**Supplement No. 2 Dated January 26, 2010 to Information Statement Dated October 15, 2009**

**EXISTING ISSUE**
**REOFFERING — BOOK-ENTRY ONLY**

| Investors must review the Authority's Information Statement dated October 15, 2009 attached hereto together with this Supplement No. 2 to make an informed investment decision concerning the securities described herein |
|---|

| **SHORT TERM RATINGS:** | **LONG TERM RATINGS:** |
|---|---|
| Moody's: VMIG 1 | Moody's: Aa3 |
| Standard & Poor's: A-1+ | Standard & Poor's: AA |
| Fitch: F-1+ | Fitch: AA- |
| (See "RATINGS") | (See "RATINGS") |

*On February 8, 2006, the date of issuance of the 2006 Series C Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, delivered an opinion with respect to such Bonds to the effect that 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 2006 Series C 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. The opinion of Bond Counsel further stated that interest on the 2006 Series C Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observed that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expressed no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2006 Series C Bonds. In connection with the division into four subseries and remarketing of the 2006 Series C Bonds, Bond Counsel will deliver its opinion that such division and remarketing will not, in and of itself, adversely affect the tax-exempt status of the 2006 Series C Bonds. Bond Counsel is not rendering any opinion on the current tax status of the 2006 Series C Bonds. See "TAX MATTERS" herein for additional information.*

## $275,000,000

# BAY AREA TOLL AUTHORITY

### SAN FRANCISCO BAY AREA TOLL BRIDGE REVENUE BONDS
### 2006 Series C-1, 2006 Series C-2, 2006 Series C-3 and 2006 Series C-4
### Variable Rate Demand Bonds (2010 Reoffering)

**The Bay Area Toll Authority (the "Authority") Information Statement dated October 15, 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, 2006 Series C-1, 2006 Series C-2, 2006 Series C-3 and 2006 Series C-4 (collectively, the "2006 Series C 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 2006 Series C Bonds is contained in the Information Statement. The 2006 Series C Bonds were issued and are outstanding pursuant to a Master Indenture, dated as of May 1, 2001 (as amended and supplemented, including by a Fifth Supplemental Indenture dated as of February 1, 2006, an Eleventh Supplemental Indenture dated as of August 1, 2008 and a Fifteenth Supplemental Indenture dated as of February 1, 2010, collectively, the "Indenture"), between the Authority and Union Bank, N.A., as trustee.

The Authority is dividing the 2006 Series C Bonds into the four subseries listed above for interest rate setting and remarketing purposes. Each subseries will have its own remarketing agent. This change required the Authority to purchase the 2006 Series C Bonds in a mandatory tender and remarket the four subseries as described in this Reoffering Circular. The proceeds of this remarketing will pay the purchase price of the tendered 2006 Series C Bonds.

The 2006 Series C Bonds will continue to bear interest at a Weekly Rate. The interest rates for each subseries will be set by the remarketing agent for that subseries. The aggregate principal amount, interest rate determination method, interest payment dates, maturity date, authorized denominations, liquidity arrangements, and other information relating to the 2006 Series C Bonds are not being changed and are summarized in the Summary of Reoffering following this cover page. Investors may purchase 2006 Series C Bonds in book-entry form only.

**The 2006 Series C Bonds are subject to mandatory sinking fund redemption by the Authority prior to maturity as described in the Reoffering Circular. The 2006 Series C Bonds also are subject to optional redemption by the Authority prior to maturity as described in the Reoffering Circular**.

**The 2006 Series C Bonds may be tendered at any time upon prior notice by Bond owners for purchase and remarketing**. The Authority has entered into a Standby Bond Purchase Agreement with the Liquidity Providers identified in the Summary of Reoffering following this cover page to provide funds for the purchase of 2006 Series C Bonds that are not successfully remarketed. The expiration date of the Liquidity Providers' commitment under the Standby Bond Purchase Agreement is August 26, 2011. The obligation of the Liquidity Providers to purchase tendered 2006 Series C Bonds will be suspended or terminated immediately upon the occurrence of specified events. The Authority is not required to purchase 2006 Series C Bonds with funds other than remarketing proceeds or funds drawn under the Liquidity Facility.

**The Authority is not obligated to pay the 2006 Series C Bonds except from Revenue as defined and provided in the Indenture. The 2006 Series C 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 2006 Series C Bonds, investors are deemed to have consented to a proposed amendment to the Indenture concerning the treatment of certain 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, and for the Remarketing Agents by their counsel, Nixon Peabody LLP. The Authority expects that the remarketed 2006 Series C Bonds will be available for delivery on or about February 4, 2010.

**J.P. Morgan** **Morgan Stanley** **Goldman, Sachs & Co.** **De La Rosa & Co.**

# SUMMARY OF REOFFERING
# $275,000,000
# BAY AREA TOLL AUTHORITY
# SAN FRANCISCO BAY AREA TOLL BRIDGE REVENUE BONDS
# 2006 Series C
# Variable Rate Demand Bonds (2010 Reoffering)

| | **$125,000,000<br>2006 Series C-1 Bonds** | **$100,000,000<br>2006 Series C-2 Bonds** | **$25,000,000<br>2006 Series C-3 Bonds** | **$25,000,000<br>2006 Series C-4 Bonds** |
|---|---|---|---|---|
| **Maturity Date:** | April 1, 2045 | April 1, 2045 | April 1, 2045 | April 1, 2045 |
| **Price:** | 100% (plus accrued interest from February 1, 2010) | 100% (plus accrued interest from February 1, 2010) | 100% (plus accrued interest from February 1, 2010) | 100% (plus accrued interest from February 1, 2010) |
| **Authorized Denominations:** | $100,000 or any integral multiple of $5,000 in excess thereof | $100,000 or any integral multiple of $5,000 in excess thereof | $100,000 or any integral multiple of $5,000 in excess thereof | $100,000 or any integral multiple of $5,000 in excess thereof |
| **Initial Interest Rate Determination Method*:** | Weekly Rate | Weekly Rate | Weekly Rate | Weekly Rate |
| **Interest Payment Dates:** | First Business Day of each calendar month commencing March 1, 2010 | First Business Day of each calendar month commencing March 1, 2010 | First Business Day of each calendar month commencing March 1, 2010 | First Business Day of each calendar month commencing March 1, 2010 |
| **Record Date for Interest Payments:** | Business Day prior to Interest Payment Date | Business Day prior to Interest Payment Date | Business Day prior to Interest Payment Date | Business Day prior to Interest Payment Date |
| **Liquidity Providers:** | Lloyds TSB Bank PLC, acting through its New York Branch; and California Public Employees' Retirement System | Lloyds TSB Bank PLC, acting through its New York Branch; and California Public Employees' Retirement System | Lloyds TSB Bank PLC, acting through its New York Branch; and California Public Employees' Retirement System | Lloyds TSB Bank PLC, acting through its New York Branch; and California Public Employees' Retirement System |
| **Commitment Expiration:** | August 26, 2011 | August 26, 2011 | August 26, 2011 | August 26, 2011 |
| **Remarketing Agent:** | J.P. Morgan Securities Inc. | Morgan Stanley & Co Incorporated | Goldman, Sachs & Co. | E. J. De La Rosa & Co., Inc. |
| **Short Term Ratings Moody's/S&P/Fitch:** | VMIG 1/A-1+/F1+ | VMIG 1/A-1+/F1+ | VMIG 1/A-1+/F1+ | VMIG 1/A-1+/F1+ |
| **CUSIP No.†:** | 072024 NH1 | 072024 NF5 | 072024 NK4 | 072024 NM0 |

