

Supplement No. 2 Dated August 20, 2009 to Information Statement Dated July 22, 2009

EXISTING ISSUE

REOFFERING — BOOK-ENTRY ONLY

Investors must review the Authority's Information Statement dated July 22, 2009 attached hereto together with this Supplement No. 2 to make an informed investment decision concerning the securities described herein.

EXPECTED SHORT

TERM RATINGS:

Moody's: VMIG 1
Standard & Poor's: A-1+
Fitch: F-1+
(See "RATINGS")

EXPECTED LONG

TERM RATINGS:

Moody's: Aa3
Standard & Poor's: AA
Fitch: AA-
(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 Series 2008A-1 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2008A-1 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Bond Counsel expresses no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2008A-1 Bonds, including whether interest on the Series 2008A-1 Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. See "TAX MATTERS."

\$110,000,000

**BAY AREA TOLL AUTHORITY
SAN FRANCISCO BAY AREA TOLL BRIDGE REVENUE BONDS
2008 Series A-1
Variable Rate Demand Bonds**

The Bay Area Toll Authority (the "Authority") Information Statement dated July 22, 2009 and this Supplement No. 2 together comprise the Reoffering Circular (collectively, the "Reoffering Circular") for the Authority's San Francisco Bay Area Toll Bridge Revenue Bonds, 2008 Series A-1 (the "Series 2008A-1 Bonds") reoffered hereby. Investors must read the entire Reoffering Circular 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 and the security and sources of payment for the Series 2008A-1 Bonds is contained in the Information Statement. The Series 2008A-1 Bonds were issued and are outstanding pursuant to a Master Indenture, dated as of May 1, 2001 (as amended and supplemented, including by a Tenth Supplemental Indenture dated as of June 1, 2008, the "Indenture"), between the Authority and Union Bank, N.A. (formerly known as Union Bank of California, N.A.), as trustee.

The Authority is remarketing the Series 2008A-1 Bonds after purchasing them in a mandatory tender in May, 2009, at the election of the Authority in connection with the expiration of a liquidity facility that is now being replaced with a new liquidity facility. The proceeds of this remarketing will reimburse the Authority for its purchase of the Bonds.

The Series 2008A-1 Bonds will bear interest commencing August 27, 2009 at a Weekly Rate. The principal amount, interest rate determination method, interest payment dates, maturity date, authorized denominations, liquidity arrangements, and other information relating to the Series 2008A-1 Bonds are summarized in the Summary of Reoffering on the inside cover page. Investors may purchase Series 2008A-1 Bonds in book-entry form only.

Series 2008A-1 Bonds are subject to mandatory sinking fund redemption by the Authority prior to maturity as described in the Reoffering Circular. Series 2008A-1 Bonds also are subject to optional redemption by the Authority prior to maturity as described in the Reoffering Circular.

The Series 2008A-1 Bonds may be tendered at any time upon prior notice by Bond owners for purchase and remarketing. The Authority will enter into a Standby Bond Purchase Agreement with the Liquidity Provider identified in the Summary of Reoffering on the inside cover page to provide funds for the purchase of Series 2008A-1 Bonds that are not successfully remarketed. The expiration date of the Liquidity Provider's commitment under the Standby Bond Purchase Agreement is set forth in the Summary of Reoffering. The obligation of the Liquidity Provider to purchase tendered Series 2008A-1 Bonds will be suspended or terminated immediately upon the occurrence of specified events. The Authority is not required to purchase Series 2008A-1 Bonds with other than remarketing proceeds or funds drawn under the Liquidity Facility.

The Authority is not obligated to pay the Series 2008A-1 Bonds except from Revenue as defined and provided in the Indenture. The Series 2008A-1 Bonds are limited obligations of the Authority and do not constitute an obligation of 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.

By purchasing the Series 2008A-1 Bonds, investors are deemed to have consented to a proposed amendment to the Indenture concerning the treatment of certain potential interest subsidy payments from the federal government as further described herein.

Certain legal matters will be passed upon for the Authority by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and by its general counsel, for the Remarketing Agent by its counsel, Nixon Peabody LLP, and for the Liquidity Provider by its counsel, White & Case LLP. The Authority expects that the Series 2008A-1 Bonds will be available for delivery on or about August 27, 2009.

J.P. Morgan

SUMMARY OF REOFFERING
\$110,000,000
BAY AREA TOLL AUTHORITY
SAN FRANCISCO BAY AREA TOLL BRIDGE REVENUE BONDS
2008 Series A-1

Principal Amount:	\$110,000,000
Conversion Date to Weekly Rate:	August 27, 2009
Maturity Date:	April 1, 2045
Price:	100%
Authorized Denominations:	\$100,000 or any integral multiple of \$5,000 in excess thereof
Initial Interest Rate Determination Method*:	Weekly Rate
Interest Payment Dates:	First Business Day of each calendar month commencing September 1, 2009
Record Date for Interest Payments:	Business Day prior to Interest Payment Date
Liquidity Provider:	JPMorgan Chase Bank, National Association
Commitment Expiration:	June 3, 2011
Remarketing Agent:	J.P. Morgan Securities Inc.
CUSIP No.†:	072024NA6

* Upon satisfaction of certain conditions set forth in the Indenture, the Series 2008A-1 Bonds 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), provided however, that all Series 2008A-1 Bonds must be in the same Interest Rate Determination Method. See "DESCRIPTION OF THE SERIES 2008A-1 BONDS."

This Reoffering Circular is not intended to provide information about the Series 2008A-1 Bonds after conversion to an Interest Rate Period other than a Daily Rate Period or a Weekly Rate Period.

While in a Daily Rate Period or a Weekly Rate Period, the Series 2008A-1 Bonds are subject to optional and mandatory tender for purchase in authorized denominations at a purchase price equal to the principal amount thereof, without premium, plus accrued interest to the Purchase Date (the "Purchase Price"). See "DESCRIPTION OF THE SERIES 2008A-1 BONDS."

† CUSIP information herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw Hill Companies, Inc. CUSIP numbers are provided for convenience of reference only. Neither the Authority nor the Remarketing Agent assumes any responsibility for the accuracy of such numbers.

IMPORTANT NOTICES

The Authority is providing information about the Series 2008A-1 Bonds in two related documents: (1) the accompanying Information Statement dated July 22, 2009 attached hereto, which provides information about BATA, and (2) this Supplement No. 2, which describes the specific terms of the Series 2008A-1 Bonds. Together, these documents and all appendices thereto comprise the Reoffering Circular for the San Francisco Bay Area Toll Bridge Revenue Bonds, 2008 Series A-1 offered hereby and are referred to collectively as the “Reoffering Circular.” **All references to the “Information Statement” mean the Information Statement dated July 22, 2009.**

The Information Statement includes a detailed discussion of the revenues pledged as security for the Series 2008A-1 Bonds, the outstanding Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds and Parity Obligations, other obligations the Authority may issue or enter into in the future, its rights to issue additional Bonds, the financial tests that are imposed as preconditions to their issuance, and other matters relating to the Authority and the Bridge System.

The Reoffering Circular does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2008A-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 Remarketing Agent has provided the following sentence for inclusion in the Reoffering Circular. The Remarketing Agent has reviewed the information in the Reoffering Circular 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 Remarketing Agent does 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 Reoffering Circular. If given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the Remarketing Agent.

The Reoffering Circular is not to be construed as a contract with the purchasers of the Series 2008A-1 Bonds.

This Supplement No. 2 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 Reoffering Circular 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 Reoffering Circular is submitted with respect to the reoffering of the Series 2008A-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 Reoffering Circular 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 APPENDIX B – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE–Definitions” in the Information Statement.

In connection with the reoffering of the Series 2008A-1 Bonds, the Remarketing Agent may over-allot or effect transactions that stabilize or maintain the market prices of the Series 2008A-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 Remarketing Agent may offer and sell the Series 2008A-1 Bonds to dealers, institutional investors and others at prices lower than the public offering prices stated in the Summary of Reoffering on the inside cover page and such public offering prices may be changed from time to time by the Remarketing Agent.

**CAUTIONARY STATEMENTS REGARDING
FORWARD-LOOKING STATEMENTS IN THE REOFFERING CIRCULAR**

Some statements contained in the Reoffering Circular 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 Reoffering Circular.

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. 2 to Information Statement

	Page
INTRODUCTION	1
DESCRIPTION OF THE SERIES 2008A-1 BONDS	1
General	1
Redemption Terms of the Series 2008A-1 Bonds	2
Purchase In Lieu of Redemption	3
General Redemption Provisions	3
Interest Rate Determination Methods	4
Conversion of Interest Rate Determination Method	5
Optional Tender Provisions	8
Mandatory Tender Provisions	9
Funding Optional and Mandatory Tenders of Series 2008A-1 Bonds	10
Mechanics and Timing of Optional and Mandatory Tenders	10
2008A-1 Liquidity Instrument	14
Substitute Liquidity Instruments	15
Mandatory Tender for Authority Purchase of Series 2008A-1 Bonds at Election of Authority	16
REMARKETING AGENT	17
PRACTICES AND PROCEDURES RELATED TO THE SERIES 2008A-1 BONDS	17
STANDBY BOND PURCHASE AGREEMENT	19
General	19
Purchase of Tendered Series 2008A-1 Bonds by the Series 2008A-1 Liquidity Provider	20
Events of Default, Suspension and Termination	20
Consequences of Events of Default, Suspension Events and Termination Events	22
Extension, Reduction, Adjustment or Termination of Standby Bond Purchase Agreement	23
Limitations of Standby Bond Purchase Agreement	24
Other Standby Bond Purchase Agreements	25
SUMMARY OF FINANCING PLAN	25
2009 Fixed Rate Refunding	25
Reserve Fund	25
Substitution of Liquidity Facilities	25
Outstanding Bonds and Parity Obligations	26
Anticipated Issuances of Additional Bonds	26
Investment Portfolio	26
Projected Revenue, Operations & Maintenance Expenses and Debt Service Coverage	27
RECENT DEVELOPMENTS	29
Motor Vehicle Traffic	29
Termination of Interest Rate Swaps	29
Standby Bond Purchase Agreements	30
Investment in State of California Bonds	30
Regional Express Lanes Initiative	30
San Francisco-Oakland Bay Bridge Labor Day Weekend Closure	31
Self-Anchored Suspension Bridge Schedule	31

TABLE OF CONTENTS
(continued)

	Page
PROPOSED BUILD AMERICA BONDS AMENDMENT TO INDENTURE	31
ABSENCE OF MATERIAL LITIGATION.....	32
TAX MATTERS.....	32
LEGAL MATTERS.....	33
RATINGS	34
Series 2008A-1 Bonds	34
Meaning of Ratings.....	34
REMARKETING	34
FINANCIAL ADVISOR	34
RELATIONSHIP OF CERTAIN PARTIES	35
CONTINUING DISCLOSURE.....	35
MISCELLANEOUS	35
APPENDIX I BOOK-ENTRY ONLY SYSTEM.....	I-1
APPENDIX II PROPOSED FORM OF OPINION OF BOND COUNSEL	II-1
APPENDIX III PROJECTED DEBT SERVICE SCHEDULE	III-1
APPENDIX IV PARITY BONDS AND PARITY OBLIGATIONS	IV-1
APPENDIX V THE LIQUIDITY PROVIDER	V-1
APPENDIX VI VARIABLE RATE DEMAND BONDS	VI-1
 BAY AREA TOLL AUTHORITY INFORMATION STATEMENT DATED JULY 22, 2009	
Including the following Appendices thereto:	
APPENDIX A METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2008	
APPENDIX B DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE	
APPENDIX C FORM OF CONTINUING DISCLOSURE AGREEMENT	
APPENDIX D REGIONAL MEASURE 2 PROJECTS	

SUPPLEMENT NO. 2 TO INFORMATION STATEMENT DATED JULY 22, 2009

\$110,000,000

BAY AREA TOLL AUTHORITY SAN FRANCISCO BAY AREA TOLL BRIDGE REVENUE BONDS 2008 SERIES A-1

INTRODUCTION

This Reoffering Circular, consisting of the Information Statement dated July 22, 2009 including all Appendices thereto (the "Information Statement") attached hereto and this Supplement No. 2 including all Appendices hereto (collectively, the "Reoffering Circular"), provides information concerning the remarketing by the Bay Area Toll Authority (the "Authority") of \$110,000,000 aggregate principal amount of Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds, 2008 Series A-1 (the "Series 2008A-1 Bonds"). Investors must review the entire Reoffering Circular to make an informed investment decision concerning the Series 2008A-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 the security for the Series 2008A-1 Bonds appears in the Information Statement.

The Series 2008A-1 Bonds are being remarketed by the Authority which currently owns the Series 2008A-1 Bonds after purchasing them in a mandatory tender in May, 2009. Such purchase was at the election of the Authority in connection with the expiration and non-renewal of a liquidity facility supporting payment of the purchase price of Series 2008A-1 Bonds tendered by the owners thereof and not remarketed. A new liquidity facility has been obtained for the Series 2008A-1 Bonds as described under "STANDBY BOND PURCHASE AGREEMENT." The proceeds of the remarketing will reimburse the Authority for its purchase of the Bonds.

By purchasing the Series 2008A-1 Bonds, investors are deemed to have consented to a proposed amendment to the Indenture concerning the treatment of certain potential interest subsidy payments from the federal government as further described under "PROPOSED BUILD AMERICA BONDS AMENDMENT TO INDENTURE" below.

DESCRIPTION OF THE SERIES 2008A-1 BONDS

General

Chapters 4, 4.3 and 4.5 of Division 17 of the California Streets and Highways Code and Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code (collectively, as amended from time to time, the "Act") authorize the Authority to issue revenue bonds, including the Series 2008A-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 issued the Series 2008A-1 Bonds in August, 2008, pursuant to a Master Indenture, dated as of May 1, 2001, as supplemented and amended, including as supplemented by a Tenth Supplemental Indenture, dated as of June 1, 2008 (the "Tenth Supplemental Indenture" and, together with

the Master Indenture and prior and subsequent supplements, the “Indenture”), between the Authority and Union Bank, N.A., as trustee (the “Trustee”).

The Series 2008A-1 Bonds will bear interest from their date of delivery and will mature on the date and in the principal amount shown in the Summary of Reoffering on the inside cover page of this Supplement No. 2.

The Series 2008A-1 Bonds may be purchased in book-entry form only. The Series 2008A-1 Bonds have been registered in the name of a nominee of The Depository Trust Company (“DTC”), which acts as securities depository for the Series 2008A-1 Bonds. Beneficial Owners of the Series 2008A-1 Bonds will not receive certificates representing their ownership interests in the Series 2008A-1 Bonds purchased. The Authority will make payments of principal and interest on the Series 2008A-1 Bonds to DTC, and DTC is to distribute such payments to its Direct Participants. Disbursement of such payments to Beneficial Owners of the Series 2008A-1 Bonds is the responsibility of DTC’s Direct and Indirect Participants and not the Authority. See APPENDIX I – “BOOK-ENTRY ONLY SYSTEM.”

Upon remarketing, the Series 2008A-1 Bonds will bear interest at the Weekly Rate determined as described below under “— Interest Rate Determination Methods.” Interest on Series 2008A-1 Bonds bearing interest at a Daily Rate or a Weekly Rate will be payable on the first Business Day of each calendar month, commencing on September 1, 2009. Interest on Series 2008A-1 Bonds bearing a Daily Rate or a Weekly Rate will be computed on the basis of a 365/366-day year and actual days elapsed. The record date for Series 2008A-1 Bonds bearing interest at the Daily Rate or the Weekly Rate will be the Business Day immediately preceding the Interest Payment Date. The Series 2008A-1 Bonds will be remarketed in fully registered form in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof.

Upon satisfaction of conditions set forth in the Indenture, the Series 2008A-1 Bonds may be changed at the election of the Authority to 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), *provided however*, that all Series 2008A-1 Bonds must have the same Interest Rate Determination Method and (except for any 2008A-1 Credit Provider Bonds and Series 2008A-1 Bonds bearing interest at a Commercial Paper Rate) bear interest at the same interest rate.

This Reoffering Circular is not intended to provide information about the Series 2008A-1 Bonds after conversion to another Interest Rate Determination Method (except with respect to the conversion of any Series 2008A-1 Bonds to a Daily Rate).

Redemption Terms of the Series 2008A-1 Bonds

Optional Redemption. The Series 2008A-1 Bonds bearing interest at the Daily Rate or the Weekly Rate are subject to optional redemption by the Authority, in whole or in part, in Authorized Denominations on any Business Day (with prior notice as described below), at a redemption price equal to the principal amount thereof, plus accrued interest, if any, without premium.

Mandatory Redemption. The Series 2008A-1 Bonds are subject to mandatory redemption by the Authority on each date a Sinking Fund Installment is due, in the principal amount equal to such Sinking Fund Installment, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

<i>Redemption Date (April 1)</i>	<i>Sinking Fund Installment</i>	<i>Redemption Date (April 1)</i>	<i>Sinking Fund Installment</i>
2032	\$6,095,000	2039	\$7,915,000
2033	6,330,000	2040	8,215,000
2034	6,570,000	2041	8,530,000
2035	6,820,000	2042	8,850,000
2036	7,075,000	2043	9,190,000
2037	7,345,000	2044	9,540,000
2038	7,625,000	2045 [†]	9,900,000

[†] Final Maturity

Purchase In Lieu of Redemption

In lieu of mandatory redemption, the Authority may surrender to the Trustee for cancellation Series 2008A-1 Bonds purchased by it, and such Series 2008A-1 Bonds shall be cancelled by the Trustee. If any Series 2008A-1 Bonds are so cancelled, the Authority may designate the Sinking Fund Installments or portions thereof within the Series 2008A-1 Bonds so purchased that are to be reduced as a result of such cancellation.

General Redemption Provisions

Selection for Redemption. The Authority will designate which maturities of Series 2008A-1 Bonds are to be redeemed; *provided* that 2008A-1 Credit Provider Bonds must be redeemed prior to the optional redemption of any other Series 2008A-1 Bonds. If less than all Series 2008A-1 Bonds maturing on any one date are to be redeemed at any one time, DTC's practice is to determine by lot the amount of the interest of each DTC Direct Participant to be redeemed. For purposes of such selection, the Series 2008A-1 Bonds shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed. The Authority may designate the Sinking Fund Installments, or portions thereof, that are to be reduced as a result of such redemption.

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 Series 2008A-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 Series 2008A-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 Series 2008A-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 Series 2008A-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 and interest due on the Series 2008A-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 Series 2008A-1 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice the Series 2008A-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 Series 2008A-1 Bonds shall cease to accrue, and said Series 2008A-1 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture.

Interest Rate Determination Methods

General. The Series 2008A-1 Bonds bear interest at a Weekly Rate. The Authority has the right to change the Interest Rate Determination Method for the Series 2008A-1 Bonds 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). See “Conversion of Interest Rate Determination Method for Series 2008A-1 Bonds” below.

J.P. Morgan Securities Inc. is the Remarketing Agent for the Series 2008A-1 Bonds and is referred to herein as “Remarketing Agent.” See “REMARKETING AGENT.” See also “PRACTICES AND PROCEDURES RELATED TO THE SERIES 2008A-1 BONDS.”

No Daily Rate or Weekly Rate on the Series 2008A-1 Bonds will exceed 12% per annum.

Daily Rate. So long as the Series 2008A-1 Bonds are in the Daily Rate Period, the Series 2008A-1 Bonds will bear interest at a Daily Rate. During each Daily Rate Period, the Remarketing Agent is to set a Daily Rate for the Series 2008A-1 Bonds by 9:30 a.m., New York City time, on each Business Day, which Daily Rate is to be the rate of interest that, if borne by the Series 2008A-1 Bonds in the Daily Rate Period, would, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for Tax-Exempt Securities that are of the same general nature as the Series 2008A-1 Bonds or Tax-Exempt Securities that are competitive as to credit and maturity (or period for tender) with the credit and maturity (or period for tender) of the Series 2008A-1 Bonds, be the lowest interest rate that would enable the Remarketing Agent to place the Series 2008A-1 Bonds at a price of par (plus accrued interest, if any) on such Business Day. The Daily Rate for any non-Business Day will be the rate for the last Business Day on which a Daily Rate was set.

Weekly Rate. So long as the Series 2008A-1 Bonds are in the Weekly Rate Period, the Series 2008A-1 Bonds will bear interest at a Weekly Rate. During each Weekly Rate Period, the Remarketing Agent is to set a Weekly Rate for the Series 2008A-1 Bonds, by 5:00 P.M., New York City time, on each Wednesday (or the immediately succeeding Business Day, if such Wednesday is not a Business Day) for the next period of seven (7) days from and including Thursday of any week to and including Wednesday of the next following week (a “Calendar Week”); *provided*, that, the Weekly Rate for the first Calendar Week (or portion thereof) following the date of delivery of the remarketed Series 2008A-1 Bonds is to be set by the Remarketing Agent no later than the Business Day immediately preceding such delivery date; and, *provided further*, that, the Weekly Rate for the first Calendar Week (or portion thereof) following a Conversion Date resulting in a change in the Interest Rate Determination Method to a Weekly Rate is to be set by the Remarketing Agent on the Business Day immediately preceding such Conversion Date.

Each Weekly Rate is to be the rate of interest that, if borne by the Series 2008A-1 Bonds in the Weekly Rate Period, would, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for Tax-Exempt Securities that are of the same general nature as the Series 2008A-1 Bonds, or Tax-Exempt Securities that are competitive as to credit and maturity (or period for tender) with the credit and maturity (or period for tender) of the Series 2008A-1 Bonds, be the lowest interest rate that would enable the Remarketing Agent to place the Series 2008A-1 Bonds at a price of par (plus accrued interest, if any) on the first day of such Weekly Rate Period.

Failure to Determine Rate for Certain Rate Periods. If, for any reason, the Daily Rate or the Weekly Rate on the Series 2008A-1 Bonds is not established as described above, or there is no Remarketing Agent for the Series 2008A-1 Bonds, or any Daily Rate or Weekly Rate so established is held to be invalid or unenforceable, then an interest rate for such Rate Period equal to 100% of the SIFMA Swap Index on the date such Daily Rate or Weekly Rate was (or would have been) determined, as provided pursuant to the provisions of the Indenture described above, shall be established automatically. “SIFMA Swap Index” is an index published or made available by the Securities Industry and Financial Markets Association (formerly the Bond Market Association) and is defined in the Information Statement in APPENDIX B – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions.”

Conversion of Interest Rate Determination Method

Right of Conversion. The Interest Rate Determination Method for the Series 2008A-1 Bonds is subject to conversion from one Interest Rate Determination Method to another from time to time at the option of the Authority, with such right to be exercised by delivery of a Conversion Notice to the Trustee, the Remarketing Agent and the Liquidity Provider for the Series 2008A-1 Bonds to be converted as follows: (1) at least four Business Days prior to the thirtieth day preceding the effective date of such proposed Conversion, in the event of a Conversion to a Daily Rate, Weekly Rate, Commercial Paper Rate or Index Rate; and (2) at least five Business Days prior to the thirtieth day preceding the effective date of such proposed Conversion, in the event of a Conversion to a Term Rate or a Fixed Rate.

Each Conversion Notice must specify: the proposed Conversion Date; the new Interest Rate Determination Method to take effect; if the Conversion is to a Term Rate, the Term Rate Period; whether the 2008A-1 Liquidity Support Instrument then in effect, if any, will remain in effect; if a new 2008A-1 Liquidity Support Instrument will be in effect after the proposed Conversion Date; 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 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 2008A-1 Bonds and appointing an Index Agent and a Remarketing Agent for such Series 2008A-1 Bonds. The Conversion Notice must be accompanied by an Opinion of Bond Counsel stating that the Conversion is authorized and permitted under the Indenture and will not, in and of itself, adversely affect the Tax-Exempt status of the interest on any of the Series 2008A-1 Bonds to be converted, and a notice of the new Liquidity Provider, if applicable, and the new 2008A-1 Liquidity Instrument, if at the same time as such Series 2008A-1 Bonds are being converted there is to be a change of Liquidity Provider or 2008A-1 Liquidity Instrument with respect to such Series 2008A-1 Bonds.

In order to convert to a different Interest Rate Determination Method, all of the Series 2008A-1 Bonds must be tendered for purchase on the Conversion Date. See “Mandatory Tender Provisions” below.

Notice of Conversion. 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

Trustee is to give notice by first-class mail to the Owners of Series 2008A-1 Bonds, which notice is to state in substance:

(A) that the Interest Rate Determination Method for the Series 2008A-1 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 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 Trustee an Opinion of Bond Counsel and a summary of the matters covered in such opinion in the form provided to the Trustee by the Authority;

(D) that the Interest Rate Determination Method for the Series 2008A-1 Bonds will not be converted unless the Opinion of Bond Counsel referred to above is redelivered to the Trustee on (and as of) the Conversion Date and all the Series 2008A-1 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 the Series 2008A-1 Bonds;

(F) that all the Series 2008A-1 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 Trustee on the applicable Conversion Date an amount of money sufficient to pay the Purchase Price thereof, all the Series 2008A-1 Bonds to be converted on the Conversion Date not delivered to the 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 Trustee, without interest accruing thereon after the Conversion Date.

Notice Failure No Bar. Failure of an Owner of a Series 2008A-1 Bond 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 of the Series 2008A-1 Bonds or extend the period for tendering any of the Series 2008A-1 Bonds for purchase, and the Trustee is not to be liable to any Owner of a Series 2008A-1 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 prior to the proposed Conversion Date set forth in the Conversion Notice by giving written notice thereof to the Trustee, the 2008A-1 Liquidity Provider and the Remarketing Agent two or more Business Days prior to such proposed Conversion Date. If the Trustee receives notice of such rescission prior to the time the Trustee has given notice of the Conversion to the Owners of the Series 2008A-1 Bonds, then the Conversion Notice previously delivered by the Authority is to be of no force and effect. If the Trustee receives notice from the Authority of rescission of the Conversion Notice after the Trustee has given notice of the Conversion to the Owners of the Series 2008A-1 Bonds, then such Series 2008A-1 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 2008A-1 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 the Series 2008A-1 Bonds are subject to mandatory tender;

(B) the Conversion Date must be a Business Day;

(C) the 2008A-1 Liquidity Instrument 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 the Series 2008A-1 Bonds; provided that if the number of days of interest coverage provided by the 2008A-1 Liquidity Instrument is being changed from the number of days previously in place, the Trustee shall have also received a Rating Confirmation from each of the Rating Agencies then rating the Series 2008A-1 Bonds;

(D) no Conversion shall become effective unless the Opinion of Bond Counsel is redelivered on (and as of) the Conversion Date and all Outstanding Series 2008A-1 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 the Series 2008A-1 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 2008A-1 Liquidity Provider a request for termination of the 2008A-1 Liquidity Instrument 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 2008A-1 Credit Provider Bonds. Notwithstanding anything to the contrary contained in the Indenture, if all of the Outstanding Series 2008A-1 Bonds are 2008A-1 Credit Provider Bonds, the Series 2008A-1 Bonds may be converted to a Fixed Rate on such Conversion Date as shall be acceptable to the 2008A-1 Liquidity Provider, the Trustee, the Remarketing Agent and the Authority, provided that on such Conversion Date the Authority is to deliver to the Trustee an Opinion of Bond Counsel stating that the Conversion is authorized and permitted under the Indenture and will not, in and of itself, adversely affect the Tax-Exempt status of the interest on the Series 2008A-1 Bonds.

Failure to Convert. The Indenture includes provisions setting forth the procedures and conditions for the exercise by the Authority of its right of conversion of Series 2008A-1 Bonds from one Interest Rate Determination Method to another. Under certain circumstances, a planned conversion may not be completed. However, once a notice of conversion is provided to DTC as described in the preceding paragraph, all Series 2008A-1 Bonds must be tendered for purchase (whether or not the planned conversion is completed). See “Funding Optional and Mandatory Tenders of Series 2008A-1 Bonds” below concerning payment for Series 2008A-1 Bonds so tendered for purchase.

The Indenture provides that a failed conversion of Series 2008A-1 Bonds to another Interest Rate Determination Method means that the Series 2008A-1 Bonds will continue to bear interest at the Interest Rate Determination Method in effect prior to the proposed Conversion Date (as if no proceedings for Conversion had taken place) and the rate of interest thereon shall be determined on the proposed

Conversion Date. If the failed conversion is due to insufficient funds, such Series 2008A-1 Bonds will be returned to the respective Owners thereof and the interest rate will be the lesser of the SIFMA Swap Index plus 3% and the Maximum Interest Rate of 12% from the date of such failed purchase until all Series 2008A-1 Bonds are purchased as required in accordance with the Indenture. See “Funding Optional and Mandatory Tenders of Series 2008A-1 Bonds” below.

Optional Tender Provisions

The Series 2008A-1 Bonds (other than 2008A-1 Credit Provider Bonds) are subject to tender for purchase and remarketing at the option of the Owner or the Beneficial Owners of those Bonds, who may elect to have Series 2008A-1 Bonds (or portions thereof in Authorized Denominations) purchased at a purchase price (the “Purchase Price”) equal to the principal amount thereof, without premium, plus any accrued interest to the Purchase Date. If the Purchase Date occurs before an Interest Payment Date, but after the Record Date applicable to such Interest Payment Date, then accrued interest will be paid to DTC for payment to the Beneficial Owners as of the applicable Record Date.

Series 2008A-1 Bonds bearing interest at a Daily Rate may be tendered for purchase on any Business Day at the applicable Purchase Price, payable in immediately available funds, upon (A) delivery by the Owner or the Beneficial Owner of such Series 2008A-1 Bonds to the Remarketing Agent and to the Trustee at its Principal Office of an irrevocable written or electronic notice by 11:00 A.M. (New York City time) on any Business Day, that states the principal amount to be tendered for purchase and the Purchase Date, and (B) delivery of such Series 2008A-1 Bonds to the Trustee on the Purchase Date in accordance with the Indenture.

Series 2008A-1 Bonds bearing interest at a Weekly Rate may be tendered for purchase on any Business Day at the applicable Purchase Price, payable in immediately available funds, upon (A) delivery by the Owner or the Beneficial Owner of such Series 2008A-1 Bonds to the Remarketing Agent and to the Trustee at its Principal Office of an irrevocable written or electronic notice by 5:00 P.M. (New York City time) on any Business Day at least seven days prior to the Purchase Date, which states the principal amount of such Series 2008A-1 Bond to be tendered for purchase and the Purchase Date, and (B) delivery of such Series 2008A-1 Bonds to the Trustee on the Purchase Date in accordance with the Indenture.

Any Series 2008A-1 Bond may be tendered for purchase in part as long as the amount so purchased and not so purchased are each in an Authorized Denomination.

Any instrument delivered to the Trustee in accordance with the provisions of the Indenture described above shall be irrevocable with respect to the purchase for which such instrument was delivered and shall be binding upon the Owner and any subsequent Beneficial Owner of the Series 2008A-1 Bonds to which it relates, and as of the date of such instrument, the Owner or the Beneficial Owner shall not have any right to optionally tender for purchase such Series 2008A-1 Bonds prior to the date of purchase specified in such notice. The Authority, the Remarketing Agent and the Trustee may conclusively assume that any person (other than DTC) providing notice of optional tender pursuant to the Indenture is the Beneficial Owner of the Series 2008A-1 Bonds to which such notice relates, and none of the Authority, the Remarketing Agent or the Trustee shall assume any liability in accepting such notice from any person whom it reasonably believes to be a Beneficial Owner of Series 2008A-1 Bonds.

The Standby Bond Purchase Agreement described under “STANDBY BOND PURCHASE AGREEMENT” is intended to provide funds for the purchase of Series 2008A-1 Bonds that are not successfully remarketed upon optional tender by Owners or Beneficial Owners for purchase and remarketing. See “Funding Optional and Mandatory Tenders of Series 2008A-1 Bonds” concerning

possible failure to complete the purchase of Series 2008A-1 Bonds tendered for purchase for lack of funds.

Mandatory Tender Provisions

The Series 2008A-1 Bonds will be subject to mandatory tender for purchase at the applicable Purchase Price on the Conversion Date (or on the proposed Conversion Date if the conversion fails to occur) to a new Interest Rate Determination Method specified in a Conversion Notice as described above under “Conversion of Interest Rate Determination Method.”

The Standby Bond Purchase Agreement described under the caption “STANDBY BOND PURCHASE AGREEMENT” is intended to provide funds for the purchase of Series 2008A-1 Bonds that are not successfully remarketed upon optional tender by Bond owners for purchase and remarketing, and for the purchase of Series 2008A-1 Bonds that are not successfully remarketed upon mandatory tender. The Series 2008A-1 Bonds will be subject to mandatory tender for purchase at the applicable Purchase Price (i) on the fifth Business Day preceding the scheduled expiration of, or the termination by election of the Authority of, the Standby Bond Purchase Agreement, and (ii) (if a Rating Confirmation is not received) on the date of provision of a substitute liquidity facility and resultant termination of the Standby Bond Purchase Agreement. No such mandatory tender is required if a substitute liquidity facility is provided to the Trustee and a Rating Confirmation is delivered by each Rating Agency then rating the Series 2008A-1 Bonds with respect to which the substitute liquidity facility is being provided. The Trustee is to give DTC at least 15 days’ notice of any such elected termination, substitution or expiration.

In addition, if the Trustee receives written notice from the Liquidity Provider for the Series 2008A-1 Bonds under the Standby Bond Purchase Agreement that an event of default or an event of Termination (other than an immediate termination or suspension) has occurred under such Standby Bond Purchase Agreement with the effect that the obligations of such Liquidity Provider to purchase Series 2008A-1 Bonds or otherwise provide for the Purchase Price of such Series 2008A-1 Bonds under such Standby Bond Purchase Agreement will terminate on the date specified in such notice, the Series 2008A-1 Bonds will be subject to mandatory tender for purchase on a Business Day selected by the Trustee, which date shall be not more than five Business Days after receipt of such notice, but in no event later than the Business Day preceding the Termination date specified in the notice received from the Liquidity Provider. The Trustee is to give DTC notice by first class mail within two Business Days of receipt of such a notice from the Liquidity Provider.

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 Series 2008A-1 Bonds will be governed by arrangements among them, and the Authority and the Trustee will not have any responsibility or obligation to send any notice to Beneficial Owners of Series 2008A-1 Bonds.

The Authority will designate which maturities of the Series 2008A-1 Bonds bearing interest at a Daily Rate or a Weekly Rate are to be tendered. If less than all of the Series 2008A-1 Bonds maturing by their terms on any one date are to be tendered at any one time, DTC’s practice is to determine by lot the amount of the interest of each DTC Direct Participant in the Series to be tendered. For purposes of such selection, the Series 2008A-1 Bonds shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately tendered.

Funding Optional and Mandatory Tenders of Series 2008A-1 Bonds

The Authority expects funds to be made available to purchase Series 2008A-1 Bonds tendered for purchase pursuant to the optional and mandatory tender provisions described above by having the Remarketing Agent remarket the tendered Series 2008A-1 Bonds and having the proceeds applied to purchase the tendered Series 2008A-1 Bonds. See “REMARKETING AGENT.”

Payment of the purchase price for any Series 2008A-1 Bonds tendered for purchase and not successfully remarketed is expected to be paid from amounts advanced under the Standby Bond Purchase Agreement as described under “STANDBY BOND PURCHASE AGREEMENT.” If insufficient funds are available from remarketing proceeds and under the Standby Bond Purchase Agreement, the Authority has the option, but no obligation under the Indenture, to pay the shortfall to the Trustee.

The Indenture provides that if sufficient funds are not available for the purchase of all Series 2008A-1 Bonds tendered and required to be purchased on any Purchase Date, all Series 2008A-1 Bonds shall 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 Series 2008A-1 Bonds are purchased as required in accordance with the Indenture, and that all tendered Series 2008A-1 Bonds shall be returned to the respective Owners. Thereafter, the 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 to purchase all Series 2008A-1 Bonds required to be purchased. The Indenture provides that such failed purchase and return shall not constitute an Event of Default.

Mechanics and Timing of Optional and Mandatory Tenders

Purchase of Series 2008A-1 Bonds. Delivery of a Series 2008A-1 Bond to the Trustee in connection with any optional or mandatory tender for purchase pursuant to the 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 Series 2008A-1 Bond or any Participant of such Securities Depository to reflect the transfer of the beneficial ownership interest in such Series 2008A-1 Bond to the account of the Trustee, or to the account of a Participant of such Securities Depository acting on behalf of the Trustee.

If moneys sufficient to pay the Purchase Price of Series 2008A-1 Bonds to be purchased pursuant to the Indenture are held by the Trustee on the applicable Purchase Date, such Series 2008A-1 Bonds are to be deemed to have been purchased for all purposes of the Indenture, irrespective of whether or not such Series 2008A-1 Bonds have been delivered to the Trustee or transferred on the books of a Securities Depository for such Series 2008A-1 Bonds, and neither the former Owner or Beneficial Owner of such Series 2008A-1 Bonds nor any other person will have any claim thereon, under the Indenture or otherwise, for any amount other than the Purchase Price thereof.

In the event of non-delivery of any Series 2008A-1 Bond to be purchased pursuant to the Indenture, the Trustee is to segregate and hold uninvested the moneys for the Purchase Price of such Series 2008A-1 Bond in trust, without liability for interest thereon, for the benefit of the former Owners or Beneficial Owners of such Series 2008A-1 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 Series 2008A-1 Bond. Any moneys that the Trustee segregates and holds in trust for the payment of the Purchase Price of any Series 2008A-1 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 Series 2008A-1 Bond is to look only to the Authority for the payment thereof.

Remarketing of Tendered Series 2008A-1 Bonds.

Daily Put Bonds. Not later than 11:15 a.m. (New York City time) on each Business Day on which the Trustee receives a notice from a Owner or Beneficial Owner of a Series 2008A-1 Bond bearing interest at a Daily Rate to be tendered pursuant to the provisions of the Indenture permitting the Owner to tender such Series 2008A-1 Bond (the “Daily Put Bonds”), the Trustee is to give notice to the Remarketing Agent and the Authority, specifying the principal amount of Series 2008A-1 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 2008A-1 Credit Provider Bonds, which are to be remarketed pursuant to the Indenture.

Not later than 11:30 a.m. (New York City time) on the Purchase Date described in the immediately preceding paragraph, the 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 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 Trustee by 2:00 p.m. (New York City time) on such day pursuant to the 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 Trustee does not receive a notice from the Remarketing Agent pursuant to the immediately preceding paragraph, the Trustee is to demand payment under the 2008A-1 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 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 Trustee receives a notice from an Owner or Beneficial Owner of Series 2008A-1 Bonds bearing interest at a Weekly Rate to be tendered pursuant to the provisions of the Indenture permitting the Owner to tender such Series 2008A-1 Bond (the “Weekly Put Bonds”), the Trustee is to give notice to the Remarketing Agent and the Authority specifying the principal amount of Series 2008A-1 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 2008A-1 Credit Provider Bonds, which are to be remarketed pursuant to the 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 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 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 Trustee by 2:00 p.m. (New York City time) on the Purchase Date pursuant to the 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 Trustee does not receive a notice from the Remarketing Agent pursuant to the immediately preceding paragraph, the Trustee is to demand payment under the 2008A-1 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 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 Indenture, the Trustee is to give notice to the Remarketing Agent and the Authority specifying the principal amount of all Outstanding Series 2008A-1 Bonds that are subject to mandatory tender on such Purchase Date pursuant to the 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 2008A-1 Credit Provider Bonds, which are to be remarketed pursuant to the appropriate provisions of the Indenture.

Not later than 10:00 a.m. (New York City time) on each Purchase Date described in the paragraph above, the 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 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 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 Trustee by 2:00 p.m. (New York City time) on the Purchase Date pursuant to the 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 Trustee does not receive a notice from the Remarketing Agent pursuant to the immediately preceding paragraph, the Trustee is to demand payment under the 2008A-1 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 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 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 Trustee does not receive sufficient funds from, or has received notice from the 2008A-1 Liquidity Provider that it will not provide sufficient funds from, draws on the 2008A-1 Liquidity Instrument to pay the Purchase Price of all such Series 2008A-1 Bonds that have not been remarketed by 2:00 p.m. (New York City time) on the Purchase Date, the 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 Series 2008A-1 Bonds for which moneys will not be available in the 2008-1 Bond Purchase Fund and requesting the Authority to deposit with the 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 2008-1 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.

Limitation. The Remarketing Agent is to remarket the Series 2008A-1 Bonds, as provided therein, at not less than the Purchase Price thereof, except for 2008A-1 Credit Provider Bonds, which are to be remarketed pursuant to the appropriate provisions of the Indenture.

Deposits into Accounts in the 2008-1 Bond Purchase Fund. The terms of any sale by the Remarketing Agent of any Series 2008A-1 Bond tendered or deemed tendered for purchase pursuant to the Indenture are to provide for the payment of the Purchase Price for such tendered or deemed tendered Series 2008A-1 Bond by such Remarketing Agent to the Trustee for deposit in the 2008-1 Remarketing Account of the 2008-1 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 Trustee on each Purchase Date for tendered or deemed tendered Series 2008A-1 Bonds all amounts representing proceeds of the remarketing of such Series 2008A-1 Bonds, based upon the notice given by the Remarketing Agent pursuant to the Indenture. All such amounts are to be deposited in the 2008-1 Remarketing Account. The Trustee is to deposit in the 2008-1 Liquidity Instrument Purchase Account all amounts received under the 2008A-1 Liquidity Instrument pursuant to the Indenture. Upon receipt of any notice from the Trustee that insufficient funds are on deposit in the 2008-1 Bond Purchase Fund to pay the full Purchase Price of all Series 2008A-1 Bonds to be purchased on a Purchase Date, the Authority, at its option, is to deliver or cause to be delivered to the 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 2008-1 Authority Account. The Trustee is to hold amounts in the 2008-1 Bond Purchase Fund uninvested.

Disbursements from the 2008-1 Bond Purchase Fund.

Application of Moneys. Moneys in the 2008-1 Bond Purchase Fund (other than the proceeds of any remarketing of 2008A-1 Credit Provider Bonds, which are to be paid to the 2008A-1 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 Series 2008A-1 Bonds as provided therein by the Trustee, on each Purchase Date, as follows:

First – Moneys constituting funds in the 2008-1 Remarketing Account are to be used by the Trustee on any Purchase Date to purchase Series 2008A-1 Bonds tendered or deemed tendered for purchase at the Purchase Price.

Second – In the event such moneys in the 2008-1 Remarketing Account on any Purchase Date are insufficient to purchase all Series 2008A-1 Bonds tendered or deemed tendered for purchase pursuant to the Indenture on such Purchase Date, moneys in the 2008-1 Liquidity Instrument Purchase Account on

such Purchase Date are to be used by the Trustee at that time to purchase such remaining Series 2008A-1 Bonds at the Purchase Price thereof.

Third – If the amount of money in the 2008-1 Remarketing Account and 2008-1 Liquidity Instrument Purchase Account, if applicable, on any Purchase Date is insufficient to pay in full the Purchase Price of all Series 2008A-1 Bonds tendered or deemed tendered for purchase pursuant to the Indenture on such Purchase Date, moneys in the 2008-1 Authority Account on such Purchase Date, if any, are to be used by the Trustee at that time to purchase such remaining Series 2008A-1 Bonds at the Purchase Price thereof.

If the Series 2008A-1 Bonds tendered or deemed tendered for purchase pursuant to the Indenture are Book-Entry Bonds, payment of the Purchase Price of such Series 2008A-1 Bonds will be made in accordance with the rules and procedures of the applicable Securities Depository.

Delivery of Series 2008A-1 Bonds. While the Series 2008A-1 Bonds are Book-Entry Bonds, transfer of ownership of the remarketed Series 2008A-1 Bonds is to be effected in accordance with the procedures of the applicable Securities Depository against delivery of funds for deposit into the 2008-1 Remarketing Account of the 2008-1 Bond Purchase Fund equal to the Purchase Price of the Series 2008A-1 Bonds that have been remarketed.

Any Series 2008A-1 Bonds purchased with funds in the 2008-1 Liquidity Instrument Purchase Account of the 2008-1 Bond Purchase Fund are to be delivered and held in accordance with the Indenture. Any Series 2008A-1 Bonds purchased with funds in the 2008-1 Authority Account of the 2008-1 Bond Purchase Fund are to be delivered and held in accordance with the instructions of the Authority furnished to the Trustee. Such Series 2008A-1 Bonds are to be held available for registration of transfer and delivery by the Trustee in such manner as may be agreed between the Trustee and the 2008A-1 Liquidity Provider or the Authority, as the case may be.

