Area Toll Authority (the “**Authority**”) and _____, as dissemination agent (the “**Dissemination Agent**”) in connection with the issuance of \$_____ aggregate principal amount of Bay Area Toll Authority San Francisco Bay Area [Subordinate] Toll Bridge Revenue Bonds, _____ Series _____ (the “**Bonds**”). The Bonds are being issued pursuant to a _____ Indenture dated as of _____, 20__, by and between the Authority and _____, as trustee (the “**Trustee**”), as previously supplemented and as supplemented by the _____ Supplemental Indenture relating to the Bonds dated as of _____, 20__, by and between the Authority and the Trustee (collectively, the “**Indenture**”).

The Authority and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Authority for the benefit of the holders and beneficial owners of the Bonds and to assist the Participating Underwriters (defined below) in complying with the Rule (defined below).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“**Annual Report**” means any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“**Counsel**” means any nationally recognized bond counsel or counsel expert in federal securities laws.

“**Dissemination Agent**” means _____, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority and the Trustee a written acceptance of such designation.

“**Listed Events**” means any of the events listed in Section 5(a) of this Disclosure Agreement.

“**MSRB**” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, 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>.

“**Official Statement**” means the Official Statement dated [_____], 20__, relating to the Bonds.

“**Participating Underwriters**” means [_____].

“**Rule**” means 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.

Section 3. Provision of Annual Reports.

(a) The Authority shall provide, or shall cause the Dissemination Agent to provide, to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement by not later than 270 days after the end of the Authority’s fiscal year in each year commencing with the report for fiscal year ending June 30, 20__. Not later than fifteen Business Days prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent (if other than the Authority, The 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. If the Authority’s fiscal year changes, the Authority, upon becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) If by fifteen Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Authority to determine if the Authority is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall provide to the MSRB (with a copy to the Trustee) a notice, in substantially the form attached as Exhibit A hereto.

(d) The Dissemination Agent shall, unless the Authority has done so pursuant to Section 3(a) above:

- (i) Determine the then-current procedure for filing the Annual Report with the MSRB each year prior to the date for providing the Annual Report; and
- (ii) If the Dissemination Agent is other than the Authority, file a report with the Authority 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(s) shall contain or include by reference the following information:

(a) Audited financial statements of the Authority for the prior Fiscal Year (which may be a component of the financial statements of the Metropolitan Transportation Commission), 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, provided that if the audited financial statements of the Authority are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available; and

(b) To the extent not contained in the audited financial statements provided to the MSRB pursuant to the preceding subsection (a) by the date required by Section 3 hereof, an update of (i) the table entitled “BRIDGE SYSTEM TOTAL TOLL RATES” set forth in the Authority’s Information Statement, dated May 1, 2010, under the caption “THE BRIDGE SYSTEM—History of Toll Rates;” (ii) the table entitled “TOTAL TOLL-PAYING MOTOR VEHICLE TRAFFIC” set forth in the Authority’s Information Statement, dated May 1, 2010, under the caption “THE BRIDGE SYSTEM—Motor Vehicle Traffic;” and (iii) the table entitled “BRIDGE SYSTEM Historical Revenue and Debt Service Coverage” set forth in the Authority’s Information Statement, dated May 1, 2010, under the caption “HISTORICAL REVENUE AND DEBT SERVICE COVERAGE.”

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which have been made available to the public on the MSRB’s website. The Authority shall clearly identify each such other document so included by reference.

The Trustee and the Dissemination Agent shall have no responsibility for the content of the Annual Report, or any part thereof.

Each Annual Report shall state on the cover that it is being provided to the MSRB with respect to the Bonds.

Section 5. Reporting of Significant Events.

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

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders;
- (viii) Bond calls;
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of the Bonds; and
- (xi) Rating changes.

(b) The Trustee shall promptly advise the Authority at its notice address in this Disclosure Agreement whenever, in the course of performing its duties as Trustee under the Indenture, the Trustee has actual notice of an occurrence of a Listed Event and request that the Authority promptly notify the Trustee in writing whether to report the event pursuant to subsection (f) of this Section 5.

(c) Whenever the Authority obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Authority shall determine as soon as possible if such event would constitute material information for holders of Bonds within the meaning of the federal securities laws.

(d) If the Authority has determined that knowledge of the occurrence of a Listed Event would be material, the Authority shall notify the Trustee promptly in writing. Such notice shall instruct the Trustee to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Authority determines that the Listed Event would not be material, the Authority shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence pursuant to subsection (f).

(f) If the Trustee has been instructed by the Authority to report the occurrence of a Listed Event, the Trustee shall file or request the Dissemination Agent (if other than the Trustee) to file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) of this Section 5 need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the holders of affected Bonds pursuant to the Indenture and notice of any other Listed Event is only required following the actual occurrence of the Listed Event. The notice of Listed Event must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

(g) The Trustee may conclusively rely on an opinion of Counsel that the Authority's instructions to the Trustee under this Section 5 comply with the requirements of the Rule.

Section 6. Termination of Reporting Obligation.

(a) The Authority's obligations under this Disclosure Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds. In addition, the Dissemination Agent's obligations hereunder shall terminate upon its resignation or removal as Trustee in accordance herewith.

(b) This Disclosure Agreement, or any provision hereof, shall be null and void in the event that the Authority (i) delivers to the Trustee an opinion of Counsel, addressed to the Authority and the Trustee, to the effect that those portions of the Rule which require this Disclosure Agreement, or any of the provisions hereof, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (ii) delivers copies of such opinion to the Dissemination Agent (if other than the Trustee) for delivery to the MSRB.