* Upon satisfaction of certain conditions set forth in the Indenture, the 2006 Series C Bonds may bear interest calculated pursuant to a different Interest Rate Determination Method, provided however, that all 2006 Series C Bonds must have the same Interest Rate Determination Method. See "DESCRIPTION OF THE 2006 SERIES C BONDS."

**This Reoffering Circular is not intended to provide information about the 2006 Series C 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 2006 Series C 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 2006 SERIES C 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 Agents assume any responsibility for the accuracy of such numbers.

## IMPORTANT NOTICES

The Authority is providing information about the 2006 Series C Bonds in two related documents: (1) the accompanying Information Statement dated October 15, 2009 attached hereto, which provides information about the Authority, and (2) this Supplement No. 2, which describes the specific terms of the 2006 Series C Bonds. Together, these documents and all appendices thereto comprise the Reoffering Circular for the San Francisco Bay Area Toll Bridge Revenue Bonds, 2006 Series C-1, 2006 Series C-2, 2006 Series C-3 and 2006 Series C-4 reoffered hereby and are referred to collectively as the "Reoffering Circular." **All references to the "Information Statement" mean the Information Statement dated October 15, 2009.**

The Information Statement includes a detailed discussion of the revenues pledged as security for the 2006 Series C 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 2006 Series C 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 Agents have provided the following sentence for inclusion in the Reoffering Circular. The Remarketing Agents have 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 Agents do not guarantee the accuracy or completeness of such information.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in the 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 2006 Series C 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 2006 Series C 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 2006 Series C Bonds, the Remarketing Agents may over-allot or effect transactions that stabilize or maintain the market prices of the 2006 Series C 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 Agents may offer and sell the 2006 Series C Bonds to dealers, institutional investors and others at prices lower than the public offering prices stated in the Summary of Reoffering and such public offering prices may be changed from time to time by the Remarketing Agents.

## 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**

**TABLE OF CONTENTS**
**(continued)**

**SUPPLEMENT NO. 2 TO INFORMATION STATEMENT DATED OCTOBER 15, 2009**

**$275,000,000**
**BAY AREA TOLL AUTHORITY**
**SAN FRANCISCO BAY AREA TOLL BRIDGE REVENUE BONDS**
**2006 Series C-1, 2006 Series C-2, 2006 Series C-3 and 2006 Series C-4**

## INTRODUCTION

This Reoffering Circular, consisting of the Information Statement dated October 15, 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 $275,000,000 aggregate principal amount of Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds, 2006 Series C-1, 2006 Series C-2, 2006 Series C-3 and 2006 Series C-4 (collectively, the "2006 Series C Bonds"). Investors must review the entire Reoffering Circular to make an informed investment decision concerning the 2006 Series C Bonds. The principal amount of each 2006 Series C subseries is as follows:

$125,000,000 2006 Series C-1
$100,000,000 2006 Series C-2
$25,000,000 2006 Series C-3
$25,000,000 2006 Series C-4

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 2006 Series C Bonds appears in the Information Statement.

The 2006 Series C Bonds are being remarketed by the Authority upon a mandatory tender of such Bonds in connection with the optional purchase by the Authority and division of the 2006 Series C Bonds into four subseries for interest rate setting and remarketing purposes. The proceeds of the remarketing will be used to pay the purchase price of the tendered 2006 Series C Bonds. The division of the 2006 Series C Bonds into four subseries will be effective on February 4, 2010 and is conditioned on the successful remarketing of all of the 2006 Series C Bonds on such date.

**By purchasing the 2006 Series C Bonds, investors are deemed to have consented to a proposed amendment to the Indenture concerning the treatment of certain interest subsidy payments from the federal government as further described under "PROPOSED BUILD AMERICA BONDS AMENDMENT TO INDENTURE" below**.

## DESCRIPTION OF THE 2006 SERIES C 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 2006 Series C

Bonds, to finance and refinance the construction, improvement and equipping of the Bridge System and other transportation projects authorized by the Act.

The 2006 Series C Bonds were issued by the Authority in February, 2006, and are outstanding pursuant to a Master Indenture, dated as of May 1, 2001, as supplemented and amended, including as supplemented by a Fifth Supplemental Indenture, dated as of February 1, 2006 (the "Fifth Supplemental Indenture"), an Eleventh Supplemental Indenture dated as of August 1, 2008 (the "Eleventh Supplemental Indenture") and a Fifteenth Supplemental Indenture dated as of February 1, 2010 (the "Fifteenth Supplemental Indenture" and, together with the Fifth Supplemental Indenture, the Eleventh Supplemental Indenture and the Master Indenture and prior and subsequent supplements, the "Indenture"), between the Authority and Union Bank, N.A., as trustee (the "Trustee").

The reoffered 2006 Series C Bonds will bear interest from February 1, 2010, the most recent Interest Payment Date to which interest will have been paid, and will mature on April 1, 2045.