2008A-1 Liquidity Instrument

With respect to the Series 2008-1 Bonds bearing interest at a Weekly Rate or a Daily Rate, the Authority is to provide, or cause to be provided, to the Trustee a 2008A-1 Liquidity Instrument. The Authority may not reduce the amount of the 2008A-1 Liquidity Instrument or permit a substitution of a 2008A-1 Liquidity Provider thereunder without obtaining a Rating Confirmation with respect to such action unless such action is considered a substitution of the 2008A-1 Liquidity Instrument subjecting the Series 2008A-1 Bonds to mandatory purchase pursuant to the Indenture. The Authority has the right at any time to provide a substitute 2008A-1 Liquidity Instrument for the 2008A-1 Liquidity Instrument then in effect. If there have been delivered to the Trustee (i) a substitute 2008A-1 Liquidity Instrument meeting the requirements of the Indenture and (ii) the opinions and documents required by the Indenture, then the Trustee is to accept such substitute 2008A-1 Liquidity Instrument and, if so directed by the Authority, on or after the effective date of such substitute 2008A-1 Liquidity Instrument, promptly surrender the 2008A-1 Liquidity Instrument being so substituted in accordance with the respective terms thereof for cancellation; provided the Trustee will not surrender any 2008A-1 Liquidity Instrument until all draws or requests to purchase Series 2008A-1 Bonds made under such 2008A-1 Liquidity Instrument have been honored in accordance with the terms thereof. In the event that the Authority elects to provide a substitute 2008A-1 Liquidity Instrument, the Series 2008A-1 Bonds may be subject to mandatory tender. Notwithstanding the foregoing, if at any time there ceases to be any Series 2008A-1 Bonds Outstanding or if all the Outstanding Series 2008A-1 Bonds have been converted to a Fixed Rate, an Index Rate or a Term Rate not intended to be supported by a 2008A-1 Liquidity Instrument, or a 2008A-1 Liquidity Instrument is to be terminated pursuant to its terms, the Trustee is to promptly surrender such

2008A-1 Liquidity Instrument in accordance with its terms for cancellation. The Trustee is to comply with the procedures set forth in each 2008A-1 Liquidity Instrument relating to the termination thereof.

In the event that a 2008A-1 Liquidity Instrument is in effect, the Trustee is to make a demand for payment under such 2008A-1 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 Series 2008A-1 Bonds purchased with payments made under a 2008A-1 Liquidity Instrument will constitute 2008A-1 Credit Provider Bonds and are to be registered in the name of, or as otherwise directed by, the applicable 2008A-1 Liquidity Provider and delivered to or upon the order of, or as otherwise directed by, such 2008A-1 Liquidity Provider.

Unless otherwise provided in the 2008A-1 Liquidity Instrument, 2008A-1 Credit Provider Bonds are to be remarketed by the Remarketing Agent prior to any other Series 2008A-1 Bonds tendered for purchase pursuant to the Indenture and are to be remarketed in accordance with the terms of the Remarketing Agreement. Upon (i) receipt by the Authority and the Trustee of written notification from a 2008A-1 Liquidity Provider that a 2008A-1 Liquidity Instrument has been fully reinstated with respect to principal and interest and (ii) release by the applicable 2008A-1 Liquidity Provider of any 2008A-1 Credit Provider Bonds that the Remarketing Agent has remarketed, such Series 2008A-1 Bonds are to be made available to the purchasers thereof and no longer constitute 2008A-1 Credit Provider Bonds for purposes of the Indenture. The proceeds of any remarketing of 2008A-1 Credit Provider Bonds are to be paid to the applicable 2008A-1 Liquidity Provider by the Trustee on such remarketing date in immediately available funds with interest on the sale price being calculated as if such Bond were not a 2008A-1 Credit Provider Bond; provided, however, if all such Bonds are 2008A-1 Credit Provider Bonds, at the principal amount thereof plus accrued interest, and the remarketing date is to be considered an Interest Payment Date.

Substitute Liquidity Instruments

So long as any Series 2008A-1 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 2008A-1 Liquidity Instrument, including any renewals or extensions thereof (other than an expiration of such 2008A-1 Liquidity Instrument at the final maturity of the Series 2008A-1 Bonds to which such 2008A-1 Liquidity Instrument relates), the Authority is to provide to the Trustee a renewal or extension of the term of the existing 2008A-1 Liquidity Instrument for such Series of 2008A-1 Bonds or a substitute 2008A-1 Liquidity Instrument meeting the following requirements: (i) the obligations of the Liquidity Provider under the substitute 2008A-1 Liquidity Instrument to purchase such Series 2008A-1 Bonds or otherwise provide for the Purchase Price of such Series 2008A-1 Bonds tendered or deemed tendered will not be subject to suspension or termination on less than 15 days notice to the Authority and the Trustee; provided, however, that the obligations of a 2008A-1 Liquidity Provider to purchase Series 2008A-1 Bonds or otherwise provide for the Purchase Price of such Series 2008A-1 Bonds may be immediately suspended or terminated without such notice upon the occurrence of such events as may be provided in a 2008A-1 Liquidity Instrument and that are disclosed to the Owners of such Series 2008A-1 Bonds in connection with the provision of such substitute 2008A-1 Liquidity Instrument or, if applicable, upon the remarketing of such Series 2008A-1 Bonds upon the mandatory tender thereof as a result of provision of another 2008A-1 Liquidity Instrument; (ii) the substitute 2008A-1 Liquidity Instrument must take effect on or before the Purchase Date for the Series 2008A-1 Bonds established pursuant to the Indenture; and (iii) the substitute 2008A-1 Liquidity Instrument must be in an amount sufficient to pay the maximum Purchase Price of the affected Series 2008A-1 Bonds which is to be applicable during the Rate Period commencing on such substitution.

Prior to the date of the delivery of a substitute 2008A-1 Liquidity Instrument to the Trustee, the Authority is to cause to be furnished to the Trustee (i) an Opinion of Bond Counsel addressed to the Trustee to the effect that the delivery of such substitute 2008A-1 Liquidity Instrument to the Trustee is authorized under the Indenture and complies with the terms thereof and will not, in and of itself, adversely affect the Tax-Exempt status of interest on the Series 2008A-1 Bonds and (ii) an opinion or opinions of counsel to the Liquidity Provider for such substitute 2008-1 Liquidity Instrument addressed to the Trustee, to the effect that the substitute 2008-1 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 Series 2008A-1 Bonds are not subject to mandatory tender for purchase, the Rating Confirmation required by the Indenture.

The Trustee is to give notice of the proposed substitution of a 2008A-1 Liquidity Instrument not later than the fifteenth day prior to the substitution date.

Mandatory Tender for Authority Purchase of Series 2008A-1 Bonds at Election of Authority

The Series 2008A-1 Bonds are also subject to mandatory tender for purchase by the Authority, in whole or in part (in Authorized Denominations), on any date such Series 2008A-1 Bonds would be subject to optional redemption (each, an “Optional Purchase Date”) at a purchase price equal to the principal amount of such Series 2008A-1 Bonds to be purchased on the Optional Purchase Date, plus accrued interest to the Optional Purchase Date, plus an amount equal to the premium, if any (the “Optional Purchase Price”). In the event that the Authority determines to purchase any Series 2008A-1 Bonds on any Optional Purchase Date, the Authority will provide the Trustee with written notice of such determination at least 45 days prior to the Optional Purchase Date, which notice will specify the principal amount of the Series 2008A-1 Bonds of each maturity which are to be purchased and the Optional Purchase Date on which such purchase is to occur.

When the Trustee receives notice from the Authority of its determination to purchase Series 2008A-1 Bonds pursuant the provisions described above, the Trustee shall give notice to DTC and the Remarketing Agent, in the name of the Authority, of the mandatory tender for purchase such Series 2008A-1 Bonds, which notice shall be mailed, by first class mail, postage prepaid, not more than 60 nor less than 30 days before the Optional Purchase Date. Receipt of such notice of mandatory tender for purchase shall not be a condition precedent to the mandatory tender for purchase of the Series 2008A-1 Bonds and failure of DTC to receive any such notice or any defect in such notice shall not affect the validity of the proceedings for the mandatory tender for purchase of such Series 2008A-1 Bonds pursuant to the provisions of the Indenture described herein. 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 Series 2008A-1 Bonds will be governed by arrangements among them, and the Authority and the Trustee will not have any responsibility or obligation to send any notice to Beneficial Owners of Series 2008A-1 Bonds.

If less than all of the Series 2008A-1 Bonds are to be called for mandatory tender at the election of the Authority, the Authority may select the principal amount and maturity of such Series 2008A-1 Bonds to be purchased at its sole discretion. If less than all of the Series 2008A-1 Bonds maturing by their terms on any one date are to be tendered at any one time, DTC’s practice is to determine by lot the amount of the interest of each DTC Direct Participant in the Series to be tendered. For purposes of such selection, the Series 2008A-1 Bonds shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately tendered. If at the time the Trustee sends any notice of mandatory tender for purchase of any Series 2008A-1 Bonds as described in the preceding paragraph, the Authority has not deposited with the Trustee an amount sufficient to pay the full

Optional Purchase Price of such Series 2008A-1 Bonds, or the portions thereof, to be purchased, such notice shall state that such mandatory tender for purchase is conditional upon the receipt by the Trustee on or prior to the Optional Purchase Date fixed for such purchase of moneys sufficient to pay the Optional Purchase Price of such Series 2008A-1 Bonds, or the portions thereof to be purchased, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Authority shall not be required to purchase such Series 2008A-1 Bonds.

Funding for purchases of Series 2008A-1 Bonds pursuant to the mandatory tender at the election of the Authority as described under this heading is not addressed in the Standby Bond Purchase Agreement described under “STANDBY BOND PURCHASE AGREEMENT” or in the Authority’s agreement with the Remarketing Agent for Series 2008A-1 Bonds.

REMARKETING AGENT

The Authority has entered into a Remarketing Agreement covering the Series 2008A-1 Bonds with J.P. Morgan Securities Inc. The Remarketing Agent undertakes, among other things, to use its best efforts to remarket Series 2008A-1 Bonds that are tendered for purchase. The Authority or the Remarketing Agent may terminate the Remarketing Agreement under the circumstances and in the manner described in the Remarketing Agreement, in which case the Authority expects to appoint a replacement remarketing agent in accordance with the Indenture.

PRACTICES AND PROCEDURES RELATED TO THE SERIES 2008A-1 BONDS

The Remarketing Agent for the Series 2008A-1 Bonds is J.P. Morgan Securities Inc. (the “Remarketing Agent”).

The Remarketing Agent has agreed to comply with the Authority’s variable rate demand bond procedures, which are included in the Indenture and described above.

The Remarketing Agent also has internal practices and procedures pertaining to variable rate demand securities. The resale of Series 2008A-1 Bonds and the rates of interest thereon may be affected by those practices and procedures.

The Remarketing Agent is Paid by the Authority

The Remarketing Agent’s responsibilities include determining the interest rate from time to time and remarketing Series 2008A-1 Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement), all as further described in the Reoffering Circular. The Remarketing Agent is appointed by the Authority and is paid by the Authority for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Series 2008A-1 Bonds.

The Remarketing Agent May Be Removed, Resign or Cease Remarketing the Series 2008A-1 Bonds, Without a Successor Being Named

Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement.

The Remarketing Agent and the Authority may Purchase Series 2008A-1 Bonds for Their Own Accounts

The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, has routinely purchased such obligations for its own account in order to achieve a successful remarketing of the obligations (i.e., because there are otherwise not enough buyers to purchase the obligations) or for other reasons. The Remarketing Agent is permitted, but not obligated, to purchase tendered Series 2008A-1 Bonds for its own account and, if it does so, it may cease doing so at any time without notice. Any cessation of purchases by the Remarketing Agent may result in a failed remarketing and draw on the Standby Bond Purchase Agreement. The Remarketing Agent may also make a market in the Series 2008A-1 Bonds by purchasing and selling Series 2008A-1 Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Series 2008A-1 Bonds. The Remarketing Agent may also sell any Series 2008A-1 Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series 2008A-1 Bonds. The Authority may purchase certain Series 2008A-1 Bonds held by a Remarketing Agent. In addition, the Indenture permits the Remarketing Agent to remarket Series 2008A-1 Bonds to the Authority as part of the remarketing and interest rate setting process undertaken by the Remarketing Agent. The willingness of the Authority to buy Series 2008A-1 Bonds in connection with a remarketing may affect the interest rate determined for such Series 2008A-1 Bonds. The Authority's interest in connection with the determining of the interest rate by a Remarketing Agent may differ from the interests of Bondholders other than the Authority. The purchase of Series 2008A-1 Bonds by the Remarketing Agent or the Authority may create the appearance that there is greater third party demand for the Series 2008A-1 Bonds in the market than is actually the case. The practices described above also may result in fewer Series 2008A-1 Bonds being tendered in a remarketing, fewer draws on the Standby Bond Purchase Agreement and lower interest rates on the Series 2008A-1 Bonds than would otherwise be the case.

Series 2008A-1 Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date

Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Series 2008A-1 Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable Rate Determination Date. The interest rate will reflect, among other factors, the level of market demand for the Series 2008A-1 Bonds (including whether the Remarketing Agent or the Authority is willing to purchase Series 2008A-1 Bonds for its own account). There may or may not be Series 2008A-1 Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any Series 2008A-1 Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Series 2008A-1 Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Series 2008A-1 Bonds at the remarketing price. In the event a Remarketing Agent or the Authority owns any Series 2008A-1 Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Series 2008A-1 Bonds on any date, including the Rate Determination Date, at a discount to par to some investors which, in the case of the Remarketing Agent, may include the Authority.

The Ability to Sell the Series 2008A-1 Bonds other than through Tender Process May Be Limited

The Remarketing Agent and the Authority may buy and sell Series 2008A-1 Bonds other than through the tender process. However, they are not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their Series 2008A-1 Bonds to do so through the Trustee with appropriate notice. Thus, investors who purchase the Series 2008A-1 Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series 2008A-1 Bonds other than by tendering the Series 2008A-1 Bonds in accordance with the tender process.

STANDBY BOND PURCHASE AGREEMENT

The following is a summary of provisions of the Standby Bond Purchase Agreement. This summary does not purport to be comprehensive. Reference should be made to the Standby Bond Purchase Agreement for its complete terms. Capitalized terms used under this heading not defined elsewhere in this Reoffering Circular shall have the meanings set forth in the Standby Bond Purchase Agreement. For information regarding the Liquidity Provider, see APPENDIX V – “THE LIQUIDITY PROVIDER.”

General

The new Liquidity Facility for the Series 2008A-1 Bonds will be provided pursuant to the Standby Bond Purchase Agreement dated as of August 20, 2009 among the Authority, the Trustee, JPMorgan Chase Bank, National Association (“JPMorgan Chase”), as Agent and Bank, Bank of America, N.A. (“Bank of America”) and Union Bank, N.A. (“Union Bank” and together with JPMorgan Chase and Bank of America, the “Liquidity Providers”). In addition to the Series 2008A-1 Bonds, the Standby Bond Purchase Agreement also provides liquidity support to the Authority’s 2007 Series A-1, C-1, G-1, A-2, B-2, C-2 and D-2 Bonds. The Liquidity Provider for the Series 2008A-1 Bonds is JPMorgan Chase (the “Series 2008A-1 Liquidity Provider”).

The principal commitment of the Series 2008A-1 Liquidity Provider is \$110,000,000. In addition to the principal commitment, the Series 2008A-1 Liquidity Provider will provide an interest commitment that is based upon an assumed rate of interest of 12% on the principal commitment for a period of 34 days using a 365 day year. Under the terms of the Standby Bond Purchase Agreement, each Liquidity Provider’s liability is several and not joint, and no Liquidity Provider will be liable for the failure of any other Liquidity Provider to perform its obligations thereunder.

Payment of the Purchase Price for Series 2008A-1 Bonds tendered for purchase or subject to mandatory purchase in accordance with the Indenture and not remarketed is expected to be made from amounts advanced under the Standby Bond Purchase Agreement. Under the Standby Bond Purchase Agreement (and subject to the terms and conditions specified in the Standby Bond Purchase Agreement), the Series 2008A-1 Liquidity Provider has agreed to purchase Series 2008A-1 Bonds tendered for purchase or subject to mandatory purchase that have not been remarketed.

The Standby Bond Purchase Agreement supporting the Series 2008A-1 Bonds will expire on June 3, 2011, unless it is terminated earlier or unless it is extended. An extension of the Standby Bond Purchase Agreement or the substitution of another liquidity facility for the Series 2008A-1 Bonds is required by the Indenture until the Series 2008A-1 Bonds are retired or changed to bear interest at a Fixed Rate, a Term Rate or an Index Rate. The scheduled expiration or the termination by the Authority of the Standby Bond Purchase Agreement will, and the substitution of another liquidity facility may, result in a mandatory purchase of the Series 2008A-1 Bonds supported by such Standby Bond Purchase Agreement

as explained under “DESCRIPTION OF THE SERIES 2008A-1 BONDS—Mandatory Tender Provisions” above.

Funding under the Standby Bond Purchase Agreement is to be requested by the Trustee by telephonic and written notice to the Series 2008A-1 Liquidity Provider. Upon payment by the Series 2008A-1 Liquidity Provider, the Series 2008A-1 Bonds purchased by the Series 2008A-1 Liquidity Provider will be called Bank Bonds under the Standby Bond Purchase Agreement and will bear interest at the Bank Rate defined in and determined pursuant to the Standby Bond Purchase Agreement. The Standby Bond Purchase Agreement provides for the remarketing of Bank Bonds at the election of the Authority and requires the Authority to redeem any Bank Bond that is not remarketed in 20 equal quarterly installments beginning on the first Business Day of the third calendar month immediately following the purchase of the Bank Bond by the Series 2008A-1 Liquidity Provider. The Indenture requires Bank Bonds to be remarketed prior to the remarketing of any other Series 2008A-1 Bonds tendered for purchase or subject to mandatory purchase.

Purchase of Tendered Series 2008A-1 Bonds by the Series 2008A-1 Liquidity Provider

The Series 2008A-1 Liquidity Provider has agreed to purchase, during the Availability Period for the Series 2008A-1 Bonds, eligible Series 2008A-1 Bonds that have been tendered for optional purchase or that are subject to mandatory purchase and that are not remarketed (when remarketing is permitted or required) as provided in the Indenture.

The Availability Period for the Series 2008A-1 Bonds ends on the earliest of (a) 12:00 noon (New York time) on June 3, 2011 (as such date may be extended from time to time as provided in the Standby Bond Purchase Agreement) which is the expiration date of the Standby Bond Purchase Agreement; (b) 12:00 noon (New York time) on the day 15 days after the Authority gives written notice to the agent of the Liquidity Providers that the Authority elects to terminate the Standby Bond Purchase Agreement as to the Series 2008A-1 Bonds; (c) the date on which the Series 2008A-1 Bonds cease to bear interest at either a Daily Rate, Weekly Rate, or Commercial Paper Rate; (d) the date on which the Authority delivers to the Trustee an alternate or substitute liquidity facility for the Series 2008A-1 Bonds; (e) the date on which no Series 2008A-1 Bonds are outstanding; or (f) the occurrence of a termination event under such Standby Bond Purchase Agreement. The price to be paid by the Series 2008A-1 Liquidity Provider for Series 2008A-1 Bonds will be equal to the aggregate principal amount of such Series 2008A-1 Bonds (up to the Available Principal Commitment) plus interest accrued thereon but unpaid (up to the Available Interest Commitment) to the date of such purchase, without premium.

Events of Default, Suspension and Termination

The remedies upon the occurrence of an Event of Default, a Suspension Event or a Termination Event under the Standby Bond Purchase Agreement can differ significantly. See “Consequences of Events of Default, Suspension Events and Termination Events” below.

Termination Events. The following constitute Termination Events under the Standby Bond Purchase Agreement:

- (a) The Authority fails to pay, or cause to be paid, when due, or declares a moratorium on the payment of, or repudiates any Series of Bonds supported by the Standby Bond Purchase Agreement;
- (b) The Authority fails to pay or cause to be paid when due any Debt (as defined below) that is secured by Bridge Toll Revenues and is senior to, or on parity with, the Series 2008A-1 Bonds and such failure continues after any applicable grace period; or shall have declared a moratorium on the

payment of, or repudiated, any such Debt; “Debt” means all obligations of the Authority for borrowed money, all obligations of the Authority evidenced by bonds, debentures, notes or other similar instruments, and all obligations of the Authority as lessee under capital leases;

(c) Any of the Standby Bond Purchase Agreement, the Indenture, or the Bonds supported by the Standby Bond Purchase Agreement (each of the foregoing constituting a “Purchase Document”) or any material provision of any Purchase Document relating to the payment of the principal of, and interest on, or security for the Bonds supported by the Standby Bond Purchase Agreement at any time for any reason ceases to be valid and binding on the Authority in accordance with the terms of such Purchase Document or is declared or ruled to be null and void by a court or other governmental agency of appropriate jurisdiction;

(d) An Event of Voluntary Insolvency has occurred, which means the occurrence and continuance of one or more of the following events: (a) the Authority (i) voluntarily commences any case or proceeding or file any petition seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it, or seeking to declare a moratorium with respect to any obligations of the Authority under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, (ii) consents to the institution of, or fails to controvert in a timely and appropriate manner, any such case or proceeding or the filing of any such case or petition, (iii) applies for or consents to the appointment of a receiver, trustee, custodian, sequestrator or similar official for itself or for a substantial part of its property, (iv) files an answer admitting the material allegations of a case or petition filed against it in any such case or proceeding, (v) makes a general assignment for the benefit of creditors, (vi) becomes unable or admits in writing its inability to pay its debts as they become due or (vii) takes action for the purpose of effecting any of the foregoing; or (b) an order or decree for relief is entered against the Authority in a court of competent jurisdiction under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors; and

(e) The long term unenhanced ratings (i.e., any rating that is assigned to a Series 2008A-1 Bond or any other indebtedness of the Authority senior to or on a parity with the Series 2008A-1 Bonds and secured by and payable from Bridge Toll Revenues without regard to the provision of credit enhancement such as a letter of credit, bond insurance policy or other financial guarantee) of the Series 2008A-1 Bonds or any other indebtedness of the Authority senior to or on a parity with the Series 2008A-1 Bonds and secured by and payable from Bridge Toll Revenues are withdrawn, suspended for credit related reasons by Fitch, S&P and Moody’s or reduced below “BBB-” by Fitch, “BBB-” by S&P and “Baa3” by Moody’s, respectively.

Suspension Event. The following constitutes a Suspension Event under the Standby Bond Purchase Agreement: the validity or enforceability of any Purchase Document or any material provision of any Purchase Document relating to the payment of the principal of, and interest on, or security for the Bonds supported by the Standby Bond Purchase Agreement is contested in writing by a senior authorized officer of the Authority with authority or apparent authority to bind the Authority.

Events of Default. The following constitute Events of Default under the Standby Bond Purchase Agreement:

(a) A breach by the Authority of the provisions of, or an event of default by the Authority shall occur and be continuing under, any Related Document (as defined below) other than the Standby Bond Purchase Agreement and the expiration of any applicable grace period shall have occurred.

“Related Documents” means the Standby Bond Purchase Agreement, the Bonds supported by the Standby Bond Purchase Agreement, the Indenture and the Remarketing Agreement;

(b) The Authority shall default in the performance of any covenant or agreement contained in the Standby Bond Purchase Agreement (other than certain information covenants) and such default continues for thirty days after written notice of such default has been given to the Authority;

(c) Any representation or warranty on the part of the Authority contained in the Standby Bond Purchase Agreement or in any other Related Document at any time proves to have been untrue in any material respect when made or when reaffirmed, as the case may be;

(d) Nonpayment of any fees or any other amount when due to any Liquidity Provider under the Standby Bond Purchase Agreement, if such failure to pay when due shall continue for ten Business Days after the Authority has received written notice thereof; or

(e) The Authority shall fail to pay or cause to be paid when due any Debt (as defined below) that is secured by Bridge Toll Revenues and is senior to, or on parity with, the Series 2008A-1 Bonds, and such failure shall continue after any applicable grace period, or shall have declared a moratorium on the payment of, or repudiated, any such Debt; “Debt” means, without duplication, (i) all obligations of the Authority to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (ii) all Debt of others secured by a lien on any asset of the Authority, whether or not such Debt is assumed by the Authority, and (iii) all obligations, contingent or otherwise, of the Authority directly or indirectly guaranteeing any Debt or other obligation of any other person.

Consequences of Events of Default, Suspension Events and Termination Events

In the event of any Event of Default, Ratings Event (as defined below), Termination Event or Suspension Event, the Liquidity Providers may, so long as such Event of Default, Ratings Event, Termination Event or Suspension Event shall not have been remedied, be entitled to proceed to enforce all remedies available under the Related Documents (including the Standby Bond Purchase Agreement) and under applicable law and in equity, including, but not limited to, the right to seek mandamus.

“Ratings Event” means the withdrawal or suspension for credit related reasons related to the Authority by any of Fitch, S&P and/or Moody’s of the long term unenhanced ratings (i.e., any rating that is assigned to a Series 2008A-1 Bond or any other indebtedness of the Authority senior to or on a parity with the Series 2008A-1 Bonds and secured by and payable from Bridge Toll Revenues without regard to the provision of credit enhancement such as a letter of credit, bond insurance policy or other financial guarantee) of the Series 2008A-1 Bonds or any other indebtedness of the Authority senior to or on a parity with the Series 2008A-1 Bonds and secured by and payable from Bridge Toll Revenues or the reduction in any such rating below “A” (or its equivalent) by Fitch, “A” (or its equivalent) by S&P or “A2” (or its equivalent) by Moody’s, respectively.

Upon the occurrence of a Termination Event, the obligation of the Series 2008A-1 Liquidity Provider to purchase Series 2008A-1 Bonds pursuant to the affected Standby Bond Purchase Agreement will be immediately terminated without notice or other action.

Upon the occurrence of a Suspension Event, the obligation of the Series 2008A-1 Liquidity Provider to purchase Series 2008A-1 Bonds pursuant to the Standby Bond Purchase Agreement will be immediately suspended without notice or other action. The obligation of the Series 2008A-1 Liquidity Provider to purchase Series 2008A-1 Bonds will thereafter be suspended until either the bank agent delivers a written notice to the Trustee rescinding such suspension event (such notice, a “Rescission

Notice”) or a final non-appealable order of a court having jurisdiction in the premises is entered declaring that the affected Purchase Document is upheld in its entirety or all material contested provisions of the affected Purchase Document relating to the payment of the principal of, and interest on, or security for the Bonds supported by the Standby Bond Purchase Agreement are upheld in their entirety.

In the event a final non-appealable order is entered declaring the affected Purchase Document or any material provision of the affected Purchase Document relating to the payment of the principal of, and interest on, or security for the Bonds supported by the Standby Bond Purchase Agreement to be invalid, unenforceable or null and void, then the obligation of the Series 2008A-1 Liquidity Provider to purchase Series 2008A-1 Bonds under the Standby Bond Purchase Agreement will immediately terminate without any further action by the Series 2008A-1 Liquidity Provider. In the event a final non-appealable order is entered declaring that the affected Purchase Document is upheld in its entirety or all material provisions of the affected Purchase Document relating to the payment of the principal of, and interest on, or security for the Bonds supported by the Standby Bond Purchase Agreement are upheld in their entirety, the obligation of the Series 2008A-1 Liquidity Provider to purchase Series 2008A-1 Bonds under the Standby Bond Purchase Agreement and the Series 2008A-1 Liquidity Provider’s Commitment will be automatically reinstated and the terms of the Standby Bond Purchase Agreement will continue in full force and effect (unless the Standby Bond Purchase Agreement has otherwise terminated by its terms) as if there had been no such suspension. Notwithstanding the foregoing, if, upon the earlier of the last day of the Availability Period with respect to the Series 2008A-1 Bonds or the date which is two years after the effective date of suspension of the Series 2008A-1 Liquidity Provider’s obligations, such Suspension Event is still continuing, then the Available Commitment for such Series 2008A-1 Bonds and the obligation of the Series 2008A-1 Liquidity Provider to purchase Series 2008A-1 Bonds will terminate without notice or demand.

Upon the occurrence and during the continuance of an Event of Default or a Ratings Event, the Liquidity Providers may terminate the Total Commitment by giving notice to the Authority and the Trustee, specifying the date on which at 3:00 p.m. New York time the Total Commitment will terminate (the “Termination Date”), which will be not less than thirty days from the date of receipt of such notice by the Trustee, and after the Termination Date the Series 2008A-1 Liquidity Provider will be under no further obligation to purchase Series 2008A-1 Bonds other than Series 2008A-1 Bonds which are the subject of a Notice of Presentation delivered by the Trustee in accordance with the Standby Bond Purchase Agreement and received by the Series 2008A-1 Liquidity Provider on or prior to the Termination Date.

Extension, Reduction, Adjustment or Termination of Standby Bond Purchase Agreement

The Standby Bond Purchase Agreement supporting the Series 2008A-1 Bonds is to expire on June 3, 2011, unless terminated or extended for additional periods by mutual agreement of the Authority and the Series 2008A-1 Liquidity Provider. Written request for such extension must be received by the Series 2008A-1 Liquidity Provider and the Bank Agent not less than 120 nor more than 180 days preceding the then current relevant expiration date and the Series 2008A-1 Liquidity Provider in its sole and absolute discretion shall notify the Authority of the Liquidity Provider’s decision with respect to such request. If the Series 2008A-1 Liquidity Provider does not respond to the Authority’s request within 60 days, the Series 2008A-1 Liquidity Provider will be deemed to deny such request.

Upon any redemption, defeasance or other payment of all or any portion of the principal amount of the Series 2008A-1 Bonds, the Series 2008A-1 Liquidity Provider’s purchase commitment under the Standby Bond Purchase Agreement with respect to principal of the Series 2008A-1 Bonds shall automatically be reduced by the principal amount of the Series 2008A-1 Bonds so redeemed, defeased or otherwise paid, as the case may be. The Series 2008A-1 Liquidity Provider’s commitment with respect to

interest shall be equal to 34 days' interest on the principal amount of the Series 2008A-1 Bonds (assuming an interest rate of 12% *per annum* and a year consisting of 365 days). The commitment with respect to interest will be adjusted downward by an amount in proportion to the reduction of the commitment as to principal because of the redemption, defeasance or other payment of the Series 2008A-1 Bonds or the purchase by the Series 2008A-1 Liquidity Provider of the Series 2008A-1 Bonds tendered or deemed tendered in accordance with the terms of the Indenture.

The Authority has agreed that any termination of the Standby Bond Purchase Agreement as it relates to the Series 2008A-1 Bonds as a result of the provision of an alternate liquidity facility will require, as a condition thereto, that the Authority or the issuer of the alternate liquidity facility, as the case may be, will provide immediately available funds on the date of such termination or provision, which funds, when taken together with funds available to the Series 2008A-1 Liquidity Provider under the Indenture, will be sufficient to ensure the payment of all amounts due to the Series 2008A-1 Liquidity Provider under the Standby Bond Purchase Agreement.

Limitations of Standby Bond Purchase Agreement

The ability of the Trustee to obtain funds under the Standby Bond Purchase Agreement in accordance with its terms may be limited by federal or state law. Bankruptcy, conservatorship, receivership and similar laws governing Liquidity Providers may prevent or restrict payment under a Standby Bond Purchase Agreement. To the extent the short-term rating on the Series 2008A-1 Bonds depends in any manner on the rating of the Series 2008A-1 Liquidity Provider, the short-term ratings on the Series 2008A-1 Bonds could be downgraded or withdrawn if the Series 2008A-1 Liquidity Provider were to be downgraded, placed on credit watch or have its ratings suspended or withdrawn or were to refuse to perform under the Standby Bond Purchase Agreement.

The obligations of the Series 2008A-1 Liquidity Provider under the Standby Bond Purchase Agreement to purchase unremarketed Series 2008A-1 Bonds are subject to the conditions and limitations set forth therein, and are also subject to all rights and defenses available to contracting parties generally. The Standby Bond Purchase Agreement is not a guaranty to pay the purchase price of the Series 2008A-1 Bonds tendered for purchase. The Standby Bond Purchase Agreement is a general contract, subject to conditions and limitations, and is not a letter of credit. Purchasers of the Series 2008A-1 Bonds should consult their legal counsel for an explanation of the differences between a general contract and a letter of credit or guaranty. The following is included as a summary of selected differences and does not purport to be complete or definitive.

In general, a letter of credit is an independent, special contract by a bank to pay a third party such as a bond trustee holding the letter of credit for the benefit of owners of bonds. Banks are required by law to honor their letters of credit except in specified circumstances. If a dispute were to develop between a bank and its borrower, except in limited circumstances, the dispute should not jeopardize payment under the letter of credit because (a) the letter of credit would be independent of the disputed contract between the borrower and the bank and (b) the beneficiary of the letter of credit (typically, the bond trustee) would have direct rights under the letter of credit. Further, although there are defenses to payment of letters of credit, such defenses are limited by law to specified circumstances.

In contrast, the Standby Bond Purchase Agreement is a general contract only. No law expressly requires performance of the contract, although the non-breaching party would be entitled to allowable damages if there were a breach of contract. Although the Trustee is authorized to draw funds in accordance with the Standby Bond Purchase Agreement, the Liquidity Providers have no independent obligation to the Trustee. If a dispute were to develop, the Liquidity Providers will have all defenses allowed by law or in equity to their payment under or other performance of the Standby Bond Purchase

Agreement, including but not limited to disputes (whether valid or not) regarding the authority of any party to enter into or perform the Standby Bond Purchase Agreement. More of such defenses are allowed by laws regarding contracts than by laws regarding letters of credit.

The Liquidity Providers or the Authority may seek to have any future dispute resolved in court and appealed to final judgment before any such party performs under a Standby Bond Purchase Agreement. Further, even if the Authority were to prevail against the Liquidity Providers, a court would not necessarily order the Liquidity Providers to perform under the respective Standby Bond Purchase Agreement; it could instead award damages for breach of contract to the Authority. Any such award would not necessarily be sufficient to pay the purchase price of the Series 2008A-1 Bonds.

Other Standby Bond Purchase Agreements

The Authority has two other standby bond purchase agreements (collectively, the “Other Standby Bond Purchase Agreements”) to provide funds for the purchase of other Series of Bonds that are not successfully remarketed. None of the Other Standby Bond Purchase Agreements is a source of funds for the purchase of Series 2008A-1 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS — Standby Bond Purchase Agreements” in the Information Statement.

SUMMARY OF FINANCING PLAN

2009 Fixed Rate Refunding

On August 20, 2009, the Authority expects to issue \$768,720,000 of its San Francisco Bay Area Toll Bridge Revenue Bonds, 2009 Series F-1 (the “Series 2009F-1 Bonds”). The proceeds of the Series 2009F-1 Bonds will be used to refund and retire \$776,405,000 aggregate outstanding principal amount of the Authority’s San Francisco Bay Area Toll Bridge Revenue Bonds 2001 Series B, 2001 Series C, 2003 Series C, 2004 Series A, 2004 Series B, 2004 Series C, 2006 Series B-1, 2007 Series G-2 and 2007 Series G-3 (the “Refunded Bonds”). The Authority is reducing the aggregate principal amount of its outstanding variable rate demand bonds by refunding and redeeming the variable rate Refunded Bonds with the fixed rate Series 2009F-1 Bonds. This will reduce the Authority’s need for bank liquidity support facilities and interest rate swap agreements for variable rate demand bonds.

Following the issuance of the Series 2009F-1 Bonds and redemption of the Refunded Bonds, the Authority will have \$1,457,760,000 aggregate principal amount of variable rate bonds outstanding and \$2,872,710,000 aggregate principal amount of fixed rate bonds outstanding (see APPENDIX IV — “PARITY BONDS AND PARITY OBLIGATIONS”).

Reserve Fund

Following the issuance of the Authority’s Series 2009F-1 Bonds, the Reserve Requirement for all outstanding Bonds will be approximately \$263,855,999 and cash and investments aggregating that amount will be held in the Reserve Fund.

Substitution of Liquidity Facilities

In several instances the Authority is replacing liquidity providers with stronger liquidity providers and substituting new liquidity support facilities for expired or expiring facilities. See “STANDBY BOND PURCHASE AGREEMENT.”

Outstanding Bonds and Parity Obligations

Following the issuance of the Series 2009F-1 Bonds and the redemption of the Refunded Bonds, the Authority will have Bonds outstanding in the aggregate principal amount of \$4,330,470,000 and interest rate swaps in the aggregate notional amount of \$2,267,200,000, the scheduled payments on which are on a parity with the Bonds. Swap termination payments are subordinate to the Bonds. See APPENDIX IV – “PARITY BONDS AND PARITY OBLIGATIONS” and APPENDIX III – “PROJECTED DEBT SERVICE SCHEDULE” to this Supplement No. 2 and the information in the Information Statement under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Additional Bonds and Parity Obligations.”

Anticipated Issuances of Additional Bonds

The Authority anticipates issuing additional Bonds and parity obligations to fund capital projects. The Authority’s board has authorized up to \$1,300,000,000 of additional Bonds, in addition to the Series 2009F-1 Bonds, to be issued prior to December 31, 2009 to finance the seismic retrofit program and other Authority projects. There is no limit to the amount of additional Bonds that may be issued in the future provided certain tests set forth in the Indenture are met. The Authority may also issue an unlimited amount of toll bridge revenue bonds that are subordinate to the Bonds and are subject to different tests. See “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS — Additional Toll Bridge Revenue Bonds and Parity Obligations” in the Information Statement.

Investment Portfolio

For information concerning the Authority’s investment policies, see “INVESTMENT PORTFOLIO” in the Information Statement. As of May 31, 2009, the average maturity of the investment portfolio was 80 days, with an average annual yield of approximately 1.08%.

INVESTMENT PORTFOLIO INFORMATION⁽¹⁾ as of May 31, 2009 (Unaudited)

<u>Investments</u>	<u>Percent of Portfolio</u>	<u>Par Value</u>	<u>Market Value</u>
Cash	5.7%	\$ 144,399,655	\$ 144,399,655
Government Sponsored Enterprises ⁽²⁾	54.0%	1,369,850,000	1,370,624,946
Municipal Bonds ⁽³⁾	25.7%	652,205,000	652,210,397
Mutual Funds	4.8%	123,034,703	123,034,703
State LAIF Pool	0.0%	996,511	996,511
County of Alameda Pool	0.0%	559,946	559,946
California Asset Management Program	9.8%	247,694,894	247,694,894
TOTAL SECURITIES	100.0%	\$2,538,740,709	\$2,539,521,052

⁽¹⁾ The investment portfolio includes other funds of MTC. 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 and Tennessee Valley Authority.

⁽³⁾ Includes \$110,000,000 of the Authority’s Series 2008A-1 Bonds to be remarketed as described herein and \$194,000,000 State of California general obligation bonds subject to mandatory tender on November 1, 2010.

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, 2009 through 2012.

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 this Reoffering Circular 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,			
	2009	2010	2011	2012
Revenue				
Bridge Toll Revenues ⁽²⁾	\$487,261	\$476,931	\$616,087	\$619,167
Interest Earnings ⁽³⁾	52,582	70,337	77,521	73,477
Other Revenues ⁽⁴⁾	2,811	13,232	34,132	34,146
Total Revenue	<u>\$542,654</u>	<u>\$560,500</u>	<u>\$727,741</u>	<u>\$726,791</u>
Less: Operations & Maintenance Expenses ⁽⁵⁾	<u>29,180</u>	<u>28,140</u>	<u>27,144</u>	<u>26,189</u>
Net Revenue	\$513,474	\$532,360	\$700,597	\$700,602
Debt Service on Bonds and Parity Obligations ⁽⁶⁾	\$242,646	\$272,308	\$340,524	\$340,437
Debt Service Coverage	2.12	1.95	2.06	2.06
Subordinated Maintenance Expenditures/Operating and Rehabilitation Costs ^{(7) (8)}	\$ 99,533	\$ 83,219	\$ 46,734	\$ 52,287
MTC Transfers ⁽⁸⁾	\$ 69,267	\$ 68,833	\$ 69,032	\$ 69,549

⁽¹⁾ Assumes no change in the current schedule for construction of capital projects and issuance of anticipated additional bonds as described under the caption “–Anticipated Issuances of Additional Bonds” above, and makes assumptions regarding MTC Transfers.

⁽²⁾ Assumes a \$1 toll increase and the addition of a \$3 HOV toll on July 1, 2010. Such changes have not yet been authorized by the Authority. If the Authority issues \$1.3 billion of additional debt as Build America Bonds during Fiscal Year 2010 and these toll increases do not occur, Debt Service Coverage will decrease to 1.66 for Fiscal Years 2011 and 2012. The projected Bridge Toll Revenues assume that toll paying traffic using the Bridges will decrease by 1.0% in Fiscal Year 2010, be flat in Fiscal Year 2011 and increase by 0.5% in Fiscal Year 2012 on all System Bridges. Includes violation revenues. See “THE BRIDGE SYSTEM — Toll Collection” and “— Motor Vehicle Traffic” in the Information Statement.

⁽³⁾ Assumes average interest earnings of 2.08% in Fiscal Year 2009, 3.43% in Fiscal Year 2010, 4.63% in Fiscal Year 2011 and 4.78% in Fiscal Year 2012.

⁽⁴⁾ Includes a 35% interest subsidy in Fiscal Years 2010, 2011 and 2012 for the anticipated Fiscal Year 2010 issuance of \$1.3 billion of Build America Bonds.

⁽⁵⁾ Assumes annual increases in recurring expenses of 3.0%. Excludes Authority operating expenses, Subordinated Maintenance Expenditures and MTC Transfers because such items are subordinate to the Authority’s obligations on the Bonds and other Parity Obligations. See “THE BRIDGE SYSTEM — Toll Operations and Maintenance” and “THE BRIDGE SYSTEM — Transfers to MTC and Authority Administrative Costs” in the Information Statement.

⁽⁶⁾ Reflects the actual interest rates for fixed rate Bonds. Assumes an interest rate per annum equal to the fixed rate payable under related interest rate swap arrangements for variable rate Bonds plus 1.16% for ongoing support fees and budgeted basis risk. Assumes the issuance of additional Bonds as described under the caption “–Anticipated Issuances of Additional Bonds” above, with an assumed rate of 6.89% per annum for the \$1.3 billion Build America Bonds in Fiscal Year 2010. See Note 5 starting on page 55 of “METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008” attached to the Information Statement as Appendix A. The Authority expects debt service to increase after Fiscal Year 2012.

⁽⁷⁾ Fiscal Years 2009 through 2011 do not include Subordinated Maintenance Expenditures with respect to the San Francisco-Oakland Bay Bridge. Includes expenditures of approximately \$53 million in Fiscal Year 2009, \$46 million in Fiscal Year 2010, \$8 million in Fiscal Year 2011 and \$7 million in Fiscal Year 2012 for rehabilitation of and operational improvements to System Bridges.

⁽⁸⁾ Authority operating expenses, Subordinated Maintenance Expenditures and MTC Transfers are subordinate to the Authority’s obligations on the Bonds and other Parity Obligations.

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, swap revenues and operations and maintenance expenses could also differ from the forecast.

The debt service coverage ratios set forth in the foregoing table exceed the ratios required under the Indenture. The Authority is only required to satisfy the toll rate covenants set forth in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS – Toll Rate Covenants” and “– Additional Bonds and Parity Obligations” in the Information Statement.

RECENT DEVELOPMENTS

Motor Vehicle Traffic

The following table sets forth the total toll-paying motor vehicle traffic over the Bridge System for the fiscal year ended June 30, 2008 and estimated 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	Percent Change From Prior Year
2008	39,555	19,875	17,440	14,358	11,782	9,194	2,366	114,570	(1.8)
2009	40,097	19,432	17,419	13,622	11,536	8,704	2,208	113,019	(1.4)

Source: The Authority.

Despite the difficult economic conditions in the San Francisco Bay area, overall traffic declines have been moderate with total toll-paying traffic down a projected 1.4% from the prior fiscal year. For more information concerning motor vehicle traffic, see “THE BRIDGE SYSTEM – Motor Vehicle Traffic” in the Information Statement.

Termination of Interest Rate Swaps

The Authority recently 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 interest rate to AFS and received a floating interest 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 redemption of the Refunded Bonds and the issuance of the Series 2009F-1 Bonds, replaces 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 on July 23, 2009. On August 10, 2009, AFS filed suit against the Authority in federal court in New York seeking damages in excess of \$50,000,000 alleging that the Authority breached the interest rate swap agreements with AFS by paying 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.