Section 7. Dissemination Agent. From time to time, the Authority may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agents with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

Section 8. Amendment Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may be made only 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 type of business conducted;

(b) The undertakings herein, as proposed to be amended or waived, in the opinion of Counsel, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) in the opinion of the Trustee or Counsel, does not materially impair the interests of the holders or beneficial owners of the Bonds.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority 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 Authority 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 Authority 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 Authority to comply with any provision of this Disclosure Agreement, any holder or beneficial owner of the Bonds or the Trustee may (and, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, the Trustee shall) take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority 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 Authority to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Authority agrees to indemnify and hold harmless the Dissemination Agent, its officers, directors, employees and agents, against any loss, expense and liabilities which the Dissemination Agent may incur arising out of or in the exercise or performance of its 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 Dissemination Agent's negligence or willful misconduct. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall not be required to consent to any amendment that would impose any greater duties or risk of liability on the Dissemination Agent. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach of this Disclosure Agreement.

Section 12. Notices. Any notices given hereunder shall be given in writing at the addresses (including the facsimile numbers) set forth below:

If to the Authority:

Bay Area Toll Authority
101 Eighth Street
Oakland, California 94607
Attention: Chief Financial Officer
Phone: (510) 817-5730
Fax: (510) 817-5934

If to the Trustee/Dissemination Agent: _____

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Trustee, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [_____], 20__

BAY AREA TOLL AUTHORITY

By: _____
Chief Financial Officer

The undersigned hereby agrees to act as Dissemination Agent pursuant to the foregoing Disclosure Agreement.

as Dissemination Agent

By: _____
Its: _____

ACKNOWLEDGED:

as Trustee

By: _____
Its: _____

EXHIBIT A

NOTICE TO THE MSRB OF FAILURE TO FILE DISCLOSURE REPORT

Name of Issuer:

Bay Area Toll Authority

Name of Bond Issue:

San Francisco Bay Area [Subordinate] Toll Bridge Revenue Bonds ____ Series __

Date of Issuance: [____], 20__

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board (the "MSRB") that the Authority has not provided an annual Disclosure Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of [____], 20__, by the Authority and _____, as Dissemination Agent. The Authority anticipates that the annual Disclosure Report will be provided to the MSRB by _____.

Dated: _____

_____, as **Dissemination Agent**

By: _____

Its: _____

(This page intentionally left blank)

APPENDIX E

REGIONAL MEASURE 2 PROJECTS¹

RM2 Project	Authorized Amounts
BART/MUNI Connection at Embarcadero and Civic Center Stations	\$ 3,000,000
MUNI Metro Third Street Light Rail Line	30,000,000
MUNI Waterfront Historic Streetcar Expansion	10,000,000
East to West Bay Commuter Rail Service over the Dumbarton Rail Bridge	44,000,000
Vallejo Station	28,000,000
Solano County Express Bus Intermodal Facilities	20,000,000
Solano County Corridor Improvements near Interstate 80/Interstate 680 Interchange	100,000,000
Interstate 80: Eastbound High-Occupancy Vehicle (HOV) Lane Extension from Route 4 to Carquinez Bridge	50,000,000
Richmond Parkway Transit Center	16,000,000
Sonoma-Marin Area Rail Transit District (SMART) Extension to Larkspur or San Quentin	35,000,000
Greenbrae Interchange/Larkspur Ferry Access Improvements	65,000,000
Direct High-Occupancy Vehicle (HOV) lane connector from Interstate 680 to the Pleasant Hill or Walnut Creek BART Stations	15,000,000
Rail Extension to East Contra Costa/E-BART	96,000,000
Capital Corridor Improvements in Interstate 80/Interstate 680 Corridor	25,000,000
Central Contra Costa Bay Area Rapid Transit (BART) Crossover	25,000,000
Regional Express Bus North	20,000,000
TransLink	22,000,000
Real-Time Transit Information	20,000,000
Safe Routes to Transit	22,500,000
BART Tube Seismic Strengthening	71,000,000
Transbay Terminal/Downtown Caltrain Extension	150,000,000
Oakland Airport Connector	78,000,000
AC Transit Enhanced Bus-Phase 1 on Telegraph Avenue, International Boulevard, and East 14th Street	65,000,000
Commute Ferry Service for Alameda/Oakland/Harbor Bay	12,000,000
Commute Ferry Service for Berkeley/Albany	12,000,000
Commute Ferry Service for South San Francisco	12,000,000
Water Transit Facility Improvements, Spare Vessels, and Environmental Review Costs	48,000,000
Regional Express Bus Service for San Mateo, Dumbarton, and San Francisco-Oakland Bay Bridge Corridors	22,000,000
I-880 North Safety Improvements	10,000,000
BART Warm Springs Extension	186,000,000
I-580 (Tri Valley) Rapid Transit Corridor Improvements	65,000,000
Regional Rail Master Plan	6,500,000
Integrated Fare Structure Program	1,500,000
Transit Commuter Benefits Promotion	5,000,000
Caldecott Tunnel Improvements	50,500,000
BART Transit Capital Match	24,000,000
TOTAL	\$1,465,000,000

¹ RM2 also authorizes \$50 million for the construction of the Benicia-Martinez Bridge in addition to amounts authorized under RM1, bringing the total project authorizations under RM2 to \$1.515 billion.

(This page intentionally left blank)

(This page intentionally left blank)

(This page intentionally left blank)