The 2006 Series C Bonds may be purchased in book-entry form only. The 2006 Series C Bonds have been registered in the name of a nominee of The Depository Trust Company ("DTC"), which acts as securities depository for the 2006 Series C Bonds. Beneficial Owners of the 2006 Series C Bonds will not receive certificates representing their ownership interests in the 2006 Series C Bonds purchased. The Authority will make payments of principal and interest on the 2006 Series C Bonds to DTC, and DTC is to distribute such payments to its Direct Participants. Disbursement of such payments to Beneficial Owners of the 2006 Series C 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 2006 Series C Bonds will continue to bear interest at the Weekly Rate determined as described below under "— Interest Rate Determination Methods." The interest rate for each subseries will be set by the remarketing agent for that subseries. Interest on 2006 Series C Bonds bearing interest at a Daily Rate or a Weekly Rate will be payable on the first Business Day of each calendar month, the next Interest Payment Date being March 1, 2010. Other Interest Payment Dates for the 2006 Series C Bonds are (i) each Conversion Date; (ii) in all events the final maturity date or redemption date; and (iii) the mandatory tender date upon which the Ambac Suspended Bond Insurance Policies are suspended or reinstated. See "—Suspension of Ambac Suspended Bond Insurance Policies" and "—Reinstatement Procedures" below. Interest on 2006 Series C Bonds bearing interest at 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 2006 Series C Bonds bearing interest at the Daily Rate or the Weekly Rate will be the Business Day immediately preceding the Interest Payment Date. The 2006 Series C 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 2006 Series C 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 Auction Rate, the Index Rate, the Term Rate or the Fixed Rate), *provided however*, that all 2006 Series C Bonds must have the same Interest Rate Determination Method and (except for any 2006 Series C Credit Provider Bonds and 2006 Series C Bonds bearing interest at a Commercial Paper Rate) all 2006 Series C Bonds of a subseries must bear interest at the same interest rate.

**This Reoffering Circular is not intended to provide information about the 2006 Series C Bonds after conversion to another Interest Rate Determination Method (except with respect to the conversion of any 2006 Series C Bonds to a Daily Rate)**.

**Redemption Terms of the 2006 Series C Bonds**

***Optional Redemption***. The 2006 Series C 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 2006 Series C 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:

**2006 Series C-1 Bonds**

| *Redemption Date (April 1)* | *Sinking Fund Installment* | *Redemption Date (April 1)* | *Sinking Fund Installment* |
|---|---|---|---|
| 2032 | $6,920,000 | 2039 | $ 8,990,000 |
| 2033 | 7,165,000 | 2040 | 9,335,000 |
| 2034 | 7,465,000 | 2041 | 9,690,000 |
| 2035 | 7,750,000 | 2042 | 10,060,000 |
| 2036 | 8,045,000 | 2043 | 10,440,000 |
| 2037 | 8,350,000 | 2044 | 10,865,000 |
| 2038 | 8,665,000 | 2045† | 11,260,000 |

† Final Maturity

**2006 Series C-2 Bonds**

| *Redemption Date (April 1)* | *Sinking Fund Installment* | *Redemption Date (April 1)* | *Sinking Fund Installment* |
|---|---|---|---|
| 2032 | $5,530,000 | 2039 | $7,190,000 |
| 2033 | 5,730,000 | 2040 | 7,470,000 |
| 2034 | 5,965,000 | 2041 | 7,750,000 |
| 2035 | 6,200,000 | 2042 | 8,050,000 |
| 2036 | 6,435,000 | 2043 | 8,350,000 |
| 2037 | 6,680,000 | 2044 | 8,685,000 |
| 2038 | 6,930,000 | 2045† | 9,035,000 |

† Final Maturity

**2006 Series C-3 Bonds**

| *Redemption Date (April 1)* | *Sinking Fund Installment* | *Redemption Date (April 1)* | *Sinking Fund Installment* |
|---|---|---|---|
| 2032 | $1,385,000 | 2039 | $1,800,000 |
| 2033 | 1,435,000 | 2040 | 1,865,000 |
| 2034 | 1,495,000 | 2041 | 1,940,000 |
| 2035 | 1,550,000 | 2042 | 2,010,000 |
| 2036 | 1,610,000 | 2043 | 2,090,000 |
| 2037 | 1,670,000 | 2044 | 2,175,000 |
| 2038 | 1,735,000 | 2045† | 2,240,000 |

† Final Maturity

**2006 Series C-4 Bonds**

| *Redemption Date (April 1)* | *Sinking Fund Installment* | *Redemption Date (April 1)* | *Sinking Fund Installment* |
|---|---|---|---|
| 2032 | $1,385,000 | 2039 | $1,800,000 |
| 2033 | 1,435,000 | 2040 | 1,865,000 |
| 2034 | 1,495,000 | 2041 | 1,940,000 |
| 2035 | 1,550,000 | 2042 | 2,010,000 |
| 2036 | 1,610,000 | 2043 | 2,090,000 |
| 2037 | 1,670,000 | 2044 | 2,175,000 |
| 2038 | 1,735,000 | 2045† | 2,240,000 |

† Final Maturity

**Purchase In Lieu of Redemption**

In lieu of mandatory redemption, the Authority may surrender to the Trustee for cancellation 2006 Series C Bonds purchased by it, and such 2006 Series C Bonds shall be cancelled by the Trustee. If any 2006 Series C Bonds are so cancelled, the Authority may designate the Sinking Fund Installments or portions thereof within the 2006 Series C 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 2006 Series C Bonds are to be redeemed; *provided* that 2006 Series C Credit Provider Bonds must be redeemed prior to the optional redemption of any other 2006 Series C Bonds. If less than all 2006 Series C Bonds maturing on any one date are to be redeemed at any one time, the Trustee will allocate the redemption moneys among the subseries of 2006 Series C Bonds, in accordance with the above with respect to mandatory sinking fund redemptions, and otherwise pro rata according to the principal amount outstanding of each subseries (with appropriate adjustments by the Trustee to only redeem authorized denominations). DTC's practice is to determine by lot the amount of the interest of each DTC Direct Participant in each subseries to be redeemed. For purposes of such selection, the 2006 Series C Bonds of a subseries 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 2006 Series C 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 2006 Series C 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 2006 Series C 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 2006 Series C 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 2006 Series C 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 2006 Series C Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice the 2006 Series C 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 2006 Series C Bonds shall cease to accrue, and said 2006 Series C Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture.

**Interest Rate Determination Methods**

***General***. The 2006 Series C Bonds bear interest at a Weekly Rate. The Authority has the right to change the Interest Rate Determination Method for all (but not less than all) of the 2006 Series C Bonds to a different Interest Rate Determination Method (which may be the Daily Rate, the Weekly Rate, the Commercial Paper Rate, the Auction Rate, the Index Rate, the Term Rate or the Fixed Rate). See "–Conversion of Interest Rate Determination Method" below.

Each subseries of the 2006 Series C Bonds will initially have a Remarketing Agent, each of which is referred to herein as "Remarketing Agent" and collectively as "Remarketing Agents." See "REMARKETING AGENTS." See also "PRACTICES AND PROCEDURES RELATED TO THE 2006 SERIES C BONDS."

No Daily Rate or Weekly Rate on the 2006 Series C Bonds will exceed 12% per annum.