Standby Bond Purchase Agreements

The Information Statement describes two Standby Bond Purchase Agreements and plans for a third under “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS — Standby Bond Purchase Agreements.” As described under the caption “STANDBY BOND PURCHASE AGREEMENT” above, the Authority expects to enter into the third Standby Bond Purchase Agreement on August 20, 2009 to replace liquidity support expiring in 2009 and a portion of the liquidity support expiring in 2011 under the Standby Bond Purchase Agreement dated as of August 1, 2008 for the Authority’s Variable Rate Demand Bonds, 2007 Series A-1, 2007 Series A-2, 2007 Series B-2, 2007 Series C-1, 2007 Series C-2, 2007 Series D-2 and 2007 Series G-1 and to provide liquidity support for the Series 2008A-1 Bonds. The third Standby Bond Purchase Agreement is expected to provide liquidity support until June 3, 2011 for those bonds. The Standby Bond Purchase Agreement dated as of August 1, 2008 will remain in place to provide liquidity support for the Authority’s Variable Rate Demand Bonds, 2001 Series A, 2006 Series C and 2007 Series E-3. See APPENDIX VI — “VARIABLE RATE DEMAND BONDS” for information concerning which Liquidity Providers support which series of Bonds and for how long.

Investment in State of California Bonds

In late February 2009 the Authority invested \$194,000,000 in State of California (the “State”) general obligation bonds. The bonds mature on October 1, 2038 but are subject to a mandatory tender to the State on November 1, 2010. The State’s failure to purchase the bonds on the mandatory tender date would constitute an event of default by the State. Since the time of this investment, the State has had budget difficulties and a severe cash shortage. As a result of these difficulties, the State’s credit ratings on its general obligations have fallen to Baa1 from Moody’s Investors Service, BBB from Fitch Ratings and A from Standard & Poor’s Rating Services. However, the Authority is confident the State will honor its mandatory tender for purchase commitment on November 1, 2010.

Regional Express Lanes Initiative

The Authority is working with the Metropolitan Transportation Commission, the California Department of Transportation and the local congestion management agencies around the San Francisco Bay area to establish a multi-county, high-occupancy toll lane (“express lane”) network by converting existing high-occupancy vehicle lanes into lanes that may also be used by vehicles without the requisite number of occupants upon payment of a toll. New lanes would also be constructed for the same purpose. Legislation (Assembly Bill 744) is pending in the State legislature under which the Authority would develop, administer, operate, and maintain the network. The Authority is unable to predict whether, when and in what form such legislation will be enacted. The Authority has not determined how it will finance the express lane network if it is called upon to do so. The pending legislation provides that if and to the extent that funding for the express lane network is not available from other sources at interest rates and on other financing terms and conditions acceptable to the Authority, and provided that the Authority adopts a finding that its current financial projections indicate that its funding of the express lane network will not necessitate an increase in the Bridge System toll rates by the Authority or preclude the Authority from timely performance of its Bridge System obligations, the Authority may lend Bridge System toll revenues to the express lane network enterprise or pledge Bridge System toll revenues and other income derived from the Bridge System as additional security for revenue bonds issued by it for the express lane network and payable from network revenues. The pending legislation would authorize the Authority to increase tolls on the Bridge System thereafter if necessary to meet those obligations.

San Francisco-Oakland Bay Bridge Labor Day Weekend Closure

The Authority will close the San Francisco-Oakland Bay Bridge to traffic for the 2009 Labor Day Weekend. Work crews will cut away a 288-foot portion of the existing truss bridge and replace it with a new connection to the Yerba Buena Island Detour on the eastern side of the island. The Authority has notified the public of the bridge closure and the need for alternate routes well in advance. If the work crews are unable to complete the task and must keep the bridge closed for a longer period, the construction schedule, construction cost and toll revenue could be adversely affected.

Self-Anchored Suspension Bridge Schedule

The Self-Anchored Suspension Bridge (“SAS”) is a major component of the replacement of the eastern span of the San Francisco-Oakland Bay Bridge under the Toll Bridge Seismic Retrofit Program. See “CAPITAL PROJECTS AND FUNDING — Seismic Retrofit Program Capital Projects” and “— Seismic Retrofit Program Status” in the Information Statement. The SAS contractor has reported that fabrication of the steel tower and roadway boxes has fallen behind schedule due to the shop drawing preparation process and the complexity of the fabrication. Delays are putting pressure on the westbound opening of the bridge in 2012, but have not yet affected the expected full opening date of the bridge in 2013. The cost of a mitigation proposal being negotiated with the contractor has led to a revised cost forecast for the project. Any cost increase is expected to be covered by the contingency amounts that are part of the overall Toll Bridge Seismic Retrofit Program budget. As disclosed under “RISK FACTORS—Construction Delays and Cost Escalation” in the Information Statement, a number of other factors could contribute to cost increases in the future, and thus it is possible that SAS costs may exceed those contingency amounts.

PROPOSED BUILD AMERICA BONDS AMENDMENT TO INDENTURE

The Authority is considering the issuance of 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. Should the Authority issue Build America Bonds and elect to receive such interest subsidy, the Authority desires to treat such subsidy payments received as a set off against interest paid on the Build America Bonds for purposes of the additional bonds test and the rate covenants. To clarify this result under the Indenture, the Authority proposes to amend the definition of “Annual Debt Service” 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 will specify that upon its effective date and thereafter, Net Revenue shall be calculated by excluding therefrom any federal interest rate subsidy payments that otherwise would be included in Net Revenue.

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 Bonds as required by the Indenture, and from the Authority's liquidity support providers and interest rate swap counterparties to the extent required in the contracts with such entities. See Appendix B to the Information Statement entitled "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE." The purchasers of the Series 2008A-1 Bonds and any subsequent owners thereof, the purchasers and any subsequent owners of the Series 2009F-1 Bonds, the owners of any Additional Bonds hereafter issued and the owners of any Bonds remarketed after a mandatory tender will be deemed, by acceptance of such Bonds, to have irrevocably consented to the proposed amendment. While no assurance can be given as to when or if the proposed amendment to the Indenture will become effective, based upon the principal amount of the Series 2009F-1 Bonds, the Series 2008A-1 Bonds and the principal amount of Additional Bonds assumed to be issued in the Authority's financing plan, it is anticipated that the proposed amendment to the Indenture would become effective at some point in the next three years. The Authority has covenanted to file a continuing disclosure notice upon the effective date of the proposed amendment.

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 remarketing or delivery of the Series 2008A-1 Bonds, 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 Series 2008A-1 Bonds, the Indenture, in any way contesting the completeness or accuracy of the Reoffering Circular or the powers of the Authority with respect to the Series 2008A-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

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2008A-1 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2008A-1 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Bond Counsel expresses no opinion whether such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix II hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2008A-1 Bonds. The Authority has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2008A-1 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply or to have complied with these covenants may result in interest on the Series 2008A-1 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2008A-1 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any

person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of remarketing the Series 2008A-1 Bonds may adversely affect or have adversely affected the value of, or the tax status of interest on, the Series 2008A-1 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2008A-1 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2008A-1 Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2008A-1 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2008A-1 Bonds. Prospective purchasers of the Series 2008A-1 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, cover certain matters not directly addressed by such authorities, and represent Bond Counsel's judgment as to the proper treatment of the Series 2008A-1 Bonds for federal income tax purposes. The opinion of Bond Counsel is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the requirements of the Code.

The IRS has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the IRS, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. Bond Counsel is not obligated to defend the owners regarding the tax-exempt status of the Series 2008A-1 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and their appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2008A-1 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2008A-1 Bonds, and may cause the Authority or the beneficial owners to incur significant expense.

LEGAL MATTERS

Certain 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 this Reoffering Circular. Certain legal matters will be passed upon for the

Authority by its general counsel, for the Remarketing Agent by its counsel, Nixon Peabody LLP, and for the Liquidity Providers by their counsel, White & Case LLP.

RATINGS

Series 2008A-1 Bonds

Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Fitch Ratings ("Fitch") are expected to assign the short term ratings to the Series 2008A-1 Bonds of "VMIG 1," "A-1+," and "F-1+," respectively. The short term ratings on the Series 2008A-1 Bonds are based upon the delivery concurrently with the remarketing of the Series 2008A-1 Bonds of the Standby Bond Purchase Agreement.

Moody's, S&P and Fitch are expected to assign long term ratings to the Series 2008A-1 Bonds of "Aa3," "AA" and "AA-," 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: Fitch Ratings, One State Street Plaza, New York, New York 10004; 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 Series 2008A-1 Bonds.

REMARKETING

J.P. Morgan Securities Inc. will remarket the Series 2008A-1 Bonds to investors effective August 27, 2009 pursuant to an Amended and Restated Remarketing Agreement between the Authority and the Remarketing Agent. The Remarketing Agent will receive a fee equal to 0.15 percent of the principal amount of Series 2008A-1 Bonds remarketed by it for an aggregate remarketing fee of \$165,000, plus reimbursement of certain expenses.

J.P. Morgan Securities Inc., the Remarketing Agent for the Series 2008A-1 Bonds, has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings, including the Series 2008A-1 Bonds. Pursuant to the Distribution Agreement, J.P. Morgan Securities Inc. will share a portion of its remarketing compensation with respect to the Series 2008A-1 Bonds with UBS Financial Services Inc.

FINANCIAL ADVISOR

The Authority has retained Public Financial Management Inc., San Francisco, California, as financial advisor (the "Financial Advisor") in connection with the remarketing of the Series 2008A-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 this Reoffering Circular.

RELATIONSHIP OF CERTAIN PARTIES

JPMorgan Chase is a party to the Standby Bond Purchase Agreement and the Other Standby Bond Purchase Agreements and has entered into Qualified Swap Agreements with the Authority. J.P. Morgan Securities Inc. is a remarketing agent with respect to Series 2008A-1 Bonds. J.P. Morgan Securities Inc. and JPMorgan Chase Bank, National Association are affiliated and are subsidiaries of JPMorgan Chase & Co. Union Bank, N.A. is the Trustee under the Indenture and is also a Liquidity Provider under the Standby Bond Purchase Agreement.

The Authority's capital improvement projects and related activities, including the remarketing of the Series 2008A-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 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 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC") to provide annual reports or notices of material events. See "CONTINUING DISCLOSURE" in the Information Statement and APPENDIX C to the Information Statement entitled "FORM OF CONTINUING DISCLOSURE AGREEMENT."

The Authority is not currently required by the Rule to make such undertakings for the benefit of the Owners and Beneficial Owners of the Series 2008A-1 Bonds while the Series 2008A-1 Bonds are in a Daily Mode or a Weekly Mode. The SEC has recently proposed regulatory changes that would make such undertakings required for variable rate demand obligations such as the Series 2008A-1 Bonds while in a Daily Mode or Weekly Mode.

MISCELLANEOUS

This Reoffering Circular is not to be construed as a contract or agreement between the Authority and holders of any of the Series 2008A-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 this Reoffering Circular involving matters of opinion are intended as such and not as representations of fact.

The execution and delivery of this Reoffering Circular by an authorized officer of the Authority has been duly authorized by the Authority.

BAY AREA TOLL AUTHORITY

By: /s/ Brian Mayhew
Chief Financial Officer

APPENDIX I

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 Remarketing Agent believe to be reliable, but neither the Authority nor the Remarketing Agent take responsibility for the accuracy thereof. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Reoffering Circular and in APPENDIX B – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE” in the Information Statement.

DTC will act as securities depository for the Series 2008A-1 Bonds. The Series 2008A-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 Series 2008A-1 Bond certificate will be issued for each maturity of the Series 2008A-1 Bonds, in the aggregate principal amount of maturity, 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 Series 2008A-1 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008A-1 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2008A-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 Series 2008A-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 Series 2008A-1 Bonds, except in the event that use of the book-entry system for the Series 2008A-1 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2008A-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 Series 2008A-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 Series 2008A-1 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008A-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 Series 2008A-1 Bonds.

Redemption notices shall be sent to DTC. If less than all of the Series 2008A-1 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2008A-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 Series 2008A-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 Series 2008A-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 Series 2008A-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, Series 2008A-1 Bonds are required to be printed and delivered as described in the 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 SERIES 2008A-1 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED HOLDERS OF THE SERIES 2008A-1 BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2008A-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 SERIES 2008A-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 Series 2008A-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 REMARKETING AGENT 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 SERIES 2008A-1 BONDS TO BE REDEEMED IN THE EVENT OF REDEMPTION OF LESS THAN ALL SERIES 2008A-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 SERIES 2008A-1 BONDS. NO ASSURANCE CAN BE GIVEN BY THE AUTHORITY, THE TRUSTEE OR THE REMARKETING AGENT 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 SERIES 2008A-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 REOFFERING CIRCULAR.

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 Series 2008A-1 Bonds, and the Authority does not select another qualified securities depository, the Authority shall deliver one or more Series 2008A-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 Series 2008A-1 Bonds will be governed by the provisions of the Indenture.

APPENDIX II

PROPOSED FORM OF OPINION OF BOND COUNSEL

August 27, 2009

Bay Area Toll Authority
Oakland, California

Bay Area Toll Authority
San Francisco Bay Area Toll Bridge Revenue Bonds,
2008 Series A-1

 (Reoffering Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Bay Area Toll Authority (the “Issuer”) in connection with reoffering of \$110,000,000 aggregate principal amount of Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds, 2008 Series A-1 (the “Bonds”), issued pursuant to a Master Indenture, dated as of May 1, 2001, as supplemented, including as supplemented by a Tenth Supplemental Indenture, dated as of June 1, 2008 (hereinafter collectively referred to as the “Indenture”), between the Issuer and Union Bank, N. A. (formerly known as Union Bank of California, 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 Certificates of the Issuer, dated June 5, 2008 and the date hereof (the “Tax Certificates”), 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 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 Certificates, including, without limitation, covenants and agreements

compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificates 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 July 22, 2009, or Supplement No. 2 thereto, dated August 20, 2009, or other offering material relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute the valid and binding special obligations of the 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 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds including whether interest on the Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX III

PROJECTED DEBT SERVICE SCHEDULE

The table below shows the projected annual debt service requirements for all of the Authority's outstanding Bonds as of the date of remarketing of the remarketed Series 2008A-1 Bonds.

Fiscal Year Ending (June 30)	Debt Service		
	Principal	Interest⁽¹⁾	Total
2010	\$ 35,345,000	\$ 207,106,741	\$ 242,451,741
2011	36,990,000	213,964,295	250,954,295
2012	38,695,000	212,172,334	250,867,334
2013	40,540,000	210,445,466	250,985,466
2014	46,165,000	208,552,429	254,717,429
2015	48,195,000	206,484,661	254,679,661
2016	56,915,000	204,272,843	261,187,843
2017	59,615,000	201,627,812	261,242,812
2018	62,555,000	198,665,396	261,220,396
2019	65,705,000	195,538,746	261,243,746
2020	84,825,000	192,420,093	277,245,093
2021	89,010,000	188,237,612	277,247,612
2022	93,375,000	183,870,471	277,245,471
2023	98,045,000	179,201,721	277,246,721
2024	103,015,000	174,229,306	277,244,306
2025	108,260,000	168,984,375	277,244,375
2026	113,655,000	163,592,171	277,247,171
2027	119,415,000	157,828,696	277,243,696
2028	125,475,000	151,770,518	277,245,518
2029	131,770,000	145,460,232	277,230,232
2030	138,555,000	138,490,611	277,045,611
2031	145,325,000	131,499,626	276,824,626
2032	152,830,000	123,090,237	275,920,237
2033	159,435,000	115,438,258	274,873,258
2034	166,315,000	107,466,906	273,781,906
2035	173,495,000	99,149,362	272,644,362
2036	181,005,000	90,452,255	271,457,255
2037	188,680,000	81,798,302	270,478,302
2038	197,115,000	72,394,036	269,509,036
2039	205,935,000	62,564,744	268,499,744
2040	141,770,000	52,251,217	194,021,217
2041	147,965,000	44,971,165	192,936,165
2042	154,425,000	37,377,479	191,802,479
2043	161,180,000	29,448,879	190,628,879

Fiscal Year Ending (June 30)	Debt Service		
	Principal	Interest⁽¹⁾	Total
2044	168,245,000	21,168,565	189,413,565
2045	150,485,000	12,664,809	163,149,809
2046	68,810,000	6,364,905	75,174,905
2047	71,335,000	2,881,812	74,216,812
TOTAL	\$4,330,470,000	\$4,993,899,086	\$9,324,369,086

⁽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 4.32% 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 4.99% 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 3.91% 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 and the Series 2009F-1 Bonds. Includes accrued interest on Refunded Bonds up to the date of delivery of the Series 2009F-1 Bonds.

Note: Totals may not add due to independent rounding of numbers.

APPENDIX IV

PARITY BONDS AND PARITY OBLIGATIONS

Following issuance of the Series 2009F-1 Bonds and redemption of the Refunded Bonds there will be outstanding \$4,330,470,000 principal amount of Bonds (including the Series 2009F-1 Bonds) secured on a parity with the Series 2009F-1 Bonds as indicated below. See “SUMMARY OF FINANCING PLAN” for information concerning the use of proceeds of the Authority’s Series 2009F-1 Bonds to refund certain outstanding Bonds.

Bonds	Outstanding Principal Amount	Interest Rate
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	\$13,990,000	Fixed
San Francisco Bay Area Toll Bridge Revenue Bonds, 2006 Series C	\$275,000,000	Variable
San Francisco Bay Area Toll Bridge Revenue Bonds, 2006 Series F	\$1,071,740,000	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	\$310,530,000	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 Area Toll Bridge Revenue Bonds 2008 Series F-1	\$707,730,000	Fixed
San Francisco Area Toll Bridge Revenue Bonds 2009 Series F-1	\$768,720,000	Fixed
TOTAL	<u>\$4,330,470,000</u>	

* The 2008 Series A-1 Bonds are currently held by the Authority and are being remarketed with this Reoffering Circular.

In addition to its outstanding Bonds, the Authority has Parity 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 Parity Obligations. See “RECENT DEVELOPMENTS — Termination of Interest Rate Swaps” 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	A floating per annum rate based on the SIFMA Swap Index ⁽²⁾	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	A floating per annum rate based on the SIFMA Swap Index ⁽²⁾	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	A floating per annum rate based on the SIFMA Swap Index ⁽²⁾	3.9025% per annum

(Table continued on following page)

⁽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⁾ 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.

Counterparty	Notional Amount	Rate Paid by Authority	Rate Received by Authority
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 ⁽³⁾
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 ⁽⁴⁾
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	A floating per annum rate based on the SIFMA Swap Index ⁽²⁾	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⁾

The Authority has entered into the Standby Bond Purchase Agreements described herein under the captions “STANDBY BOND PURCHASE AGREEMENT” and “RECENT DEVELOPMENTS — Standby Bond Purchase Agreements” and in the Information Statement under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS — Standby Bond Purchase Agreements” with various banks under which banks may purchase outstanding Variable Rate Demand Bonds. See APPENDIX VI “VARIABLE RATE DEMAND BONDS.” Bonds so held by the banks will continue to be Bonds under the Indenture payable on a parity basis with other Bonds. Fees and other payments due to the banks are not Parity Obligations.

⁽³⁾ 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.

⁽⁴⁾ 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

(This page intentionally left blank)

APPENDIX V

THE LIQUIDITY PROVIDER

The information contained in this appendix has been provided by the Liquidity Provider. No representation as to the accuracy or completeness of such information is made by the Authority or the Remarketing Agent. The delivery of the Reoffering Circular shall not create any implication that there has been no change in the affairs of the Liquidity Provider since the date hereof, or that the information contained or referred to in this appendix is correct as of any time subsequent to its date.

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

JPMorgan Chase Bank, National Association (“JPMorgan Chase”) is a wholly owned bank subsidiary of JPMorgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. JPMorgan Chase offers a wide range of banking services to its customers, both domestically and internationally. It is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency.

As of March 31, 2009, JPMorgan Chase Bank, National Association, had total assets of \$1,688.2 billion, total net loans of \$595.9 billion, total deposits of \$978.8 billion, and total stockholder’s equity of \$131.6 billion. These figures are extracted from JPMorgan Chase’s unaudited Consolidated Reports of Condition and Income (the “Call Report”) as at March 31, 2009, prepared in accordance with regulatory instructions that do not in all cases follow U.S. generally accepted accounting principles, which are filed with the Federal Deposit Insurance Corporation. The Call Report, including any update to the above quarterly figures, can be found at www.fdic.gov.

Additional information, including the most recent annual report on Form 10-K for the year ended December 31, 2008, of JPMorgan Chase & Co., the 2008 Annual Report of JPMorgan Chase & Co., and additional annual, quarterly and current reports filed with or furnished to the Securities and Exchange Commission (the “SEC”) by JPMorgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Reoffering Circular is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017 or at the SEC’s website at www.sec.gov.

APPENDIX VI

VARIABLE RATE DEMAND BONDS

BOND SERIES	REMARKETING AGENT	LIQUIDITY BANK	PRINCIPAL AMOUNT	MATURITY DATE (April 1)	LIQUIDITY TERM
2001 Series A	J.P. Morgan Securities Inc.	BLB ¹ /CALPERs ²	\$150,000,000	2036	August 26, 2011
2006 Series C	J.P. Morgan Securities Inc.	Lloyds ³ /CALPERs	\$275,000,000	2045	August 26, 2011
2007 Series A-1	J.P. Morgan Securities Inc.	BofA 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	\$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	\$75,000,000	2047	June 3, 2011
2007 Series C-2	Stone & Youngberg LLC	BofA	\$25,000,000	2047	June 3, 2011
2007 Series D-2	Merrill Lynch	JPM Bank	\$100,000,000	2047	June 3, 2011
2007 Series E-3	Morgan Stanley & Co. Incorporated	BofA/CALPERs	\$100,000,000	2047	August 26, 2011
2008 Series A-1	J.P. Morgan Securities Inc.	JPM Bank	\$110,000,000	2045	June 3, 2011
2008 Series B-1	Citigroup Capital Markets Inc.	BofA	\$110,000,000	2045	June 3, 2011
2008 Series C-1	Stone & Youngberg LLC	BNP Paribas ⁶	\$25,000,000	2045	June 3, 2011
2008 Series D-1	Merrill Lynch	BNP Paribas	\$155,000,000	2045	June 3, 2011
2008 Series E-1	Morgan Stanley & Co. Incorporated	BofA	\$57,760,000	2045	June 3, 2011
2008 Series G-1	Banc of America Securities LLC	BNP Paribas	\$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

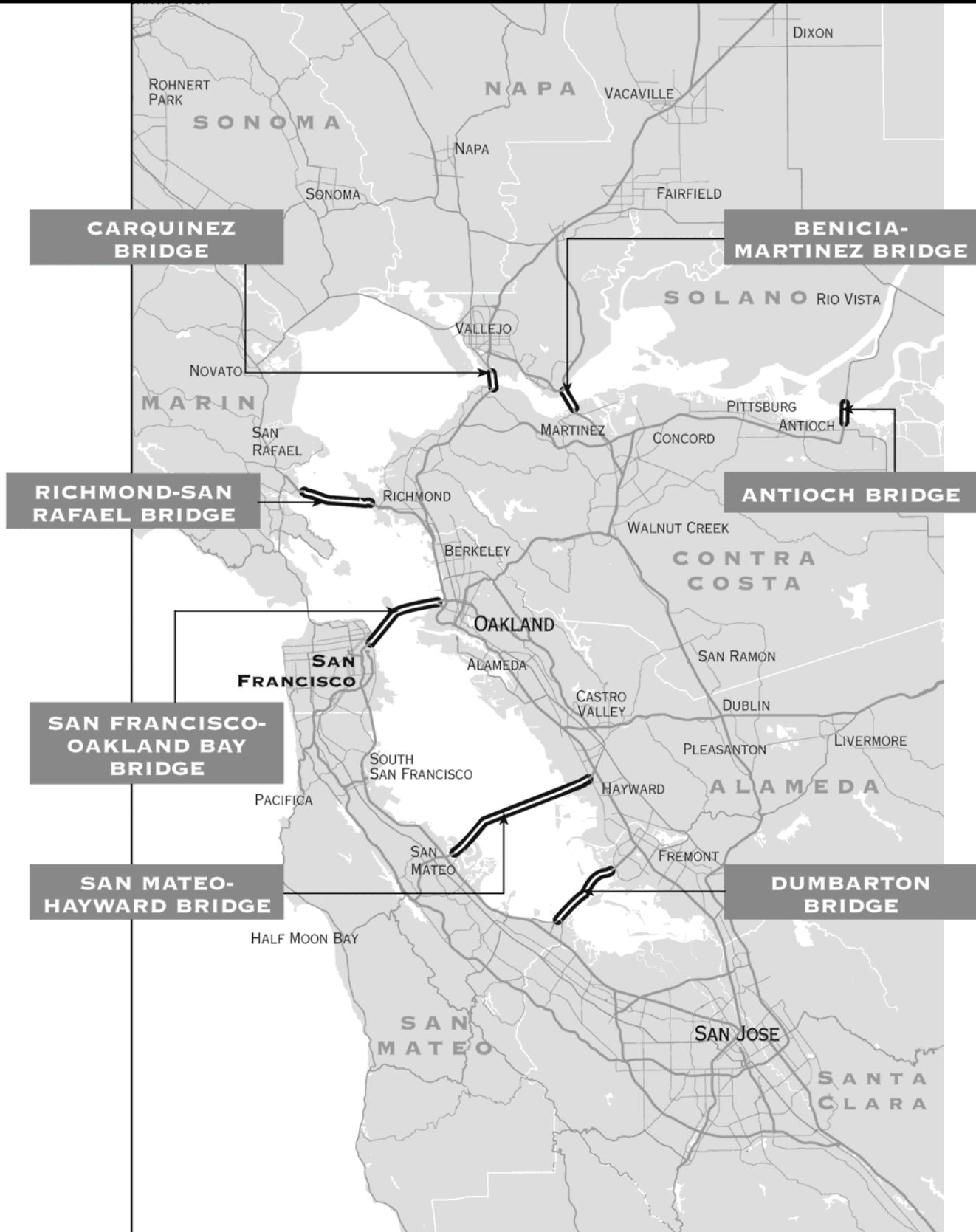
⁶ BNP Paribas, acting through its San Francisco Branch (BNP Paribas)



BAY AREA TOLL AUTHORITY
INFORMATION STATEMENT

Dated: July 22, 2009

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 LEMPERT	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
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

TRUSTEE

Union Bank, N.A.
San Francisco, 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	2
General	2
Toll Rates	4
Toll Collection	5
Motor Vehicle Traffic	6
Toll Operations and Maintenance	6
Operations and Maintenance Fund	7
Transfers to MTC and Authority Administrative Costs	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
East Span Funding Sources	13
Oversight Committee	14
Seismic Retrofit Program Status	15
Bridge Rehabilitation Program	16
Future Projects	16
Seismic Design Strategies for the Bridge System	16
INVESTMENT PORTFOLIO	17
SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS	18
Authority for Issuance of Toll Bridge Revenue Bonds	18
Toll Setting Authority	19
Statutory Lien on Bridge Toll Revenues	19
Pledge of Revenue	19
Transfers of Revenue	20
Pledge by the State	20
Toll Rate Covenants	20
Historical Revenue, Expenditures and Debt Service Coverage	21
Anticipated Bond Issuances of the Authority	23
Reserve Fund	24
Standby Bond Purchase Agreements	25
Subordinate Obligations	26
Qualified Swap Agreements	26
Special Obligations	26
RISK FACTORS	27
Risk of Faulty Forecast	27
Risk of Earthquake	27
Other Force Majeure Events	28
Threats and Acts of Terrorism	28

TABLE OF CONTENTS

(continued)

	Page
No Insurance Coverage.....	28
Economic Factors.....	28
Rising Tolls Could Result in Reduced Traffic and Lower Total Revenue	29
Construction Delays and Cost Escalation	29
Voter Initiatives	30
CONTINUING DISCLOSURE	30
MISCELLANEOUS	31
APPENDIX A METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008	
APPENDIX B DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE	
APPENDIX C FORM OF CONTINUING DISCLOSURE AGREEMENT	
APPENDIX D REGIONAL MEASURE 2 PROJECTS	

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. 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, 2009, 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 – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE–Definitions.”

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 July 22, 2009 (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 therefor, 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 Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code (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. 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.

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, 2008, including MTC's Financial Statements For Years Ended June 30, 2008 and 2007, is attached as Appendix A.

The Authority expects to update this Information Statement after MTC's audited financial statements for the fiscal year ending June 30, 2009, become available.

The Authority represents that there has been no material adverse change in its financial position since June 30, 2008.

INDEPENDENT ACCOUNTANTS

The financial statements included in Appendix A to this Information Statement have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report 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 to this Information Statement 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 nine San Francisco Bay Area counties, see Table 13 on page 116 of APPENDIX A – "METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008."

San Francisco-Oakland Bay Bridge. The San Francisco-Oakland Bay Bridge opened to traffic in 1936 and connects the cities of San Francisco and Oakland and neighboring cities and suburban areas. The San Francisco-Oakland Bay Bridge provides the most direct connection between central 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 aggregate 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 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.”

Carquinez Bridge. The Carquinez Bridge consists of two parallel spans that cross the Carquinez Strait between Vallejo and Crockett and carry Interstate 80 and 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 eastern span is the older of the two bridges and opened in 1958. The eastern span consists of welded members of high strength steel bolted together and carries four lanes of northbound Interstate 80 traffic. The eastern span is a through-truss superstructure 3,350 feet long with cantilever spans of 1,100 feet. The western span is a suspension bridge with concrete towers and steel orthotropic box girder decks and was opened to traffic in 2003.

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. With the opening of the new east span in 2007 carrying five lanes of northbound traffic, the west span currently carries three lanes of southbound traffic only. 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. The west span is being modified to carry four lanes of southbound traffic (one more than currently) and a pedestrian/bicycle lane. 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, connecting the City of San Mateo on the San Francisco peninsula with the east shore of the San Francisco Bay in Alameda County, approximately five miles southwest of Hayward. The 1929 bridge was replaced in 1967. 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.

Dumbarton Bridge. The current Dumbarton Bridge opened in 1982. It is situated approximately 10 miles south of the San Mateo-Hayward Bridge. 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 in Palo Alto and Redwood City and 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. See “CAPITAL PROJECTS AND FUNDING — Seismic Design Strategies for the Bridge System.”

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 1.6 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. See “CAPITAL PROJECTS AND FUNDING — Seismic Design Strategies for the Bridge System.”

Toll Rates

In 1988, Bay Area voters approved a ballot measure called Regional Measure 1 (“RM1”) establishing a Bridge toll rate of \$1.00 for two-axle vehicles and higher tolls for all other toll-paying vehicles. 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 (together, the “RM Toll”). See APPENDIX D – “REGIONAL MEASURE 2 CAPITAL PROJECTS.” The table below shows the resulting RM Toll.

Commencing in 1998, a \$1.00 seismic surcharge (the “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 authorized a \$1.00 per vehicle increase in the Seismic Surcharge that took effect on January 1, 2007 (with a one-month exemption from such increase for vehicles using the Electronic Toll Collection System (“ETC” or “FasTrak”). The combination of the RM Toll and the Seismic Surcharge results in a current total toll of \$4.00 for two-axle vehicles.

Tolls on each of the Bridges are collected from vehicles going in one direction only. The RM Toll rates are based on the total number of axles on the roadway for a given vehicle. The Seismic Surcharge is a flat charge per toll-paying vehicle irrespective of the number of axles.

The table below sets forth the toll rates currently in effect on each of the Bridges.

BRIDGE SYSTEM TOLL RATES

Number of Axles Per Vehicle	RM Toll	Seismic Surcharge	Total Toll
2 axles	\$2.00	\$2.00	\$ 4.00
3 axles	4.00	2.00	6.00
4 axles	6.25	2.00	8.25
5 axles	9.25	2.00	11.25
6 axles	10.00	2.00	12.00
7 axles or more	11.50	2.00	13.50

Source: The Authority.

The Authority has granted, and in the future may grant, reduced-rate and toll-free passage on the Bridges to selected categories of vehicles. Currently such vehicles primarily include commuter buses and vanpool vehicles and car pool vehicles (two-axle vehicles with three, and in some cases two, passengers), subject in each case to restrictions. The Authority's discretion to permit toll-free or reduced rate passage has the potential to result in a toll increase if necessary to meet its toll rate covenants under the Master Indenture, dated as of May 1, 2001 (as amended and supplemented, the "Indenture"), between the Authority and Union Bank, N.A. (formerly known as Union Bank of California, N.A.), as trustee, relating to toll bridge revenue bonds issued under the Indenture (the "Bonds"). See "SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS—Toll Rate Covenants." In the fiscal year ended June 30, 2008, authorized toll-free traffic consisted of approximately 13 million vehicles (representing about 10% of total traffic).

Management of the Authority currently anticipates changes to the toll structure may be necessary for implementation as early as 2010, including a potential toll increase for two-axle vehicles, potentially providing certain car pool vehicles with reduced-rate rather than toll-free passage, and a potential toll increase for multi-axle vehicles. These changes are being considered primarily to provide funding for the seismic retrofit of the Antioch Bridge and the Dumbarton Bridge and to maintain the level of debt service coverage required by the Indenture. The Authority has not yet taken any action to implement any such toll rate increase. See "CAPITAL PROJECTS AND FUNDING — Seismic Design Strategies for the Bridge System" and "SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS - Toll Setting Authority".

Toll Collection

Cash toll payments on the Bridge System 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 and processing.

In 2000, Caltrans 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 June 2009, approximately 64% of peak morning period total toll-paying traffic, 58% of peak afternoon period total toll-paying traffic and 51% of total toll-paying traffic were FasTrak users.

Motor Vehicle Traffic

The following table sets forth total toll-paying motor vehicle traffic for fiscal years ended June 30, 1998, through June 30, 2008. See Table 9 on page 112 of APPENDIX A – “METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008.”

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
1998	44,729	18,796	16,574	13,755	10,765	9,908	1,665	116,192	-
1999	44,534	19,652	16,493	13,955	11,201	9,794	1,758	117,386	1.0%
2000	44,856	20,462	16,814	14,409	11,841	10,400	1,910	120,692	2.8
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)

⁽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, recent spikes in fuel costs and a general decline in the Bay Area economy. The Authority has also seen an increase in toll violators. Toll violators include drivers that intentionally avoid the payment of tolls (approximately 3% of total traffic in the fiscal year ended June 30, 2008). The subsequent recovery of payment from a toll violator is reported by the Authority as Revenue (see “Historical Revenue, Expenditures 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.

Toll Operations and Maintenance

The Authority adopts an annual toll collection operating budget (the “Operating Budget”). The Authority’s Operating Budget includes costs for operation and maintenance of the Bridge System, the costs of operation of the ETC system, cash management, toll system administration and finance, as well as MTC Transfers and other items. The Authority’s operating and administrative expenses, including the costs of the ETC system and related consultant contracts, are subordinate to the Authority’s obligations on the Bonds and obligations payable on parity with the Bonds.

The Cooperative Agreement between the Authority and Caltrans

Caltrans is responsible for maintaining the Bridge System in good repair and condition, in accordance with standards applicable to all State highways and bridges. Caltrans and the Authority are required by the Act to operate the toll collection system under a cooperative agreement.

The Cooperative Agreement, effective as of April 25, 2006 (as it may be amended from time to time, the “Cooperative Agreement”), between the Authority and Caltrans, (1) allocates funding responsibilities for the operation and maintenance of the Bridge System between the Authority and Caltrans, and (2) defines the methodology by which the Authority will establish budget limits on the amount of funding that the Authority will make available to Caltrans for toll collection operations, as well as Operations & Maintenance Expenses and Subordinated Maintenance Expenditures (as described below). The Cooperative Agreement is scheduled to expire on July 1, 2015.

Maintenance Expenditures

California Streets and Highways Code Section 188.4 provides that maintenance expenditures on the Bridge System are classified as either Category B maintenance expenditures (“Operations & Maintenance Expenses”) or Category A maintenance expenditures (“Subordinated Maintenance Expenditures”). Operations & Maintenance Expenses (which totaled \$30.3 million in the fiscal year ended June 30, 2008) are paid prior to debt service on the Authority’s Bonds and Parity Obligations, and Subordinated Maintenance Expenditures (which totaled \$4.8 million in the fiscal year ended June 30, 2008) are paid after such debt service. See “SECURITY AND SOURCES OF PAYMENT FOR THE BRIDGE REVENUE BONDS-Historical Revenue, Expenditures and Debt Service Coverage” below.

“Operations & Maintenance Expenses” are defined to include all expenses related to Caltrans’ operation and maintenance of toll facilities on the Bridges, including, but not limited to, toll collection costs, including wages and salaries, maintenance and electrical energy for toll administration buildings and toll booths, the costs of the San Francisco-Oakland Bay Bridge architectural lighting, and the costs of maintenance and operation of the existing Transbay Transit Terminal.

“Subordinated Maintenance Expenditures” consist of costs for normal highway maintenance that would be performed by the State according to State procedures if the Bridge System were a toll-free State facility. Subordinated Maintenance Expenditures include the costs of maintenance of the Bridge System and other structures, roadbeds, pavement, drainage systems, debris removal, landscaping, traffic guidance systems, ice controls, dedicated bridge maintenance stations and maintenance training. Subordinated Maintenance Expenditures on all Bridges, except the San Francisco-Oakland Bay Bridge, are payable from Bridge Toll Revenues. Subordinated Maintenance Expenditures on the San Francisco-Oakland Bay Bridge are payable by the State until Seismic Retrofit Program work is completed. Upon completion of Seismic Retrofit Program work on the San Francisco-Oakland Bay Bridge, Subordinated Maintenance Expenditures for that Bridge will be payable from Bridge Toll Revenues.

Operations and Maintenance Fund

The 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 shall equal two times the budgeted Operations & Maintenance Expenses for the Fiscal Year. Amounts on deposit in the Operations and Maintenance Fund are to be used and withdrawn by the Authority solely to pay Operations & Maintenance Expenses and are not pledged to the payment of the Bonds or Parity Obligations. The Authority certified to the Trustee as of July 1, 2009 that the balance in the Operations and Maintenance Fund as of that date was approximately \$150 million. See “Toll Operations and Maintenance” above.

The 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 Indenture for as long as the Authority shall punctually pay the principal of and interest on the Bonds as they become due and observe and comply with the toll rate

covenants in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS –Toll Rate Covenants” and APPENDIX B – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Covenants of the Authority.”

Transfers to MTC and Authority Administrative Costs

The annual operating budget of the Authority provides for fund transfers to MTC (the “MTC Transfers”) for the purposes described below. See “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS—Toll Rate Covenants.” These fund transfers are subordinate to the Authority’s obligation to pay principal of and interest on the Bonds and Parity Obligations.

The following table sets forth transfers to MTC for the past five Fiscal Years. See “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS—Toll Rate Covenants.”

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	Total
2004	\$12.29	\$0.99	\$10.03	-	\$1.85	\$25.16
2005	11.91	0.94	9.90	\$6.82	3.29	32.86
2006	11.64	0.92	9.41	17.38	8.80 ⁽²⁾	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

⁽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 2% of RM2 revenue.

⁽²⁾ 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 the funds generated from a 1977 toll increase 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. The calculation of such amount is equal to 16% of the revenue generated each year from the collection of the RM1 base toll at its level in existence for the 2001-02 fiscal year (which was prior to the increase in the RM Toll instituted under RM2) on the Southern Bridge Group. These funds are transferred to MTC and 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 RM Toll at its level in existence for the 2001-02 Fiscal Year (which was prior to the increase instituted under RM2). The Authority is authorized under law to transfer Two Percent Transit Reserves to MTC on an annual basis. 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 for planning, construction, operation and acquisition of rapid water transit systems. However, federal legal limitations on toll revenue expenditures preclude MTC from making any allocations of toll revenues from certain of the Bridges for transit operating programs. Pursuant to a Cooperative Agreement Regarding Transit Operations, dated April 26, 2000, among the Authority, MTC and Caltrans, Caltrans agreed to

provide funding to MTC in an amount equivalent to the portion of the Two Percent Transit Reserves that would otherwise be allocated to rapid water transit operations and MTC agreed to eliminate the use of the Two Percent Transit Reserves for rapid water transit operations.

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 RM Toll on two-axle vehicles at its \$1.00 RM Toll level in existence for the 2001-02 Fiscal Year (which was prior to the increase instituted under RM2). Rail Extension Reserves are transferred by the Authority to MTC on an annual basis for 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 the MTC as Regional Measure 2 Operating Transfers, and that all such transfers must first be authorized by the 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 retains on an annual basis, after payment of debt service on Outstanding Bonds and the costs of Operations & Maintenance Expenses for its cost of administration pursuant to Section 30958 of the Act, such amount not to exceed 1% of the gross revenues collected annually from the tolls on the Bridge System. See APPENDIX B – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Covenants of the Authority - Toll Rate Covenants.”

CAPITAL PROJECTS AND FUNDING

Regional Measure 1 Projects

RM1 authorized the Authority to pay for specified highway and bridge enhancement projects (the “RM1 Projects”). The RM1 Projects were all completed by the end of 2008 except for the modification of the existing Benicia-Martinez Bridge and the I-880/SR-92 Interchange improvements, both of which projects are described below.

Benicia-Martinez Bridge. RM1 included construction of a new span parallel to the original span of the Benicia-Martinez Bridge. The new span has been completed. The existing older span is being modified to add another vehicle lane and a pedestrian/bicycle lane at an estimated construction cost of approximately \$60 million. The project is scheduled to be complete in 2009

Interstate 880/State Route 92 Interchange. RM1 authorized reconstruction of the Interstate 880/State Route 92 interchange to increase capacity and improve safety and traffic operations in the San Mateo-Hayward Bridge corridor at an estimated construction cost of approximately \$155 million. The project is scheduled to be complete in 2011.

Regional Measure 2 Projects

RM2 authorizes the Authority to contribute funds for 36 transit, highway and bridge enhancement and improvement projects that were determined to reduce congestion or to make improvements to travel in the toll bridge corridors (the “RM2 Projects”) at a cost of \$1.465 billion and to provide additional funding for the new span of the Benicia-Martinez Bridge (\$50 million). 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. Operating cost funding totaled \$24,229,292 for the year ended June 30, 2008.

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 aggregated approximately \$485,876,140 through May 31, 2009.

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 May 31, 2009 (\$ in millions)

<u>Contract</u>	<u>Status</u>	<u>Current Approved Budget⁽¹⁾</u>	<u>Forecast Cost at Completion</u>	<u>Expenditures through May 31, 2009</u>
New Benicia-Martinez Bridge ⁽²⁾	New span open and modification of old span underway	\$1,272.5	\$1,272.5	\$1,194.1
I-880/SR-92 Interchange Improvement	Construction	245.0	245.0	123.3
Carquinez Bridge Replacement	Completed	518.2	518.2	512.6
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	96.3
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	3.8	3.8	3.7
RM1 Capital Projects Subtotal⁽³⁾		\$2,406.4	\$2,406.4	\$2,196.0
RM2 Capital Projects Subtotal⁽⁴⁾		\$1,465.0⁽⁵⁾	\$1,465.0⁽⁵⁾	\$485.9

⁽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 allocated for modification of the existing older bridge, which is underway.

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

⁽⁴⁾ Does not include \$50 million allocated for the new Benicia-Martinez Bridge project under RM2. See APPENDIX D – “REGIONAL MEASURE 2 CAPITAL 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”).

The Seismic Retrofit Program includes seismic upgrade work on the original Benicia-Martinez Bridge span, the eastern 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. 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. See a separate discussion of the seismic retrofit strategy for the Antioch Bridge and the Dumbarton Bridge under “CAPITAL PROJECTS AND FUNDING — Seismic Design Strategies for the Bridge System.”

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 following table sets forth the status, budget, forecast costs at completion and forecast year of completion with respect to the east span contracts, estimated right-of-way and environmental mitigation costs, and estimated capital outlay support costs for the east span.

**SEISMIC RETROFIT PROGRAM
SAN FRANCISCO-OAKLAND BAY BRIDGE
STATUS OF EAST SPAN CONTRACTS AT MAY 31, 2009**

<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	--
Other Completed Contracts	Completed	--
SAS Superstructure	Under Construction	2013
Yerba Buena Island (YBI) Detour	Under Construction	2010
Oakland Touchdown (OTD) (an aggregate of up to 4 contacts)	Under Construction	2014
YBI Transition Structures (an aggregate of up to 3 contracts)	In Design	2014
Existing East Span Demolition	In Design	2015

Source: Caltrans.

East Span Funding Sources

At May 31, 2009, approximately \$3.6 billion (58 percent) of the \$6.2 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 on hand for that purpose derived from various sources and funds derived by the Authority from future 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.”

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 2014. Demolition of the existing east span will follow with completion expected in 2015. However, no assurance can be given that this schedule will be achieved.

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 monthly 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.