***Daily Rate.*** So long as the 2006 Series C Bonds are in the Daily Rate Period, the 2006 Series C Bonds will bear interest at a Daily Rate. During each Daily Rate Period, the Remarketing Agent for each subseries is to set a Daily Rate for the 2006 Series C Bonds of that subseries 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 that subseries of the 2006 Series C 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 2006 Series C Bonds of that subseries 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 2006 Series C Bonds of that subseries, be the lowest interest rate that would enable the Remarketing Agent to place the 2006 Series C Bonds of that subseries 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 2006 Series C Bonds are in the Weekly Rate Period, the 2006 Series C Bonds will bear interest at a Weekly Rate. During each Weekly Rate Period, the Remarketing Agent for each subseries is to set a Weekly Rate for the 2006 Series C Bonds of that subseries, 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 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 for a subseries of the 2006 Series C Bonds is to be the rate of interest that, if borne by the 2006 Series C Bonds of that subseries 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 2006 Series C Bonds of that subseries, 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 2006 Series C Bonds of that subseries, be the lowest interest rate that would enable the Remarketing Agent to place the 2006 Series C Bonds of that subseries 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 for any subseries of the 2006 Series C Bonds is not established as described above, or there is no Remarketing Agent for such subseries of 2006 Series C Bonds, or any Daily Rate or Weekly Rate so established is held to be invalid or unenforceable, then an interest rate for such subseries 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 2006 Series C 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 Agents and the Liquidity Providers for the 2006 Series C Bonds. 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 the 2006 Series C Bonds in accordance with the Indenture. The Indenture provides that such notice may be rescinded prior to the effective date of the Conversion. See APPENDIX B –

"DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – THE INDENTURE – Conversion of Interest Rate Determination Method" in the Information Statement.

***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 the 2006 Series C 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 the Owners of the 2006 Series C Bonds, all 2006 Series C Bonds must be tendered for purchase (whether or not the planned conversion is completed). See "–Mandatory Tender Provisions" below. See "–Funding Optional and Mandatory Tenders of 2006 Series C Bonds" below concerning payment for 2006 Series C Bonds so tendered for purchase.

The Indenture provides that a failed conversion of 2006 Series C Bonds to another Interest Rate Determination Method means that such 2006 Series C 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 2006 Series C 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 2006 Series C Bonds are purchased as required in accordance with the Indenture. See "–Funding Optional and Mandatory Tenders of 2006 Series C Bonds" below.

**Optional Tender Provisions**

The 2006 Series C Bonds (other than 2006 Series C 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 2006 Series C 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.

2006 Series C 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 2006 Series C Bonds to the applicable 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 2006 Series C Bonds to the Trustee on the Purchase Date in accordance with the Indenture.

2006 Series C 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 2006 Series C Bonds to the applicable 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 2006 Series C Bond to be tendered for purchase and the Purchase Date, and (B) delivery of such 2006 Series C Bonds to the Trustee on the Purchase Date in accordance with the Indenture.

Any 2006 Series C 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 2006 Series C 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 2006 Series C Bonds prior to the date of purchase specified in such notice. The Authority, the Remarketing Agents 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 2006 Series C Bonds to which such notice relates, and none of the Authority, the Remarketing Agents or the Trustee shall assume any liability in accepting such notice from any person whom it reasonably believes to be a Beneficial Owner of 2006 Series C Bonds.

The Standby Bond Purchase Agreement described under "STANDBY BOND PURCHASE AGREEMENT" is intended to provide funds for the purchase of 2006 Series C 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 2006 Series C Bonds" below concerning possible failure to complete the purchase of 2006 Series C Bonds tendered for purchase for lack of funds.

**Mandatory Tender Provisions**

The 2006 Series C 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 2006 Series C Bonds that are not successfully remarketed upon optional tender by Bond owners for purchase and remarketing, and for the purchase of 2006 Series C Bonds that are not successfully remarketed upon mandatory tender. The 2006 Series C 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 2006 Series C 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 Providers for the 2006 Series C 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 Providers to purchase 2006 Series C Bonds or otherwise provide for the Purchase Price of such 2006 Series C Bonds under such Standby Bond Purchase Agreement will terminate on the date specified in such notice, the 2006 Series C 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 Providers.

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 2006 Series C 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 2006 Series C Bonds.

The Authority will designate which maturities of the 2006 Series C Bonds bearing interest at a Daily Rate or a Weekly Rate are to be tendered. If less than all of the 2006 Series C Bonds within a subseries 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 subseries to be tendered. For purposes of such selection, each subseries of the 2006 Series C 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 2006 Series C Bonds**

The Authority expects funds to be made available to purchase 2006 Series C Bonds tendered for purchase pursuant to the optional and mandatory tender provisions described above by having the applicable Remarketing Agent remarket the tendered 2006 Series C Bonds and having the proceeds applied to purchase the tendered 2006 Series C Bonds. See "REMARKETING AGENTS."

Payment of the purchase price for any 2006 Series C 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 2006 Series C Bonds tendered and required to be purchased on any Purchase Date, all 2006 Series C 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 2006 Series C Bonds are purchased as required in accordance with the Indenture, and that all tendered 2006 Series C 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 applicable Remarketing Agent and sufficient other funds from the Liquidity Providers to purchase all 2006 Series C 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**

The mechanics and timing of delivery and payment for 2006 Series C Bonds tendered for purchase are addressed in the Indenture. See APPENDIX B – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – THE INDENTURE – Mechanics of Optional and Mandatory Tenders" in the Information Statement.

**Mandatory Tender for Authority Purchase of 2006 Series C Bonds at Election of Authority**

The 2006 Series C Bonds are also subject to mandatory tender for purchase by the Authority, in whole or in part (in Authorized Denominations), on any date such 2006 Series C Bonds would be subject to optional redemption (each, an "Optional Purchase Date") at a purchase price equal to the principal amount of such 2006 Series C Bonds to be purchased on the Optional Purchase Date, plus accrued interest to the Optional Purchase Date (the "Optional Purchase Price"). In the event that the Authority determines to purchase any 2006 Series C 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 2006 Series C Bonds of each maturity that 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 2006 Series C Bonds pursuant the provisions described above, the Trustee shall give notice to the Owners of the 2006 Series C Bonds and the applicable Remarketing Agent, in the name of the Authority, of the mandatory tender for purchase such 2006 Series C 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 2006 Series C Bonds and failure 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 2006 Series C 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 2006 Series C 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 2006 Series C Bonds.

If less than all of the 2006 Series C 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 2006 Series C Bonds to be purchased at its sole discretion. If less than all of the 2006 Series C 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 2006 Series C Bonds to be tendered. For purposes of such selection, the 2006 Series C 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 2006 Series C 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 2006 Series C 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 2006 Series C 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 2006 Series C Bonds.

Funding for purchases of 2006 Series C 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 agreements with the Remarketing Agents for 2006 Series C Bonds.