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 Program Budget and Project Status as of May 31, 2009 (\$ in millions)

<u>Contract</u>	<u>Status</u>	<u>Current Approved Budget</u>	<u>Forecast Cost at Completion</u>	<u>Expenditures through May 31, 2009</u>
San Francisco-Oakland Bay Bridge–East Span Retrofit and Replacement ⁽¹⁾	Under Construction	\$5,702.1	\$6,195.9	\$3,614.6
San Francisco-Oakland Bay Bridge–West Approach Replacement	Completed	470.7	470.7	438.9
San Francisco-Oakland Bay Bridge–West Span Retrofit	Completed	307.9	307.9	302.0
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
Toll Bridge Seismic Retrofit Program Subtotal⁽²⁾		\$7,914.7	\$8,408.5	\$5,766.1
Misc. Program Costs		30.0	30.0	24.7
Programmatic Risk and Project Contingency		740.3	246.5	---
Total⁽²⁾		\$8,685.0	\$8,685.0	\$5,790.8

⁽¹⁾ The new bridge is forecast to open in the westbound and eastbound directions in December 2012 and September 2013, respectively. Demolition of the existing bridge is forecast to be completed in September 2015.

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

Source: Caltrans.

As of May 31, 2009, \$493.8 million of the project contingency budget had been allocated among the various contracts relating to the new east span of the San Francisco-Oakland Bay Bridge (reflected in the “Forecast Cost at Completion” amount of \$6,195.9 million above), leaving \$117.2 million as the net potential drawdown for risks that are not yet scoped within existing contracts, or are spread across multiple contracts, or both, and \$129.3 million as additional contingency reserves. The project contingency of \$129.3 million is currently expected to be available for contingencies based on the 2005 Legislation budget and the forecasted completion costs, but is subject to change.

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 fiscal year 2013-14 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 \$13.8 million per fiscal year. In addition, as explained below, Caltrans has recommended that the Antioch Bridge be retrofitted at an estimated cost of \$313 million and that the Dumbarton Bridge be retrofitted at an estimated cost of \$637 million.

Future Projects

The Authority may be authorized in the future to participate in other regional transportation projects. For example, California Assembly Bill 744 would authorize the Authority to collaborate with Bay Area congestion management agencies, Caltrans and the Department of the California Highway Patrol to develop an 800-mile high-occupancy toll (HOT) network program on state highways in the Bay Area. The bill would authorize the Authority to develop, administer, operate, and maintain the network and would authorize capital expenditures for the program to be funded from program revenues, revenue bonds, and loans from the Authority.. Whether the legislation will be adopted and the final form of the legislation are yet to be determined.

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 status for five of the seven Bridges. Information about the Antioch Bridge and the Dumbarton Bridge is set forth following the table.

BRIDGE DESIGN BASIS AND STATUS

Bridge	Seismic Strategy
Benicia – Martinez (existing span)⁽¹⁾	Lifeline Structure Minor to moderate damage expected, reopen to traffic quickly
Benicia – Martinez (new span)⁽²⁾	Lifeline Structure Minor to moderate damage expected, reopen to traffic quickly
Carquinez (existing east span)⁽¹⁾	Intermediate Strategy Moderate to major damage expected
Carquinez (new west span)⁽²⁾	Intermediate Strategy Moderate to major damage expected
Richmond – San Rafael⁽¹⁾	“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 Currently Intermediate Strategy Moderate to major damage expected
San Francisco – Oakland (west span)⁽¹⁾	Lifeline Structure Minor to moderate damage expected, reopen to traffic quickly
San Mateo – Hayward⁽¹⁾	Intermediate Strategy Moderate to major damage expected

⁽¹⁾ A Seismic Retrofit Program project.

⁽²⁾ A RM1 Project.

Source: Caltrans.

Caltrans has determined that the Dumbarton and Antioch bridges require seismic retrofit. In December 2008, Caltrans presented retrofit strategies and cost estimates for both bridges to the Authority. Caltrans recommended that the Antioch Bridge be retrofitted using a “no collapse” strategy at an estimated cost of \$313 million and that the Dumbarton Bridge be retrofitted using an “intermediate strategy” at an estimated cost of \$637 million. It is anticipated that construction could begin as early as 2010 at each bridge and that the work would be completed on the Antioch Bridge in 2012 and on the Dumbarton Bridge in 2013. These projects are not currently a part of the Seismic Retrofit Program, but proposed California legislation (Assembly Bill 1175) would add these projects to the Seismic Retrofit Program. Whether or not the projects are added to the Seismic Retrofit Program, it may be necessary for the Authority to fund both projects without state or federal financial assistance and to increase tolls to pay those costs. See “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS—Toll Setting Authority.”

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.”

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 the Trustee under the Indenture are invested in Permitted Investments (as defined in Appendix B) by the Trustee 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.

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.F on pages 40-41 and Note 3 on pages 45-50 of APPENDIX A – "METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008." The most current supplement hereto is expected to contain updated information concerning the investments in the investment portfolio of MTC and the Authority.

SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS

At December 31, 2008, the Authority had approximately \$4.3 billion of Bonds outstanding pursuant to the Indenture. See Note 5 starting on page 55 of APPENDIX A – "METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008." On August 28, 2008, the Authority issued \$707,730,000 of its 2008 Series F-1 Bonds, which are fixed rate bonds with final maturities ranging from 2034 to 2047, the proceeds of which were used to refund the Authority's 2003 Series A Bonds, 2003 Series B Bonds, 2006 Series A-1 Bonds, 2006 Series D-2 Bonds, 2006 Series E-1 Bonds, 2007 Series B-1 Bonds, 2007 Series D-1 Bonds, 2007 Series E-1 Bonds and 2007 Series E-2 Bonds. The Authority has pledged all the tolls collected on the Bridge System to the payment of the Bonds and the Parity Obligations. The Bonds are payable from "Revenue", which is defined to include the tolls paid by vehicles using the seven Bridges in the Bridge System and interest earnings on fund balances. The Authority will pay Operations & Maintenance Expenses first. See "THE BRIDGE SYSTEM—Toll Operations and Maintenance" and "-Operations and Maintenance Fund."

Authority for Issuance of Toll Bridge Revenue Bonds

The Act authorizes the Authority to issue toll bridge revenue bonds to finance the construction, improvement and equipping of the Bridge System and other transportation projects authorized by the Act.

The Bonds are issued by the Authority pursuant to the Indenture and the Act. For definitions of the capitalized terms used below, see APPENDIX B – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Toll Setting Authority

The Act authorizes the Authority to increase tolls if required to meet its obligations on any bonds, to satisfy its covenants under any bond resolution or indenture, or to complete the Seismic Retrofit Program. See “CAPITAL PROJECTS AND FUNDING — Seismic Retrofit Program Capital Projects.” Such toll rate increases are not limited in term or amount and do not require any legislation or approval by any regulatory agency. See “Toll Rate Covenants” below. The Authority is required to hold a public hearing before adopting a toll schedule increasing the RM Toll (as hereinafter defined), and to hold two public hearings before increasing the Seismic Surcharge (as hereinafter defined).

Management of the Authority has determined that changes to the toll structure may be necessary for implementation in 2010, including a potential toll increase for two-axle vehicles, potentially providing certain car pool vehicles with reduced-rate rather than toll-free passage on all Bridges, and a potential toll increase for multi-axle vehicles. These changes are being considered primarily to maintain debt service coverage required by the Indenture and to provide funding for the seismic retrofit of the Antioch Bridge and the Dumbarton Bridge. The Authority has not yet determined whether it will take any action to implement any such toll rate increase. See “CAPITAL PROJECTS AND FUNDING — Seismic Design Strategies for the Bridge System.”

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 revenue bonds and in favor of any provider of credit enhancement for those bonds. Bridge Toll Revenues include all tolls, including the Seismic Surcharge, 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. As described above, the lien created on the Bridge Toll Revenues is subject to the prior payment of Operations & Maintenance Expenses. See “THE BRIDGE SYSTEM—Toll Operations and Maintenance” and “-Operations and Maintenance Fund” and APPENDIX B – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Pledge of Revenue

All Revenue is pledged to secure the punctual payment of the principal of and interest on all Bonds, Parity Obligations and Reserve Facility Costs (as defined herein). The Authority is first required to pay Operations & Maintenance Expenses as described above. The Indenture provides that this pledge shall constitute a first lien on such amounts, shall be valid and binding from and after the issuance of the Bonds, without any physical delivery or further act and shall be irrevocable until all Bonds and Parity Obligations are no longer outstanding.

“Revenue” primarily includes Bridge Toll Revenues.

Revenue also includes:

- (i) 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 Indenture and held by the Authority;
- (ii) all amounts on deposit in the funds and accounts established pursuant to the Indenture and held by the Trustee (excluding the Rebate Fund and any fund or account established to hold the proceeds of a drawing on any Credit Support Instrument);
- (iii) all interest or other income from investment of money in the funds and accounts established pursuant to the Indenture and held by the 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, consisting of amounts paid to the Authority pursuant to any Qualified Swap Agreement or Swap. See APPENDIX B – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

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. Under the Indenture, the Authority is required to transfer to the Trustee, from the Bay Area Toll Account, Revenue sufficient to make payments on all Bonds and Parity Obligations not later than three Business Days prior to their due date.

Upon receipt by the Trustee, all Revenue is required by the Indenture to be deposited by the Trustee in a special fund designated as the “Bond Fund,” which the Trustee is required 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 Indenture.

See APPENDIX B – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Funds and Accounts – Establishment and Application of Bond Fund” for information as to the transfer of funds from the Bay Area Toll Account to the Trustee under the Indenture to secure and provide for payment of the Bonds and other obligations payable from and secured by Revenue.

Pledge by the State

Pursuant to Section 30963 of the Act, the State has pledged and agreed with the holders of the 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 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 Bonds or any such parties until the Bonds, together with interest, are fully paid and discharged and any contracts are fully performed on the part of the Authority.

Toll Rate Covenants

The Authority covenants in the Indenture that it will at all times establish and maintain tolls on the Bridge System at rates sufficient to pay debt service on all Bonds and Parity Obligations secured by Revenue and to meet Operations & Maintenance Expenses and to otherwise comply with the Act.

The Authority also has covenanted to compute specified coverage ratios on an annual basis within ten Business Days after the beginning of each Fiscal Year and to increase tolls if any of (1), (2) or (3) below is true:

- (1) the ratio produced by dividing Net Revenue (as hereinafter defined) by the sum of
 - (A) Annual Debt Service (See APPENDIX B – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE”),
 - (B) MTC Transfers (transfers required to be made to the Metropolitan Transportation Commission for public transit projects, for projects that will help reduce vehicular congestion and improve bridge operations, and for the Authority’s cost of administration) (See “THE BRIDGE SYSTEM—Transfers to MTC and Authority Administrative Costs”),
 - (C) Subordinated Maintenance Expenditures (which are normal highway maintenance expenditures payable from Bridge Toll Revenues, see “THE BRIDGE SYSTEM—Toll Operations and Maintenance”) and
 - (D) payments on Subordinate Obligations (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)

for the then current fiscal year, is less than 1.0, *or*

- (2) the ratio produced by dividing
 - (A) the sum of Net Revenue and any funds then on deposit in the Operations and Maintenance Fund by
 - (B) Fixed Charges (being the sum of Annual Debt Service and MTC Transfers)

for the then current fiscal year, is less than 1.25, *or*

- (3) the ratio produced by dividing
 - (A) Net Revenue by
 - (B) 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.

“Net Revenue” is Revenue less Operations & Maintenance Expenses. See APPENDIX B — “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

The Authority’s calculations in accordance with (1), (2), and (3) above 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 11 in the Supplementary Information of APPENDIX A – “METROPOLITAN

TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008.”

Historical Revenue, Expenditures and Debt Service Coverage

The following table sets forth historical revenue, expenditures and debt service coverage with respect to the Bridge System for Fiscal Years ended June 30, 2004 through 2008. For calculations showing debt service as a percentage of Bridge Toll Revenues (only) net of all operating expenses, see Table 11 on page 114 of APPENDIX A – “METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008.” The presentation of Bridge System Historical Revenue, Expenditures and Debt Service Coverage in the table below is intended to provide potential investors with information about the revenues and selected related expenditures, as well as the 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.

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

Fiscal Year Ended June 30,	2004	2005	2006	2007	2008
Revenue					
Bridge Toll Revenues	\$145,176	\$248,141	\$280,277 ⁽¹⁾	\$422,355	\$477,377
Interest Earnings	11,007	21,235	44,060	96,415	116,134
Other Revenues ⁽²⁾	2,400	4,090	9,657	5,989	14,309
Total Revenue	\$158,583	\$273,466	\$333,994	\$524,759	\$607,820
Less: Operations & Maintenance Expenses⁽³⁾	\$44,456	\$37,582	\$32,657	\$29,576	\$30,271
Net Revenue	\$114,127	\$235,884	\$301,337	\$495,183	\$577,549
Debt Service on Bonds and Parity Obligations	\$26,663	\$35,374	\$68,931	\$161,144	\$200,868
Debt Service Coverage⁽⁴⁾	4.28x	6.67x	4.37x	3.07x	2.88x
Subordinated Maintenance Expenditures^{(5) (6)}	\$5,582	\$18,046	\$35,132	\$49,404	\$48,934
MTC Transfers⁽⁶⁾	\$25,163	\$32,859	\$48,152	\$50,785	\$53,904

⁽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.

⁽³⁾ Includes expenses related to Caltrans' operation and maintenance of toll facilities on the Bridges, which are payable prior to debt service on Bonds and Parity Obligations; does not include all operating expenses of the Bridge System.

⁽⁴⁾ Equals Net Revenue divided by Debt Service on Bonds and Parity Obligations.

⁽⁵⁾ Prior to fiscal year 2006, Subordinated Maintenance Expenditures were not payable from Bridge Toll Revenues. Beginning in fiscal year 2006, Subordinated Maintenance Expenditures other than with respect to the San Francisco-Oakland Bay Bridge are payable from Bridge Toll Revenues. See "Toll Operations and Maintenance - Maintenance Expenditures" above. Includes operating expenses of the Authority. Increases in fiscal year 2007 include nonrecurring ETC and open road tolling expenditures.

⁽⁶⁾ Subordinated Maintenance Expenditures and MTC Transfers are subordinate to the Authority's obligations on the Bonds and other Parity Obligations. See "THE BRIDGE SYSTEM — Toll Operations and Maintenance" and "THE BRIDGE SYSTEM — Transfers to MTC and Authority Administrative Costs."

Note: Totals may not add due to independent rounding of numbers.

Source: The Authority, except information regarding Subordinated Maintenance Expenditures provided by Caltrans.

Anticipated Bond Issuances of the Authority

The Authority anticipates issuing additional toll bridge revenue bonds, parity obligations and/or subordinate obligations to fund capital projects under its current capital project programs at the times and in the approximate principal amounts set forth in the following table.

ANTICIPATED BOND ISSUANCES (\$ in millions)

<u>Fiscal Year ending June 30,</u>	<u>Approximate Principal Amount⁽¹⁾</u>
2010	1,300 ⁽²⁾
2011	0
2012	1,000
thereafter	1,245

(1) The net proceeds of the borrowings indicated in the table are expected to be used for capital projects. Does not include refunding bonds.

(2) The Authority has authorized the issuance of these toll bridge revenue bonds. The Authority has also authorized, but not executed, interest rate swaps under which it will pay a floating rate and receive a fixed rate on toll bridge revenue bonds bearing a fixed rate of interest; the aggregate notional amount of the new interest rate swaps has not been determined.

Source: The Authority.

The principal amount of additional toll bridge revenue bonds, parity obligations and/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 toll bridge revenue bonds, parity obligations or subordinate obligations that may be issued.

Additional Bonds (or Parity Obligations) may be issued under the Indenture only if at least one of the following is true immediately following the issuance of such additional Bonds (or Parity Obligations):

- (a) the additional Bonds (or 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 Bonds (or Parity Obligations) to be refunded; (2) all expenses incident to the calling, retiring or paying of such Bonds (or Parity Obligations) and the Costs of Issuance of such refunding Bonds (or Parity Obligations); (3) interest on all Bonds (or Parity Obligations) to be refunded to the date such Bonds (or Parity Obligations) will be called for redemption or paid at maturity; and (4) interest on the refunding Bonds (or Parity Obligations) from the date thereof to the date of payment or redemption of the Bonds (or Parity 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 Bonds (and Parity Obligations), calculated as of the date of sale of, and including such additional Bonds (or Parity 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 Bonds (and Parity Obligations), calculated as of the date of sale of and including such additional Bonds (or Parity Obligations), will not be less than 1.50:1.

For purposes of the above-described calculation, if additional Bonds and Parity Obligations are issued to finance a Project that includes toll bridge program capital improvements for any bridge newly designated as a Bridge, projected Net Revenue for such bridge shall 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 prior to such calculation date. See APPENDIX B – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions” and “-Additional Bonds; Subordinate Obligations.” The governing board of the Authority has made the above-described calculation with respect to \$1.3 billion aggregate principal amount of additional Bonds authorized to be issued prior to December 31, 2009.

Pursuant to the Indenture, at such time as the Authority determines to issue additional Bonds, the Authority shall, in addition to fulfilling the requirements of the Indenture described above, file with the Trustee (a) a certificate of the Authority stating that no Event of Default specified in the Indenture has occurred and is then continuing; (b) a certificate of the Authority stating that the requirements of the Indenture described under subparagraph (a) or (b) of the second immediately preceding paragraph have been satisfied; (c) if such additional Bonds are being issued based upon compliance with the provisions of the Indenture described in subsection (b)(1) of the second immediately preceding paragraph, 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 Bridge System such that Net Revenue for the then current Fiscal Year would be insufficient to meet the debt service coverage requirement described in subsection (b)(1) of the second immediately preceding paragraph; (d) the balance in the Reserve Fund upon receipt of the proceeds of the sale of such Series of Bonds shall be increased, if necessary, to an amount at least equal to the Reserve Requirement with respect to all Bonds Outstanding upon the issuance of such Series of Bonds; and (e) an Opinion of Bond Counsel to the effect that the execution of the Supplemental Indenture creating such Series of Bonds has been duly authorized by the Authority in accordance with the Indenture and that such Series of Bonds, when duly executed by the Authority and authenticated and delivered by the Trustee, will be valid and binding obligations of the Authority.

All of the Bonds have been issued under the Indenture. The Authority may decide to issue additional toll bridge revenue bonds under another indenture of trust as Parity Obligations in compliance with the foregoing requirements of the Indenture. The Authority may decide to issue additional toll bridge revenue bonds as Subordinate Obligations as described below.

Reserve Fund

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

The balance in the Reserve Fund is required by the Indenture to equal or exceed the “Reserve Requirement” (defined below). As of June 30, 2009, the Reserve Requirement equals approximately \$269,641,011, and cash and investments aggregating at least that amount are held in the Reserve Fund.

“Reserve Requirement” means, as of any date of calculation, an amount equal to the lesser of: (i) Maximum Annual Debt Service on all Bonds then Outstanding; and (ii) 125% of average Annual Debt

Service on all Bonds then Outstanding; provided that with respect to a Series of Variable Rate Bonds for which a fixed rate Swap is not in place, the interest rate thereon for purposes of calculating the Reserve Requirement is to 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 Bonds, if the Reserve Fund would have to be increased by an amount greater than 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 Bonds) then the Reserve Requirement is to be such lesser amount as is determined by a deposit of such 10%. See APPENDIX B – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Definitions.”

The 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 Trustee equal to one-twelfth (1/12th) of the aggregate amount of the deficiency in the Reserve Fund. See APPENDIX B – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Funds and Accounts – Establishment and Application of the Reserve Fund” and “– Funding of the Reserve Fund.”

Standby Bond Purchase Agreements

The Authority has two Standby Bond Purchase Agreements with various banks under which banks have agreed (subject to conditions specified in the agreements) to purchase the Authority’s variable rate demand bonds that are tendered for purchase and are not successfully remarketed. Bonds so held by the banks will continue to be Bonds under the Indenture payable on a parity basis with other Bonds. Fees and other payments due to the Banks are not Parity Obligations. The Authority’s obligation to pay interest on bank bonds evidencing the Authority’s obligation to pay amounts advanced under the Standby Bond Purchase Agreements can be as high as 15% per annum. The Standby Bond Purchase Agreements are not a source of funds for the payment of the principal of or interest on the Bonds.

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

One of the Standby Bond Purchase Agreements is dated as of June 1, 2008 and provides liquidity support until June 4, 2011 for the Authority’s Variable Rate Demand Bonds, 2008 Series B-1, C-1, D-1, E-1 and G-1. The liquidity providers are Bank of America, N.A. and BNP Paribas, acting through its San Francisco branch.

The other Standby Bond Purchase Agreement is dated as of August 1, 2008 and provides liquidity support until August 27, 2009 for the Authority’s Variable Rate Demand Bonds, 2001 Series B, 2001 Series C, 2003 Series C, 2007 Series C-1, 2007 Series G-1, 2007 Series A-2, 2007 Series B-2, 2007 Series C-2 and 2007 Series G-3, and until August 26, 2011 for the Authority’s Variable Rate Demand Bonds, 2004 Series A, 2004 Series B, 2004 Series C, 2006 Series B-1, 2006 Series C, 2007 Series A-1, 2007 Series D-2, 2007 Series E-3 and 2007 Series G-2. The Liquidity Providers are Bank of America, N.A., Bayerische Landesbank, acting through its New York Branch, California Public Employees’ Retirement System, Calyon, acting through its New York Branch, Landesbank Baden-Württemberg, acting through its New York Branch, JPMorgan Chase, Lloyds TSB Bank plc, acting through its New York Branch, and Union Bank, N.A. (formerly known as Union Bank of California, N.A.).

The Authority has received liquidity support commitments to replace a portion of the liquidity support expiring in 2009 and 2011 under the second Standby Bond Purchase Agreement described above. The Authority has decided to refund some of the variable rate demand Bonds backed by expiring liquidity support into Bonds that do not require liquidity support under the Indenture. In several instances the Authority is also replacing certain liquidity providers with stronger liquidity providers and substituting new liquidity support facilities for expired or expiring facilities. On July 21, 2009, the Authority had the

trustee under the Indenture commence the optional redemption on August 20, 2009 of certain of those Bonds (subject to the right of the Authority to cancel the redemption proceedings at any time).

The Authority purchased \$110 million of its outstanding Bonds (2008 Series A-1) in May, 2009, that were variable rate demand bonds backed by a standby bond purchase agreement with Citibank, N.A. that provided liquidity support for those Bonds until June 4, 2009, when it expired. The Authority expects to reoffer such bonds to investors as weekly variable rate demand bonds backed by new liquidity support facilities.

Subordinate Obligations

The Authority may issue or incur Subordinate 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 Bonds and Parity Obligations. The Authority's Subordinate Obligations currently consist of fees and expenses relating to the Bonds and any termination payments under the Authority's Qualified Swap Agreements.

In July, 2009, the governing board of the Authority authorized the issuance of \$1.3 billion in toll bridge revenue bonds as additional Bonds or as bonds that will be Subordinate Obligations, subordinate to the Bonds. The amount, if any, of such toll bridge revenue bonds to be issued as Subordinate Obligations, the terms of such Subordinate Obligations (including whether interest on such Subordinate Obligations will be taxable or tax-exempt) and the timing of the issuance of such Subordinate Obligations has not been determined.

Qualified Swap Agreements

The Authority has entered into Qualified Swap Agreements and expects to enter into more in the future. For a discussion of the Authority's outstanding interest rate swap agreements as of June 30, 2008, see "Note 5 – Interest Rate Swaps and Forward Interest Rate Swap Agreements" on pages 62-67, and Schedules 14 through 17 on pages 98-101, of APPENDIX A – "METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008." In August 2008, the Authority entered into Qualified Swap Agreements in an aggregate notional amount of approximately \$558.7 million pursuant to which the Authority receives fixed rate payments and pays the counterparties a floating rate based upon an index. Under the rest of the Authority's Qualified Swap Agreements the Authority receives variable rate payments based upon an index and pays the counterparties fixed rate payments. The Qualified Swap Agreements may terminate upon the occurrence of certain events. In the event a Swap Agreement is terminated, a termination payment will be payable by either the Authority or the Swap Provider depending on the then-current market value of the Swap Agreement. Any such termination payment payable by the Authority could be substantial. Termination payments are payable on a basis subordinate to the Bonds. The Authority may amend existing Qualified Swap Agreements to provide for different counterparties.

Special Obligations

The Bonds are special obligations of the Authority payable, as to interest thereon and principal thereof, solely from Revenue as defined and provided in the Indenture, and the Authority is not obligated to pay them except from Revenue. The 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.

RISK FACTORS

The primary source of payment for the Bonds is 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 San Francisco Bay Area experienced the effects of the Loma Prieta earthquake that registered 7.1 on the Richter Scale. The epicenter of the earthquake was located in Loma Prieta about 60 miles south of the City of San Francisco in the Santa Cruz Mountains. The Loma Prieta earthquake caused damage to the east span of the San Francisco-Oakland Bay Bridge. Caltrans made prompt repairs to the San Francisco-Oakland Bay Bridge, which was reopened to traffic within one month.

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 on the San Francisco-Oakland Bay Bridge until 2013. 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. Caltrans has determined that the Dumbarton and Antioch bridges require seismic retrofit, but these projects are not currently a part of the Seismic Retrofit Program, but proposed California legislation (Assembly Bill 1175) would add these projects to the Seismic Retrofit Program. Whether or not the projects are added to the Seismic Retrofit Program, it may be necessary for the Authority to pay for both projects without state or federal financial assistance and to increase tolls to pay those costs.

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 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. The current balance is \$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.

Rising Tolls Could Result in Reduced Traffic and Lower Total Revenue

Since 2004, toll rates for two-axle vehicles have increased from \$2.00 to \$4.00. 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, including additional seismic retrofit work on the Antioch and Dumbarton Bridges, could result in further rate increases. Such increases in the toll rates could have an adverse impact upon the level of traffic on the Bridge System and the level of Bridge Toll Revenues collected. The added cost burden of toll increases may result in greater carpooling or use of mass transit, more reliance on telecommuting in lieu of commuting to work, relocation of businesses to suburban locations and similar activities, that result in lower traffic levels. Lower traffic levels could result in lower total revenues, even though toll rates might increase. See “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS — Authority for Issuance,” “— Toll Setting Authority,” and “CAPITAL PROJECTS AND FUNDING — East Span Funding Sources.”

Construction Delays and Cost Escalation

The Authority does not believe any decline in Bridge Toll Revenues would result solely from delays in or cancellation of any Seismic Retrofit Program or RM1 project. Delays in construction or additional cost may, however, impact the level of Bridge Toll Revenues if they are combined with, for example, reduced traffic due to increased tolls or longer periods of increased vulnerability to seismic events due to longer construction periods.

Delays in completion of RM1, RM2 or 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, increased costs may also be caused by uncontrollable circumstances, acts of God, 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 and the bidding process. 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.

The original budget estimates for the Seismic Retrofit Program were established by Chapter 327, Statutes of 1997 (Senate Bill 60). The estimated cost for the Seismic Retrofit Program projects was, at the time, set at \$2.620 billion. Since then, subsequent legislation has provided for increases in such estimated costs to approximately \$8.685 billion as of 2005.

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 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 the 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 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).

MISCELLANEOUS

This Information Statement is not to be construed as a contract or agreement between the Authority and holders of any of the 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 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, 2008**

(THIS PAGE INTENTIONALLY LEFT BLANK)



METROPOLITAN
TRANSPORTATION
COMMISSION

Comprehensive Annual Financial Report

For Fiscal Year Ended
June 30, 2008

State of California

Prepared by MTC Finance Section

Metropolitan Transportation Commission
Table of Contents
June 30, 2008 and 2007

	<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 – 45
Unrestricted Asset Deficit	45
Cash, Cash Equivalents and Investments	45 – 50
Capital Assets	51 – 54
Long-Term Debt	55 – 67
Leases	67
Interfund Receivables, Payables and Transfers	68 – 69

Metropolitan Transportation Commission

Table of Contents

June 30, 2008 and 2007

	<i>Page</i>
Employees' Retirement Plan	69 – 71
Postemployment Healthcare Benefits	71 – 73
Commitments and Contingencies	74 – 75
Risk Management	75
Extraordinary Item	75
 Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	77
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – AB 664 Net Toll Revenue Reserves Fund	78
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – State Transit Assistance Fund	79
Schedules of Funding Progress	80
 Other Supplementary Information	
Combining Balance Sheet – Nonmajor Governmental Funds	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	83
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Transit Reserves Fund	84
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Rail Reserves Fund	85
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Exchange Fund	86
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – BART Car Exchange Fund	87
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Feeder Bus Fund	88
Schedule of Expenditures – Governmental General Fund	89
Schedule of Overhead, Salaries and Benefits Expense – Governmental General Fund	90
Schedule of Expenditures - Federal Highway Administration Grant No. 08OWPMTCM	91
Schedule of Computations Demonstrating Bond Covenant Compliance – BATA Proprietary Fund	92 – 93
Schedule of Operating Revenues and Expenses – BATA Proprietary Fund – By Bridge	94
Combining Statement of Changes in Assets and Liabilities by Participant – Agency Funds	95 – 97
Schedule of Interest Rate Swap Summary – BATA Proprietary Fund	98
Schedule of Interest Rate Swap for Series 2001, 2003 and 2004 – BATA Proprietary Fund	99
Schedule of Interest Rate Swap for Series 2006 – BATA Proprietary Fund	100
Schedule of Interest Rate Forward Swap for Series 2007 – BATA Proprietary Fund	101
 Statistical Section	
Financial Trends	
Net Assets by Component	103
Changes in Net Assets	104 – 105

Metropolitan Transportation Commission
Table of Contents
June 30, 2008 and 2007

	<i>Page</i>
Fund Balances of Governmental Funds	106
Changes in Fund Balances of Governmental Funds	107
Revenue Capacity	
Primary Government Revenues	108
Primary Government Expenses by Function	109
Toll Revenues – By Bridge	110
Paid and Free Vehicles – By Bridge (in Numbers of Vehicles)	111
Average Toll Rate Revenues – By Bridge	112
Debt Capacity	
Ratios of General Bonded Debt Outstanding	113
Pledged-Revenue Coverage	114
Demographic and Economic Information	
Miscellaneous Statistics at June 30, 2008	115
Demographic Statistics for Nine San Francisco Bay Area Counties	116
Operating Information	
Full-Time Equivalent Employees by Function	117
Ratio of Retiree Medical Premium to Covered Payroll	118



**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

September 29, 2008

Honorable Chairman
Members of the Metropolitan Transportation Commission

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, 2008. 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, 2008. All disclosures reasonably necessary to enable an understanding of the government's financial activities have been included.

MTC management and staff is 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, 2008, 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, 2008. 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, 2008 includes financial information for all funds, accounts and fiduciary activities for which MTC has financial accountability.

Bill Dodd, Chair
Napa County and Cities

Scott Haggerty, Vice Chair
Alameda County

Tom Ammiano
City and County of San Francisco

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

Tom Bates
Cities of Alameda County

Bob Blanchard
Sonoma County and Cities

Dean J. Chu
Cities of Santa Clara County

Dave Cortese
Association of Bay Area Governments

Dorene M. Giacomini
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

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

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

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.

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 2008 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, the two insurers of BATA's toll revenue bonds were downgraded and caused Auction Rate bonds to fail, and Variable Rate Demand bonds to trade at rates as high as nine percent. Ultimately, BATA was forced to restructure its \$2.9 billion Insured Variable Rate Debt portfolio, completing \$500 million during fiscal 2008. The bonds restructured in 2008 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, 2007. This was the fourth 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,



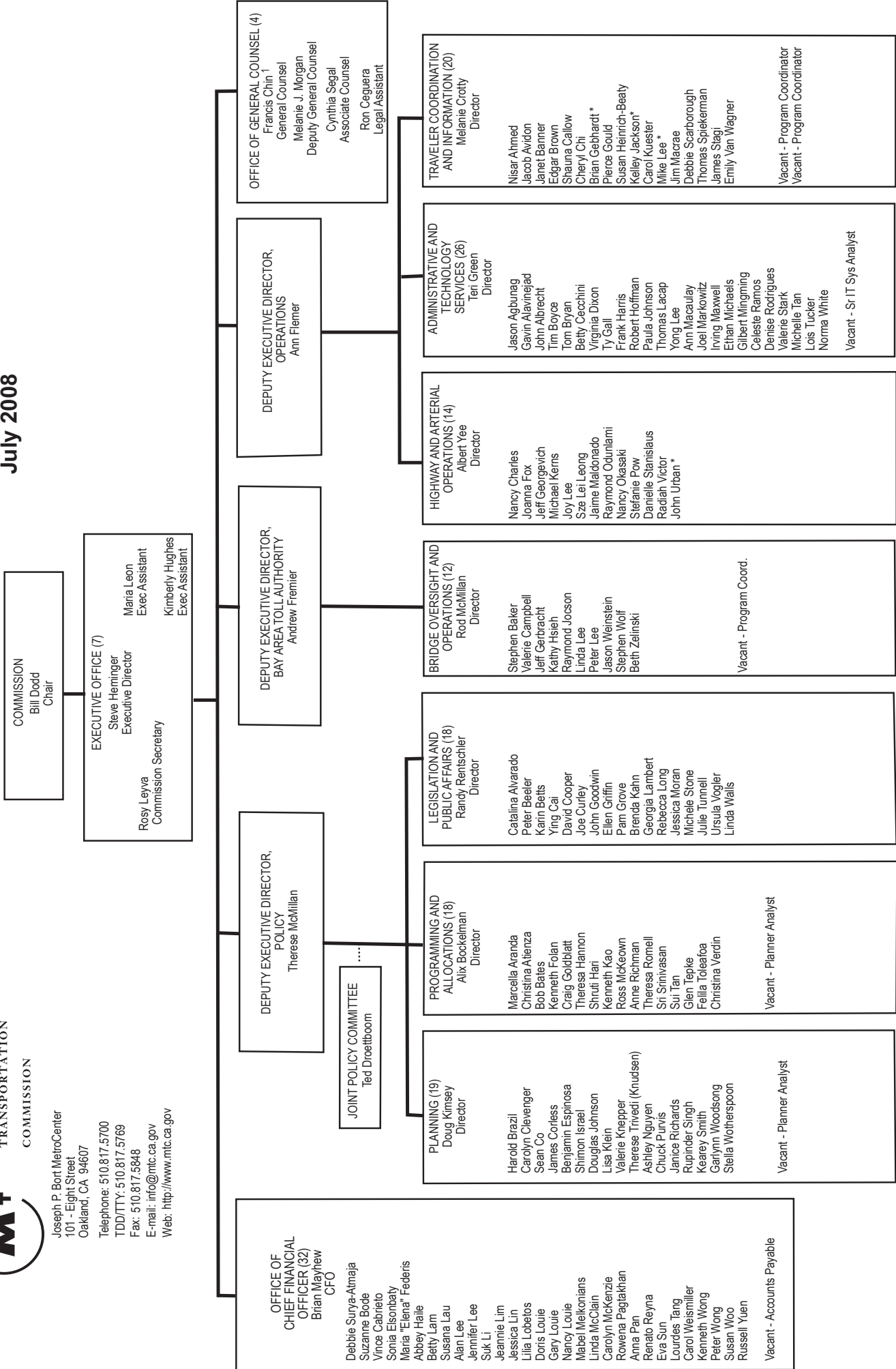
Brian Mayhew
Chief Financial Officer



METROPOLITAN
TRANSPORTATION
COMMISSION

Joseph P. Bort MeitroCenter
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 2008



Steve Heminger
Executive Director

Footnotes:
166 Regular full-time positions
4 Project-based positions*
170 Total Positions
1 Advises Commission Directly
updated 07-23-08

METROPOLITAN TRANSPORTATION COMMISSION

COMMISSIONERS

Bill Dodd, Chair	Napa County and Cities
Scott Haggerty, Vice Chair	Alameda County
Tom Ammiano	City and County of San Francisco
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
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, 2007

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.



Charles S. Cox

President

Jeffrey R. Emer

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, 2008 and 2007, 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, during the year ending June 30, 2007 MTC adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and the provisions for GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.

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 77 through 80 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 82 through 101 of this report are presented for purposes of additional analysis and are not a required part of the basic financial statements. These supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The letters, charts, schedules and other information identified in the table of contents under *Introductory Section* and *Statistical Section* and appearing on pages i through vii and pages 103-118 of this report, respectively, 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

September 26, 2008

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2008 and 2007

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 component units for the years ended June 30, 2008 and 2007.

A. Financial Highlights

In fiscal years 2008 and 2007, net assets decreased by \$533,312 and \$265,182, respectively. The decrease in assets is the result of planned project drawdowns in the BATA Seismic Retrofit and Regional Measure 1 (RM1) construction programs. The net assets decrease is a result of BATA financing the improvements with Caltrans owning the bridges. This decrease in net assets will continue into the future.

Net assets in the governmental funds increased \$19,465 or 6.63 percent for 2008 compared to a \$119,540 or 68.7 percent increase for 2007, as reported under the accrual basis of accounting. The net assets increase in fiscal 2008 is mainly comprised of a \$5,000 repayment of the loan from BART, \$24,135 revenue for the BART car replacement fund, and a decrease of STA assets of \$15,727 due to lower revenue. The increase to net assets for fiscal 2007 is due to several factors including a \$10,000 repayment of the loan from BART, \$23,414 revenue for the BART car replacement fund, and an increase to the STA fund of \$81,599 due from the increase in STA revenue. Net assets in the governmental funds increased by \$57,755 or 23.9 percent for the year ended June 30, 2008, compared to a \$128,104 gain or 112.9 percent increase for the year ended June 30, 2007, as reported under the modified accrual basis of accounting. The increase of \$57,755 in fiscal 2008 is due principally to \$24,135 revenue for the BART car replacement fund, a decrease of STA assets of \$15,727 due to lower revenue, and a \$47,000 payment from BATA as an assignment of the loan from BART. The increase in net assets for fiscal 2007 under the modified accrual basis consists of a \$10,000 payment of the loan from BART, \$23,414 revenue for the BART car replacement fund, and an increase to the STA fund of \$81,599 due to the increase in STA revenue.

At June 30, 2008 fiscal year, the general fund's unreserved fund balances were \$11,198 or 14.6 percent of total general fund expenditures for fiscal 2008. The general fund unreserved fund balance at June 30, 2007 fiscal year was \$12,870 or 18.3 percent of the total general fund expenditures. The unreserved general fund balance decreased by \$1,672 or 13.0 percent in fiscal 2008 as compared to a \$4,038 or 45.7 percent increase in fiscal 2007. The change was largely due to an operating deficit of \$7,557 in fiscal 2008.

Following are some operational highlights from fiscal year 2008:

- The 511 Program upgraded system equipment, deployed a new transit trip planner and debuted a personalized 'My 511' service for traffic users.
- The Freeway Service Patrol (FSP) in-vehicle telecommunications equipment was upgraded to automate data collection, analysis and the tracking of vehicles. The new Benicia-Martinez Bridge opened to traffic in August 2007. The bridge features included two open road tolling (ORT) lanes, which has significantly reduced traffic congestion in the corridor.
- MTC held a joint ABAG/MTC Fall Forum to kick off the 2009 Regional Transportation Plan update (known as Transportation 2035).

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2008 and 2007

Management's Discussion and Analysis (unaudited) continued

- MTC adopted a state-mandated Regional Rail Plan in October 2007.
- Caltrans accepted the Skyway work as complete on the San Francisco-Oakland Bay Bridge East Span Seismic Replacement Project.
- The project to convert call boxes from analog to digital format and to a touch-tone text pad was completed.

The most significant financial impact during 2008 resulted from the sub-prime mortgage fallout. Losses in sub-prime mortgage values hurt insurance firms who lost their "AAA" ratings for the first time. Bonds insured by Ambac and XL Capital Assurance increased in cost and were ultimately refunded.

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. Bay Area Infrastructure Financing Authority (BAIFA), a discretely presented component unit, is presented in a separate column after the Total column in the government-wide Statement of Net Assets. 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 2008 fiscal year. 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 2008 and 2007 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.

The government-wide financial statements distinguish business-type activities, which recover a significant portion of costs from user fees or charges, from governmental activities that are principally supported by grants, contributions, taxes and intergovernmental sources.

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 SAFE, and 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. These funds are further described on 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 32-75.

**Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Management's Discussion and Analysis (unaudited) continued**

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. Government funds 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 nonmajor special revenue funds and a capital projects fund. These funds are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The general fund and two of the special revenue funds are considered to be major funds. The financial statements of the governmental funds, prepared under the modified accrual basis of accounting are on pages 18-21 of this report. A schedule detailing the nonmajor special revenue funds are included on pages 82-83 of this report.

MTC adopts annual budgets for all funds. However, a comparison of budget-to-actual is required only for the governmental funds and these are presented on pages 77-80 (major funds) and 84-88 (nonmajor funds) of this report.

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 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 RM 1 and RM 2 capital improvement programs approved by the voters in 1988 and 2004, respectively. AB 144 was passed on July 2005. As a result of the bill's passage, BATA received more 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 are 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

**Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Management's Discussion and Analysis (unaudited) continued**

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 projects and obtain funding in the form of grants, contributions, appropriations, loans and other assistance and apply funds received to pay debt service on bonds issued by BAIFA to finance or refinance public transportation and 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 2008 by \$1,889,937 while total government-wide liabilities exceeded assets by \$1,356,625 for fiscal 2007 as illustrated in the following table. This represents a decrease in net assets for fiscal 2008 of \$533,312 and a decrease of \$265,182 for fiscal 2007. The cause of the net asset deficit is the impact of BATA financing the improvements on the seven state-owned toll bridges.

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					
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Cash and investments	\$ 273,188	\$ 212,094	\$ 125,529	\$ 2,901,882	\$ 2,701,811	\$ 1,916,801	\$ 3,175,070	\$ 2,913,905	\$ 2,042,330
Receivables	80,962	81,949	19,160	12,912	28,178	62,112	93,874	110,127	81,272
Other assets	8,139	759	614	51,695	48,001	34,194	59,834	48,760	34,808
Loan to other agency	42,000	47,000	57,000	-	-	-	42,000	47,000	57,000
Capital assets	8,855	6,133	5,827	8,206	5,596	5,394	17,061	11,729	11,221
Total assets	413,144	347,935	208,130	2,974,695	2,783,586	2,018,501	3,387,839	3,131,521	2,226,631
Long term liabilities	38,668	1,441	1,323	4,905,498	4,132,106	3,116,841	4,944,166	4,133,547	3,118,164
Other liabilities	61,557	53,040	32,893	272,053	301,558	167,017	333,610	354,598	199,910
Total liabilities	100,225	54,481	34,216	5,177,551	4,433,664	3,283,858	5,277,776	4,488,145	3,318,074
Net assets:									
Invested in capital assets, net of related debt	8,768	6,015	5,827	8,206	5,596	5,539	16,974	11,611	11,366
Restricted	200,513	157,234	117,117	338,458	691,735	643,444	538,971	848,969	760,561
Unrestricted	103,638	130,205	50,970	(2,549,520)	(2,347,410)	(1,914,340)	(2,445,882)	(2,217,205)	(1,863,370)
Total net assets / (deficit)	\$ 312,919	\$ 293,454	\$ 173,914	\$ (2,202,856)	\$ (1,650,079)	\$ (1,265,357)	\$ (1,889,937)	\$ (1,356,625)	\$ (1,091,443)

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Management's Discussion and Analysis (unaudited) continued

Cash and investments increased by \$261,165 from 2007 to 2008 and by \$871,575 from 2006 to 2007. The increase is mainly the result of proceeds of two BATA toll revenue bonds issues.

Long-term liabilities increased by \$810,619 or 19.6 percent in 2008 and \$1,015 or 32.3 percent in 2007 due to the issuance of two new BATA bonds totaling to \$1,007,760, less \$500,000 defeasance of a portion of 2006 series bonds.

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 decreased by \$20,988 or 5.9 percent in 2008 compared to an increase of \$154,688 or 77.4 percent in 2007. The decrease in 2008 and the increase in 2007 are due to several factors, including combined accounts payable and accrued expenses decrease due to late billing by RM2 claimants in 2007. The payable to Caltrans increased by \$34,226 due to a large invoice in June 2008 and unearned revenues from patrons of the FasTrak[®] program in both fiscal years 2008 and 2007. In addition, the current portion of the amount due to BAIFA decreased by \$56,980 based on the payment schedule.

The net deficit increased by \$533,312 in 2008 following an increase of \$265,182 in 2007. 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 a deficit. Future toll revenues are pledged to cover debt service payments. BATA owns the toll revenue stream and the debt. Caltrans owns the bridges and is doing the capital construction work, which is reimbursed by BATA. This information is more fully described in Note 2 of this report.

ii) Statement of Activities

The net assets for governmental activities increased in both 2008 and 2007 while negative net assets also increased over the same period for business type activities. The increase in negative net assets is the result of BATA project financing and expense activities. A breakdown of this activity is illustrated in the table below:

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Management's Discussion and Analysis (unaudited) continued

Metropolitan Transportation Commission's Statement of Activities (\$000)									
	Governmental			Business-Type			Total		
	Activities			Activities					
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Revenues:									
Program revenues:									
Charges for services	\$ -	\$ -	\$ -	\$ 497,712	\$ 434,341	\$ 293,000	\$ 497,712	\$ 434,341	\$ 293,000
Operating grants and contributions	212,272	320,311	57,641	110,372	283,082	8,868	322,644	603,393	66,509
Capital grants and contributions	9,858	-	70,770	-	1,235	499,403	9,858	1,235	570,173
General revenues:									
Investment earnings	11,390	10,908	3,996	116,704	97,280	44,857	128,094	108,188	48,853
Total revenues	233,520	331,219	132,407	724,788	815,938	846,128	958,308	1,147,157	978,535
Expenses:									
General government	90,203	93,884	63,297	-	-	-	90,203	93,884	63,297
Allocations to other agencies	152,775	145,647	87,731	-	-	-	152,775	145,647	87,731
Toll bridge activities	-	-	-	1,234,968	1,155,916	617,546	1,234,968	1,155,916	617,546
Congestion relief	-	-	-	13,675	16,892	12,401	13,675	16,892	12,401
Total expenses	242,978	239,531	151,028	1,248,643	1,172,808	629,947	1,491,621	1,412,339	780,975
Inc/(Dec) in net assets before transfers	(9,458)	91,688	(18,621)	(523,855)	(356,870)	216,181	(533,313)	(265,182)	197,560
Transfers in (out)	28,922	27,852	32,238	(28,922)	(27,852)	(32,238)	-	-	-
Income/loss before contributions and extraordinary item	19,464	119,540	13,617	(552,777)	(384,722)	183,943	(533,313)	(265,182)	197,560
Contributed capital	-	-	-	-	-	-	-	-	-
Distribution for Caltrans bond defeasance	-	-	-	-	-	(1,119,563)	-	-	(1,119,563)
Total contributed capital/distributions	-	-	-	-	-	(1,119,563)	-	-	(1,119,563)
Increase (decrease) in net assets	19,464	119,540	13,617	(552,777)	(384,722)	(935,620)	(533,313)	(265,182)	(922,003)
Net assets / (deficit) - Beginning	293,454	173,914	160,297	(1,650,079)	(1,265,357)	(329,737)	(1,356,625)	(1,091,443)	(169,440)
Net assets / (deficit) - Ending	\$ 312,918	\$ 293,454	\$ 173,914	\$ (2,202,856)	\$ (1,650,079)	\$ (1,265,357)	\$ (1,889,938)	\$ (1,356,625)	\$ (1,091,443)

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 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 will be found under the Business-type Activities as well as the schedule of Governmental Funds.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
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.

	<u>Business-Type Activities (\$000)</u>								
	Bay Area Toll Authority			MTC SAFE			Total		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Revenues:									
Toll revenues collected by Caltrans	\$ 477,377	\$ 422,355	\$ 280,277	\$ -	\$ -	\$ -	\$ 477,377	\$ 422,355	\$ 280,277
Other operating revenues	14,309	5,989	6,799	6,026	5,998	5,924	20,335	11,987	12,723
Total revenues	491,686	428,344	287,076	6,026	5,998	5,924	497,712	434,342	293,000
Operating expenses:									
Operating exp incurred by Caltrans	30,271	29,576	32,657	-	-	-	30,271	29,576	32,657
Other operating expenses	70,820	71,351	48,932	13,698	16,776	12,148	84,518	88,127	61,080
Total operating expenses	101,091	100,927	81,589	13,698	16,776	12,148	114,789	117,703	93,737
Operating income/(loss)	390,595	327,417	205,487	(7,672)	(10,778)	(6,224)	382,923	316,639	199,263
Non-operating revenues/(expenses)									
Interest income	116,134	96,415	44,060	570	865	798	116,704	97,280	44,858
Interest expense	(191,859)	(131,439)	(63,146)	-	-	-	(191,859)	(131,439)	(63,146)
Financing fees	(7,622)	-	-	-	-	-	(7,622)	-	-
Bond issuance cost	(1,387)	(1,066)	-	-	-	-	(1,387)	(1,066)	-
Operating grant	102,832	275,590	2,859	7,540	7,491	6,009	110,372	283,081	8,868
Contributions from Caltrans	-	1,235	499,403	-	-	-	-	1,235	499,403
Contribution to BAIFA	-	(15,000)	-	-	-	-	-	(15,000)	-
Dist other agencies for their cap purp	(933,009)	(907,485)	(472,812)	-	-	(253)	(933,009)	(907,485)	(473,065)
Other	-	-	-	23	(115)	-	23	(115)	-
Total non-oper revenues (exp)	(914,911)	(681,750)	10,364	8,133	8,241	6,554	(906,778)	(673,509)	16,918
Income/(loss) before transfers, contributions, and extraordinary item	(524,316)	(354,333)	215,851	461	(2,537)	330	(523,855)	(356,870)	216,181
Transfers									
Transfers to MTC/between programs	(27,208)	(28,516)	(30,771)	(1,714)	664	(1,467)	(28,922)	(27,852)	(32,238)
Inc (loss) before extraordinary item	(551,524)	(382,849)	185,080	(1,253)	(1,873)	(1,137)	(552,777)	(384,722)	183,943
Extraordinary item									
Dist for Caltrans bond defeasance	-	-	(1,119,563)	-	-	-	-	-	(1,119,563)
Change in net assets	(551,524)	(382,849)	(934,483)	(1,253)	(1,873)	(1,137)	(552,777)	(384,722)	(935,620)
Total net assets / (deficit) - beginning	(1,674,324)	(1,291,475)	(356,992)	24,245	26,118	27,255	(1,650,079)	(1,265,357)	(329,737)
Total net assets / (deficit) - ending	\$ (2,225,848)	\$ (1,674,324)	\$ (1,291,475)	\$ 22,992	\$ 24,245	\$ 26,118	\$ (2,202,856)	\$ (1,650,079)	\$ (1,265,357)

BATA is the largest of MTC's business-type activities and one of the largest toll enterprises in the country. During 2008, BATA received the benefit of having a full year of revenue from the second seismic dollar. BATA also suffered significant increases in debt costs as a result of the failure of sub-prime mortgages and auction rate market for insured tax-exempt debt. BATA started the process of lowering debt costs by completing the restructuring of its entire \$2.9 billion variable rate debt portfolio with \$500 million insured auction and variable rate bonds completed during fiscal 2008. The remaining \$2.4 billion balance of the insured variable rate portfolio was successfully restructured in fiscal 2009.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Management's Discussion and Analysis (unaudited) continued

BATA's toll revenue of \$477,377 increased by \$55,022 in 2008 which followed an increase of \$142,078 in 2007. The increase is a result of a full year collecting the second seismic dollar which became effective January 1, 2007. However, the total number of paid toll vehicles for all bridges decreased by 1.8 percent in 2008 after a drop of 1.4 percent in fiscal 2007. Management believes this decrease in toll traffic is the result of increased transit ridership as well as increased violations. Management is evaluating this change as well as updating the violation system. Detailed traffic counts are available in the Statistical Section, Table 8.

BATA's other operating revenue consisting primarily of toll violation payments, increased by \$8,320 for fiscal 2008 after dropping slightly in 2007. The increase is due to the improved collection of violation penalties particularly through the holds placed by the California Department of Motor Vehicles (DMV). The DMV hold program, initiated in 2007, was in effect for all of fiscal 2008.

BATA's total operating expenses rose by \$164 or 1.6 percent in 2008 on top of a 23 percent increase for 2007. The increases are mainly the result of the expended operation of the FasTrak[®] program and financing activities of the new bonds. Salaries and benefits increased \$612 in 2008 and \$2,213 in 2007. The salary increases relate to the transition of Caltrans employees to BATA in fiscal 2007. Other expenses increased by \$1,819 in 2008 as a result of additional bank service charges and advertising expenses for FasTrak[®], Department of Motor Vehicle fees associated with the enforcement of toll violations, and an increase in insurance expense.

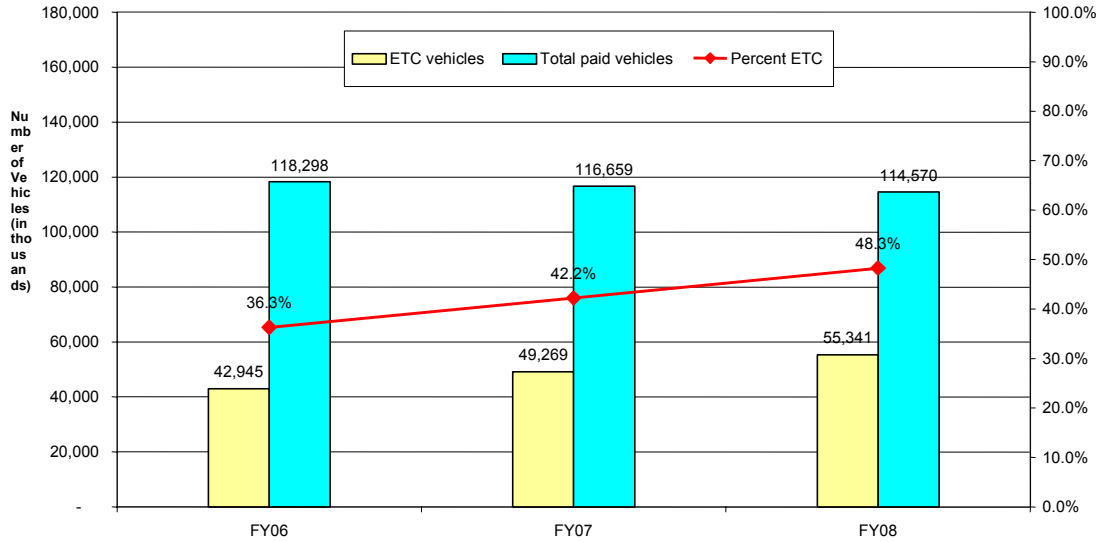
BATA's investment and interest income for 2008 of \$116,134 represents an increase of 20.5 percent over 2007 after an increase of \$52 million in 2007. The increases were generated from larger cash balances on hand, as well as increasing investment rates.

BATA's interest expense increased by \$61 million and \$68 million for fiscal 2008 and 2007 respectively. Two factors impacted the increased debt costs: the addition of \$1 billion in new debt, and the market disruption resulting from the sub-prime and auction rate market failures in 2008. In October 2007, BATA issued \$500 million in insured variable rate debt and was also impacted by a full year of debt service costs on the 2007 issuance of \$810,950 toll revenue bonds. BATA also saw a spike in interest rate costs when the auction bond market, as well as the value of municipal bond insurance, failed.

Revenue collections from the FasTrak[®] electronic toll program continue to increase. Electronic toll collection (ETC) revenue comprised 48.3 percent of the total paid vehicles in fiscal 2008 compared to 42.2 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, 2008 and 2007
 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”) almost tripled in the past year.

MTC Service Authority for Freeways and Expressways (SAFE) operating revenues increased by \$28 or 0.5 percent in fiscal year 2008 and increased \$73 or 1.2 percent in 2007. Operating expense for SAFE decreased \$3,078, or 18.3 percent in 2008 and increased by \$4,628 or 38.1 percent in 2007. The difference in operating expense for fiscal 2008 is mainly due to a decrease in depreciation expense of \$3,519 as fiscal 2007 depreciation included expenses for upgrading call boxes and an increase in towing expense of \$663 due to the addition of new beats for the Freeway Service Patrol program. The difference in operating expenses for 2007 fiscal year is due mainly to increase in depreciation of \$3,584 from the previous year. The additional depreciation expenses were primarily for bringing call boxes to current code specifications and in line with the depreciated life of the assets.

G. Financial Analysis of Governmental Funds

The fund balance, including restricted and unrestricted funds, has increased in each of the last three years. The fund balance of the MTC governmental funds was \$299,364 and \$241,609 for fiscal years 2008 and 2007, respectively, as reported under the modified accrual basis of accounting. The fund balance includes an amount of \$144,719 reserved for capital projects for fiscal 2008 and \$99,694 for fiscal 2007. The unreserved balance of \$136,978 and \$117,335 for fiscal 2008 and 2007, respectively, is to be used for purposes specific to the special revenue and capital projects funds. An amount of \$6,469 of the fund balance for 2008 and \$11,710 for 2007 has been reserved for specific Commission or other legal purposes. The remaining balance of \$11,198 and \$12,870 for 2008 and 2007 respectively, represent unreserved 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.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Management's Discussion and Analysis (unaudited) continued

	<u>Governmental Funds (\$000)</u>		
	2008	2007	2006
Revenues:			
Sales taxes	\$ 10,799	\$ 10,626	\$ 10,355
Grants - Federal	50,727	44,210	37,452
Grants - State	127,565	227,808	74,084
Local agency revenues	33,039	37,666	6,520
Investment income	12,800	9,499	3,997
Total revenues	234,930	329,809	132,408
Expenditures:			
Current:			
General government	74,153	59,181	49,945
Allocations to other agencies	163,201	156,210	95,765
Capital outlay	15,743	14,166	5,639
Total expenditures	253,097	229,557	151,349
Transfers in	75,922	27,852	32,238
Net change in fund balance	57,755	128,104	13,297
Fund balance - beginning	241,609	113,505	100,208
Fund balance - ending	\$ 299,364	\$ 241,609	\$ 113,505

Overall revenue dropped \$95 million or 29 percent in 2008 and increased by \$197,401 in fiscal 2007. While MTC's sales tax revenue increased in 2008, . Four of the nine counties, Alameda, Contra Costa, Solano, and Sonoma had decreases for fiscal 2008. These counties also were adversely affected by the sub-prime housing market. The decrease in state and other agency revenue for fiscal 2008 of \$104,870 stems mainly from a decrease of \$96,471 of State Transit Assistance (STA) revenue.

Overall, governmental fund expenditures grew \$23 million in 2008 and increased by \$78 million in 2007. The 2008 general government expenditures increased by \$14,972 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 \$9,236 in 2007 due to additional program expenditures due mostly to additional program expenditures. Additional program expenditures 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 increased by \$6,991 or 4.47 percent for fiscal 2008 as compared to \$60,445 or 63.1 percent for fiscal 2007 as a result of higher STA revenue.

The capital outlay expenditures increased by \$1,577 in fiscal 2008 and \$8,527 in fiscal 2007. The increase in capital outlay expenditures of \$3,757 includes the seismic retrofit expenditures for MTC building.

The increase of \$48,070 for transfer in 2008 is the result of MTC receiving \$47,000 as proceeds from the BART loan assignment. Under the agreement, MTC assigned the balance of the BART loan to BATA in exchange for an up-front payment.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Management's Discussion and Analysis (unaudited) continued

H. General Fund Budget

The MTC general fund budget was amended by \$10 million or 11.5 percent in increased revenue and approximately \$15 million in additional expenditures. The actual revenue-to-expenditure balance for 2008 reflects an operating deficit of \$7.6 million.

The following provides a condensed view of the final budgeted results compared to actual results for the year ended June 30, 2008.

	<u>General Fund Budget</u>			
	Adopted Budget	Final Budget	Actual	Variance
Revenues	\$ 91,034	\$ 101,460	\$ 54,612	\$ (46,848)
Expenditures	143,325	157,549	76,564	80,985
Excess/(Deficiency)	(52,291)	(56,089)	(21,952)	34,137
Transfer in	41,019	43,843	14,395	(29,448)
Net change in fund balance	(11,272)	(12,246)	(7,557)	4,689
Fund balance - beginning	26,819	26,819	26,819	-
Fund balance - ending	\$ 15,547	\$ 14,573	\$ 19,262	\$ 4,689

The revenue increase was the result of increased federal grants while the expense side included the budget for the grant, as well as pre-funding the agency's OPEB obligation. It is pre-funding over \$7.7 million in OPEB liability that caused the general fund imbalance for 2008.

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 as not all programs were completed by year-end and several major ones were budgeted but were not completed.

I. Capital Asset Administration

MTC's investment in capital assets for all funds, governmental and proprietary, is \$17,061 for fiscal 2008 and \$11,730 for fiscal 2007 as reported under the accrual basis of accounting. 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 and \$337 for fiscal 2007 for the seismic retrofit work of MTC's offices. Also in fiscal 2007, 396 call boxes were removed due to higher usage of cell phones, with a net book value of \$1. Call box enhancements were \$450 for fiscal year 2007. Assets relating to the seven state-owned bridges administered by BATA are recorded with Caltrans.

Additional information on MTC's capital assets is disclosed in Note 4 on pages 51-54 of this report.

J. Long-Term Debt Administration

BATA bond insurers Ambac and XL Capital Assurance were downgraded several notches below "AAA" by the three major rating agencies in early 2008. As a result, all of BATA's insured variable rate bonds experienced interest rate spikes in the weekly resets. Refer to Schedule 14 for further detailed information.

The market turmoil of 2008 also had an impact on the BATA debt and swap portfolio. Part of the 2008 turmoil was the collapse of the auction rate market compounded by the downgrade of the bond insurers. As a result, BATA incurred an increase of nearly \$60 million in additional interest costs during 2008.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2008 and 2007

Management's Discussion and Analysis (unaudited) continued

BATA restructured the entire \$2.9 billion variable rate debt portfolio beginning with \$500 million during fiscal 2008.

Component Unit - BAIFA. In December 2006, BATA entered into a contribution agreement with the Bay Area Infrastructure Financing Authority. 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 (SPAN) 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 \$225,000 to date of the \$1,135,000 schedule pledged revenue from the state.

Additional information on MTC's long-term debt can be found in Note 5 on pages 55-67 of this report.

K. Economic Factors Impacting MTC

The Bay Area economy has been impacted by gas prices, the slowdown in sales and construction of the housing market, and an increase in the number of foreclosures. There are further concerns about the collapse of the sub-prime mortgages. The Association of Bay Area Governments sees moderate growth for the remainder of the year. General factors include:

- Continued volatility in the liquidity, financial and housing markets. There were record high foreclosures the last quarter of fiscal 2008 in California. More BATA bond refundings will occur for bonds that had insurer downgrades in the first quarter of fiscal 2009.
- Unemployment in the Bay Area has increased to 5.8 percent.
- There was a 1.6 percent increase in sales tax revenue for the combined nine Bay Area counties, and the fiscal 2007 increase was 2.6 percent. Region-wide sales tax revenue increased for the fifth straight year after two straight declining years. Sales tax revenue for fiscal 2009 is projected to be flat unless the sales tax is increased.
- Basic living expenses such as fuel and food prices have increased with inflation.

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 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, 2008

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Bay Area
	Activities	Activities		Infrastructure Financing Authority
Assets				
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	-
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	413,144,390	2,974,695,228	3,387,839,618	921,524,636
Liabilities				
Accounts payable	39,897,831	38,021,371	77,919,202	-
Accrued liabilities	12,290,364	40,554,465	52,844,829	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	3,517,474	5,185,753	-
Total liabilities	100,225,472	5,177,551,053	5,277,776,525	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	144,719,381	-	144,719,381	-
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	-
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	1,886,102	-	1,886,102	-
Unrestricted	103,637,879	(2,549,519,696)	(2,445,881,817)	(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 Net Assets
June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Bay Area Infrastructure Financing Authority
Assets				
Cash and cash equivalents - unrestricted	\$ 147,689,909	\$ 641,136,802	\$ 788,826,711	\$ -
Cash and cash equivalents - restricted	24,241,571	436,771,589	461,013,160	651,622,694
Investments - unrestricted	40,161,899	1,209,456,368	1,249,618,267	-
Investments - restricted	-	414,446,149	414,446,149	-
Receivables:				
Accounts and tolls due	36,974	2,701,717	2,738,691	-
Due from Bay Area Toll Authority	-	-	-	389,367,388
Interest	3,190,995	22,673,027	25,864,022	1,677,912
Caltrans - funding	60,549,637	2,074,911	62,624,548	-
Federal funding	18,171,618	727,775	18,899,393	-
Prepaid items	758,738	2,373,825	3,132,563	-
Bond issuance costs	-	45,627,447	45,627,447	11,365,646
Loan to other agency	47,000,000	-	47,000,000	-
Capital assets (net of accumulated depreciation)	6,133,478	5,596,330	11,729,808	-
Total assets	347,934,819	2,783,585,940	3,131,520,759	1,054,033,640
Liabilities				
Accounts payable	37,639,378	43,990,038	81,629,416	-
Accrued liabilities	9,235,815	44,732,013	53,967,828	19,176,750
Unearned revenue	-	32,284,694	32,284,694	-
Due to / (from) other funds	3,897,305	(3,897,305)	-	-
Due to Caltrans	1,010,177	41,849,473	42,859,650	-
Noncurrent liabilities:				
Long term debt				
Due within one year	-	42,620,000	42,620,000	105,180,000
Due in more than one year	-	3,839,871,690	3,839,871,690	917,688,994
Due to BAIFA				
Due within one year	-	99,979,552	99,979,552	-
Due in more than one year	-	289,387,836	289,387,836	-
Other noncurrent liabilities				
Due within one year	1,257,108	-	1,257,108	-
Due in more than one year	1,441,059	2,846,791	4,287,850	-
Total liabilities	54,480,842	4,433,664,782	4,488,145,624	1,042,045,744
Net Assets / (Deficit)				
Invested in capital assets, net of related debt	6,015,009	5,596,330	11,611,339	-
Restricted for:				
Capital projects	99,693,883	-	99,693,883	-
RM 2 program reserve	-	159,260,022	159,260,022	-
Seismic program reserve	-	357,474,498	357,474,498	-
Debt reserve	-	125,000,000	125,000,000	-
Extraordinary loss reserve	-	50,000,000	50,000,000	-
Long-term loan/interest receivable	48,410,000	-	48,410,000	-
Debt service	-	-	-	11,987,896
Other purposes	9,130,266	-	9,130,266	-
Unrestricted	130,204,819	(2,347,409,692)	(2,217,204,873)	-
Total net assets / (deficit)	\$ 293,453,977	\$ (1,650,078,842)	\$ (1,356,624,865)	\$ 11,987,896

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	\$ -	\$ 89,565,914	\$ -	\$ 89,565,914	\$ 4,363,156	\$ -	\$ 4,363,156	\$ -
Transportation	152,775,596	-	117,706,667	9,858,000	127,564,667	(25,210,929)	-	(25,210,929)	-
Total governmental activities	237,978,354	-	207,272,581	9,858,000	217,130,581	(20,847,773)	-	(20,847,773)	-
<i>Business-type Activities:</i>									
Toll bridge activities	1,234,968,178	491,685,881	102,832,315	-	594,518,196	-	(640,449,982)	(640,449,982)	-
Congestion relief	13,675,326	6,026,423	7,540,099	-	13,566,522	-	(108,804)	(108,804)	-
Total business-type activities	1,248,643,504	497,712,304	110,372,414	-	608,084,718	-	(640,558,786)	(640,558,786)	-
Total primary government	\$ 1,486,621,858	\$ 497,712,304	\$ 317,644,995	\$ 9,858,000	\$ 825,215,299	\$ (20,847,773)	\$ (640,558,786)	\$ (661,406,559)	\$ -
<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
Statement of Activities
For the Year Ended June 30, 2007

	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	\$ 93,884,140	\$ -	\$ 92,502,501	\$ -	\$ 92,502,501	\$ (1,381,639)	\$ -	\$ (1,381,639)	\$ -
Transportation	145,646,986	-	227,808,567	-	227,808,567	82,161,581	-	82,161,581	-
Total governmental activities	239,531,126	-	320,311,068	-	320,311,068	80,779,942	-	80,779,942	-
<i>Business-type Activities:</i>									
Toll bridge activities	1,155,916,387	428,343,830	275,590,146	1,234,760	705,168,736	-	(450,747,651)	(450,747,651)	-
Congestion relief	16,891,976	5,997,648	7,491,482	-	13,489,130	-	(3,402,846)	(3,402,846)	-
Total business-type activities	1,172,808,363	434,341,478	283,081,628	1,234,760	718,657,866	-	(454,150,497)	(454,150,497)	-
Total primary government	\$ 1,412,339,489	\$ 434,341,478	\$ 603,392,696	\$ 1,234,760	\$ 1,038,968,934	\$ 80,779,942	\$ (454,150,497)	\$ (373,370,555)	\$ -
<i>Component Unit</i>									
BAIFA (For the eleven months ended)	\$ 22,961,933	\$ -	\$ 34,949,829	\$ -	\$ 34,949,829				\$ 11,987,896
General revenues:									
Restricted investment earnings						1,410,000	-	1,410,000	-
Unrestricted investment earnings						9,498,532	97,280,206	106,778,738	-
Transfers						27,851,702	(27,851,702)	-	-
Total general revenues and transfers						38,760,234	69,428,504	108,188,738	-
Change in net assets						119,540,176	(384,721,993)	(265,181,817)	11,987,896
Net assets / (deficit) - beginning						173,913,801	(1,265,356,849)	(1,091,443,048)	-
Net assets / (deficit) - ending						\$ 293,453,977	\$ (1,650,078,842)	\$ (1,356,624,865)	\$ 11,987,896

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

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

	<u>General</u>	<u>AB 664 Net Toll Revenue Reserve</u>	<u>STA</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
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	\$ 13,726,611	\$ 3,655,005	\$ 19,522,644	\$ 1,910,520	\$ 1,083,051	\$ 39,897,831
Accrued liabilities	4,197,352	2,207,874	278,636	5,580,400	26,102	12,290,364
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>64,121,755</u>
Fund balances						
Reserved for						
Benefits Reserve	2,202	-	-	-	-	2,202
Capital Projects	2,253,688	34,176,473	24,101,448	36,916	84,250,856	144,819,381
Seismic Retrofit	-	-	-	659,151	-	659,151
Professional Services Reserve	746,451	-	-	-	-	746,451
STA Reserve	4,175,455	-	-	-	-	4,175,455
HOV Reseve	478,298	-	-	-	-	478,298
Prepays Reserve	407,520	-	-	-	-	407,520
Unreserved, reported in						
General fund	11,197,893	-	-	-	-	11,197,893
Capital projects	-	-	-	820,479	-	820,479
Special revenue funds	-	2,576,529	78,467,753	-	55,012,891	136,057,173
Total fund balances	<u>19,261,507</u>	<u>36,753,002</u>	<u>102,569,201</u>	<u>1,516,546</u>	<u>139,263,747</u>	<u>299,364,003</u>
Total liabilities and fund balances	<u>\$ 44,583,169</u>	<u>\$ 42,902,139</u>	<u>\$ 123,393,759</u>	<u>\$ 11,376,935</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	(2,945,186)

Net assets of governmental activities

\$ 312,918,918

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

Metropolitan Transportation Commission
Balance Sheet – Governmental Funds
June 30, 2007

	General	AB 664 Net Toll Revenue Reserve	STA	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents - unrestricted	\$ 24,021,806	\$ 15,892,060	\$ 86,955,355	\$ -	\$ 20,820,688	\$ 147,689,909
Cash and cash equivalents - restricted	1,010,177	-	-	-	23,231,394	24,241,571
Investments - unrestricted	196,005	25,037,897	-	-	14,927,997	40,161,899
Receivables:						
Accounts	36,974	-	-	-	-	36,974
Interest	62,552	398,490	1,000,000	-	319,953	1,780,995
State/Caltrans funding	5,261,369	-	55,201,908	86,360	-	60,549,637
Federal funding	15,873,725	-	-	2,297,893	-	18,171,618
Due from other funds	928,648	62,493	-	206,652	-	1,197,793
Prepaid items	758,738	-	-	-	-	758,738
Total assets	<u>\$ 48,149,994</u>	<u>\$ 41,390,940</u>	<u>\$ 143,157,263</u>	<u>\$ 2,590,905</u>	<u>\$ 59,300,032</u>	<u>\$ 294,589,134</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 11,621,624	\$ 881,342	\$ 23,576,449	\$ 1,238,532	\$ 321,431	\$ 37,639,378
Accrued liabilities	5,631,642	1,226,321	1,134,601	1,138,625	104,626	9,235,815
Due to other funds	3,067,716	677,672	150,184	-	1,199,526	5,095,098
Due to Caltrans	1,010,177	-	-	-	-	1,010,177
Total liabilities	<u>21,331,159</u>	<u>2,785,335</u>	<u>24,861,234</u>	<u>2,377,157</u>	<u>1,625,583</u>	<u>52,980,468</u>
Fund balances						
Reserved for						
Benefits Reserve	5,235,767	-	-	-	-	5,235,767
Capital Projects	2,238,803	35,793,077	31,322,343	117,700	30,221,960	99,693,883
Seismic Retrofit	979,169	-	-	-	-	979,169
Professional Services Reserve	2,167,438	-	-	-	-	2,167,438
STA Reserve	3,157,075	-	-	-	-	3,157,075
HOV Reserve	170,515	-	-	-	-	170,515
Unreserved, reported in						
General fund	12,870,068	-	-	-	-	12,870,068
Capital projects	-	-	-	96,048	-	96,048
Special revenue funds	-	2,812,528	86,973,686	-	27,452,489	117,238,703
Total fund balances	<u>26,818,835</u>	<u>38,605,605</u>	<u>118,296,029</u>	<u>213,748</u>	<u>57,674,449</u>	<u>241,608,666</u>
Total liabilities and fund balances	<u>\$ 48,149,994</u>	<u>\$ 41,390,940</u>	<u>\$ 143,157,263</u>	<u>\$ 2,590,905</u>	<u>\$ 59,300,032</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	6,133,478
Capital leases are not due and payable in the current period and therefore are not reported in the funds	(118,469)
Compensated absences are not due and payable in the current period and therefore are not reported in the funds	(2,579,698)
Other long-term assets are not available for current-period expenditures and, therefore, are deferred in the funds	48,410,000
Net assets of governmental activities	<u>\$ 293,453,977</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, 2008

	General	AB 664 Net Toll Revenue Reserve	STA	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
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	4,097,121	-	-	761,001	28,181,000	33,039,122
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	127,861,551	13,456,178	37,087,842	234,930,959
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	133,798,751	-	4,152,955	163,201,174
Capital outlay	82,517	-	-	15,661,122	-	15,743,639
Total expenditures	76,564,954	14,828,227	133,798,751	16,629,184	11,276,842	253,097,958
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
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2007

	General	AB 664 Net Toll Revenue Reserve	STA	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Sales taxes	\$ 10,488,137	\$ -	\$ -	\$ 138,025	\$ -	\$ 10,626,162
Grants - Federal	33,606,619	-	-	10,604,097	-	44,210,716
Grants - State	4,348,726	-	220,177,635	346,360	2,935,846	227,808,567
Local Agencies Revenues	4,585,623	-	-	-	33,080,000	37,665,623
Investment income	1,352,416	1,927,225	3,572,649	-	2,646,242	9,498,532
Total revenues	54,381,521	1,927,225	223,750,284	11,088,482	38,662,088	329,809,600
Expenditures						
Current:						
General government	58,809,099	4,108	-	346,825	21,432	59,181,464
Allocations to other agencies	10,562,521	8,814,785	128,864,904	-	7,967,297	156,209,507
Capital outlay	905,026	-	-	13,261,380	-	14,166,406
Total expenditures	70,276,646	8,818,893	128,864,904	13,608,205	7,988,729	229,557,377
Excess / (deficiency) of revenues over / (under) expenditures	(15,895,125)	(6,891,668)	94,885,380	(2,519,723)	30,673,359	100,252,223
Other financing sources / uses						
Transfers in	18,696,014	11,322,328	-	2,518,696	10,005,726	42,542,764
Transfers out	-	-	(13,286,608)	-	(1,404,454)	(14,691,062)
Total other financing sources and uses	18,696,014	11,322,328	(13,286,608)	2,518,696	8,601,272	27,851,702
Net change in fund balances	2,800,889	4,430,660	81,598,772	(1,027)	39,274,631	128,103,925
Fund balances - beginning	24,017,946	34,174,945	36,697,257	214,775	18,399,818	113,504,741
Fund balances - ending	\$ 26,818,835	\$ 38,605,605	\$ 118,296,029	\$ 213,748	\$ 57,674,449	\$ 241,608,666

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, 2008 and 2007**

	2008	2007
Net change in fund balances - total governmental funds (per Statement of Revenues, Expenditures and Changes in Fund Balances)	\$ 57,755,337	\$ 128,103,925
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 exceeded (not exceeded) non capital lease capital outlays in the current period.	2,721,598	306,602
Proceeds from the sale of capital assets provide financial resources to governmental funds while only the gain on the sale of the capital asset is reported in the statement of activities. Therefore, the change in net assets differ from the change in fund balance by the cost of the capital asset sold.	-	-
Interest Income on Long Term Loan Receivable not recognized in fiscal year 2008 for governmental reporting purposes	(1,410,000)	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 2008. 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)	(10,000,000)
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 2008	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.	31,628	29,967
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Other Post Employment Benefits prefunding	7,731,865	-
Compensated absences	(365,487)	(310,318)
Change in net assets of governmental activities (per Statement of Activities)	\$ 19,464,941	\$ 119,540,176

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			
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:			
Restricted non-current assets:			
Cash and cash equivalents	203,266,097	-	203,266,097
Investments	238,701,523	-	238,701,523
Due from MTC	37,000,000	-	37,000,000
Bonds issuance costs	51,161,294	-	51,161,294
Capital assets:			
Furniture and equipment, net of accumulated depreciation	2,914,363	2,043	2,916,406
Intangible Assets, net of accumulated amortization	1,016,164	-	1,016,164
Call boxes, net of accumulated depreciation	-	1,487,328	1,487,328
Building	1,425,672	1,360,416	2,786,088
Total non-current assets	535,485,113	2,849,787	538,334,900
Total assets	2,996,050,780	24,442,825	3,020,493,605
Liabilities			
Current liabilities:			
Accounts payable	36,132,835	1,300,844	37,433,679
Accrued expenses	11,306,634	101,823	11,408,457
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
Total non - current liabilities	4,942,498,233	-	4,942,498,233
Total liabilities	5,221,898,174	1,451,256	5,223,349,430
Net assets / (deficit)			
Invested in capital assets, net of related debt	5,356,199	2,849,787	8,205,986
Restricted net assets	338,457,885	-	338,457,885
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 Net Assets – Proprietary Funds
June 30, 2007

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Assets			
Current assets:			
Cash and cash equivalents - unrestricted	\$ 637,567,885	\$ 3,568,917	\$ 641,136,802
Cash and cash equivalents - restricted	430,010,452	-	430,010,452
Short-term investments - unrestricted	1,165,012,570	13,664,232	1,178,676,802
Short-term investments - restricted	219,446,149		219,446,149
Due from MTC	1,566,946	2,798,571	4,365,517
Accounts receivable	2,317,736	-	2,317,736
Accrued interest	22,475,984	197,043	22,673,027
Prepaid expenses	2,300,090	73,735	2,373,825
State/Caltrans funding	20,231	2,054,680	2,074,911
Funding due from local agency	383,981	-	383,981
Funding due from federal agency	-	727,775	727,775
Total current assets	<u>2,481,102,024</u>	<u>23,084,953</u>	<u>2,504,186,977</u>
Non-current assets:			
Investments	30,779,566	-	30,779,566
Restricted non-current assets:			
Cash and cash equivalents	6,761,137	-	6,761,137
Investments	195,000,000	-	195,000,000
Bonds issuance costs	45,627,447	-	45,627,447
Capital assets:			
Furniture and equipment, net of accumulated depreciation	1,179,822	7,919	1,187,741
Call boxes, net of accumulated depreciation	-	1,492,081	1,492,081
Building	1,495,092	1,421,416	2,916,508
Total non-current assets	<u>280,843,064</u>	<u>2,921,416</u>	<u>283,764,480</u>
Total assets	<u>2,761,945,088</u>	<u>26,006,369</u>	<u>2,787,951,457</u>
Liabilities			
Current liabilities:			
Accounts payable	41,454,296	1,430,030	42,884,326
Accrued expenses	23,139,411	74,440	23,213,851
Accrued interest payable	21,518,162	-	21,518,162
Due to MTC	468,212	-	468,212
Unearned revenue	32,284,694	-	32,284,694
Retentions payable	848,826	256,886	1,105,712
Long-term debt - current	42,620,000	-	42,620,000
Due to Caltrans	41,849,473	-	41,849,473
Due to Bay Area Infrastructure Financing Authority	99,979,552	-	99,979,552
Total current liabilities	<u>304,162,626</u>	<u>1,761,356</u>	<u>305,923,982</u>
Non-current liabilities:			
Patron deposits	2,612,869	-	2,612,869
Rebate arbitrage liability	233,922	-	233,922
Due to Bay Area Infrastructure Financing Authority	289,387,836	-	289,387,836
Long-term debt, net	3,839,871,690	-	3,839,871,690
Total non - current liabilities	<u>4,132,106,317</u>	<u>-</u>	<u>4,132,106,317</u>
Total liabilities	<u>4,436,268,943</u>	<u>1,761,356</u>	<u>4,438,030,299</u>
Net assets / (deficit)			
Invested in capital assets, net of related debt	2,674,914	2,921,416	5,596,330
Restricted net assets	691,734,520	-	691,734,520
Unrestricted net assets	(2,368,733,289)	21,323,597	(2,347,409,692)
Total net assets / (deficit)	<u>\$ (1,674,323,855)</u>	<u>\$ 24,245,013</u>	<u>\$(1,650,078,842)</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 Toll Authority	Service Authority for Freeways and Expressways	Total
Operating revenues			
Toll revenues collected by Caltrans	\$ 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)
Bond issuance costs	(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 Revenues, Expenses and Change in Fund Net Assets –
Proprietary Funds
For the Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and	Total
		Expressways	
Operating revenues			
Toll revenues collected by Caltrans	\$ 422,354,852	\$ -	\$ 422,354,852
Department of Motor Vehicles registration fees	-	5,997,648	5,997,648
Other operating revenues	5,988,978	-	5,988,978
Total operating revenues	<u>428,343,830</u>	<u>5,997,648</u>	<u>434,341,478</u>
Operating expenses			
Operating expenses incurred by Caltrans	29,575,582	-	29,575,582
Towing contracts	-	8,156,063	8,156,063
Professional fees	33,228,254	1,919,100	35,147,354
Allocations to other agencies	24,268,599	-	24,268,599
Salaries and benefits	4,952,859	860,590	5,813,449
Repairs and maintenance	18,311	1,186,394	1,204,705
Communications charges	6,346	383,520	389,866
Depreciation and amortization	317,782	3,784,820	4,102,602
Other operating expenses	8,559,150	485,699	9,044,849
Total operating expenses	<u>100,926,883</u>	<u>16,776,186</u>	<u>117,703,069</u>
Operating income / (loss)	<u>327,416,947</u>	<u>(10,778,538)</u>	<u>316,638,409</u>
Non-operating revenues / (expenses)			
Investment income	96,415,260	864,946	97,280,206
Interest expense	(131,438,684)	-	(131,438,684)
Bond issuance costs	(1,065,694)	-	(1,065,694)
Caltrans/other agency operating grants	275,590,146	5,979,971	281,570,117
Federal operating grants	-	1,511,511	1,511,511
Contributions from Caltrans	1,234,760	-	1,234,760
Contributions to BAIFA	(15,000,000)	-	(15,000,000)
Distributions to other agencies for their capital purposes	(123,418,931)	-	(123,418,931)
Distributions to Caltrans for their capital purposes	(784,066,195)	-	(784,066,195)
Gain/loss on sale/abandonment of equipment	-	(115,790)	(115,790)
Total non-operating revenues / (expenses), net	<u>(681,749,338)</u>	<u>8,240,638</u>	<u>(673,508,700)</u>
Income/(loss) before transfers	<u>(354,332,391)</u>	<u>(2,537,900)</u>	<u>(356,870,291)</u>
Transfers			
Transfers to Metropolitan Transportation Commission	(26,516,266)	(1,335,436)	(27,851,702)
Transfers between programs	(2,000,000)	2,000,000	-
Change in net assets	<u>(382,848,657)</u>	<u>(1,873,336)</u>	<u>(384,721,993)</u>
Total net assets / (deficit) - beginning	<u>(1,291,475,198)</u>	<u>26,118,349</u>	<u>(1,265,356,849)</u>
Total net assets / (deficit) - ending	<u>\$ (1,674,323,855)</u>	<u>\$ 24,245,013</u>	<u>\$ (1,650,078,842)</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, 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	-	-	-
Expenditures for facilities, property and equipment	(3,012,135)	(193,926)	(3,206,061)
Proceeds from sale of facilities, property and equipment	-	23,376	23,376
Net cash provided by / (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
Schedule of noncash activities			
Loss on abandonment of capital asset - noncash	\$ -	\$ -	\$ -

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>	<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)	\$ 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 Cash Flows – Proprietary Funds
For the Year Ended June 30, 2007

	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	\$ 425,216,579	\$ 6,022,674	\$ 431,239,253
Cash payments to Caltrans, suppliers and employees for services	(100,843,158)	(12,903,877)	(113,747,035)
Other receipts	5,677,842	1,677,255	7,355,097
Net cash provided by / (used in) operating activities	330,051,263	(5,203,948)	324,847,315
Cash flows from non-capital financing activities			
Caltrans and other local agency grants	275,957,033	5,979,971	281,937,004
Proceeds from issuance of revenue bonds	756,953,196	-	756,953,196
Bond issuance costs	(1,807,296)	-	(1,807,296)
Deferred bond premium	-	-	-
Interest paid on bonds & capital leases	(121,312,593)	-	(121,312,593)
Payment for refunding of bonds	-	-	-
Federal operating grants	-	1,254,136	1,254,136
Transfers to MTC/SAFE	(29,615,000)	-	(29,615,000)
Contributions from Caltrans	37,686,519	-	37,686,519
Bond principal payment	(29,705,000)	-	(29,705,000)
Distributions to Caltrans	(817,804,761)	-	(817,804,761)
Distributions to other agencies	(80,263,086)	-	(80,263,086)
Contributions from BAIFA	514,367,388	-	514,367,388
Distributions to BAIFA	(125,000,000)	-	(125,000,000)
Contributions to BAIFA	(15,000,000)	-	(15,000,000)
Net cash provided by / (used in) non-capital financing activities	364,456,400	7,234,107	371,690,507
Cash flows from capital and related financing activities			
Transfers between programs	-	2,000,000	2,000,000
Expenditures for facilities, property and equipment	(250,321)	(3,781,375)	(4,031,696)
Proceeds from sale of facilities, property and equipment	-	30,502	30,502
Net cash provided by / (used in) capital and related financing activities	(250,321)	(1,750,873)	(2,001,194)
Cash flows from investing activities			
Proceeds from maturities of investments	4,562,753,306	39,146,335	4,601,899,641
Purchase of investments	(4,938,196,268)	(37,079,314)	(4,975,275,582)
Interest and dividends received	93,919,738	885,162	94,804,900
Net cash provided by / (used in) investing activities	(281,523,224)	2,952,183	(278,571,041)
Net increase / (decrease) in cash and cash equivalents	412,734,118	3,231,469	415,965,587
Balances - beginning of year	661,605,356	337,448	661,942,804
Balances - end of year	\$ 1,074,339,474	\$ 3,568,917	\$ 1,077,908,391
Schedule of noncash activities			
Loss on abandonment of capital asset - noncash	\$ -	\$ 145,070	\$ 145,070

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, 2007

	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)	\$ 327,416,947	\$ (10,778,538)	\$ 316,638,409
Adjustments to reconcile operating income to net cash provided by / (used in) operating activities:			
Depreciation and amortization	317,781	3,784,820	4,102,601
Net effect of changes in:			
Due to MTC	(290,905)	(2,623,731)	(2,914,636)
Due from Caltrans	-	4,326,012	4,326,012
Accounts receivable	(125,797)	-	(125,797)
Prepaid expenses and other assets	(2,201,591)	(15,932)	(2,217,523)
Due to Caltrans	925,029	-	925,029
Unearned revenue	2,508,055	-	2,508,055
Patron deposits	479,469	-	479,469
Other receivables due from Caltrans	(20,231)	-	(20,231)
Accounts payable and accrued expenses	1,042,506	103,421	1,145,927
Net cash provided by / (used in) operating activities	\$ 330,051,263	\$ (5,203,948)	\$ 324,847,315

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

**Metropolitan Transportation Commission
Statement of Fiduciary Assets and Liabilities – Agency Funds
June 30, 2008 and 2007**

	2008	2007
Assets		
Cash and cash equivalents	\$ 78,248,746	\$ 85,939,453
Receivables - interest	210,099	256,294
Receivables - other	<u>-</u>	<u>46,722</u>
Total Assets	<u><u>\$ 78,458,845</u></u>	<u><u>\$ 86,242,469</u></u>
Liabilities		
Accounts payable	\$ 2,856,679	\$ 8,032,609
Accrued liabilities	2,263,087	1,046,295
Due to other governments	<u>73,339,079</u>	<u>77,163,565</u>
Total Liabilities	<u><u>\$ 78,458,845</u></u>	<u><u>\$ 86,242,469</u></u>

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

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
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.

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.

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

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2008 and 2007

Notes to Financial Statements

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). Regional Measure 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.

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.