**Suspension of Ambac Suspended Bond Insurance Policies**

***Suspension of Policies and Exchange of Bonds***. The financial guaranty insurance policy issued by Ambac insuring the payment when due of principal of and interest on the 2006 Series C Bonds and certain other Bonds (the "Ambac Suspended Bond Insurance Policy") has been suspended in accordance with the Policy Suspension Agreement, dated as of August 28, 2008 (the "Policy Suspension Agreement"), among Ambac, the Authority and the Trustee, and is no longer in effect with respect to the 2006 Series C Bonds or such other Bonds unless and until it is reinstated pursuant to the provisions of the Indenture described under "Reinstatement of Policies" below and of the Policy Suspension Agreement. The suspension is binding upon the Bondholders and the Beneficial Owners of such Bonds (and upon any other Person who becomes the owner of an Obligation (within the meaning of the Ambac Suspended Bond Insurance Policy) or of a coupon relating to such an Obligation) without any further action, and each Bondholder and each Beneficial Owner of such Bonds (and each other Person who becomes the owner of an Obligation (within the meaning of the Ambac Suspended Bond Insurance Policy) or of a coupon relating to such an Obligation) is deemed to consent to such suspension and will be bound thereby. On August 28, 2008, all of the outstanding 2006 Series C Bonds were surrendered and exchanged pursuant to the Indenture for Bonds that bear new CUSIP numbers and certain language set forth in the Indenture in lieu of the statement of insurance. An endorsement to the insurance policy reflecting the suspension was delivered to the Trustee by Ambac in accordance with the Policy Suspension Agreement. The 2006 Series C Bonds are not insured by the Ambac Suspended Bond Insurance Policy, and the Bondholders and the Beneficial Owners of the 2006 Series C Bonds (and any other Person who becomes the owner of an Obligation (within the meaning of the Ambac Suspended Bond Insurance Policy) or of a coupon relating to such an Obligation) shall have no claim or right to receive any payment under the Ambac Suspended Insurance Policy. The payment procedures for payments under the Ambac Suspended Bond Insurance Policy are not in effect but shall remain suspended until such time as such policies are reinstated.

***Reinstatement of Policies***. The Ambac Suspended Bond Insurance Policy may be reinstated upon satisfaction of the terms and conditions set forth in the Policy Suspension Agreement. However, neither the Authority nor the Trustee has any obligation to reinstate the Ambac Suspended Bond Insurance Policy.

**Reinstatement Procedures**

***Mandatory Tender***. Any Reinstatement of the Ambac Suspended Bond Insurance Policy pursuant to the Indenture will cause the 2006 Series C Bonds and the other Bonds insured thereby to be subject to mandatory tender for purchase on the effective date of such Reinstatement. Notwithstanding any other provisions of the Indenture, the Authority is required to provide or cause the Trustee to provide not less than fifteen (15) days prior notice of the mandatory tender of the 2006 Series C Bonds subject to Reinstatement to the Owners thereof.

***Exchange of Bonds***. On the effective date of Reinstatement of the Ambac Suspended Bond Insurance Policy, the outstanding 2006 Series C Bonds and any other Bonds insured by the Ambac Suspended Bond Insurance Policy shall be surrendered and exchanged pursuant to the Indenture for Bonds that contain a statement of insurance and that bear new CUSIP numbers. Notwithstanding any other provision of the Indenture, the effective date of Reinstatement will be an additional Interest Payment Date for such Bonds, and accrued interest thereon to but not including the effective date of Reinstatement shall be paid to the Holders of such Bonds of record on the Business Day next preceding the effective date of Reinstatement and the Purchase Price for each such Bond tendered or deemed tendered shall not be increased to include accrued interest.

***Consent of Credit Providers***. On or prior to the effective date of each Reinstatement, the Authority shall provide the Trustee with the consent to such Reinstatement of each Person that will be a Credit Provider for the 2006 Series C Bonds and any other Bonds subject to such Reinstatement.

## REMARKETING AGENTS

The Authority has entered into a Remarketing Agreement covering each subseries of the 2006 Series C Bonds with the Remarketing Agent for such subseries as shown in the Summary of Reoffering following the cover page. Each Remarketing Agent undertakes, among other things, to use its best efforts to remarket 2006 Series C Bonds of the subseries assigned to it 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 2006 SERIES C BONDS

The Remarketing Agent for each subseries of 2006 Series C Bonds is shown in the Summary of Reoffering following the front cover.

Each of the Remarketing Agents has agreed to comply with the Authority's variable rate demand bond procedures, which are included in the Indenture and described herein.

The Remarketing Agents also have internal practices and procedures pertaining to variable rate demand securities. The resale of 2006 Series C Bonds and the rates of interest thereon may be affected by those practices and procedures.

***The Remarketing Agents are Paid by the Authority***. Each Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing 2006 Series C Bonds of the subseries assigned to it that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of its Remarketing Agreement), all as further described in this Reoffering Circular. The Remarketing Agents are appointed by the Authority and are paid by the Authority for their services. As a result, the interests of the Remarketing Agents may differ from those of existing holders and potential purchasers of 2006 Series C Bonds.

***The Remarketing Agents May Be Removed, Resign or Cease Remarketing the 2006 Series C Bonds, Without a Successor Being Named***. Under certain circumstances each 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 Agents and the Authority may Purchase 2006 Series C Bonds for Their Own Accounts***. Each 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 2006 Series C 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 2006 Series C Bonds by purchasing and selling 2006 Series C 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 2006 Series C Bonds. The Remarketing Agent may also sell any 2006 Series C 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 2006 Series C Bonds. The Authority may purchase certain 2006 Series C Bonds held by a Remarketing Agent. In addition, the Authority has amended the Indenture to permit the Remarketing Agents to remarket 2006 Series C Bonds to the Authority as part of the remarketing and interest rate setting process undertaken by the Remarketing Agents. The willingness of the Authority to buy 2006 Series C Bonds in connection with a remarketing may affect the interest rate determined for such 2006 Series C 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 2006 Series C Bonds by the Remarketing Agent or the Authority may create the appearance that there is greater third party demand for the 2006 Series C Bonds in the market than is actually the case. The practices described above also may result in fewer 2006 Series C Bonds being tendered in a remarketing, fewer draws on the Standby Bond Purchase Agreement, and lower interest rates on the 2006 Series C Bonds than would otherwise be the case.