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

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2008 and 2007

Notes to Financial Statements

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 Special Revenue Funds

MTC maintains various special revenue funds as follows:

AB 664 Net Toll Revenue Reserve Fund – These funds are allocated, seventy percent to East Bay and thirty percent to West Bay, to 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 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.

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

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2008 and 2007

Notes to Financial Statements

Exchange Fund – Exchange Funds are used for MTC projects adopted as part of its State Transit Program (STP) and Congestion Mitigation and Air Quality Improvement (CMAQ) programs.

BART Car Exchange Fund – Funds deposited are restricted for the purpose of the BART car replacement projects.

Feeder Bus Fund – Funds deposited are to reimburse various transit operators for operating the BART Express Bus Program.

iv.) **MTC Capital Projects Fund**

MTC Capital Projects Fund is used to account for the financial resources used in the acquisition and development of major capital projects. The TransLink project, Fund Management project and MTC MetroCenter Seismic Retrofit project are the capital projects included in the current fiscal year.

Discretely presented component unit

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*.

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

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2008 and 2007

Notes to Financial Statements

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 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.

MTC adopted GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which provides guidance on how state and local governments should account for and report costs and obligations associated with postemployment healthcare and other nonpension benefits commonly referred to as other postemployment benefits or OPEB for the year ended June 30, 2007. For additional information and impact on adoption see Note 9.

For the year ended June 30, 2007, MTC adopted GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment to GASB Statement No. 34, which clarifies and modifies the reporting requirements related to the restriction of net assets resulting from enabling legislation. The adoption of this standard did not have a material effect on the financial statements of MTC.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues 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 a liability, has been adopted for year ended June 30, 2007 and applied to BATA. The adoption of this standard did not have a material effect on the financial statements.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which provides guidance on the accounting and reporting of obligations and

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2008 and 2007

Notes to Financial Statements

costs related to existing pollution remediation, the requirements of which are effective for financial statements for the year ending June 30, 2009. This statement is not expected to have a material impact on the financial statements of MTC.

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. See Note 8 for detailed information. 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 these standards did not have a material effect on the financial statements; see Note 4 for detailed information.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, 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 year ending June 15, 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* address the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments, the requirements of which are effective for financial statements for the year ending June 30, 2010. We are currently assessing the impact of the adoption of this standard.

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 30 days after 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.

MTC reports the following governmental funds:

The *general fund* is used to account for those financial resources that are not required to be accounted for in another fund. MTC's general fund is its primary operating fund.

Special revenue funds are used to account for proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes. MTC's special revenue funds include the AB 664 Net Toll Revenue Reserves Fund, the STA Fund, the Transit Reserve Fund, the Rail Reserve Fund, the Exchange Fund, the Feeder Bus Fund and the BART Car Exchange Fund.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

In fiscal 2008 and 2007, the following funds are considered nonmajor special revenue funds: the AB 664 Net Toll Revenue Reserves Fund, the Transit Reserve Fund, the Rail Reserve Fund, the Exchange Fund, the Feeder Bus Fund and the BART Car Exchange Fund. Since these funds did not meet the major fund test, management has included them in Other 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.

The opening fund balance of the combined nonmajor special revenue funds is as follows:

	Opening Balance 2008	Opening Balance 2007
Transit Reserve Fund	\$ 614,527	\$ 441,125
Rail Reserve Fund	24,523,338	7,488,632
Exchange Fund	9,075,663	10,425,453
Feeder Bus Fund	46,932	44,608
BART Car Exchange	23,413,989	-
Total	<u>\$ 57,674,449</u>	<u>\$ 18,399,818</u>

The *capital projects fund* is used to account for the financial resources used in the acquisition and development of major capital projects. There are three projects included in this fund in fiscal 2008 – the TransLink project, the Fund Management Project and the MTC MetroCenter Seismic Retrofit Project. In fiscal 2007, there were two projects included in this fund – the TransLink project and the Fund Management Project.

In fiscal 2008 and 2007, 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.

MTC reports the following major proprietary funds:

The *Bay Area Toll Authority (BATA) fund* is used to account for the activities of BATA with responsibilities for the disposition of toll revenues collected from toll bridges owned and operated by the state in the San Francisco Bay Area. BATA is a blended component unit of MTC.

The *MTC Service Authority for Freeways and Expressways (SAFE) fund* is used to account for the activities of MTC SAFE with responsibilities for administering a freeway motorist aid system in the participating counties as well as providing tow truck services to stranded motorists. MTC SAFE is a blended component unit of MTC.

MTC reports the following discretely presented component unit:

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2008 and 2007

Notes to Financial Statements

The *Bay Area Infrastructure Financing Authority (BAIFA) fund* is used to account for the activities of BAIFA with the financing of debt backed by assigned revenue from BATA. The fund also reimburses BATA for its expenses from seismic projects.

Additionally, 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.

The *AB 1107 Fund* is 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.

The *Transportation Development Act (TDA) Program fund* is 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.

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.

E. Encumbrances

Encumbrance accounting is employed in the general and special revenue funds. Under this method, purchase orders, contracts, memoranda of understanding and other commitments

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2008 and 2007

Notes to Financial Statements

outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. These commitments will be recognized in subsequent year appropriations.

F. 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 certain investments to be recorded at fair value with the difference between cost and fair value recorded as an unrealized gain or loss. Investments are stated at fair value based upon quoted market prices. MTC reports their 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.

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. Some of the investments may 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.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
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.

G. 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. 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 estimate 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	7
Leased equipment	5
Automobiles	3
Call boxes	10

H. Net Assets

Net assets represent residual interest in assets after liabilities are deducted. Net assets consist of three sections: Invested in capital assets, net of related debt, as well as restricted and unrestricted. Net assets are reported as restricted when constraints are imposed by third parties or enabling legislation. Restricted net assets consist of amounts restricted for capital expenditures and other purposes as follows:

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

	2008	2007
Restricted for Capital Projects	<u>\$ 144,719,381</u>	<u>\$ 99,693,883</u>
Other Purposes:		
RM 2 program reserve	138,457,885	159,260,022
Seismic program reserve	-	357,474,498
Debt covenant - operating & maintenance reserve	150,000,000	125,000,000
Self insurance reserve	50,000,000	50,000,000
Long-term receivable restricted for use		
by rail reserve	42,000,000	48,410,000
OPEB Prefunding	7,731,865	-
STA Reserve	4,175,455	-
Other	<u>1,886,102</u>	<u>9,130,266</u>
Total Other Purposes	<u>\$ 394,251,307</u>	<u>\$ 749,274,786</u>

I. 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 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 in the State. Refer to Note 8 for additional information.

J. Postemployment Healthcare Benefits

MTC pays certain health care insurance premiums for retired employees. Employees may become eligible for these benefits if they reach normal retirement age while working for the MTC. The number of participants eligible to receive benefits was 53 and 49 for the years ended June 30, 2008 and 2007.

For the year ended June 30, 2007, MTC adopted GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which provides guidance on how state and local governments should account for and report costs and obligations associated with postemployment healthcare and other nonpension benefits commonly referred to as other postemployment benefits or OPEB. In accordance with the adoption of GASB Statement No. 45, the cost of retiree health care insurance premiums of \$428,810 and \$353,378 for fiscal years 2008 and 2007 have been applied toward the annual required contribution (ARC) of \$1,372,945 and \$2,155,931 for fiscal years 2008 and 2007. In addition, MTC contributed \$8,676,000 towards the Unfunded Actuarial Accrued Liability (UAAL) in fiscal year 2008. See Note 9 for additional information.

K. 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-Milias-

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

Brown Act. A liability exists for accumulated vacation and sick leave. The compensated absences liability presented in the government-wide governmental activities totals \$2,945,185 and \$2,579,698 at June 30, 2008 and 2007, 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, 2008 is as follows:

	Beginning Balance July 1, 2007	Additions	Reductions	Ending Balance June 30, 2008	Due Within One Year
Compensated Absences	\$2,579,698	\$1,990,581	\$ (1,625,094)	\$ 2,945,185	\$ 1,327,452
Total Compensated Absences	<u>\$2,579,698</u>	<u>\$1,990,581</u>	<u>\$ (1,625,094)</u>	<u>\$ 2,945,185</u>	<u>\$ 1,327,452</u>

A summary of changes in compensated absences for the year ended June 30, 2007 is as follows:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Due Within One Year
Compensated Absences	\$2,269,381	\$1,807,481	\$ (1,497,164)	\$ 2,579,698	\$ 1,224,129
Total Compensated Absences	<u>\$2,269,381</u>	<u>\$1,807,481</u>	<u>\$ (1,497,164)</u>	<u>\$ 2,579,698</u>	<u>\$ 1,224,129</u>

L. 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 has pledged and assigned to BAIFA all BATA's rights to the future state payments.

In fiscal year 2008, the amount of pledged payments from the state received by BATA and paid to BAIFA was \$100,000,000. SPAN proceeds distributed to BATA were \$398,702,625.

The accounting for the above transactions are prescribed by GASB Statement 48, *Sales and Pledges of Receivables and Intra-Entity Transfers of Assets and Future Revenues*,

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

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 has adopted this pronouncement early for fiscal 2007 and as a result has 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.

M. 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.

N. Toll Revenues Collected by Caltrans

After toll revenues are collected by Caltrans and transferred to BATA at the toll plazas, BATA accounts for the cash collection from the operation of the bridges. This revenue is used for seismic retrofit program. BATA recognizes toll revenue as amounts are earned from vehicle utilization of the toll bridges.

O. 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 and operations costs.

P. 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.

Q. Contribution From Caltrans

As provided by the Assembly Bill (AB) 144 and in accordance with the Cooperative Agreement between BATA and Caltrans, Caltrans has transferred to BATA a portion of the revenues and existing fund balances collected on or before April 25, 2006. The transfer was \$462,951,481 in cash. A receivable of \$36,451,759 was received in early fiscal 2007.

In fiscal 2007, Caltrans transferred the remaining balance of \$1,234,760 in cash to BATA.

R. 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

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

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.

S. 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 due to the nature of the activities of BATA. 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.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

A reconciliation of Cash, Cash Equivalents and Investments as shown on the Statement of Net Assets for all funds at June 30, 2008 and 2007 is as follows:

	2008	2007
Unrestricted cash and cash equivalents	\$1,545,641,736	\$ 788,826,711
Unrestricted investments	<u>403,781,141</u>	<u>1,249,618,267</u>
Total unrestricted cash, cash equivalents and investments	<u>1,949,422,877</u>	<u>2,038,444,978</u>
Restricted cash and cash equivalents	895,561,664	461,013,160
Restricted investments	<u>330,085,697</u>	<u>414,446,149</u>
Total restricted cash, cash equivalents and investments	<u>1,225,647,361</u>	<u>875,459,309</u>
Total cash, cash equivalents and investments	<u><u>\$3,175,070,238</u></u>	<u><u>\$2,913,904,287</u></u>

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

The composition of cash, cash equivalents and investments at June 30, 2008 and 2007 is as follows:

	2008	2007
Cash at banks	\$ 212,431,178	\$ 122,744,051
Money market accounts	257,753,035	199,156,464
County of Alameda	66,853,720	93,948,193
Government-sponsored enterprises		
Federal Home Loan Board	1,453,341,737	838,305,725
Federal Home Loan Mortgage	1,159,103,018	1,447,496,624
Federal National Mortgage Association	-	9,878,284
Tennessee Valley Authority	10,279,896	9,940,496
Federal Farm Credit Board	-	65,682,202
Commercial paper - Corporate	-	26,458,016
Certificates of Deposit	-	75,001,309
Corporate Bonds	15,000,000	25,000,000
Local Agency Investment Fund	307,654	292,923
Total cash, cash equivalents and investments	<u>\$ 3,175,070,238</u>	<u>\$ 2,913,904,287</u>

MTC holds a position in the investment pool of County of Alameda in the amount of \$66,853,720 and \$93,948,193 at June 30, 2008 and 2007. The Transportation Development Act (TDA) requires that STA and Local Transportation (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, 2008 determined by the fair value per share of the pools underlying portfolio. The investment holdings with the County of Alameda account for approximately 2 percent of MTC's investment portfolio. Deposits with the County of Alameda are available for immediate withdrawal.

MTC holds \$307,654 and \$292,923 at June 30, 2008 and 2007 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 four and five money market mutual fund investments at June 30, 2008 and 2007 respectively. The mutual funds are Cadre Reserve Fund (Cadre), Columbia Treasury Reserve Advisor Fund, Dreyfus Treasury and Agency Cash Management Fund, BlackRock T Fund Institutional and the BlackRock Treasury Trust. The mutual fund investments in MTC's investment portfolio are expressed as a percentage of MTC's total cash and investments as follows:

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

	2008	2007
Cadre Reserve Fund – US Gov’t Series	1%	1%
Columbia Treasury Reserve Advisor	1%	1%
Dreyfus Treasury and Agency Cash Management	1%	1%
BlackRock T Fund Institutional	5%	1%
BlackRock Treasury Trust	0%	2%

Cadre is owned by Public Financial Management and is rated “AAA” by both Standard & Poor’s Corporation and Moody’s. The fund invests in short term debt securities issued or guaranteed by the U.S. government or an agency of the U.S. government and repurchase agreements collateralized by US government securities.

Columbia Treasury Reserve Advisor funds are part of the overnight sweep fund utilized by Bank of America checking accounts and invests exclusively in U.S. Treasury obligations and repurchase agreements secured by U.S. Treasury and U.S. government obligations. The fund is rated “AAA” by both Standard & Poor’s and Moody’s.

The Dreyfus Treasury and Agency Cash Management fund is part of the overnight sweep fund utilized by Bank of New York custodial accounts and invests exclusively in securities issued or guaranteed by the U.S. government and repurchase agreements in respect of these securities. The fund is rated “AAA” by both Standard & Poor’s and Moody’s.

The BlackRock T Fund Institutional part of the overnight sweep fund utilized by UBOC 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 BlackRock Treasury Trust fund is part of the overnight sweep fund utilized by Union Bank of California (UBOC) custodial accounts and invests primarily in U.S. Treasury, such as Treasury bills, notes and trust receipts. 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 holdings include Federal Home Loan Board (FHLB), Federal Home Loan Mortgage (FHLMC), and Tennessee Valley Authority (TVA).

MTC holds a position in corporate notes as permitted under MTC’s investment policy. Corporate notes must be rated “A” or better with a maximum maturity of 5 years and cannot exceed 10 percent of the investment portfolio. MTC holds \$15,000,000 and \$25,000,000 at

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2008 and 2007

Notes to Financial Statements

June 30, 2008 and 2007 in corporate notes. The corporate notes constitute 0.5 and 1.0 percent at June 30, 2008 and 2007 of MTC's total cash and investment holdings.

MTC also has \$149,990 and \$0 at June 30, 2008 and 2007 restricted cash in an escrow account and \$560,075 and \$1,010,177 at June 30, 2008 and 2007 restricted cash for the BART car replacement project. BATA has restricted cash of \$40,757,514 and \$35,171,456 at June 30, 2008 and 2007 for the FasTrak[®] program, consisting of deposits or prepayments made by patrons of the FasTrak[®] electronic toll collection program and \$22,336 and \$0 at June 30 2008 and 2007 restricted cash in an escrow account.

A. 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. MTC invests funds in accordance with the provisions of Section 53600 of the Government Code. The provisions of the code address specific deposit and investment 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. The circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments.

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately, to pay the principal. Credit quality is evaluated by at least one of the nationally recognized independent credit-rating agencies, for example Moody's Investor Services or Standard & Poor's. The lower the rating is, the greater the chance (in the opinion of Moody's or Standard & Poor's) 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 of California (UBOC) and Bank of New York (BONY), and are held in the name of MTC. All security trades clear through both banks. All checking and sweep accounts are insured to FDIC limits or fully collateralized. 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

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

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, 2008 and 2007 are as follows:

	2008	2007
Federal Home Loan Board (FHLB)	46%	29%
Federal Home Loan Mortgage (FHLMC)	36%	50%

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 \$65 million in investments tied to floating rate benchmarks. Depending on the structure, the rate on the investment will reset monthly or quarterly and is based on a LIBOR (London Interbank Offering Rate) or a CMT (Constant Maturity Treasuries-2 year TSY) index.

The floating rate securities are summarized as follows:

Investment	Par Value	Structure	Final Maturity
MBIA Inc	\$15 million	2 year CMT + (plus) 20 basis points from 3/07 to maturity	9/08
FHLB	\$5 million	1 month LIBOR – (net) 14 basis points to maturity	8/09
FHLB	\$20 million	3 month LIBOR – (net) 23 basis points to maturity	12/08
FHLB	\$25 million	3 month LIBOR – (net) 18 basis points to maturity	12/09

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

The weighted average maturities of MTC's Government Sponsored Enterprises (GSE) securities (expressed in number of years) at June 30, 2008 and 2007 are as follows:

	2008	2007
Government-sponsored enterprises		
Federal Home Loan Board	0.14	0.30
Federal Home Loan Mortgage	0.19	0.56
Federal National Mortgage Association	-	5.82
Tennessee Valley Authority	2.55	3.56
Federal Farm Credit Board	-	0.22

The Corporate note has a maturity of 67 and 379 days at June 30, 2008 and 2007.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

4. CAPITAL ASSETS

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

Governmental activities

	Beginning Balance July 1, 2007	Additions	Retirements	Ending Balance June 30, 2008
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>

Business-type activities

	Beginning Balance July 1, 2007	Additions	Retirements	Ending Balance June 30, 2008
Capital assets, being depreciated:				
Office furniture and equipment	\$ 2,705,559	\$ 2,209,270	\$ -	\$ 4,914,829
Building and improvements	3,134,200	-	-	3,134,200
Intangible assets	-	1,152,679	-	1,152,679
Call boxes	11,020,145	193,926	(25,115)	11,188,956
Total capital assets being depreciated	<u>16,859,904</u>	<u>3,555,875</u>	<u>(25,115)</u>	<u>20,390,664</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>5,596,330</u>	<u>2,609,687</u>	<u>(31)</u>	<u>8,205,986</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, 2008 and 2007
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	<u>265,525</u>
Total depreciation expense - business-type activities	<u>\$ 946,188</u>

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

A summary of changes in capital assets for the year ended June 30, 2007 is as follows:

Governmental activities

	Beginning Balance July 1, 2006	Additions	Retirements	Ending Balance June 30, 2007
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 337,020	\$ -	\$ 337,020
Total capital assets, not being depreciated	<u>-</u>	<u>337,020</u>	<u>-</u>	<u>337,020</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,199,566	\$ 551,507	\$ -	\$ 8,751,073
Office furniture and equipment	3,032,517	16,160	-	3,048,677
Leased equipment	168,489	-	-	168,489
Automobiles	193,373	-	(16,344)	177,029
Total capital assets being depreciated	<u>11,593,945</u>	<u>567,667</u>	<u>(16,344)</u>	<u>12,145,268</u>
Less accumulated depreciation for:				
Buildings and improvements	2,850,860	440,236	-	3,291,096
Office furniture and equipment	2,723,299	113,856	-	2,837,155
Leased equipment	25,274	33,698	-	58,972
Automobiles	167,636	10,295	(16,344)	161,587
Total accumulated depreciation	<u>5,767,069</u>	<u>598,085</u>	<u>(16,344)</u>	<u>6,348,810</u>
Total capital assets, being depreciated, net	<u>5,826,876</u>	<u>(30,418)</u>	<u>-</u>	<u>5,796,458</u>
Governmental activities capital assets, net	<u>\$ 5,826,876</u>	<u>\$ 306,602</u>	<u>\$ -</u>	<u>\$ 6,133,478</u>

Business-type activities

	Beginning Balance July 1, 2006	Additions	Retirements	Ending Balance June 30, 2007
Capital assets, being depreciated:				
Office furniture and equipment	\$ 2,455,238	\$ 250,321	\$ -	\$ 2,705,559
Building and improvements	3,134,200	-	-	3,134,200
Call boxes	7,999,620	4,055,746	(1,035,221)	11,020,145
Total capital assets being depreciated	<u>13,589,058</u>	<u>4,306,067</u>	<u>(1,035,221)</u>	<u>16,859,904</u>
Less accumulated depreciation for:				
Office furniture and equipment	1,261,624	256,194	-	1,517,818
Building and improvements	87,272	130,420	-	217,692
Call boxes	6,846,076	3,715,989	(1,034,001)	9,528,064
Total accumulated depreciation	<u>8,194,972</u>	<u>4,102,603</u>	<u>(1,034,001)</u>	<u>11,263,574</u>
Total capital assets, being depreciated, net	<u>5,394,086</u>	<u>203,464</u>	<u>(1,220)</u>	<u>5,596,330</u>
Business-type activities capital assets, net	<u>\$ 5,394,086</u>	<u>\$ 203,464</u>	<u>\$ (1,220)</u>	<u>\$ 5,596,330</u>

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	<u>\$ 598,085</u>
Total depreciation expense - governmental activities	<u>\$ 598,085</u>

Business-type activities:

Toll bridge	\$ 317,782
Congestion relief	<u>3,784,820</u>
Total depreciation expense - business-type activities	<u>\$ 4,102,602</u>

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

5. LONG-TERM DEBT

Toll Revenue Bonds were issued by BATA during May 2001, February 2003 and October 2004 to (i) finance the cost of the design and construction of eligible projects of Regional Measure 1 projects for the Bay Area Bridges, (ii) to finance a Reserve Fund for the Series 2001, 2003, and 2004 Toll Revenue Bonds, and (iii) pay costs incurred in connection with the issuance of the Series 2001, 2003 and 2004 Toll Revenue Bonds.

Toll Revenue Bonds were issued by BATA during February 2006 (2006 Series A-E) to (i) finance the costs of the design and construction of eligible Regional Measure 1 projects for the Bay Area Bridges, Regional Measure 2 transportation projects and the Toll Bridge Seismic Retrofit capital program for the Bay Area Bridges, (ii) to finance a Reserve Fund for the 2006 Series A-E Toll Revenue Bonds, and (iii) pay costs incurred in connection with the issuance of the 2006 Series A-E General Revenue Bonds.

Toll Revenue Bonds were issued by BATA during April 2006 (2006 Series F) to (i) defease the California Infrastructure and Economic Development Bank (Ibank) debt obligations related to the seismic surcharge, (ii) to finance a Reserve Fund for the 2006 Series F Toll Revenue Bonds, and (iii) pay costs incurred in connection with the issuance of the 2006 Series F Toll Revenue Bonds.

Toll Revenue Bonds were issued during May 2007 (2007 Series A1-D1, E1-E2, F, and G1) to (i) finance the costs of the design and construction of eligible Regional Measure 1 projects for the Bay Area bridges, and the Toll Bridge Seismic Retrofit capital program for the Bay Area bridges, (ii) pay costs incurred in connection with the issuance of the 2007 Series A1-D1, E1-E2, F, and G1 Toll Revenue Bonds, and (iii) pay a refunding for a portion of Toll Revenue Bonds 2001 Series D.

Toll Revenue Bonds were issued during October 2007 (2007-2 Series A2-D2, E3, G2-G3) to (i) finance the costs of the design and construction of eligible Regional Measure 1 projects for the Bay Area bridges and the Toll Bridge Seismic Retrofit capital program for the Bay Area bridges, and (ii) pay costs incurred in connection with the issuance of the 2007 Series A2-D2, E3, and G2-G3 Toll Revenue Bonds.

Toll Revenue Bonds were issued during June 2008 (2008 Series A1-E1 and G1) to (i) refund the portion of the Toll Revenue Bonds 2006 Series (A2-A3, B2, D1, D3, and E2) variable rate bonds insured by XL Capital Assurance and (ii) pay costs incurred in connection with the issuance of the 2008 Series A1-E1, and G1 Toll Revenue 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*.

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 I.L.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
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	5/24/2001	4.09%-4.10% ⁽¹⁾	2036	\$ 150,000,000	\$ 150,000,000	\$ -	\$ -	\$ 150,000,000	\$ -
2001 Revenue Bond Series B	5/24/2001	4.120% ⁽¹⁾	2029	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series C	5/24/2001	4.110% ⁽¹⁾	2025	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series D	5/24/2001	4.860% ⁽²⁾	2011	100,000,000	26,785,000	-	(6,225,000)	20,560,000	6,570,000
2003 Revenue Bond Series A	2/12/2003	4.139% ⁽³⁾	2038	75,000,000	75,000,000	-	(1,500,000)	73,500,000	1,500,000
2003 Revenue Bond Series B	2/12/2003	4.139% ⁽³⁾	2038	75,000,000	75,000,000	-	(1,400,000)	73,600,000	1,600,000
2003 Revenue Bond Series C	2/12/2003	4.139%-7.0% ⁽⁴⁾	2037	150,000,000	150,000,000	-	(1,700,000)	148,300,000	1,700,000
2004 Revenue Bond Series A	10/5/2004	3.416% ⁽⁵⁾	2039	75,000,000	75,000,000	-	(1,245,000)	73,755,000	1,305,000
2004 Revenue Bond Series B	10/5/2004	3.416% ⁽⁵⁾	2039	150,000,000	150,000,000	-	(2,490,000)	147,510,000	2,610,000
2004 Revenue Bond Series C	10/5/2004	3.416% ⁽⁵⁾	2039	75,000,000	75,000,000	-	(1,245,000)	73,755,000	1,300,000
2006 Revenue Bond Series (A-E)	2/8/2006	3.730% ⁽⁶⁾	2045	1,000,000,000	1,000,000,000	-	(500,000,000)	500,000,000	-
2006 Revenue Bond Series F	4/25/2006	4.590% ⁽⁷⁾	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)	5/15/2007	3.740% ⁽⁸⁾	2047	500,000,000	500,000,000	-	-	500,000,000	-
2007 Revenue Bond Series F	5/15/2007	4.440% ⁽⁹⁾	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% ⁽¹⁰⁾	2047	500,000,000	-	500,000,000	-	500,000,000	-
2008 Revenue Bond Series(A1-E1, G1)	6/5/2008	3.730% ⁽¹¹⁾	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% ⁽¹²⁾	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>	

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2008 and 2007

Notes to Financial Statements

- (1) 2001 Series A, B and C bonds are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.
- (2) 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%
- (3) 2003 Series A and B bonds are issued as variable rate bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.
- (4) Of the \$150,000,000 2003 Series C revenue bonds, \$50,000,000 are issued as variable rate demand bonds with a floating to fixed interest rate swap. Refer to interest rate swap description within this footnote.
- (5) 2004 Series A, B and C bonds are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.
- (6) 2006 Series A-E bonds are issued as variable rate bonds with a total of 4 floating-to-fixed interest rate swap transactions in place. The blended swap rate for this 2006 series is 3.73%
Refer to interest rate swap description within this footnote.
- (7) 2006 Series F bonds are issued as fixed rate bonds with a final maturity of 2031. The bonds carry interest rates ranging from 3.4% in 2007 to 5.0% in 2031, or a true interest cost of 4.59%
- (8) 2007 Series A1-D1, E1-E2, and G1 bonds are issued as variable rate bonds with a total of four floating to fixed interest rate swap transactions in place. The blended swap rate for this 2007 Series is 3.74%
Refer to interest swap description within this footnote.
- (9) 2007 Series F bonds are issued as fixed bonds with a final maturity of 2031. The bonds carry interest rates ranging from 4% in 2008 to 5% in 2031 with a true interest rate cost of 4.44%
- (10) 2007 Series A2-D2, E3, and G2-G3 are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.
- (11) 2008 Series A1-E1, and G1 are issued as variable rate demand bonds to refund \$500 million of the 2006 Series (A2-A3, B2, D1, D3, and E2) bonds insured by XL Capital Assurance.
- (12) 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 a true interest cost of 4.27%

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

A summary of changes in long-term debt for the year ended June 30, 2007 is as follows:

Business-type activities

	Issue Date	Interest Rate	Calendar Maturity Year	Original Amount	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Due Within One Year
2001 Revenue Bond Series A	5/24/2001	4.09%-4.10% ⁽¹⁾	2036	\$ 150,000,000	\$ 150,000,000	\$ -	\$ -	\$ 150,000,000	\$ -
2001 Revenue Bond Series B	5/24/2001	4.120% ⁽¹⁾	2029	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series C	5/24/2001	4.110% ⁽¹⁾	2025	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series D	5/24/2001	4.860% ⁽²⁾	2011	100,000,000	94,215,000	-	(67,430,000)	26,785,000	6,225,000
2003 Revenue Bond Series A	2/12/2003	4.139% ⁽³⁾	2038	75,000,000	75,000,000	-	-	75,000,000	1,500,000
2003 Revenue Bond Series B	2/12/2003	4.139% ⁽³⁾	2038	75,000,000	75,000,000	-	-	75,000,000	1,400,000
2003 Revenue Bond Series C	2/12/2003	3.6%-4.139% ⁽⁴⁾	2037	150,000,000	150,000,000	-	-	150,000,000	1,700,000
2004 Revenue Bond Series A	10/5/2004	3.416% ⁽⁵⁾	2039	75,000,000	75,000,000	-	-	75,000,000	1,245,000
2004 Revenue Bond Series B	10/5/2004	3.416% ⁽⁵⁾	2039	150,000,000	150,000,000	-	-	150,000,000	2,490,000
2004 Revenue Bond Series C	10/5/2004	3.416% ⁽⁵⁾	2039	75,000,000	75,000,000	-	-	75,000,000	1,245,000
2006 Revenue Bond Series (A-E)	2/8/2006	3.730% ⁽⁶⁾	2045	1,000,000,000	1,000,000,000	-	-	1,000,000,000	-
2006 Revenue Bond Series F	4/25/2006	4.590% ⁽⁷⁾	2031	1,149,205,000	1,149,205,000	-	(23,690,000)	1,125,515,000	26,425,000
2007 Rev Bond Ser (A1-D1,E1-E2, G1)	5/15/2007	3.43%-3.75% ⁽⁸⁾	2047	500,000,000	-	500,000,000	-	500,000,000	-
2007 Revenue Bond Series F	5/15/2007	4.440% ⁽⁹⁾	2031	310,950,000	-	310,950,000 ⁽¹⁰⁾	-	310,950,000	390,000
				<u>\$ 3,960,155,000</u>	<u>\$ 3,143,420,000</u>	<u>\$ 810,950,000</u>	<u>\$ (91,120,000)</u>	<u>\$ 3,863,250,000</u>	<u>\$ 42,620,000</u>
Unamortized bond premium					993,140	21,232,527	(752,906)	21,472,761	
Deferred charge on 2001 Series D refunding					-	(2,256,715)	25,644	(2,231,071) ⁽¹¹⁾	
Net long-term debt as of June 30, 2007					<u>\$ 3,144,413,140</u>	<u>\$ 829,925,812</u>	<u>\$ (91,847,262)</u>	<u>\$ 3,882,491,690</u>	
Component Unit-BAIFA 2006 SPANs	12/14/2006	4.27% ⁽¹²⁾	2017	\$ 972,320,000	\$ -	\$ 972,320,000	\$ -	\$ 972,320,000	\$ 105,180,000
Unamortized bond premium					-	53,443,870	(2,894,876)	50,548,994	
Net long-term debt as of June 30, 2007					<u>\$ -</u>	<u>\$ 1,025,763,870</u>	<u>\$ (2,894,876)</u>	<u>\$ 1,022,868,994</u>	

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2008 and 2007

Notes to Financial Statements

- (1) 2001 Series A, B and C bonds are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.
- (2) 2001 Series D bonds are issued as fixed rate bonds with a final maturity of 2018. The bonds carry interest rates ranging from 4.0% in 2006 to 5.0% in 2018, or an all in true interest cost of 4.86%.
- (3) 2003 Series A and B bonds are issued as variable rate bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.
- (4) Of the \$150,000,000 2003 Series C revenue bonds, \$50,000,000 are issued as variable rate demand bonds with a floating to fixed interest rate swap. Refer to interest rate swap description within this footnote.
- (5) 2004 Series A, B and C bonds are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.
- (6) 2006 Series A-E bonds are issued as variable rate bonds with a total of four floating-to-fixed interest rate swap transaction in place. The blended swap rate for this 2006 series is 3.73%.
Refer to interest rate swap description within this footnote.
- (7) 2006 Series F bonds are issued as fixed rate bonds with a final maturity of 2031. The bonds carry interest rates ranging from 3.4% in 2007 to 5.0% in 2031, or an all in true interest cost of 4.59%.
- (8) 2007 Series A1 -E1, and G1 bonds are issued as variable rate bonds. There are 4 floating to fixed interest rate swaps with an effective date of November 1, 2007 for the series. Refer to interest rate swap description within this footnote.
- (9) 2007 Series F bonds are issued as fixed bonds with a final maturity of 2031. The bonds carry interest rates ranging from 4% in 2008 to 5% in 2031 with an all in true interest rate cost of 4.44%.
- (10) Amount issued includes 2001 Series D refunding of \$61,415,000 (maturities 2012-2018)
- (11) Net of Deferred charge on 2001 Series D bond refunding of \$2,256,715 less 2007 amortization of \$25,644
- (12) 2006 Bay Area Infrastructure Financing Authority SPANs were issued as fixed rate bonds with a final maturity of 2017. The bonds carry 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, 2008 and 2007
Notes to Financial Statements

Annual funding requirements

The annual funding requirements (principal and interest) for the long-term debt outstanding of the business-type activities at June 30, 2008 are as follows:

Business-type activities			
Fiscal Year Ending	Principal Payments	Interest Payments	Total Payments
2009	\$ 43,965,000	\$ 177,664,198	\$ 221,629,198
2010	45,730,000	175,859,600	221,589,600
2011	47,880,000	173,982,554	221,862,554
2012	49,970,000	172,017,260	221,987,260
2013-2017	315,270,000	826,172,446	1,141,442,446
2018-2022	425,135,000	751,893,092	1,177,028,092
2023-2027	538,540,000	655,756,401	1,194,296,401
2028-2032	680,245,000	533,964,980	1,214,209,980
2033-2037	805,925,000	382,181,061	1,188,106,061
2038-2042	736,345,000	220,700,170	957,045,170
2043-2047	639,385,000	69,483,716	708,868,716
	<u>\$ 4,328,390,000</u>	<u>\$ 4,139,675,478</u>	<u>\$ 8,468,065,478</u>

Component Unit - BAIFA

Fiscal Year Ending	Principal Payments	Interest Payments	Total Payments
2009	\$ 69,770,000	\$ 37,026,878	\$ 106,796,878
2010	8,720,000	34,047,699	42,767,699
2011	17,020,000	33,675,355	50,695,355
2012	19,020,000	32,948,601	51,968,601
2013	19,795,000	32,136,447	51,931,447
2014-2018	732,815,000	87,791,200	820,606,200
	<u>\$ 867,140,000</u>	<u>\$ 257,626,180</u>	<u>\$ 1,124,766,180</u>

Toll Revenue Bonds

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.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2008 and 2007

Notes to Financial Statements

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 charges 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, including the 2001 bonds and additional bonds.

BATA has covenanted to maintain an operations and maintenance reserve of two times the adopted operations and maintenance budget. At June 30, 2008, 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, 2008. In addition, the BATA board has authorized a total of \$600 million for emergency extraordinary loss reserves and \$70 million for a bridge rehabilitation reserve.

The bonds issued by BATA are collateralized by a first lien on all of its revenues and are not an obligation of the MTC primary government or any component unit other than BATA.

In October 2007, BATA issued the 2007 Series A2-D2, E3, & G2-G3 Variable Rate Demands Bonds (VRDB) in the principal amount of \$500,000,000. The bond proceeds were used to pay for the capital improvement expenses of the seven bridges, to add an additional surety bond to the reserve fund and to pay for the costs of issuing the 2007-2 series bonds.

In June 2008, BATA issued 2008 Series A1-E1, and G1 VRDB in the amount of \$507,760,000. A portion of the proceeds, \$500,000,000, was applied to the refunding of the 2006 Series A2-A3, B2, D1, D3, and E2 VRDB insured by XL Capital Assurance. In early 2008, XL Capital Assurance was downgraded several notches below “AAA”, which caused market volatility in the weekly pricing of the BATA variable rate bonds. The difference between reacquisition price and the net carrying amount of the old debt is \$9,090,067, which is reported as a deferred charge. The transaction was completed for the business purpose of removing a bond insurance policy that had caused interest rates to increase sharply and does not provide any economic gain or loss. The remainder of the proceeds, \$7,760,000 was applied to issuance and other banking costs.

Although some of the BATA bonds are subject to weekly auctions or weekly remarketing, in the event the auction or remarketing fails, BATA would not be required to repurchase the bonds.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2008 and 2007

Notes to Financial Statements

Component Unit – 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 or liability of the State, MTC, or BATA or any other political subdivisions of the State other than BAIFA. More information is presented in Note 1.L.

Interest Rate and Forward Interest Rate Swap Agreements

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 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 fiscal year 2008, \$3.0 million notional associated with this swap was amortized.

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 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 fiscal year 2008, \$4.98 million notional associated with this swap was amortized.

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. Counterparties to the transactions are Ambac for \$500 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

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2008 and 2007

Notes to Financial Statements

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.

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.

BATA entered into these transactions as a means of lowering long-term debt costs while maintaining a hedge against increases in short-term rates. BATA is aware that swap transactions contain certain associated risks not traditionally associated with 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 address credit risk by requiring the counterparties to post collateral if two triggering mechanisms are breached: counterparty credit ratings fall below "A+" or "Aa3" from Standard & Poor's and Moody's respectively; and the swap carries a positive fair value in excess of \$10 million.

As of June 30, 2008, counterparties posted a combined \$19.7 million in collateral with a third party safekeeping agent.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

As of June 30, 2008, the swap counterparties carried the following ratings:

	Standard & Poor's	Moody's
Ambac	AA	Aa3
JP Morgan AAA ISDA	AAA	Aaa
Citigroup/Citibank	AA-/AA	Aa3/Aa1
Bank of America	AA+	Aaa
Morgan Stanley	A+	Aa3

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. At June 30, 2008 and 2007, the financial and investment advisory firm of Public Financial Management (PFM) established the termination value as of June 30, 2008 and 2007 as follows:

Notional Value	Counterparty	Fixed Rate	Value due from / (to) counterparty Jun 30, 2008	Value due from / (to) counterparty Jun 30, 2007
\$75 million	Ambac	4.110%	\$ (7,898,320)	\$ (3,104,673)
\$75 million	Ambac	4.120%	(9,215,923)	(3,533,873)
\$75 million	Morgan Stanley	4.090%	(9,995,740)	(3,607,255)
\$75 million	Citigroup	4.100%	(10,105,118)	(3,709,124)
\$200 million	Ambac	4.139%	(23,360,198)	(9,365,179)
\$300 million	Ambac	3.416%	(9,421,674)	7,132,936
\$500 million	Ambac	3.647%	(25,143,744)	19,138,946
\$30 million	Bank of America	3.633%	(1,443,910)	1,208,989
\$225 million	Citibank	3.638%	(9,004,894)	6,768,880
\$245 million	JP Morgan Chase	4.000%	(8,670,225)	10,049,928
\$420 million	Ambac	3.641%	(20,975,864)	16,524,028
\$50 million	Bank of America	3.626%	(2,376,005)	2,076,729
\$260 million	Citibank	3.636%	(10,486,639)	7,912,337
\$270 million	JP Morgan Chase	4.000%	(10,501,712)	11,505,683
			<u>\$ (158,599,966)</u>	<u>\$ 58,998,352</u>

The termination value, or fair value, BATA would pay to terminate all swaps is \$159 million on June 30, 2008. The termination value, or fair value, BATA would receive to terminate all swaps is \$59 million on June 30, 2007.

BATA's intent, however, is to maintain the swap transactions for the life of the financing. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, BATA has not adopted Financial Accounting Standards Board Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and has not recorded the termination value due to or from the counterparties.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

The schedule that follows shows 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, plus any associated administrative costs associated with the swap and variable rate obligation.

As of June 30, 2008, debt service requirements of the variable rate debt and net swap payments for 2001 Series A, B and C are as follows:

Payment Date	Notional Amortization	Variable Interest**	Interest Rate Swaps, Net***	Remarketing and Liquidity****	Total Payment
4/1/2009	\$ -	\$ 20,062,500	\$ 7,519,209	\$ 900,000	\$ 28,481,709
4/1/2010	-	20,062,500	7,519,209	900,000	28,481,709
4/1/2011	-	20,062,500	7,519,209	900,000	28,481,709
4/1/2012	-	20,062,500	7,519,209	900,000	28,481,709
4/1/2013	-	20,062,500	7,519,209	900,000	28,481,709
4/1/2014-2036	300,000,000	316,974,125	118,798,489	14,219,400	449,992,014
	<u>\$ 300,000,000</u>	<u>\$ 417,286,625</u>	<u>\$ 156,394,534</u>	<u>\$ 18,719,400</u>	<u>\$ 592,400,559</u>

As of June 30, 2008, debt service requirements of the variable rate debt and net swap payments for 2003 Series A, B and C are as follows:

Payment Date	Notional Amortization	Variable Interest**	Interest Rate Swaps, Net***	Remarketing and Liquidity****	Total Payment
4/1/2009	\$ 3,200,000	\$ 10,576,248	\$ 5,004,594	\$ 591,000	\$ 16,171,842
4/1/2010	3,300,000	10,404,452	4,923,301	581,400	15,909,153
4/1/2011	3,500,000	10,227,286	4,839,468	571,500	15,638,254
4/1/2012	3,600,000	10,039,383	4,750,554	561,000	15,350,937
4/1/2013	3,800,000	9,846,111	4,659,099	550,200	15,055,410
4/1/2014-2038	179,600,000	147,364,184	69,731,522	8,234,700	225,330,406
	<u>\$ 197,000,000</u>	<u>\$ 198,457,664</u>	<u>\$ 93,908,538</u>	<u>\$ 11,089,800</u>	<u>\$ 303,456,002</u>

As of June 30, 2008, debt service requirements of the variable rate debt and net swap payments for 2004 Series A, B and C are as follows:

Payment Date	Notional Amortization	Variable Interest**	Interest Rate Swaps, Net***	Remarketing and Liquidity****	Total Payment
4/1/2009	\$ 5,215,000	\$ 21,573,338	\$ 4,565,242	\$ 885,060	\$ 27,023,640
4/1/2010	5,385,000	21,191,991	4,484,543	869,415	26,545,949
4/1/2011	5,590,000	20,798,213	4,401,214	853,260	26,052,687
4/1/2012	5,775,000	20,389,444	4,314,712	836,490	25,540,646
4/1/2013	6,040,000	19,967,147	4,225,348	819,165	25,011,660
4/1/2014-2039	267,015,000	303,429,263	64,210,188	12,448,380	380,087,831
	<u>\$ 295,020,000</u>	<u>\$ 407,349,396</u>	<u>\$ 86,201,247</u>	<u>\$ 16,711,770</u>	<u>\$ 510,262,413</u>

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

As of June 30, 2008, debt service requirements of the variable rate debt and net swap payments for 2006 Series A-E are as follows:

Payment Date	Notional Amortization	Variable Interest**	Interest Rate Swaps, Net***	Remarketing and Liquidity****	Total Payment
4/1/2009	\$ -	\$ 34,818,975	\$ 15,883,851	\$ 5,000,000	\$ 55,702,826
4/1/2010	-	34,818,975	15,883,851	5,000,000	55,702,826
4/1/2011	-	34,818,975	15,883,851	5,000,000	55,702,826
4/1/2012	-	34,818,975	15,883,851	5,000,000	55,702,826
4/1/2013	-	34,818,975	15,883,851	5,000,000	55,702,826
4/1/2014-2045	1,000,000,000	908,889,464	414,620,618	130,516,400	1,454,026,482
	<u>\$ 1,000,000,000</u>	<u>\$ 1,082,984,339</u>	<u>\$ 494,039,873</u>	<u>\$ 155,516,400</u>	<u>\$ 1,732,540,612</u>

As of June 30, 2008, debt service requirements of the variable rate debt and net swap payments for 2007 Series A-E are as follows:

Payment Date	Notional Amortization	Variable Interest**	Interest Rate Swaps, Net***	Remarketing and Liquidity****	Total Payment
4/1/2009	\$ -	\$ 64,868,000	\$ 16,057,167	\$ 3,000,000	\$ 83,925,167
4/1/2010	-	64,868,000	16,057,167	3,000,000	83,925,167
4/1/2011	-	64,868,000	16,057,167	3,000,000	83,925,167
4/1/2012	-	64,868,000	16,057,167	3,000,000	83,925,167
4/1/2013	-	64,868,000	16,057,167	3,000,000	83,925,167
4/1/2014-2047	1,000,000,000	1,770,507,192	438,264,319	81,882,000	2,290,653,511
	<u>\$ 1,000,000,000</u>	<u>\$ 2,094,847,192</u>	<u>\$ 518,550,154</u>	<u>\$ 96,882,000</u>	<u>\$ 2,710,279,346</u>

	Series 2001 Bonds*	Series 2003 Bonds	Series 2004 Bonds	Series 2006 Bonds	Series 2007 Bonds
Interest Rate Swap					
Fixed payment to counter party	4.105%	4.139%	3.416%	3.731%	3.740%
LIBOR percentage of payments*****	-1.599%	-1.599%	-1.868%	-2.142%	-2.134%
Net interest rate swap payments***	2.506%	2.540%	1.548%	1.589%	1.606%
Variable rate bond coupon payments**	6.688%	5.369%	7.313%	3.482%	6.487%
Synthetic interest rate on bonds	9.194%	7.909%	8.861%	5.071%	8.093%
Remarketing/liquidity fee****	0.300%	0.300%	0.300%	0.500%	0.300%
Total Cost	<u>9.494%</u>	<u>8.209%</u>	<u>9.161%</u>	<u>5.571%</u>	<u>8.393%</u>

* Converted to 65% one month LIBOR on 1/1/06

** The ending average variable rate as of last June 2008 reset

*** Net receipt/(payment)

**** Remarketing/liquidity fees

***** LIBOR rates as of last June 30, 2008 reset

For further swap details, refer to Schedules 14-17, Schedule of Interest Rate Swap – BATA Proprietary Fund.