***2006 Series C Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date***. Each Remarketing Agent is required by its Remarketing Agreement to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the subseries of 2006 Series C Bonds assigned to it 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 2006 Series C Bonds (including whether the Remarketing Agent or the Authority is willing to purchase 2006 Series C Bonds for its own account). Each Remarketing Agreement requires that the Remarketing Agent use its best efforts to remarket 2006 Series C Bonds of the subseries assigned to it tendered pursuant to the Indenture. There may or may not be 2006 Series C Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any 2006 Series C Bonds tendered for purchase on such date at par, and the Remarketing Agent may sell 2006 Series C Bonds at varying prices to different investors on such date or any other date. Each Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the 2006 Series C Bonds at the remarketing price. In the event a Remarketing Agent or the Authority owns any 2006 Series C Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such 2006 Series C 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 2006 Series C Bonds other than through Tender Process May Be Limited***. The Remarketing Agents and the Authority may buy and sell 2006 Series C 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 2006 Series C Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the 2006 Series C Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2006 Series C Bonds other than by tendering the 2006 Series C Bonds in accordance with the tender process.

## STANDBY BOND PURCHASE AGREEMENT

*The following is a summary of provisions of the Standby Bond Purchase Agreement in effect with respect to the 2006 Series C Bonds. 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 Providers, see APPENDIX V – "THE LIQUIDITY PROVIDERS."*

### General

The Liquidity Facility for the 2006 Series C Bonds is provided by California Public Employees' Retirement System and Lloyds TSB Bank plc, acting through its New York Branch (collectively, the "Liquidity Providers"), pursuant to the Standby Bond Purchase Agreement among those providers, the Authority, the Trustee, JPMorgan Chase Bank, National Association ("JPMorgan Chase"), as Agent, and Bank of America, N.A., and Bayerische Landesbank, acting through its New York Branch, as Liquidity Providers. The Standby Bond Purchase Agreement also provides liquidity support for the Authority's 2001 Series A Bonds and 2007 Series E-3 Bonds (together with the 2006 Series C Bonds, the "Supported Bonds").

The respective principal commitments of the Liquidity Providers providing Liquidity Facilities for the 2006 Series C Bonds are indicated in the following table. In addition to the principal commitment, each 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.

**LIQUIDITY PROVIDERS PRINCIPAL COMMITMENTS**

| Series | Liquidity Providers | Principal Commitment | Expiration Date |
|---|---|---|---|
| 2006 Series C Bonds | Lloyds TSB Bank PLC, acting through its New York Branch; and | $208,000,000 | August 26, 2011 |
| | California Public Employees' Retirement System | $67,000,000 | August 26, 2011 |

Payment of the Purchase Price for 2006 Series C 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 Liquidity Providers have agreed to purchase 2006 Series C Bonds tendered for purchase or subject to mandatory purchase that have not been remarketed. Each such Liquidity Provider will provide its pro rata share of the Purchase Price of tendered 2006 Series C Bonds based upon the portion that its principal commitment bears to the total commitments for such 2006 Series C Bonds.

The Liquidity Providers' Commitments under the Standby Bond Purchase Agreement supporting the 2006 Series C Bonds will expire on the date shown on the table above, unless terminated earlier or unless extended. An extension of the Liquidity Providers' Commitments under the Standby Bond Purchase Agreement or the substitution of another liquidity facility for the 2006 Series C Bonds is required by the Indenture until the 2006 Series C Bonds are retired or changed to bear interest at a Fixed Rate, a Term Rate, an Auction Rate or an Index Rate. The scheduled expiration or the termination by the Authority of a Liquidity Provider's Commitment under the Standby Bond Purchase Agreement will, and the substitution of another liquidity facility may, result in a mandatory purchase of the 2006 Series C Bonds supported by such Liquidity Provider's Commitment under the Standby Bond Purchase Agreement as explained under "DESCRIPTION OF THE 2006 SERIES C BONDS—Mandatory Tender Provisions."

Funding under the Standby Bond Purchase Agreement is to be requested by the Trustee by telephonic and written notice to each of the Liquidity Providers. Upon payment by the Liquidity Provider, the 2006 Series C Bonds purchased by the Liquidity Providers will be called Credit Provider Bonds or Bank Bonds and bear interest at the Bank Rate 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 Liquidity Provider. The Indenture requires Credit Provider Bonds to be remarketed prior to the remarketing of any other 2006 Series C Bonds tendered for purchase or subject to mandatory purchase.

**Purchase of Tendered 2006 Series C Bonds by the Liquidity Providers**

Each Liquidity Provider for the 2006 Series C Bonds has agreed to purchase, during the Availability Period for such Series, eligible 2006 Series C 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. See "DESCRIPTION OF THE 2006 SERIES C BONDS."

The Availability Period for the 2006 Series C Bonds ends on the earliest of (a) the expiration date of the respective Liquidity Provider's Commitment under 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 respective Liquidity Provider's Commitment under the Standby Bond Purchase Agreement as to 2006 Series C Bonds; (c) the date on which the 2006 Series C Bonds cease to bear interest at either a Daily Rate, Weekly Rate, Commercial Paper Rate or a combination thereof; (d) the date on which the Authority delivers to the Trustee an alternate or substitute liquidity facility for such 2006 Series C Bonds; (e) the date on which no 2006 Series C Bonds are outstanding; or (f) the occurrence of a termination event under the Standby Bond Purchase Agreement. The price to be paid by a Liquidity Provider for 2006 Series C Bonds will be equal to the aggregate principal amount of such 2006 Series C 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. **Upon the occurrence of a Termination Event, the obligation of the Liquidity Providers to purchase Supported Bonds pursuant to the Standby Bond Purchase Agreement will be immediately terminated without notice, without purchase or without other action**. 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 Supported Bonds;

(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 Supported 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 Supported Bonds (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 Supported Bonds 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 files 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, admits in writing its inability or fails generally 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 Bond or any other indebtedness of the Authority senior to or on a parity with the Supported 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 Supported Bonds or any other indebtedness of the Authority senior to or on a parity with the Supported Bonds and secured by and payable from Bridge Toll Revenues is withdrawn or 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 Supported Bonds 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 Supported Bonds, the Indenture and the Remarketing Agreements;

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

(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 from the Agent; or

(e) 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 Supported 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 to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, all obligations of others secured by a lien on any asset of the Authority, and all obligations of the Authority arising from any guaranty by the Authority of certain debt of any other entity or 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 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 Bond or any other indebtedness of the Authority senior to or on a parity with the Supported 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 Supported Bonds or any other indebtedness of the Authority senior to or on a parity with the Supported 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 Liquidity Providers to purchase Supported Bonds pursuant to the Standby Bond Purchase Agreement will be immediately terminated without notice, without purchase or without other action**.