Arbitrage

IRS Code Section 148 requires interest earned on the proceeds of a tax-exempt bond issuance that exceed the arbitrage yield on the bonds be rebated back to the IRS. BATA incurred a

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

cumulative rebate arbitrage liability of \$295,818 as of fiscal year 2008 that is being held in a restricted account with the trustee for potential future payment to the IRS.

6. LEASES

Capital Leases

MTC leases copier equipment under capital leases which expire at the end of 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
2009	\$ 42,736
2010	42,736
2011	<u>10,684</u>
Total	96,156
Less interest amounts	<u>(9,315)</u>
Present value of net minimum lease payments	<u><u>\$ 86,841</u></u>

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund transfers as of June 30, 2008, is as follows:

Transfer Out:	Transfer In:					Total
	General	AB 664 Net Toll Revenue Reserve	Capital Projects	STA	Nonmajor Governmental Funds	
Exchange	\$ -	\$ -	\$ 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	Other Governmental	\$ 49,242
General	BATA	\$ 512,340
General	Capital	\$ 1,299,567
Capital	STA	\$ 400,571
Capital	Other Governmental	\$ 750,192
Capital	BATA	\$ 280,787
STA	General	\$ 3,943,000
SAFE	General	\$ 3,454,699
BATA	AB664	\$ 286,258
BATA	Other Governmental	\$ 57,419
BATA	MTC	\$ 42,000,000

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

The composition of interfund transfers as of June 30, 2007, is as follows:

Transfer Out:	Transfer In:				
	General	AB 664 Net Toll Revenue Reserve	Capital Projects	Nonmajor Governmental Funds	Total
Exchange	\$ -	\$ -	\$ 1,404,454	\$ -	\$ 1,404,454
STA	12,172,366	-	1,114,242	-	13,286,608
BATA	5,188,212	11,322,328	-	10,005,726	26,516,266
SAFE	1,335,436	-	-	-	1,335,436
Total	\$ 18,696,014	\$ 11,322,328	\$ 2,518,696	\$ 10,005,726	\$ 42,542,764

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General	BATA	\$ 468,212
General	STA	\$ 150,184
General	Other Governmental	\$ 310,252
AB664	General	\$ 62,493
Capital	General	\$ 206,652
SAFE	General	\$ 2,798,571
BATA	AB664	\$ 677,672
BATA	Other Governmental	\$ 889,274

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.

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.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2008 and 2007

Notes to Financial Statements

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 FY 2007-08 Base Rate. The Base Rate will increase effective FY 2008-09 by a percentage equivalent to the actual increase in cost attributable to the BATA employees hired in FY 2005-06.
- 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.

Annual Pension Cost and Funding Progress

The required contribution was \$2,813,755 and \$2,647,617 for the years ended June 30, 2008 and 2007 determined as part of the June 30, 2006 and June 30, 2005 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 duration of service. Both (a) and (b) include an inflation component of 3.0 percent and an

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

annual production growth of .25 percent. The actuarial value 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, 2006	\$ 2,324,948	100%
June 30, 2007	2,647,617	100%
June 30, 2008	2,813,755	100%

The MTC's funding progress information as of June 30, 2006 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, 2004	\$ 45,753,197	\$ 48,662,374	\$ 2,909,177	94.0%	\$ 11,714,647	24.8%
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%

The latest available actuarial valuation was as of June 30, 2006 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 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 issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

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. MTC's payments of monthly retiree premiums of \$428,810 and \$353,378 for the years ended 2008 and 2007 were applied toward the required annual employer contribution of \$1,372,945 and \$2,155,931 for the years ended 2008 and 2007. The ARC is based on separate actuarial computations for the active and retiree employee groups.

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, 2006	n/a	n/a	n/a
June 30, 2007	\$ 2,155,931	16.4%	\$ 1,802,533
June 30, 2008	1,372,945	794.4%	(7,731,865)

The funded status of the plan as of July 1, 2008 was as follows:

Annual required contribution (ARC)	\$ 1,337,526
Interest on net OPEB obligation	139,698
Adjustment to ARC	(104,279)
Annual OPEB Cost	<u>1,372,945</u>
Less Contributions made	<u>(10,907,363)</u>
Increase in net OPEB obligation	(9,534,418)
Net OPEB obligation - beginning of year	<u>1,802,553</u>
Net OPEB obligation/(asset) - end of year	<u><u>\$ (7,731,865)</u></u>

The MTC's funding progress information as of June 30, 2008 is illustrated as follows:

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

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%

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.

The valuation date was changed from July 1 to January 1 to align the valuation date with the health plan's premium renewal period. In the January 1, 2007 actuarial valuation, 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 discount rate of 7.75 percent, an increase from 6.0 percent to reflect the expected return on assets in the CalPERS' retiree health trust fund, a return on assets of 5.0 percent, and an annual healthcare cost trend rate of 9.0 percent in the first year (from the 2007 premium year to the 2008 premium year), 8.0 percent the next year, and grading down 1.0 percent annually, to 5.0 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 formula for miscellaneous employees. MTC employees participate in CalPERS and accrue pension benefits under this formula.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

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 a \$746,451 accrual for certain of these contingencies. 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 BART's full funding grant agreement with the U.S. Department of Transportation (the FTA 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.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

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 the BART Oakland airport connector project. 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, 2008 and 2007, the total loan outstanding with BART is \$42 million and \$47 million. Remaining payments due under the loan are as follows:

Fiscal Year	Principal Payments
2009	\$ 5,000,000
2010	8,000,000
2011	8,000,000
2012	8,000,000
2013	8,000,000
2014	5,000,000
	<u>\$ 42,000,000</u>

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. SUBSEQUENT EVENT

In August 2008, BATA issued \$2.4 billion in bonds to refund the remaining debt that was insured by AMBAC to complete the refunding of all insured variable and auction rate bonds. AMBAC was downgraded earlier in 2008 from "AAA" to "AA", and as a result it caused a market disruption in the weekly pricing of the variable rate bonds.. The new bonds refunded BATA 2001 Series A – C, 2003 Series A – C, 2004 Series A – C, 2006 Series A1, B1, C, D2, and E1, 2007 Series A1 to E1, A2 – E2, E3, and G1– G3.

**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, 2008**

Schedule I

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues				
Sales taxes for planning activities	\$ 10,600,000	\$ 10,600,000	\$ 10,276,412	\$ (323,588)
Grants - Federal	70,813,492	79,689,134	38,555,203	(41,133,931)
Grants - State	2,953,562	4,088,829	893,463	(3,195,366)
Local Agencies Revenues	5,816,657	6,232,325	4,097,121	(2,135,204)
Investment Income - unrestricted	850,000	850,000	790,306	(59,694)
Total revenues	91,033,711	101,460,288	54,612,505	(46,847,783)
Expenditures				
Current:				
General Government	130,307,975	143,831,991	66,056,858	77,775,133
Allocations to Other Agencies	12,621,931	13,321,931	10,425,579	2,896,352
Capital outlay	395,000	395,000	82,517	312,483
Total expenditures	143,324,906	157,548,922	76,564,954	80,983,968
Deficiency of revenues under expenditures	(52,291,195)	(56,088,634)	(21,952,449)	34,136,185
Other financing sources				
Transfers in	41,019,098	43,843,191	14,395,121	(29,448,070)
Net change in fund balances	(11,272,097)	(12,245,443)	(7,557,328)	4,688,115
Fund balances - beginning	26,818,835	26,818,835	26,818,835	-
Fund balances - ending	\$ 15,546,738	\$ 14,573,392	\$ 19,261,507	\$ 4,688,115

**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, 2008**

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	\$ -	\$ -	\$ 1,912,883	\$ 1,912,883
Total Revenues	-	-	1,912,883	1,912,883
Expenditures				
Current:				
General Government	-	-	4,338	4,338
Allocations to Other Agencies	49,762,888	49,975,605	14,823,889	(35,151,716)
Total expenditures	49,762,888	49,975,605	14,828,227	(35,147,378)
Deficiency of revenues under expenditures	(49,762,888)	(49,975,605)	(12,915,344)	37,060,261
Other financing sources				
Transfers in	11,370,000	11,370,000	11,062,741	(307,259)
Net change in fund balances	(38,392,888)	(38,605,605)	(1,852,603)	36,753,002
Fund balances - beginning	38,605,605	38,605,605	38,605,605	-
Fund balances - ending	\$ 212,717	\$ -	\$ 36,753,002	\$ 36,753,002

**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, 2008**

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	\$ 72,682,234	\$ 111,517,984	\$ 123,706,000	\$ 12,188,016
Investment Income - unrestricted	-		4,155,551	4,155,551
Total revenues	72,682,234	111,517,984	127,861,551	16,343,567
Expenditures				
Current:				
Allocations to Other Agencies	190,587,851	229,307,252	133,798,751	95,508,501
Total expenditures	190,587,851	229,307,252	133,798,751	95,508,501
Excess (deficiency) of revenues over (under) expenditures	(117,905,617)	(117,789,268)	(5,937,200)	111,852,068
Other financing sources / (uses)				
Transfers (out) / in	-	-	(9,789,628)	(9,789,628)
Net change in fund balances	(117,905,617)	(117,789,268)	(15,726,828)	102,062,440
Fund balances - beginning	118,296,029	118,296,029	118,296,029	-
Fund balances - ending	\$ 390,412	\$ 506,761	\$ 102,569,201	\$ 102,062,440

Metropolitan Transportation Commission
Schedules of Funding Progress
For the Year Ended June 30, 2008

Schedule IV

Pension Plan (Required Supplementary Information)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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, 2004	\$ 45,753,197	\$ 48,662,374	\$ 2,909,177	94.0%	\$ 11,714,647	24.8%
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%

Postemployment Benefits (Required Supplementary Information)

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%

OTHER SUPPLEMENTARY INFORMATION

Metropolitan Transportation Commission
Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2008

Schedule 1

	<u>Transit Reserves</u>	<u>Rail Reserves</u>	<u>Exchange</u>	<u>BART Car Exchange</u>	<u>Feeder Bus</u>	<u>Total Nonmajor Governmental Funds</u>
Assets						
Cash and cash equivalents - unrestricted	\$ 757,729	\$ 30,756,069	\$ 8,227,209	\$ -	\$ 48,509	\$ 39,789,516
Cash and cash equivalents - restricted	-	-	-	560,675	-	560,675
Investments - unrestricted	-	53,604,227	-	-	-	53,604,227
Investments - restricted	-	-	-	46,664,674	-	46,664,674
Interest receivable	-	286,767	-	323,896	-	610,663
Total assets	\$ 757,729	\$ 84,647,063	\$ 8,227,209	\$ 47,549,245	48,509	\$ 141,229,755
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 352,532	\$ -	\$ 730,519	\$ -	\$ -	\$ 1,083,051
Accrued liabilities	3,314	1,888	20,900	-	-	26,102
Due to other funds	23,398	34,022	799,435	-	-	856,855
Total liabilities	379,244	35,910	1,550,854	-	-	1,966,008
Fund balances						
Reserved for						
Capital Projects	364,145	31,000,000	5,337,344	47,549,245	122	84,250,856
Unreserved, reported in						
Special revenue funds	14,340	53,611,153	1,339,011	-	48,387	55,012,891
Total fund balances	378,485	84,611,153	6,676,355	47,549,245	48,509	139,263,747
Total liabilities and fund balances	\$ 757,729	\$ 84,647,063	\$ 8,227,209	\$ 47,549,245	\$ 48,509	\$ 141,229,755

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

Schedule 2

	<u>Transit Reserves</u>	<u>Rail Reserves</u>	<u>Exchange</u>	<u>BART Car Exchange</u>	<u>Feeder Bus</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues						
Grants - State	\$ 2,965,204	\$ -	\$ -	\$ -	\$ -	\$ 2,965,204
Project grants from local agencies	-	5,000,000	500,000	22,681,000	-	28,181,000
Investment income - unrestricted	60,106	4,128,140	297,559	-	1,577	4,487,382
Investment income - restricted	-	-	-	1,454,256	-	1,454,256
Total revenues	3,025,310	9,128,140	797,559	24,135,256	1,577	37,087,842
Expenditures						
Current:						
General government	-	5,006,303	2,117,584	-	-	7,123,887
Allocations to other agencies	4,152,955	-	-	-	-	4,152,955
Total expenditures	4,152,955	5,006,303	2,117,584	-	-	11,276,842
Excess / (deficiency) of revenues over / (under) expenditures	(1,127,645)	4,121,837	(1,320,025)	24,135,256	1,577	25,811,000
Other financing sources / uses						
Other financing source	-	47,000,000	-	-	-	47,000,000
Transfers in	891,603	8,965,978	-	-	-	9,857,581
Transfers out	-	-	(1,079,283)	-	-	(1,079,283)
Total other financing sources and uses	891,603	55,965,978	(1,079,283)	-	-	55,778,298
Net change in fund balances	(236,042)	60,087,815	(2,399,308)	24,135,256	1,577	81,589,298
Fund balances - beginning	614,527	24,523,338	9,075,663	23,413,989	46,932	57,674,449
Fund balances - ending	\$ 378,485	\$ 84,611,153	\$ 6,676,355	\$ 47,549,245	\$ 48,509	\$ 139,263,747

Metropolitan Transportation Commission
Schedule of Revenues, Expenses and Changes in Fund Balances –
Budget and Actual – Transit Reserves Fund
For the Year Ended June 30, 2008

Schedule 3

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Grants - State	\$ 3,067,909	\$ 3,068,319	\$ 2,965,204	\$ (103,115)
Investment Income - unrestricted	-	-	60,106	60,106
Total revenues	3,067,909	3,068,319	3,025,310	(43,009)
Expenditures				
Current:				
Allocations to Other Agencies	4,687,334	4,496,527	4,152,955	343,572
Deficiency of revenues under expenditures	(1,619,425)	(1,428,208)	(1,127,645)	300,563
Other financing sources				
Transfers in	915,000	915,000	891,603	(23,397)
Net change in fund balances	(704,425)	(513,208)	(236,042)	277,166
Fund balances - beginning	614,527	614,527	614,527	-
Fund balances - ending	\$ (89,898)	\$ 101,319	\$ 378,485	\$ 277,166

Metropolitan Transportation Commission
Schedule of Revenues, Expenses and Changes in Fund Balances –
Budget and Actual – Rail Reserve Fund
For the Year Ended June 30, 2008

Schedule 4

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Agency Revenue	\$ -	\$ -	\$ 5,000,000	\$ 5,000,000
Investment Income - unrestricted	-	2,115,000	4,128,140	2,013,140
Total revenues	-	2,115,000	9,128,140	7,013,140
Expenditures				
Current:				
General Government	-	5,000,000	5,006,303	(6,303)
Allocations to Other Agencies	23,549,534	77,638,338	-	77,638,338
Total expenditures	23,549,534	82,638,338	5,006,303	77,632,035
Deficiency of revenues under expenditures	(23,549,534)	(80,523,338)	4,121,837	84,645,175
Other financing sources				
Other financing sources (Uses)	-	47,000,000	47,000,000	-
Transfers in	9,000,000	9,000,000	8,965,978	(34,022)
Net change in fund balances	(14,549,534)	(24,523,338)	60,087,815	84,611,153
Fund balances - beginning	24,523,338	24,523,338	24,523,338	-
Fund balances - ending	\$ 9,973,804	\$ -	\$ 84,611,153	\$ 84,611,153

Metropolitan Transportation Commission
Schedule of Revenues, Expenses and Changes in Fund Balances –
Budget and Actual– Exchange Fund
For the Year Ended June 30, 2008

Schedule 5

	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Agencies Revenues	\$ -	\$ -	\$ 500,000	\$ 500,000
Investment Income - unrestricted	-	-	297,559	297,559
Total revenues	-	-	797,559	797,559
Expenditures				
Current:				
Professional Fees	3,896,737	3,896,737	2,117,584	1,779,153
Allocations to Other Agencies	4,169,638	4,169,638	-	4,169,638
Total expenditures	8,066,375	8,066,375	2,117,584	5,948,791
Excess / (deficiency) of revenues over / (under) expenditures	(8,066,375)	(8,066,375)	(1,320,025)	6,746,350
Other financing sources / (uses)				
Transfers (out) / in	-	-	(1,079,283)	(1,079,283)
Net change in fund balances	(8,066,375)	(8,066,375)	(2,399,308)	5,667,067
Fund balances - beginning	9,075,663	9,075,663	9,075,663	-
Fund balances - ending	\$ 1,009,288	\$ 1,009,288	\$ 6,676,355	\$ 5,667,067

**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, 2008**

Schedule 6

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Project grants from local agencies	\$ -	\$ -	\$ 22,681,000	\$ 22,681,000
Investment income - restricted	-	-	1,454,256	1,454,256
Total revenues	-	-	24,135,256	24,135,256
Expenditures				
Current:				
General Government	-	-	-	-
Allocations to other agencies	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	-	24,135,256	24,135,256
Net change in fund balances	-	-	24,135,256	24,135,256
Fund balances - beginning	23,413,989	23,413,989	23,413,989	-
Fund balances - ending	\$ 23,413,989	\$ 23,413,989	\$ 47,549,245	\$ 24,135,256

Metropolitan Transportation Commission
Schedule of Revenues, Expenses and Changes in Fund Balances –
Budget and Actual – Feeder Bus Fund
For the Year Ended June 30, 2008

Schedule 7

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income - unrestricted	\$ 121	\$ 121	\$ 1,577	\$ 1,456
Total revenues	121	121	1,577	1,456
Expenditures				
Current:				
Allocations to other agencies	121	121	-	121
Total expenditures	121	121	-	121
Excess / (deficiency) of revenues over / (under) expenditures	-	-	1,577	1,577
Net change in fund balances	-	-	1,577	1,577
Fund balances - beginning	46,932	46,932	46,932	-
Fund balances - ending	\$ 46,932	\$ 46,932	\$ 48,509	\$ 1,577

Metropolitan Transportation Commission
Schedule of Expenditures – Governmental General Fund
For the Year Ended June 30, 2008

Schedule 8

Expenditures by natural classification*:

Salaries & benefits	\$ 24,764,040
Travel	211,193
Professional fees	38,170,971
Overhead	3,498,578
Printing & reproduction	340,158
Other	<u>39,980</u>

Reported as general government expenditures
in the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds

\$ 67,024,920

Salaries & benefits - MTC*
Salaries & benefits - BATA
Salaries & benefits - SAFE
Total salaries & benefits

\$ 24,764,040
5,266,565
865,995
\$ 30,896,600

Overhead - MTC*
Overhead - SAFE
Total Overhead

\$ 3,498,578
426,777
\$ 3,925,355

*Includes Capital Projects

Metropolitan Transportation Commission
Schedule of Overhead, Salaries and Benefits Expenditures – Governmental
General Fund
For the Year Ended June 30, 2008

Schedule 9

	Direct Costs*	Indirect Costs	Unallowable Costs	Total
Salaries	\$ 10,521,071	\$ 3,170,356	\$ 284,601	\$ 13,976,029
Benefits	6,988,824	2,030,853	7,900,895	16,920,572
TOTAL SALARIES AND BENEFITS	\$ 17,509,895	\$ 5,201,209	\$ 8,185,496	\$ 30,896,601
Reimbursable overhead:**				
Agency Temps		\$ 260,828	\$ -	\$ 260,828
Training		60,651	6,354	67,005
Personnel recruitment		128,744	-	128,744
Public hearings		10,652	-	10,652
Advertising		44,917	-	44,917
Communications		120,419	-	120,419
Utilities		136,597	-	136,597
Meeting room rental		6,456	-	6,456
Equipment rental		1,783	-	1,783
Parking rental		9,375	-	9,375
Storage rental		23,928	-	23,928
Computer maintenance & repair		36,505	-	36,505
Auto expense		15,797	-	15,797
Equipment maintenance & repair		733	1,849	2,582
General maintenance		28,034	-	28,034
Janitorial service		116,097	-	116,097
Office supplies		78,291	-	78,291
Printing & graphics supplies		61,440	-	61,440
Computer supplies		33,860	-	33,860
Computer software		303,872	-	303,872
Computer hardware		205,786	-	205,786
Furniture & fixtures		20,443	-	20,443
Postage & mailing		177,178	-	177,178
Memberships		49,977	21,502	71,479
Library acquisitions & subscriptions		38,572	3,593	42,165
Law library		20,634	-	20,634
Computer time & services		17,931	-	17,931
Advisory member stipend		44,650	62,800	107,450
Audit fees		26,272	380,899	407,171
Newswire service		15,881	-	15,881
Insurance		109,807	-	109,807
Other		14,128	95,059	109,187
Miscellaneous		-	47,048	47,048
Travel		132,350	172,578	304,928
Professional Fees		118,230	106,867	225,097
Bldg Maintenance		327,188	-	327,188
Subtotal Indirect Costs		<u>2,798,006</u>	<u>898,549</u>	<u>3,696,555</u>
Depreciation expense		604,534	-	604,534
Total indirect costs including depreciation expense		<u>3,402,540</u>	<u>898,549</u>	<u>4,301,089</u>
Indirect Cost Recovered		<u>8,832,550</u>		
Indirect (Over)/Under Absorbed		<u>\$ (228,800)</u>		

*Direct Costs include BATA and SAFE Salaries and Benefits per Indirect Cost Plan for FY 07-08.

** Overhead distributed to BATA and SAFE per Indirect Cost Plan for FY 07-08.

Metropolitan Transportation Commission
Schedule of Expenditures – Federal Highway Administration Grant
No. 08OWPMTCM
For the Year Ended June 30, 2008

Schedule 10

	ABAG	MTC	Total
Authorized Expenditures			
Federal	\$ 1,163,422	\$ 7,374,365	\$ 8,537,787
Local Match	150,734	955,427	1,106,161
Total authorized expenditures	<u>1,314,156</u>	<u>8,329,792</u>	<u>9,643,948</u>
Actual Expenditures *			
Association of Bay Area Governments (ABAG)	1,163,422	-	1,163,422
MTC			
<i>Program No. Program Name</i>			
1112 Implement Public Information Program	-	926,857	926,857
1121 Develop and Produce the RTP	-	600,258	600,258
1122 Travel Models and Data	-	832,308	832,308
1124 Integrate MTS with National & International Transportation	-	234,126	234,126
1125 Non-Motorized Transportation	-	6,765	6,765
1156 Library Services	-	397,740	397,740
1211 MTS Management Strategies	-	29,821	29,821
1212 Develop MTS Performance Measures	-	137,051	137,051
1229 Refine Regional Transport ERP	-	297,515	297,515
1236 Implement Freeway Management Program	-	697,388	697,388
1311 Develop and Implement Welfare to Work Program	-	131,069	131,069
1412 Air Quality Conformity	-	(265)	(265)
1511 Financial Analysis and Planning	-	218,979	218,979
1512 Federal Programming, Monitoring and TIP Development	-	807,543	807,543
1514 Allocate Funds/Admin Assistance Program	-	323,770	323,770
1515 State Programming and Project Monitoring	-	136,291	136,291
Total Expenditures	<u>1,163,422</u>	<u>5,777,216</u>	<u>6,940,638</u>
Balance of Federal Highway Administration Grant	<u>\$ -</u>	<u>\$ 1,597,149</u>	<u>\$ 1,597,149</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, 2008**

Schedule 11

	2008
Revenue	
Toll revenues collected by Caltrans	\$ 477,377,104
Investment income	116,134,231
Other operating revenues	<u>14,308,777</u>
Total revenue	<u>607,820,112</u>
Operating expenses	
Operating expenses - Caltrans	30,271,065
Services and charges - BATA	<u>35,820,374</u>
Total operating before depreciation and amortization	66,091,439
Depreciation and amortization	<u>680,663</u>
Total operating expenses	<u>66,772,102</u>
Net operating income	541,048,010
Debt service and financing fees	
Interest expense	191,859,414
Financing fees	7,622,197
Bond issuance costs	<u>1,386,813</u>
Total debt service and financing fees	<u>200,868,424</u>
Income before grants & operating transfers	340,179,586
Caltrans/ other agency operating grants	102,832,315
Operating transfers	
Metropolitan Transportation Commission administrative transfers	6,266,466
Metropolitan Transportation Commission transit transfers	
AB 664 expenses	11,083,741
90% rail expenses	8,965,978
5% transit expenses	891,603
Transfers to Regional Measure 2 operators	<u>26,696,240</u>
Total operating transfers	<u>53,904,028</u>
Net income before capital transfers	<u>389,107,873</u>
Capital project transfers	
Regional Measure 1 transfers	83,000,142
Maintenance A transfers	4,810,988
Bridge rehabilitation transfers	20,795,870
Regional Measure 2 transfers	108,064,703
Bridge Seismic transfers	698,394,128
Transfers to other agencies	<u>17,943,384</u>
Total capital transfers	<u>933,009,215</u>
Net loss before contributions	(543,901,342)
Change in net assets	(543,901,342)
Total net assets/(deficits) - beginning	<u>(1,674,323,855)</u>
Total net assets/(deficits) - ending	<u>\$ (2,218,225,197)</u>

Metropolitan Transportation Commission
Schedule of Computations Demonstrating
Bond Covenant Compliance – BATA Proprietary Fund, *continued*
For the Year Ended June 30, 2008

Schedule 11

	2008
Net revenue ¹	\$ 577,549,047
Debt service ²	\$ 234,479,414
Debt service coverage ³	2.46
Debt service coverage - bond covenant requirement	1.20
Net revenue ¹	\$ 577,549,047
Debt service ² , operating transfer, financing fees ⁴	\$ 300,816,627
Fixed charge coverage	1.92
Fixed charge coverage - bond covenant requirement	1.00
Net revenue ¹ plus operations & maintenance reserve	\$ 727,549,047
Fixed charges ⁵	\$ 300,816,627
Fixed charge coverage	2.42
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 \$42,620,000

³ Based on debt outstanding from May 24, 2001 to June 5, 2008

⁴ Including BATA service and charges (excluding depreciation) = 1.68

⁵ Fixed charges comprise debt service, financing fees, and operating transfers (including BATA expense = 2.11)

Metropolitan Transportation Commission
Schedule of Operating Revenues and Expenses – BATA Proprietary Fund – By Bridge
For the Year Ended June 30, 2008

Schedule 12

	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 by Caltrans	\$85,225,636	\$73,663,301	\$10,545,060	\$49,389,963	\$ 161,335,048	\$59,628,110	\$ 37,589,986	\$ 477,377,104
Other operating revenues	2,721,659	2,376,260	234,167	1,393,272	4,788,429	1,887,870	907,120	14,308,777
Total operating revenues	87,947,295	76,039,561	10,779,227	50,783,235	166,123,477	61,515,980	38,497,106	491,685,881
Operating expenses								
Operating expenditures incurred by Caltrans	4,182,242	4,583,503	1,597,556	2,608,782	11,153,914	3,695,705	2,449,363	30,271,065
Services and charges	7,755,757	6,703,554	959,628	4,494,616	14,681,913	5,426,315	3,420,788	43,442,571
Allocations to other agencies	4,766,052	4,119,454	589,709	2,762,023	9,022,299	3,334,568	2,102,135	26,696,240
Depreciation	121,518	105,032	15,036	70,422	230,038	85,020	53,597	680,663
Total operating expenses	16,825,569	15,511,543	3,161,929	9,935,843	35,088,164	12,541,608	8,025,883	101,090,539
Operating income	\$71,121,726	\$60,528,018	\$ 7,617,298	\$40,847,392	\$ 131,035,313	\$48,974,372	\$ 30,471,223	\$ 390,595,342

Metropolitan Transportation Commission
Combining Statement of Changes in Assets and Liabilities by Participant –
Agency Funds
For the Year Ended June 30, 2008

Schedule 13

	Balance			Balance
<u>County of Alameda</u>	July 1, 2007	Additions	Deductions	June 30, 2008
Assets				
Cash and cash equivalents	\$ 13,382,021	71,101,394	69,587,478	\$ 14,895,937
Receivables - interest	165,000	150,000	165,000	150,000
Total Assets	<u>\$ 13,547,021</u>	<u>71,251,394</u>	<u>69,752,478</u>	<u>\$ 15,045,937</u>
Liabilities				
Accounts payable	\$ 454,255	70,366,011	70,573,689	\$ 246,577
Accrued payable	230,364	841,108	230,364	841,108
Due to other governments	12,862,402	44,275	(1,051,575)	13,958,252
Total Liabilities	<u>\$ 13,547,021</u>	<u>71,251,394</u>	<u>69,752,478</u>	<u>\$ 15,045,937</u>
<u>County of Contra Costa</u>				
Assets				
Cash and cash equivalents	\$ 14,762,377	36,524,977	35,273,778	\$ 16,013,576
Receivables - interest	24,276	13,389	24,276	13,389
Receivables - other	46,722	-	46,722	-
Total Assets	<u>\$ 14,833,375</u>	<u>36,538,366</u>	<u>35,344,776</u>	<u>\$ 16,026,965</u>
Liabilities				
Accounts payable	\$ 530,145	33,814,553	33,967,358	\$ 377,340
Accrued payable	112,199	480,372	112,199	480,372
Due to other governments	14,191,031	2,243,441	1,265,219	15,169,253
Total Liabilities	<u>\$ 14,833,375</u>	<u>36,538,366</u>	<u>35,344,776</u>	<u>\$ 16,026,965</u>
<u>County of Marin</u>				
Assets				
Cash and cash equivalents	\$ 1,270,906	11,099,127	10,836,507	\$ 1,533,526
Receivables - interest	20,000	20,000	20,000	20,000
Total Assets	<u>\$ 1,290,906</u>	<u>11,119,127</u>	<u>10,856,507</u>	<u>\$ 1,553,526</u>
Liabilities				
Accounts payable	\$ -	10,583,053	10,392,617	\$ 190,436
Accrued payable	23,010	-	23,010	-
Due to other governments	1,267,896	536,074	440,880	1,363,090
Total Liabilities	<u>\$ 1,290,906</u>	<u>11,119,127</u>	<u>10,856,507</u>	<u>\$ 1,553,526</u>

Metropolitan Transportation Commission
Combining Statement of Changes in Assets and Liabilities by Participant –
Agency Funds, *continued*
For the Year Ended June 30, 2008

Schedule 13

	Balance			Balance
<u>County of Napa</u>	July 1, 2007	Additions	Deductions	June 30, 2008
Assets				
Cash and cash equivalents	\$ 12,041,301	8,763,510	8,794,899	\$ 12,009,912
Total Assets	<u>\$ 12,041,301</u>	<u>8,763,510</u>	<u>8,794,899</u>	<u>\$ 12,009,912</u>
Liabilities				
Accounts payable	\$ 48,340	8,510,009	8,534,604	\$ 23,745
Accrued payable	-	34,729	-	34,729
Due to other governments	11,992,961	218,772	260,295	11,951,438
Total Liabilities	<u>\$ 12,041,301</u>	<u>8,763,510</u>	<u>8,794,899</u>	<u>\$ 12,009,912</u>
<u>County of San Francisco</u>				
Assets				
Cash and cash equivalents	\$ 1,587,606	39,234,196	38,997,785	\$ 1,824,017
Total Assets	<u>\$ 1,587,606</u>	<u>39,234,196</u>	<u>38,997,785</u>	<u>\$ 1,824,017</u>
Liabilities				
Accounts payable	\$ 34,082	35,908,060	35,723,755	\$ 218,387
Accrued payable	4,861	-	4,861	-
Due to other governments	1,548,663	3,326,136	3,269,169	1,605,630
Total Liabilities	<u>\$ 1,587,606</u>	<u>39,234,196</u>	<u>38,997,785</u>	<u>\$ 1,824,017</u>
<u>County of Santa Mateo</u>				
Assets				
Cash and cash equivalents	\$ 3,140,757	35,109,714	35,462,008	\$ 2,788,463
Receivables - interest	47,018	26,710	47,018	26,710
Total Assets	<u>\$ 3,187,775</u>	<u>35,136,424</u>	<u>35,509,026</u>	<u>\$ 2,815,173</u>
Liabilities				
Accounts payable	\$ 106,322	34,236,867	34,208,414	\$ 134,775
Accrued payable	-	150,689	-	150,689
Due to other governments	3,081,453	748,868	1,300,612	2,529,709
Total Liabilities	<u>\$ 3,187,775</u>	<u>35,136,424</u>	<u>35,509,026</u>	<u>\$ 2,815,173</u>
<u>County of Santa Clara</u>				
Assets				
Cash and cash equivalents	\$ 12,999,912	95,634,913	103,510,304	\$ 5,124,521
Total Assets	<u>\$ 12,999,912</u>	<u>95,634,913</u>	<u>103,510,304</u>	<u>\$ 5,124,521</u>
Liabilities				
Accounts payable	\$ 5,008,308	96,277,719	101,247,666	\$ 38,361
Accrued payable	466,779	398,818	466,779	398,818
Due to other governments	7,524,825	(1,041,624)	1,795,859	4,687,342
Total Liabilities	<u>\$ 12,999,912</u>	<u>95,634,913</u>	<u>103,510,304</u>	<u>\$ 5,124,521</u>

Metropolitan Transportation Commission
Combining Statement of Changes in Assets and Liabilities by Participant –
Agency Funds, *continued*
For the Year Ended June 30, 2008

Schedule 13

	Balance			Balance
<u>County of Solano</u>	July 1, 2007	Additions	Deductions	June 30, 2008
Assets				
Cash and cash equivalents	\$ 10,701,655	16,382,382	19,846,423	\$ 7,237,614
Total Assets	<u>\$ 10,701,655</u>	<u>16,382,382</u>	<u>19,846,423</u>	<u>\$ 7,237,614</u>
Liabilities				
Accounts payable	\$ 1,515,594	17,744,177	19,240,935	\$ 18,836
Accrued payable	175,408	519,260	175,408	519,260
Due to other governments	9,010,653	(1,881,055)	430,080	6,699,518
Total Liabilities	<u>\$ 10,701,655</u>	<u>16,382,382</u>	<u>19,846,423</u>	<u>\$ 7,237,614</u>
<u>County of Sonoma</u>				
Assets				
Cash and cash equivalents	\$ 16,052,918	24,829,160	24,060,898	\$ 16,821,180
Total Assets	<u>\$ 16,052,918</u>	<u>24,829,160</u>	<u>24,060,898</u>	<u>\$ 16,821,180</u>
Liabilities				
Accounts payable	\$ 335,563	24,511,429	23,238,770	\$ 1,608,222
Accrued payable	33,674	(161,889)	33,674	(161,889)
Due to other governments	15,683,681	479,620	788,454	15,374,847
Total Liabilities	<u>\$ 16,052,918</u>	<u>24,829,160</u>	<u>24,060,898</u>	<u>\$ 16,821,180</u>
<u>AB 1107</u>				
Assets				
Cash and cash equivalents	\$ -	67,666,387	67,666,387	\$ -
Total Assets	<u>\$ -</u>	<u>67,666,387</u>	<u>67,666,387</u>	<u>\$ -</u>
Liabilities				
Accounts payable	\$ -	67,666,387	67,666,387	\$ -
Total Liabilities	<u>\$ -</u>	<u>67,666,387</u>	<u>67,666,387</u>	<u>\$ -</u>
<u>Total - All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 85,939,453	406,345,760	414,036,467	\$ 78,248,746
Receivables - interest	256,294	210,099	256,294	210,099
Receivables - other	46,722	-	46,722	-
Total Assets	<u>\$ 86,242,469</u>	<u>406,555,859</u>	<u>414,339,483</u>	<u>\$ 78,458,845</u>
Liabilities				
Accounts payable	\$ 8,032,609	399,618,265	404,794,195	\$ 2,856,679
Accrued payable	1,046,295	2,263,087	1,046,295	2,263,087
Due to other governments	77,163,565	4,674,507	8,498,993	73,339,079
Total Liabilities	<u>\$ 86,242,469</u>	<u>406,555,859</u>	<u>414,339,483</u>	<u>\$ 78,458,845</u>

Metropolitan Transportation Commission
Schedule of Interest Rate Swap Summary – BATA Proprietary Fund
For the Year Ended June 30, 2008

Schedule 14

COUNTERPARTY	SERIES 2001	SERIES 2003	SERIES 2004	SERIES 2006 A-E	SERIES 2007	TOTAL	PERCENTAGE BY COUNTERPARTY	RATINGS (S&P/MOODYS)
Ambac	\$150,000,000	\$197,000,000	\$295,020,000	\$500,000,000	\$420,000,000	\$1,562,020,000	56%	AA/Aa3
Citigroup/Citibank	\$75,000,000	-	-	\$225,000,000	\$260,000,000	\$560,000,000	20%	AA-/Aa3
JP Morgan AAAISDA	-	-	-	\$245,000,000	\$270,000,000	\$515,000,000	18%	AAA/Aaa
Bank of America	-	-	-	\$30,000,000	\$50,000,000	\$80,000,000	3%	AA+/Aaa
Morgan Stanley	\$75,000,000	-	-	-	-	\$75,000,000	3%	A+/Aa3
Total Swap Notional	\$300,000,000	\$197,000,000	\$295,020,000	\$1,000,000,000	\$1,000,000,000	\$2,792,020,000		

Termination Value	(\$37,215,101)	(\$23,360,198)	(\$9,421,674)	(\$44,262,772)	(\$44,340,220)	(\$158,599,965)
-------------------	----------------	----------------	---------------	----------------	----------------	-----------------

Average Basis Cost (FY 07-08)	0.86%	0.91%	0.68%	0.75%	0.84%	0.80%
-------------------------------	-------	-------	-------	-------	-------	-------

Average Basis Cost Since Inception	0.17%*
------------------------------------	--------

* Average since swap inception

Metropolitan Transportation Commission
Schedule of Interest Rate Swap for Series 2001, 2003 and 2004 – BATA Proprietary Fund
For the Year Ended June 30, 2008

Schedule 15

	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	\$197,000,000	\$295,020,000	\$792,020,000
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 (4)	65% One Mth LIBOR (4)	65% One Mth LIBOR (4)	65% One Mth LIBOR (4)	65% One Mth LIBOR(4)	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	
All in Rate							
contracted cost	4.0900%	4.1000%	4.1200%	4.1100%	4.1390%	3.4155%	
basis cost (1)	5.0889%	5.0889%	5.0889%	5.0889%	3.7701%	5.4444%	
liquidity/remarketing	0.3000%	0.3000%	0.3000%	0.3000%	0.3000%	0.3000%	
	9.4789%	9.4889%	9.5089%	9.4989%	8.2091%	9.1599%	
Counterparty (CP)	Morgan Stanley	Citigroup	Ambac	Ambac	Ambac	Ambac	
S&P/Moodys	A+/Aa3	AA-/Aa3	AA/Aa3	AA/Aa3	AA/Aa3	AA/Aa3	
Ratings Outlook	Negative	Negative	Negative	Negative	Negative	Negative	
Termination Value							
Due from/(to) CP	(\$9,995,740)	(\$10,105,118)	(\$9,215,923)	(\$7,898,320)	(\$23,360,198)	(\$9,421,674)	(\$69,996,973)
Credit Risk							
CP Collateral Posting (2)							
1a) CP < A+ (S&P)	No	No	No	No	No	No	
or							
1b) CP < Aa3 (Moody's)	No	No	No	No	No	No	
and							
2) Termination Value >\$10,000,000	No	No	No	No	No	No	
Termination Risk (3)	No	No	No	No	No	No	
Tax Risk	Yes	Yes	Yes	Yes	Yes	Yes	
Rollover Risk	No	No	No	No	No	No	
Amortization Risk	No	No	No	No	No	No	

- (1) Blended series basis cost at end of June
(2) Unilateral collateral posting by CP
(3) Unilateral termination at BATA's discretion
(4) Prior to 1/1/06 was cost of fund

Metropolitan Transportation Commission
Schedule of Interest Rate Swap for Series 2006 – BATA Proprietary Fund
For the Year Ended June 30, 2008

Schedule 16

	SERIES A 2006	SERIES B 2006	SERIES 2006	SERIES 2006	TOTAL
Notional Amount	\$245,000,000	\$225,000,000	\$500,000,000	\$30,000,000	\$1,000,000,000
Trade Date	11/15/2005	11/15/2005	11/15/2005	11/15/2005	
Effective Date	2/8/2006	2/8/2006	2/8/2006	2/8/2006	
Swap Mode	67.8% 10 Yr LIBOR CMS (4) 75.105% One Mth LIBOR	53.8% One Mth LIBOR+0.74%	68% One Mth LIBOR	68% One Mth LIBOR	
Maturity	4/1/2045	4/1/2045	4/1/2045	4/1/2045	
Basis Cost	Yes	Yes	Yes	Yes	
All in Rate					
contracted cost	4.0000%	3.6375%	3.6468%	3.6330%	
basis costs (1)	1.3395%	1.3395%	1.3395%	1.3395%	
liquidity/remarketing	0.5000%	0.5000%	0.5000%	0.5000%	
	5.8395%	5.4770%	5.4863%	5.4725%	
Counterparty (CP)	JP Morgan AAA ISDA	Citibank	Ambac	Bank of America	
S&P/Moodys	AAA/Aaa	AA/Aa1	AA/Aa3	AA+/Aaa	
Ratings Outlook	N/A	Negative	Negative	Negative/Stable	
Termination Value					
Due from/(to) CP	(\$8,670,225)	(\$9,004,894)	(\$25,143,744)	(\$1,443,910)	(\$44,262,773)
Credit Risk					
CP Collateral Posting (2)					
1a) CP < A+ (S&P)	No	No	No	No	
or					
1b) CP < Aa3 (Moody's)	No	No	No	No	
and					
2) Termination Value >\$10,000,000	No	No	No	No	
Collateral Posted by CP	\$9,002,978 (5)				
Termination Risk (3)	No	No	No	No	
Tax Risk	Yes	Yes	Yes	Yes	
Rollover Risk	No	No	No	No	
Amortization Risk	No	No	No	No	

(1) Blended series basis cost at end of June

(2) Unilateral collateral posting by CP

(3) Unilateral termination at BATA's discretion

(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) Collateral posted by CP under terms and conditions of JP Morgan AAA ISDA; \$0 threshold regardless of ratings

Metropolitan Transportation Commission
Schedule of Interest Rate Forward Swap for Series 2007 – BATA Proprietary Fund
For the Year Ended June 30, 2008

Schedule 17

	SERIES A 2007	SERIES B 2007	SERIES 2007	SERIES 2007	TOTAL
Notional Amount	\$270,000,000	\$260,000,000	\$420,000,000	\$50,000,000	\$1,000,000,000
Trade Date	11/30/2005	11/30/2005	11/30/2005	11/30/2005	
Effective Date	11/1/2007	11/1/2007	11/1/2007	11/1/2007	
Swap Mode	69.33% 5 Yr LIBOR CMS (4) 75.08% One Mth LIBOR	53.8% One Mth LIBOR+0.74%	68% One Mth LIBOR	68% One Mth LIBOR	
Maturity	4/1/2046	4/1/2047	4/1/2047	4/1/2047	
Basis Cost	Yes	Yes	Yes	Yes	
All in Rate					
contracted cost	4.0000%	3.6360%	3.6407%	3.6255%	
basis costs (1)	4.3525%	4.3525%	4.3525%	4.3525%	
liquidity/remarketing	0.3000%	0.3000%	0.3000%	0.3000%	
	8.6525%	8.2885%	8.2932%	8.2780%	
Counterparty (CP)	JP Morgan AAA ISDA	Citibank	Ambac	Bank of America	
S&P/Moodys	AAA/Aaa	AA/Aa1	AA/Aa3	AA+/Aaa	
Ratings Outlook	N/A	Negative	Negative	Negative/Stable	
Termination Value					
Due from/(to) CP	(\$10,501,712)	(\$10,486,639)	(\$20,975,864)	(\$2,376,005)	(\$44,340,220)
Credit Risk					
CP Collateral Posting (2)					
1a) CP < A+ (S&P)	No	No	No	No	
or					
1b) CP < Aa3 (Moody's)	No	No	No	No	
and					
2) Termination Value > \$10,000,000	No	No	No	No	
Collateral Posted by CP	\$10,654,713 (5)				
Termination Risk (3)	No	No	No	No	
Tax Risk	Yes	Yes	Yes	Yes	
Rollover Risk	No	No	No	No	
Amortization Risk	No	No	No	No	

(1) Blended series basis cost at end of June

(2) Unilateral collateral posting by CP

(3) Unilateral termination at BATA's discretion

(4) 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

(5) Collateral posted by CP under terms and conditions of JP Morgan AAA ISDA; \$0 threshold regardless of ratings

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	103
-------------------------	------------

These schedules provide trend information to assist the reader in understanding the change in MTC’s financial performance over time.