Upon the occurrence of a Suspension Event, the obligation of the Liquidity Providers to purchase Supported Bonds pursuant to the Standby Bond Purchase Agreement will be immediately suspended without notice or other action. The obligation of the Liquidity Providers to purchase Supported Bonds will thereafter be suspended until either the Liquidity Providers' agent (with the consent of the Liquidity Providers) 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 Supported Bonds 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 Supported Bonds to be invalid, unenforceable or null and void, then the obligation of the Liquidity Providers to purchase Supported Bonds under the Standby Bond Purchase Agreement will immediately terminate without any further action by the Liquidity Providers. 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 Supported Bonds are upheld in their entirety, the obligation of the Liquidity Providers to purchase Supported Bonds under the Standby Bond Purchase Agreement or the applicable Liquidity Providers' Commitments 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 a Series of Supported Bonds or the date which is two years after the effective date of suspension of the Liquidity Providers' obligations, such Suspension Event is still continuing, then the Available

Commitment for such Series of Supported Bonds and the obligation of the applicable Liquidity Provider to purchase Supported Bonds of such Series of Supported 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 all, but not less than all, of the Commitments by giving notice to the Authority and the Trustee, specifying the date on which at 3:00 p.m. New York time the Commitments 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 Liquidity Providers will be under no further obligation to purchase Supported Bonds other than Supported 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 Bank on or prior to the Termination Date.

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

The expiration dates of the Liquidity Providers' Commitments are set forth above under the caption "STANDBY BOND PURCHASE AGREEMENT — General" in the table titled "LIQUIDITY PROVIDERS PRINCIPAL COMMITMENTS" and in the Summary of Reoffering commencing on the inside front cover of this Reoffering Circular.

Liquidity Providers' Commitments under the Standby Bond Purchase Agreement supporting the 2006 Series C Bonds are to expire on August 26, 2011, unless terminated or extended for additional periods by mutual agreement of the Authority and the respective Liquidity Providers. Written request for extension of these Commitments must be received by the respective Liquidity Providers not less than 120 nor more than 180 days preceding the then current relevant expiration date and the applicable Liquidity Provider in its sole and absolute discretion shall notify the Authority of the Liquidity Provider's decision with respect to such request. If a Liquidity Provider does not respond to the Authority's request within 60 days, that Liquidity Provider will be deemed to deny such request. Requests can be made on a Series by Series basis.

Upon any redemption, defeasance or other payment of all or any portion of the principal amount of the 2006 Series C Bonds, the Liquidity Provider's purchase Commitment under the Standby Bond Purchase Agreement with respect to principal of the 2006 Series C Bonds shall automatically be reduced by the principal amount of the 2006 Series C Bonds so redeemed, defeased or otherwise paid, as the case may be. The Liquidity Providers' Commitment with respect to interest shall be equal to 34 days' interest on the principal amount of the 2006 Series C 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 2006 Series C Bonds or the purchase by the Liquidity Provider of the 2006 Series C 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 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 Liquidity Providers under the Indenture, will be sufficient to ensure the payment of all amounts due to the Liquidity Providers under the terminated 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 the Standby Bond Purchase Agreement. To the extent the short-term rating on the 2006 Series C Bonds depends in any manner on the rating of the Liquidity Providers, the short-term ratings on the 2006 Series C Bonds could be downgraded or withdrawn if one or more or the Liquidity Providers 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 Liquidity Providers under the Standby Bond Purchase Agreement to purchase unremarketed 2006 Series C 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 2006 Series C 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 2006 Series C 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 nonbreaching 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 the 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 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 2006 Series C 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 2006 Series C Bonds. See "OTHER AUTHORITY OBLIGATIONS — Standby Bond Purchase Agreements" in the Information Statement.

## SUMMARY OF FINANCING PLAN

### Outstanding Bonds and Parity Obligations

The Authority has Bonds outstanding in the aggregate principal amount of $5,630,470,000 comprised of $1,457,760,000 aggregate principal amount of variable rate demand bonds and $4,172,710,000 aggregate amount of fixed rate bonds. The Authority also has outstanding 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 "OTHER AUTHORITY OBLIGATIONS — Subordinate Obligations" and "— Qualified Swap Agreements."

### Reserve Fund

The Reserve Requirement for all outstanding Bonds is approximately $345,274,999, and cash and investments aggregating that amount are held in the Reserve Fund.

### Anticipated Bond Issuances of the Authority

The Authority anticipates issuing additional toll bridge revenue bonds to fund capital projects under its current capital project programs. The Authority currently expects to issue between $1.0 billion and $1.5 billion in additional toll bridge revenue bonds before June 30, 2012 and additional bonds thereafter. The Authority continually monitors its capital needs and market opportunities and may accelerate such issuances. Toll bridge revenue bonds may be issued on a parity with the outstanding Bonds under the Indenture or as subordinate toll bridge revenue bonds under another indenture. Additional toll bridge revenue bonds could be issued for refunding or restructuring purposes, additional work on the Bridges or other purposes authorized by the Act.

The principal amount of additional toll bridge revenue bonds (and any 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. See "SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS – Toll Rate Covenants" and "— Additional Bonds Test" in the Information Statement.

### Investment Portfolio

For information concerning the Authority's investment policies, see "INVESTMENT PORTFOLIO" in the Information Statement. As of November 30, 2009, the average maturity of the investment portfolio was 64 days, with an average annual yield of approximately 0.26%.

**INVESTMENT PORTFOLIO INFORMATION[1]**
**as of November 30, 2009 (Unaudited)**

| Investments | Percent of Portfolio | Par Value | Market Value |
|---|---|---|---|
| Cash | 6.9% | $ 238,106,244 | $ 238,106,243 |
| Government Sponsored Enterprises[2] | 71.1% | 2,445,100,000 | 2,445,625,248 |
| Municipal Bonds | 7.7% | 264,055,000 | 264,145,955 |
| Mutual Funds | 7.1% | 243,730,279 | 243,730,279 |
| State LAIF Pool | 0.0% | 1,002,518 | 1,002,518 |
| County of Alameda Pool | 0.0% | 636,150 | 636,150 |
| California Asset Management Program | 7.2% | 248,436,215 | 248,436,215 |
| **TOTAL INVESTMENTS** | 100.0% | $3,441,066,406 | $3,441,682,608 |

(1) The investment portfolio includes funds of MTC and related entities and trustee held funds. However, substantially all of the funds in the investment portfolio belong to the Authority.
(2) Federal Home Loan Mortgage Corp., Federal Home Loan Banks, Federal National Mortgage Association, Federal Farm Credit Bank and Tennessee Valley Authority.
Source: MTC Monthly Investment Report.