Revenue Capacity	108
-------------------------	------------

These schedules include information to help the reader assess MTC’s most significant local revenue source, Toll Bridge Revenue.

Debt Capacity	113
----------------------	------------

These schedules provide information to help the reader assess the affordability of MTC’s current levels of outstanding debt and it’s ability to issue additional debt in the future.

Demographic and Economic Information	115
---	------------

These schedules offer demographic and economic indicators to help the reader understand the environment in which MTC’s financial activities take place.

Operating Information	117
------------------------------	------------

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
By Fiscal Year

Table 1

	FISCAL YEAR						
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities							
Invested in capital assets, net of related debt	\$ 3,465,851	\$ 3,145,598	\$ 2,945,486	\$ 6,050,609	\$ 5,826,876	\$ 6,015,009	\$ 8,768,236
Restricted	101,516,139	123,408,092	116,531,998	104,451,116	117,116,581	157,234,149	200,512,803
Unrestricted	63,366,428	37,498,779	35,169,154	49,795,285	50,970,344	130,204,819	103,637,879
Total governmental activities net assets	\$ 168,348,418	\$ 164,052,469	\$ 154,646,638	\$ 160,297,010	\$ 173,913,801	\$ 293,453,977	\$ 312,918,918
Business-type activities							
Invested in capital assets, net of related debt	\$ 1,273,731	\$ 2,137,004	\$ 1,885,998	\$ 4,895,382	\$ 5,539,155	\$ 5,596,330	\$ 8,205,986
Restricted	125,000,000	130,000,000	175,000,000	257,670,228	643,443,555	691,734,520	338,457,885
Unrestricted	288,980,936	40,209,942	(320,399,132)	(592,302,986)	(1,914,339,559)	(2,347,409,692)	(2,549,519,696)
Total business-type activities net assets	\$ 415,254,667	\$ 172,346,946	\$ (143,513,134)	\$ (329,737,376)	\$ (1,265,356,849)	\$ (1,650,078,842)	\$ (2,202,855,825)
Total Primary government							
Invested in capital assets, net of related debt	\$ 4,739,582	\$ 5,282,602	\$ 4,831,484	\$ 10,945,991	\$ 11,366,031	\$ 11,611,339	\$ 16,974,222
Restricted	226,516,139	253,408,092	291,531,998	362,121,344	760,560,136	848,968,669	538,970,688
Unrestricted	352,347,364	77,708,721	(285,229,978)	(542,507,701)	(1,863,369,215)	(2,217,204,873)	(2,445,881,817)
Total primary government net assets	\$ 583,603,085	\$ 336,399,415	\$ 11,133,504	\$ (169,440,366)	\$ (1,091,443,048)	\$ (1,356,624,865)	\$ (1,889,936,907)

Metropolitan Transportation Commission
Changes in Net Assets
By Fiscal Year

Table 2

	FISCAL YEAR						
	2002	2003	2004	2005	2006	2007	2008
Expenses							
Governmental activities:							
General government	\$ 45,894,987	\$ 48,570,719	\$ 47,237,837	\$ 47,451,629	\$ 63,297,372	\$ 93,884,140	\$ 85,202,758
Transportation	92,787,010	105,152,624	81,873,193	71,885,313	87,731,178	145,646,986	152,775,596
Total governmental activities expenses	138,681,997	153,723,343	129,111,030	119,336,942	151,028,550	239,531,126	237,978,354
Business-type activities:							
Toll bridge activities	\$ 347,029,659	\$ 390,063,272	\$ 451,929,596	\$ 433,703,072	\$ 617,546,375	\$ 1,155,916,387	\$ 1,234,968,178
Congestion relief	9,251,327	10,375,587	10,869,417	11,788,922	12,401,445	16,891,976	13,675,326
Total business-type activities expenses	356,280,986	400,438,859	462,799,013	445,491,994	629,947,820	1,172,808,363	1,248,643,504
Total primary government expenses	\$ 494,962,983	\$ 554,162,202	\$ 591,910,043	\$ 564,828,936	\$ 780,976,370	\$ 1,412,339,489	\$ 1,486,621,858
Program Revenues							
Governmental activities:							
Charges for services							
Operating grants and contributions	\$ 47,068,942	\$ 48,068,323	\$ 49,973,776	\$ 50,164,492	\$ 57,641,452	\$ 320,311,068	\$ 207,272,581
Capital grants and contributions	64,472,632	72,344,529	42,343,900	44,957,468	70,769,703	-	9,858,000
Total governmental activities program revenues	111,541,574	120,412,852	92,317,676	95,121,960	128,411,155	320,311,068	217,130,581
Business-type activities:							
Charges for services	150,127,560	151,914,404	152,936,898	256,466,211	292,999,899	434,341,478	497,712,304
Operating grants and contributions	7,068,363	7,073,668	6,717,919	8,129,406	8,868,243	283,081,628	110,372,414
Capital grants and contributions	-	-	-	-	499,403,240	1,234,760	-
Total business-type activities program revenues	157,195,923	158,988,072	159,654,817	264,595,617	801,271,382	718,657,866	608,084,718
Total primary government program revenues	\$ 268,737,497	\$ 279,400,924	\$ 251,972,493	\$ 359,717,577	\$ 929,682,537	\$ 1,038,968,934	\$ 825,215,299
Net (expense)/revenue							
Governmental activities	\$ (27,140,423)	\$ (33,310,491)	\$ (36,793,354)	\$ (24,214,982)	\$ (22,617,395)	\$ 80,779,942	\$ (20,847,773)
Business-type activities	(199,085,063)	(241,450,787)	(303,144,196)	(180,896,377)	171,323,562	(454,150,497)	(640,558,786)
Total primary government net expense	\$(226,225,486)	\$(274,761,278)	\$(339,937,550)	\$(205,111,359)	\$ 148,706,167	\$ (373,370,555)	\$(661,406,559)

Metropolitan Transportation Commission
Changes in Net Assets, *continued*
By Fiscal Year

Table 2

	FISCAL YEAR						
	2002	2003	2004	2005	2006	2007	2008
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Restricted investment earnings	\$ 4,374,608	\$ 1,764,255	\$ 1,089,784	\$ 2,790,946	\$ 3,996,455	\$ 9,498,532	\$ 1,454,256
Unrestricted investment earnings	-	-	-	-	-	1,410,000	9,936,121
Transfers	27,012,806	27,250,287	26,297,739	27,074,408	32,237,731	27,851,702	28,922,337
Total governmental activities	31,387,414	29,014,542	27,387,523	29,865,354	36,234,186	38,760,234	40,312,714
Business-type activities:							
Unrestricted investment earnings	45,598,476	25,793,353	11,184,788	21,746,543	44,857,379	97,280,206	116,704,140
Contributed capital	-	-	2,397,067	-	-	-	-
Extraordinary item	-	-	-	-	(1,119,562,683)	-	-
Transfers	(27,012,806)	(27,250,287)	(26,297,739)	(27,074,408)	(32,237,731)	(27,851,702)	(28,922,337)
Total business-type activities	18,585,670	(1,456,934)	(12,715,884)	(5,327,865)	(1,106,943,035)	69,428,504	87,781,803
Total primary government	\$ 49,973,084	\$ 27,557,608	\$ 14,671,639	\$ 24,537,489	\$ (1,070,708,849)	\$ 108,188,738	\$ 128,094,517
Change in Net Assets							
Governmental activities	\$ 4,246,991	\$ (4,295,949)	\$ (9,405,831)	\$ 5,650,372	\$ 13,616,791	\$ 119,540,176	\$ 19,464,941
Business-type activities	(180,499,393)	(242,907,721)	(315,860,080)	(186,224,242)	(935,619,473)	(384,721,993)	(552,776,983)
Total primary government	\$(176,252,402)	\$(247,203,670)	\$(325,265,911)	\$(180,573,870)	\$ (922,002,682)	\$ (265,181,817)	\$(533,312,042)

Metropolitan Transportation Commission
Fund Balances of Governmental Funds
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>
General fund							
Reserved	\$ 15,989,184	\$ 25,259,128	\$ 20,309,372	\$ 15,646,616	\$ 15,185,963	\$ 13,948,767	\$ 8,063,614
Unreserved	13,244,454	1,953,023	4,133,130	5,591,303	8,831,983	12,870,068	11,197,893
Total general fund	<u>\$ 29,233,638</u>	<u>\$ 27,212,151</u>	<u>\$ 24,442,502</u>	<u>\$ 21,237,919</u>	<u>\$ 24,017,946</u>	<u>\$ 26,818,835</u>	<u>\$ 19,261,507</u>
All other governmental funds							
Reserved	\$ 53,086,955	\$ 58,213,964	\$ 48,412,626	\$ 43,938,244	\$ 44,930,618	\$ 97,455,080	\$ 143,224,844
Unreserved, reported in:							
Capital projects fund	-	-	-	-	-	96,048	820,479
Special revenue funds	50,193,913	35,600,753	31,072,469	35,031,655	44,556,177	117,238,703	136,057,173
Total all other governmental funds	<u>\$ 103,280,868</u>	<u>\$ 93,814,717</u>	<u>\$ 79,485,095</u>	<u>\$ 78,969,899</u>	<u>\$ 89,486,795</u>	<u>\$ 214,789,831</u>	<u>\$ 280,102,496</u>

Metropolitan Transportation Commission
Changes in Fund Balances of Governmental Funds
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>
Revenues							
Sales taxes	\$ 9,326,567	\$ 8,903,326	\$ 9,087,510	\$ 9,561,542	\$ 10,355,069	\$ 10,626,162	\$ 10,799,418
Grants - Federal	24,334,055	28,128,978	30,979,398	32,567,639	37,451,720	44,210,716	50,727,374
Grants - State	71,062,002	77,008,623	45,820,602	47,339,486	74,084,265	227,808,567	127,564,667
Local agencies revenues	6,818,950	6,371,924	6,430,166	5,653,293	6,520,101	37,665,623	33,039,122
Investment income - unrestricted	4,374,608	1,764,255	1,089,784	2,790,946	3,996,455	9,498,532	11,346,122
Investment income - restricted	-	-	-	-	-	-	1,454,256
Total revenues	115,916,182	122,177,106	93,407,460	97,912,906	132,407,610	329,809,600	234,930,959
Expenditures							
General government	45,502,050	48,211,613	44,957,866	38,805,441	49,944,701	59,181,464	74,153,145
Allocation to other agencies	100,528,010	112,647,623	91,680,593	81,184,603	95,764,677	156,209,507	163,201,174
Capital outlay	209,565	55,795	166,011	10,539,500	5,639,040	14,166,406	15,743,639
Total expenditures	146,239,625	160,915,031	136,804,470	130,529,544	151,348,418	229,557,377	253,097,958
Excess of revenues over (under) expenditures	(30,323,443)	(38,737,925)	(43,397,010)	(32,616,638)	(18,940,808)	100,252,223	(18,166,999)
Other financing sources (uses)							
Other financing source	-	-	-	-	-	-	47,000,000
Transfer in	35,874,919	31,377,569	29,963,801	29,374,731	35,979,668	42,542,764	49,778,724
Transfer out	(8,862,113)	(4,127,282)	(3,666,062)	(2,300,323)	(3,741,937)	(14,691,062)	(20,856,388)
Total other financing sources (uses)	27,012,806	27,250,287	26,297,739	27,074,408	32,237,731	27,851,702	75,922,336
Net change in fund balances	\$ (3,310,637)	\$ (11,487,638)	\$ (17,099,271)	\$ (5,542,230)	\$ 13,296,923	\$ 128,103,925	\$ 57,755,337

**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	
1999	\$ 142,457,747	\$ 22,522,983	N/A	\$ -	\$ 41,034,464	\$ 206,015,194
2000	146,570,469	31,848,657	36,779,136	-	44,447,110	259,645,372
2001	* 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	** 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	*** 256,466,211	48,732,356	44,957,468	-	24,537,489	374,693,524
2006	**** 292,999,899	66,509,695	570,172,943	-	48,853,834	978,536,371
2007	***** 434,341,478	603,392,696	1,234,760	1,410,000	106,778,738	1,147,157,672
2008	***** 497,712,304	317,644,995	9,858,000	1,454,256	126,640,261	953,309,816

* Excludes \$400 million bond proceeds

** Excludes \$300 million bond proceeds

*** Excludes \$300 million bond proceeds

**** Excludes \$2,149 million bond proceeds

***** Excludes \$811 million bond proceeds

***** Excludes \$1,008 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>
1999	\$ 21,079,858	\$ 14,650,657	\$ 85,250,887	\$ 10,921,898	\$ 131,903,300
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	152,775,596	1,234,968,178	13,675,326	1,486,621,858

Metropolitan Transportation Commission
Toll Revenue – 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

**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

Metropolitan Transportation Commission
Average Toll Rate Revenue (\$000) – By Bridge
By Fiscal Year

Table 9

	2002			2003			2004			2005			2006			2007			2008		
	No. of Paid Vehicle	Ave Toll Rate	Total Revenue	No. of Paid Vehicle	Ave Toll Rate	Total Revenue	No. of Paid Vehicle	Ave Toll Rate	Total Revenue	No. of Paid Vehicle	Ave Toll Rate	Total Revenue	No. of Paid Vehicle	Ave Toll Rate	Total Revenue	No. of Paid Vehicle	Ave Toll Rate	Total Revenue	No. of Paid Vehicle	Ave Toll Rate	Total Revenue
San Francisco-Oakland Bay Bridge	45,118	\$1.08	\$48,549	44,996	\$1.08	\$48,788	44,646	\$1.08	\$48,360	43,357	\$1.98	\$85,880	41,265	\$2.28	\$94,093	40,134	\$3.53	\$141,807	39,555	\$4.08	\$161,335
San Mateo-Hayward Bridge	13,726	1.16	15,887	14,343	1.16	16,690	15,201	1.17	17,799	14,790	2.05	30,370	15,131	2.36	35,638	14,881	3.60	53,621	14,358	4.15	59,628
Dumbarton Bridge	10,779	1.07	11,549	10,224	1.09	11,114	9,977	1.09	10,850	9,298	2.00	18,559	9,529	2.29	21,839	9,516	3.54	33,662	9,194	4.09	37,590
Carquinez Bridge	21,678	1.24	26,948	21,824	1.26	27,475	22,054	1.25	27,665	21,344	2.18	46,459	20,914	2.48	51,767	20,722	3.73	77,320	19,875	4.29	85,226
Benicia-Martinez Bridge	17,733	1.21	21,491	17,794	1.22	21,793	17,988	1.23	22,070	17,116	2.13	36,530	17,071	2.44	41,579	16,975	3.69	62,638	17,440	4.22	73,663
Antioch Bridge	2,325	1.45	3,369	2,354	1.45	3,422	2,478	1.46	3,619	2,472	2.37	5,851	2,479	2.69	6,675	2,517	3.94	9,906	2,366	4.46	10,545
Richmond-San Rafael Bridge	12,468	\$1.17	\$14,544	12,513	\$1.19	\$14,918	12,399	\$1.19	\$14,814	11,758	\$2.08	\$24,493	11,908	\$2.41	\$28,686	11,913	\$3.64	\$43,401	11,782	\$4.19	\$49,390

Metropolitan Transportation Commission
Ratios of General Bonded Debt Outstanding
By Fiscal Year

Table 10

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<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

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

**Metropolitan Transportation Commission
Miscellaneous Statistics
June 30, 2008**

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)	170
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	7,301,080
Number of Toll Bridges in the Region	8
Traffic for All Toll Bridges - Number of Vehicles (excluding Golden Gate Bridge Highway District)	127,675,383
Toll Revenues (excluding Golden Gate Bridge Highway District)	\$477,377,104
Number of Call Boxes in the Region	2,250

**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 Income⁴</u>	<u>Median Age⁴</u>	<u>School Enrollment²</u>	<u>Unemployment Rate³</u>
1999	6,658,500	N/A	N/A	968,039	3.02%
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%

Data Sources

¹ State of California, Dept. of Finance, Demographic Research Unit

² California Department of Education

³ State of California, Employment Development Department

⁴ 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>1999</u>	<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>
Governmental Activities										
General government	52	57	58	58	56	55	56	65	65	66
Transportation	53	53	58	58	59	59	58	68	68	67
Business-type Activities										
Toll bridge activities	6	6	8	8	9	9	10	30	30	33
Congestion relief	5	5	5	5	5	6	6	6	6	4
	<u>116</u>	<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>

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%

* From MTC records

APPENDIX B

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Master Indenture, dated as of May 1, 2001, as supplemented, including as supplemented by the Thirteenth Supplemental Indenture, dated as of August 1, 2009 (hereinafter collectively referred to as the “Indenture”), between the Bay Area Toll Authority and Union Bank, N. A. (formerly Union Bank of California, N. A.), as trustee. Such summary does not purport to be complete or definitive, is supplemental to the summary of other provisions of the Indenture contained elsewhere in this Information Statement as supplemented from time to time, and is qualified in its entirety by reference to the full terms of the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS.” All capitalized terms used and not otherwise defined in this Information Statement shall have the meanings assigned to such terms in the Indenture.

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 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 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 Bonds is not due until the final stated maturity of such Bonds, principal and interest on such 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 Bonds;

(iii) if the 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 Bonds constitute variable interest rate Bonds, the interest rate on such variable interest rate Bonds shall be assumed to be 110% of the greater of (a) the daily average interest

rate on such Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Bonds shall have been Outstanding, or (b) the rate of interest on such Bonds on the date of calculation;

(v) if Bonds proposed to be issued will be variable interest rate Bonds the interest on which is excluded from gross income for federal income tax purposes, then such 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 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 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 Bonds proposed to be issued will be variable interest rate Bonds the interest on which is included in gross income for federal income tax purposes, then such 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 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 Bonds are, or will be, upon issuance part of a Commercial Paper Program, the principal of such 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 Bonds;

(viii) notwithstanding subsections (iv), (v), (vi) or (vii) above, with respect to any variable interest rate Bonds or any commercial paper, if (A) the interest rate on such variable interest rate 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 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 Bonds or commercial paper), the variable interest rate 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 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 Bonds, if (A) the interest rate on such fixed rate 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 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 Bonds), the fixed interest rate 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 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 Bonds shall be excluded to the extent such payments are to be paid from amounts then currently on deposit with the 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 Bonds held by the 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 Administrative Costs” means the amount which the Authority may retain on an annual basis, after payment of debt service on Outstanding 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 2009 Series F-1 Bonds, \$5,000 and any integral multiple thereof.

“Authorized Representative” means the Executive Director, the Deputy Executive Director, the Manager of Finance (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 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 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 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 Bonds issued under a book-entry only depository system as provided in the 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 Indenture.

“Bond Register” means the registration books for the ownership of Bonds maintained by the Trustee pursuant to the Indenture.

“Bondholder” or “Holder” or “Owner” means the record owner of any Bond shown on the books of registration kept by the Trustee, which, during any period when ownership of the Bond is determined by book entry at a Securities Depository, shall be the Securities Depository.

“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 Indenture.

“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 in the Indenture.

“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 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 Bonds having the characteristics of commercial paper (i) in that such Bonds have a stated maturity not later than 270 days from their date of issue and (ii) that maturing Bonds of such program may be paid with the proceeds of renewal Bonds.

“Construction Fund” means, with respect to the Initial Bonds, the Initial Bonds Construction Fund created pursuant to the Indenture, and means, with respect to any other Series of Bonds, a similar fund established in the Supplemental Indenture providing for the issuance of such Series of Bonds.

“Continuing Disclosure Agreement” means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the Continuing Disclosure Agreement, entered into by the Authority, the Trustee and the Dissemination Agent, as the same may be supplemented, modified or amended in accordance with its terms.

“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 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 Trustee, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, surety, insurance, liquidity and credit enhancements costs, and any other cost, charge or fee incurred in connection with the issuance of 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 Bonds and any successor to such provider or providers, or any replacement therefor.

“Credit Support Agreement” means, with respect to any Credit Support Instrument for a Series of Bonds, the agreement or agreements (which may be the Credit Support Instrument itself) between the Authority or the 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 Bonds, as the as same may be amended from time to time pursuant to its terms, and any replacement therefor.

“Current Interest Bonds” means Bonds the interest rate on which is fixed on the date of issuance of such Bonds at a single numerical rate for the entire term of the Bonds and which pay interest semiannually to the Owners thereof excluding the first payment of interest thereon.

“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.

“Dissemination Agent” means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the Trustee, acting in its capacity as dissemination agent under the Continuing Disclosure Agreement delivered in connection with such Series of Bonds, or any successor dissemination agent designated in writing by the Authority and which has filed a written acceptance with the 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 Indenture.

“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 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 Bonds.

“Fees and Expenses Fund” means the fund by that name created pursuant to the 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 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.

“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.

“Indenture” or “Master Indenture” means the Master Indenture, dated as of May 1, 2001, between the Authority and the Trustee, as the same may be amended or supplemented from time to time as permitted thereby, including as supplemented by the Thirteenth Supplemental Indenture.

“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.

“Initial 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 Indenture.

“Interest Payment Date” means with respect to the 2009 Series F-1 Bonds, April 1 and October 1 of each year until the redemption or maturity of such 2009 Series F-1 Bonds, commencing April 1, 2010.

“Issue Date” means, with respect to the 2009 Series F-1 Bonds, the date on which the 2009 Series F-1 Bonds are first delivered to the purchasers thereof.

“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 Bonds then Outstanding, as calculated by the Authority, utilizing the assumptions set forth under the definition of Annual Debt Service.

“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 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 Indenture.

“Opinion of Bond Counsel” means a written opinion of Bond Counsel.

“Outstanding” means all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except: (i) Bonds canceled or delivered for cancellation at or prior to such date; (ii) Bonds deemed to be paid in accordance with the provisions of the Indenture; (iii) Bonds in lieu of which others have been authenticated under the Indenture; and (iv) all Bonds held by or for the account of the Authority.

“Paired Obligations” shall mean any Series (or portion thereof) of 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.

“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 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).

“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 Bonds.

“Participating Underwriter” means any of the original underwriters of any Series of Bonds required to comply with Rule 15c2-12.

“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 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 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 Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be an amount equal to the principal amount of each such certificate of deposit and the Trustee shall be entitled to rely on each such undertaking;

(ix) taxable commercial paper or tax-exempt commercial paper rated in the highest Rating Category by Moody's 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 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 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 Trustee with an undertaking satisfactory to the 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 Trustee shall be entitled to rely on each such undertaking;

(xii) any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clauses (i), (ii), (iii), (iv), (v) and (xi) of this definition of Investment Securities and any money market fund, including money market funds from which the 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 Indenture;

(xvii) any investment approved by the Board for which confirmation is received from each rating agency then rating any of the Bonds that such investment will not adversely affect such rating agency's rating on such Bonds; and

(xviii) any other investment approved in writing by each Credit Provider then providing a Credit Support Instrument for any Series of 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 Indenture.

“Principal Office” means, with respect to the Trustee, the corporate trust office of the 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 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 Trustee and the Authority.

“Project” means, with respect to a Series of 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 Bonds, as more fully described in the Supplemental Indenture providing for the issuance of such Series of Bonds and the Tax Certificate delivered in connection with such Series of Bonds.

“Qualified Swap Agreement” means a contract or agreement, intended to place such Series of 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 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 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 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.

“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 Bonds to the effect that, following the event which requires the Rating Confirmation, the then current rating for such Series of 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 Indenture.

“Record Date” means the fifteenth day (whether or not a Business Day) of the month preceding the month in which such Interest Payment Date occurs.

“Redemption Date” means the date fixed for redemption of Bonds of a Series subject to redemption in any notice of redemption given in accordance with the terms of the Indenture.

“Redemption Fund” means the fund by that name created pursuant to the Indenture.

“Redemption Price” means, with respect to any Bond or a portion thereof, the principal amount thereof to be redeemed in whole or in part, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the 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.

“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 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 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 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 Indenture.

“Reserve Requirement” means, as of any date of calculation, an amount equal to the lesser of: (i) Maximum Annual Debt Service on all Bonds then Outstanding; and (ii) 125% of average Annual Debt Service on all Bonds then Outstanding; provided that with respect to a Series of variable rate 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 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 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 Indenture and held by the Authority; (iii) all amounts on deposit in the funds and accounts established pursuant to the Indenture and held by the 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 Indenture and held by the 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.

“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 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.

“Series” means all 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 Trustee and effective from such date.

“Sinking Fund Installment” means, with respect to any Series of Bonds, each amount so designated for the Term Bonds of such Series in the Supplemental Indenture providing for the issuance of such Series of Bonds requiring payments by the Authority to be applied to the retirement of such Series of 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.

“Subordinate Obligations” means any obligations of the Authority secured by and payable from Revenue on a basis which is subordinate to the Bonds and 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 Indenture.

“Subordinated Maintenance Expenditures” means maintenance expenditures that are required by California Streets and Highways Code Section 188.4 to be funded with Bridge Toll Revenues remaining after provision is made for payment of all obligations secured by the lien on Bridge Toll Revenues created by Section 30960(b) of the Act.

“Supplemental Indenture” means any indenture executed and delivered by the Authority and the 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 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 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 Bonds, which Sinking Fund Installments are calculated to retire such Bonds on or before their specified maturity dates.

“Thirteenth Supplemental Indenture” means the Thirteenth Supplemental Indenture, dated as of August 1, 2009, between the Authority and the Trustee, as amended and supplemented from time to time.

“Toll Coverage Calculation Date” means the date the Authority computes the coverage ratios required to be computed pursuant to the provisions of the 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.

“2009 Series F-1 Bonds” means the Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds, 2009 Series F-1, authorized by Article LXXXV of the Indenture.

“2009F-1 Bonds Costs of Issuance Fund” means the 2009F-1 Bonds Costs of Issuance Fund established pursuant to the Indenture.

“Written Request of the Authority” means an instrument in writing signed by an Authorized Representative.

THE INDENTURE

Proposed Amendment

There is a proposed amendment to the Indenture which is effective upon Bondholder consent, as follows:

Pursuant to the 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 Bonds. The time period during which Owners may consent is prescribed

by the Authority as three years. 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 federal interest rate subsidy payments that otherwise would be included in Net Revenue. Subparagraph (xii) would read as follows:

“(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.”

By accepting Bonds issued after August 1, 2009, the Owners of such Bonds irrevocably consent to the Build America Bonds Amendment of the Indenture. 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 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 Act in favor of the Bondholders to secure all amounts due on the Bonds and in favor of any provider of credit enhancement for the Bonds to secure all amounts due to that provider with respect to those Bonds. Pursuant to Section 30960 of the Act, such lien, subject to expenditures for operation and maintenance of the Bay Area Bridges and to expenses related to the collection of tolls as authorized in Section 30960(c) of the Act and as provided by the Indenture, shall immediately attach to the Bridge Toll Revenues as such Bridge Toll Revenues are received by the Authority and will 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 Bonds are paid in full or provision made therefor, and the Bay Area Bridges will 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 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 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 Bonds or any such parties until the 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 Bonds) held by the Trustee in each fund and account established under the 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 Bonds, Parity Obligations and Reserve Facility

Costs, subject only to the provisions of the 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 Bonds, without any physical delivery or further act and will be irrevocable until all Bonds, Parity Obligations and Reserve Facility Costs are no longer outstanding.

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 Bonds or amounts due on Parity Obligations, as provided in the Indenture, the Authority is to transfer to the 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 Trustee in the Bond Fund which the 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 Indenture. On or before the date when principal and interest on the Bonds and amounts due on Parity Obligations are due and payable, the Trustee is to transfer from the Bond Fund and deposit into the following respective accounts (each of which the 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 Trustee is to set aside in the Interest Account in the manner and at the times specified in the Indenture amounts sufficient to pay the interest on the Bonds and Parity Obligations as and when due. Moneys in the Interest Account are to be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds and Parity Obligations as such interest becomes due and payable, provided that moneys in any separate account established to pay interest on a Series of Bonds is to be used and withdrawn solely to pay interest on such Bonds as and when due.

(2) Principal Account. The Trustee is to set aside in the Principal Account in the manner and at the times specified in the Indenture amounts sufficient to pay the principal of 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 Trustee solely for the purpose of paying principal of the 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 Bonds are to be used and withdrawn solely to pay principal of such 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 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 Bonds, an amount equal to the Reserve Requirement for such Bonds is required to be deposited in the Reserve Fund. Moneys in the Reserve Fund are to be used and withdrawn by the Trustee solely for the

purposes of paying principal and interest on the 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 Bonds then Outstanding or, for the payment of the final principal and interest payment of a Series of Bonds, if following such payment the amounts in the 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 Trustee has withdrawn moneys in the Reserve Fund for the purpose of paying principal and interest on the Bonds when due as provided pursuant to the provisions of the Indenture described in the immediately preceding paragraph, the 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 Trustee by the Authority, is to transfer to the 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 Trustee of a deficiency in the Reserve Fund due to any required valuation of investments in the Reserve Fund provided by the Trustee pursuant to the Indenture, the Authority, on or prior to the first Business Day of each month, commencing the month after such notification is received from the Trustee by the Authority, is to transfer to the 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 Bonds, or any portion thereof, may be funded with a Reserve Facility. If the Reserve Requirement is satisfied by a Reserve Facility, the Trustee is to draw on such Reserve Facility in accordance with its terms and the terms of the 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 Trustee to pay such obligations. The pledge of amounts on deposit in certain funds and accounts held by the Trustee under the Indenture to secure payment of Reserve Facility Costs set forth in the Indenture is on a basis subordinate to the pledge of such amounts to the Trustee for payment of the Bonds and 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 Indenture other than remedies which would adversely affect Owners of the Bonds. The 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 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 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 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 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 Indenture, if there are Subordinate Obligations then Outstanding, the 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 Indenture with respect to application of amounts deposited in the to the Subordinate Obligations Fund.

Establishment and Application of Fees and Expenses Fund. The 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 Indenture, if there are Subordinate Obligations then Outstanding, the 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 Indenture with respect to application of amounts deposited in the Subordinate Obligations Fund. After such funds have been applied, the 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 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 Trustee, remaining Revenue, if any, are to be promptly transferred by the Trustee to the Authority for deposit in the Bay Area Toll Account.

Establishment and Application of Redemption Fund. The 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 Trustee for the purpose of redeeming Bonds of any Series, unless otherwise provided in the Supplemental Indenture establishing the terms and conditions for such Series of Bonds, are to be deposited in the Redemption Fund. All amounts deposited in the Redemption Fund are to be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds of such Series and maturity as are specified by the Authority in a Written Request of the Authority delivered to the Trustee, in the manner, at the times and upon the terms and conditions specified in the Supplemental Indenture pursuant to which such Series of Bonds was issued.

Application of Operations and Maintenance Fund. On the date of issuance of the Initial Bonds, the Authority deposited an amount equal to \$75,000,000 in the Operations and Maintenance Fund. Subsequent to the date of issuance of the Initial Bonds, within ten Business Days after the beginning of each Fiscal Year, commencing with the Fiscal Year beginning July 1, 2001, 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 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 Indenture for as long as the Authority is in compliance with the provisions of the Indenture concerning payment of principal and interest on the 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 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 Trustee to satisfy the Rebate Requirement (as such term is defined in the Tax Certificate) for payment to the United States of America.

Establishment and Application of 2009F-1 Bonds Costs of Issuance Fund. The Trustee is to establish and maintain a separate fund designated as the "2009F-1 Bonds Costs of Issuance Fund." The monies set aside and placed in the 2009F-1 Bonds Costs of Issuance Fund shall remain therein until January 1, 2010 and expended for the purpose of paying the Costs of Issuance of the 2009F-1 Bonds.

Before any payment from the 2009F-1 Bonds Costs of Issuance Fund is made by the Trustee, the Authority is to file or cause to be filed with the Trustee a requisition of the Authority (each a "Requisition"), such Requisition to be signed by an Authorized Representative and to include: (i) the item number of such payment; (ii) the name and address of the person to whom each such payment is due, which may be the Authority in the case of reimbursement for costs theretofore paid by the Authority; (iii) the respective amounts to be paid; (iv) the purpose by general classification for which each obligation to be paid was incurred; and (v) that obligations in the stated amounts have been incurred by the Authority and are presently due and payable and that each item thereof is a proper charge against the 2009F-1 Bonds Costs of Issuance Fund and has not been previously paid from said fund. On January 1, 2010, any amounts remaining in the 2009F-1 Bonds Costs of Issuance Fund shall be transferred to the Bond Fund and the 2009 F-1 Bonds Costs of Issuance Fund shall be closed.

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 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 Trustee in the funds and accounts created under the 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 Bonds, all Permitted Investments are to be held by or under the control of the 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 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 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 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 Trustee in its discretion.

The 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 Trustee may commingle any of the moneys held by it pursuant to the 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 Trustee will is to separately for the moneys belonging to each fund or account established pursuant to the Indenture and held by it.

Additional Bonds; Subordinate Obligations

Restrictions on Issuance of Additional Bonds. Subsequent to the issuance of the Initial Bonds, no additional Bonds (or Parity Obligations) are to be issued unless at least one of the following is true immediately following the issuance of such additional Bonds:

(a) the additional Bonds (or 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 Bonds (or Parity Obligations) to be refunded; (2) all expenses incident to the calling, retiring or paying of such Outstanding Bonds (or Parity Obligations) and the Costs of Issuance of such refunding Bonds; (3) interest on all Outstanding Bonds (or Parity Obligations) to be refunded to the date such Bonds will be called for redemption or paid at maturity; and (4) interest on the refunding Bonds (or Parity Obligations) from the date thereof to the date of payment or redemption of the Bonds (or 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 Bonds (and Parity Obligations), calculated as of the date of sale of, and including such additional 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 Bonds (and Parity Obligations), calculated as of the date of sale of, and including such additional Bonds (and Parity Obligations), will not be less than 1.50:1.

Maximum annual debt service with respect to Parity Obligations is to be determined using the principles set forth in the definition of Maximum Annual Debt Service; provided that if a Parity Obligation is contingent upon funds being provided under a Credit Support Instrument to pay principal or purchase price of or interest on a Bond, such Parity Obligations will not be considered outstanding until such payment is made thereunder.

For Additional Bonds and 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 Bonds. Subsequent to the issuance of the Initial Bonds, whenever the Authority determines to issue additional Bonds (and Parity Obligations), the Authority shall, in addition to fulfilling the requirements of the Indenture described above, file with the Trustee:

(a) a certificate of the Authority stating that no Event of Default specified in the Indenture has occurred and is then continuing;

(b) a certificate of the Authority stating that the requirements of the Indenture described under subparagraph (b) under the caption "Restrictions on Issuance of Additional Bonds" have been satisfied;

(c) if such additional Bonds are being issued based upon compliance with subparagraph (b)(1) above under the caption "Restrictions on Issuance of Additional 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 Bonds";

(d) the balance in the Reserve Fund upon receipt of the proceeds of the sale of such Series of Bonds shall be increased, if necessary, to an amount at least equal to the Reserve Requirement with respect to all Bonds Outstanding upon the issuance of such Series of Bonds; and

(e) an Opinion of Bond Counsel to the effect that the execution of the Supplemental Indenture creating such Series of Bonds has been duly authorized by the Authority in accordance with the Indenture and that such Series of Bonds, when duly executed by the Authority and authenticated and delivered by the 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 Bonds and Parity Obligations, as the same become due and payable and at the times and in the manner as required by the Indenture or as required by the instrument pursuant to which such 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 Bonds in strict conformity with the terms of the Act, the Indenture and the Bonds, and is to faithfully observe and perform all of the agreements and covenants contained in the Indenture and the 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 Bonds and 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 Bonds and Parity Obligations; provided that the Authority may at any time, or from time to time, issue or incur Subordinate Obligations as provided in the Indenture.

Tax Covenants. The Authority is not to use or permit the use of any proceeds of the Bonds or any funds of the Authority, directly or indirectly, to acquire any securities or obligations that would cause the interest on 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 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.

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 Bonds and Parity Obligations secured by Revenue.

In addition to the requirements of the Indenture described in the above paragraph, while any Bonds or 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 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 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 Trustee prior to or on a parity with the charge and lien upon the Revenue securing any 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 Trustee or of any Holder (or its representative authorized in writing).

The Authority is to prepare and file with the 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 Bonds and Parity Obligations and the rights of the Bondholders and the holders of 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 Bonds by the Authority, the 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.

Continuing Disclosure. Upon the issuance of any Series of Bonds or upon conversion of any Series of Bonds to an interest rate period requiring an undertaking regarding continuing disclosure under Rule 15c2-12, the Authority and the Trustee covenant and agree that they are to comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed and delivered in connection with such Series of Bonds. Notwithstanding any other provision of the Indenture, failure of the Authority or the Trustee to comply with the provisions of any Continuing Disclosure Agreement will not constitute an Event of Default under the Indenture; provided, however, that the Trustee, at the request of any Participating Underwriter or the Owners of at least twenty-five percent aggregate principal amount of any Series of Bonds then Outstanding (but only to the extent that the 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 Bond may, are to take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order to cause the Authority or the Trustee, as applicable, to comply with its obligations under this paragraph.

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 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 Bonds Calculations. In calculating the additional Bonds (or Parity Obligations) test provided for in the Indenture and determining compliance with the toll rate covenants in the Indenture, the Authority in its computations shall not include in the Revenue component of Net Revenue any amounts on deposit in the Reserve Fund.

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 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 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 Indenture and the continuance thereof for a period of 60 days after written notice thereof to the Authority given by the Trustee.

In case one or more Events of Default occurs, then and in every such case the 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 Bonds then Outstanding (or such greater percentage of the Holders of 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 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 Indenture, or in aid of the exercise of any power granted in the Indenture, or to enforce any other legal or equitable right vested in the Bondholders by the Indenture or the Bonds or by law.

Trustee

The 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 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.

Modification or Amendment of the 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 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 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 Bonds;

(d) To cure any ambiguity or to correct or supplement any provision contained in the 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 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 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 Indenture or any Supplemental Indenture in any other respect, including any amendments which would otherwise be described in the Indenture, if (i) all 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 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 Bonds under the Indenture in accordance with the terms thereof.

Any Supplemental Indenture entered into pursuant to the provisions of the Indenture summarized above are to be deemed not to materially adversely affect the interest of the Bondholders so long as (i) all 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 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 Indenture described above and subject to the terms and provisions of the Indenture, the Holders of not less than a majority of the aggregate principal amount of the then Outstanding Bonds, or if less than all of the Outstanding Bonds are affected, the Holders of not less than a majority of the aggregate principal amount of the Outstanding Bonds affected, will have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to such other amendments to the 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 Indenture or in any Supplemental Indenture; provided, however, that nothing in the 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 Bond, or (b) a reduction in the principal amount of, or the redemption premium or the rate of interest on, any Bond, (c) a preference or priority of any Bond or Bonds over any other Bond or Bonds except as provided in the provisions of the Indenture summarized above under the heading “Additional Bonds; Subordinate Obligations,” or (d) a reduction in the aggregate principal amount of the Bonds required for any consent to any amendment.

Exclusive of amendments authorized by the provisions of the Indenture described above under the subheading “Amendments Permitted Without Bondholder Consent” and subject to the terms and provisions of the Indenture described therein, the Authority and the 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 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 Bonds will have been obtained and filed with the Trustee, provided that at such time the payment of principal of and interest on all 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 Bonds and provided, further, however, that nothing in the 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 Bond, or (b) a reduction in the principal amount of, or the redemption premium or the rate of interest on, any Bond, (c) a preference or priority of any Bond or Bonds over any other Bond or Bonds except as provided in the provisions of the Indenture summarized above under the heading "Additional Bonds; Subordinate Obligations," or (d) a reduction in the aggregate principal amount of the 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 Indenture, the Indenture is to be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Owners of Outstanding 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 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 Bonds and of all amounts payable under the Indenture, the pledge and lien on the Revenue arising under the Indenture is to cease, determine and be void; provided, however, such discharge of the Indenture will not terminate the powers and rights granted to the Trustee with respect to the payment, transfer and exchange of the Bonds.

If the principal of or interest on any Bonds are to be paid by a Credit Provider, those 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 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 Bonds. Bonds (or any portion of the Bonds) are deemed to have been paid within the meaning of the above paragraphs if:

(a) there has been irrevocably deposited with the 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 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 Bonds (or any portion thereof) to the maturity or the redemption date thereof, as the case may be; and

(b) if any such Bonds are to be redeemed on any date prior to their maturity, (i) the 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 Bonds on such date and (ii)

notice of such redemption has been given or provision satisfactory to the Trustee has been made for the giving of such notice.

In addition, all money so deposited with the Trustee as provided in the provisions of the 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 thereinbefore set forth in the Indenture, and all income from all Government Obligations in the hands of the Trustee pursuant to the Indenture which is not required for the payment of the principal of the 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 Bonds Outstanding under the Indenture, such income is to be automatically paid over to the Authority.

No Bond which is subject to optional or mandatory tender in accordance with the provisions of the Supplemental Indenture pursuant to which such Bond was issued, is to be deemed to be paid within the meaning of the Indenture, unless arrangements have been made to assure that such 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.

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 Indenture for the payment of the interest on or principal or Purchase Price of or redemption premium, if any, on the 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 Indenture.

Rights of Credit Providers

A Supplemental Indenture authorizing a Series of Bonds may provide that any Credit Provider providing a Credit Support Instrument with respect to Bonds of such Series may exercise any right under the Indenture given to the Owners of the Bonds to which such Credit Support Instrument relates.

All provisions under the 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 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.

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

\$[_____]
BAY AREA TOLL AUTHORITY
SAN FRANCISCO BAY AREA 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 Union Bank, N.A., as dissemination agent (the “**Dissemination Agent**”) in connection with the issuance of the Authority’s \$[_____] San Francisco Bay Area Toll Bridge Revenue Bonds, _____ Series _____ (the “**Bonds**”). The Bonds are being issued pursuant to a Master Indenture dated as of May 1, 2001, by and between the Authority and Union Bank, N.A. (formerly known as Union Bank of California, N.A.), as trustee (the “**Trustee**”), as previously supplemented and as supplemented by the [_____] Supplemental Indenture relating to the Bonds dated as of [_____] 1, 2009, 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 Union Bank of California, N.A., 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 [_____], 2009, 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 2008-09 fiscal year. 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 TOLL RATES” set forth in the Authority’s Information Statement, dated _____, 2009, under the caption “THE BRIDGE SYSTEM – Toll Rates;” (ii) the table entitled “TOTAL TOLL-PAYING MOTOR VEHICLE TRAFFIC” set forth in the Authority’s Information Statement, dated _____, 2009, under the caption “THE BRIDGE SYSTEM – Motor Vehicle Traffic;” and (iii) the table entitled “BRIDGE SYSTEM Historical Revenue, Expenditures and Debt Service Coverage” set forth in the Authority’s Information Statement, dated _____, 2009, under the caption “THE BRIDGE SYSTEM — Historical Revenue, Expenditures 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:

Union Bank, N.A.
350 California Street, 11th Floor
San Francisco, California 94104
Attention: Corporate Trust Department
Phone: (415) 273-2518
Fax: (415) 273-2492

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: [_____], 2009

BAY AREA TOLL AUTHORITY

By: _____
Chief Financial Officer

The undersigned hereby agrees to act as Dissemination Agent pursuant to the foregoing Disclosure Agreement.

UNION BANK, N.A.,
as Dissemination Agent

By: _____
Its: _____

By: _____
Its: _____

ACKNOWLEDGED:

UNION BANK, N.A.,
as Trustee

By: _____
Its: _____

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 Toll Bridge Revenue Bonds ____ Series __

Date of Issuance: [____], 2009

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 [____], 2009, by the Authority and Union Bank, N.A., as Dissemination Agent. The Authority anticipates that the annual Disclosure Report will be provided to the MSRB by _____.

Dated: _____

UNION BANK, N.A., as Dissemination Agent

By: _____

Its: _____

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX D

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	135,000,000
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-Marín 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	81,000,000
Transbay Terminal/Downtown Caltrain Extension	150,000,000
Oakland Airport Connector	68,000,000
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	95,000,000
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	<u>\$1,465,000,000</u>

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)