**Projected Revenue, Operations & Maintenance Expenses and Debt Service Coverage**

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

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

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

The prospective financial information included in 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, DEBT SERVICE COVERAGE, AND OPERATIONS & MAINTENANCE EXPENSES**
**($ in thousands)**

| | Fiscal Year Ending June 30, | | | |
|---|---|---|---|---|
| | **2010** | **2011** | **2012** | **2013** |
| Revenue | | | | |
| Bridge Toll Revenues[(1)] | $476,931 | $616,087 | $619,167 | $622,263 |
| Interest Earnings[(2)] | 68,816 | 73,297 | 68,230 | 63,855 |
| Other Revenues[(3)] | 14,537 | 31,477 | 31,491 | 31,506 |
| Total Revenue | $560,284 | $720,860 | $718,888 | $717,625 |
| Less: Operations & Maintenance Expenses[(4)] | 28,140 | 27,144 | 26,189 | 25,271 |
| Net Revenue | $532,144 | $693,716 | $692,699 | $692,354 |
| Debt Service on Bonds and Parity Obligations[(5)] | $260,894 | $317,796 | $317,709 | $375,327 |
| Net Debt Service Coverage | 2.04 | 2.18 | 2.18 | 1.84 |
| Gross Debt Service Coverage[(6)] | 2.15 | 2.27 | 2.26 | 1.91 |
| Subordinated Maintenance Expenditures and Authority Operating Expenses[(7)] | $ 53,259 | $ 54,422 | $ 62,332 | $ 63,841 |
| MTC Transfers | $ 67,593 | $ 67,756 | $ 68,234 | $ 68,718 |

(1) Assumes a toll increase on July 1, 2010 that generates approximately $138 million in Bridge Toll Revenues in Fiscal Year 2011. A toll increase is under consideration by the Authority. If the planned Fiscal Year 2011 toll increase is not implemented, the Authority will need to limit additional Bonds issued prior to the end of Fiscal Year 2012, to an amount no greater than $800 million in order to maintain debt service coverage at approximately 1.50. 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 Years 2012 and 2013 on all System Bridges. Includes violation revenues.

(2) Assumes average interest earnings of 3.41% in Fiscal Year 2010, 4.68% in Fiscal Year 2011, 4.70% in Fiscal Year 2012 and 4.73% in Fiscal Year 2013.

(3) Includes a 35% interest subsidy in Fiscal Years 2010, 2011, 2012 and 2013 for 2009 Series F-2 Bonds.

(4) Excludes Subordinated Maintenance Expenditures, Authority Operating Expenses 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 "— Transfers to MTC" in the Information Statement.

(5) 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 0.16% for budgeted basis risk. Assumes the issuance of $1.0 billion principal amount of additional Bonds in Fiscal Year 2012 with an assumed interest rate of 5.75% per annum. See Note 5 starting on page 57 of "METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009" attached to the Information Statement as Appendix A. The Authority expects debt service to increase after Fiscal Year 2013.

(6) Legislation effective January 1, 2010 subordinates all Operations and Maintenance Expenses, including those set forth above, to the Authority's obligations on the Bonds and other Parity Obligations. The Authority's pledge of net revenue will become a pledge of gross revenue, the debt service coverage of which is shown here.

(7) Fiscal Years 2010 through 2011 do not include Subordinated Maintenance Expenditures with respect to the San Francisco-Oakland Bay Bridge payable from the State Highway Account. Authority Operating Expenses include bank liquidity fees and operating expenses of the Authority.

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 are for information purposes only. The Authority is only required to meet the coverage ratios specified in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS – Toll Rate Covenants” and “– Additional Bonds Test” in the Information Statement.

## RECENT DEVELOPMENTS

### Motor Vehicle Traffic

Total toll-paying traffic for the first five months of the Authority’s current fiscal year decreased an estimated 0.80% from the same period in the prior fiscal year. The Authority is unable to predict whether this downward trend will continue. For more information concerning motor vehicle traffic, see “THE BRIDGE SYSTEM – Motor Vehicle Traffic” in the Information Statement.

### San Francisco-Oakland Bay Bridge Closure

On October 27, 2009, the San Francisco-Oakland Bay Bridge was closed in both directions to repair a recently implemented eyebar reinforcement assembly on the east span that gave way, causing debris to fall on the roadway. No serious injuries and no significant damage to the bridge occurred. Caltrans made the necessary repairs and reopened the bridge to traffic on November 2, 2009. This event did not have a material adverse effect on the Authority’s finances.

Other eyebars on the east span may need to be reinforced before the replacement east span is open to traffic. The bridge may have to be closed while any such repairs are made. Caltrans and the Authority are unable to predict whether or how many (if any) such repairs may be necessary. See “RISK FACTORS – Risk of Earthquake” and “— Other Force Majeure Events” in the Information Statement.

The Richmond-San Rafael Bridge is of similar eyebar construction and may require similar repairs and related closures.

### Self-Anchored Suspension Bridge Schedule

The Self-Anchored Suspension Bridge (“SAS”) is a major component of the replacement of the east 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 contractor has reported that fabrication of the steel tower and roadway boxes has fallen 15 months behind schedule due to the complexity of the design and fabrication. In addition, fabrication of the last two roadway sections at the east end of the new span has fallen behind schedule due to delays in the fabrication and drawing preparation process. These delays are likely to prevent the westbound opening of the new east span of the bridge in 2012, but the full opening of the east span is still projected in 2013. Based on the latest risk management assessment, there is a potential for a $260 million increase on the SAS contract. 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.

### Toll Increase

On January 13, 2010, a committee of the Authority's Board referred a toll increase for the Bridge System to the Authority's Board for approval on January 27, 2010. The toll increase is needed primarily to fund the seismic retrofit of the Antioch and Dumbarton Bridges, to offset reduced revenues due to declining traffic volumes on the Bridge System, and to fund increased costs of the Authority's debt financings. If the toll increase is approved by the Board, it will become effective commencing July 1, 2010. The Authority projects that the toll increase will generate approximately $138 million in Bridge Toll Revenues in Fiscal Year 2011.

## PROPOSED BUILD AMERICA BONDS AMENDMENT TO INDENTURE

In November 2009, the Authority issued its 2009 Series F-2 taxable Build America Bonds pursuant to provisions of the federal American Recovery and Reinvestment Act of 2009 (the “Recovery Act”). The Authority may issue more Build America Bonds in the future. Under the Recovery Act, the Authority will elect to receive from the federal government interest subsidy payments equal to 35% of the amount of interest paid by the Authority on the Build America Bonds. The Authority wants to amend the Indenture 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. The proposed amendment to the Indenture to achieve this result is described in the Information Statement under the caption “PROPOSED BUILD AMERICA BONDS AMENDMENT.” Purchasers of the remarketed 2006 Series C Bonds and any subsequent owners will be deemed, by acceptance of such Bonds, to have irrevocably consented to 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 2006 Series C 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 2006 Series C 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 2006 Series C 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

On February 8, 2006, the date of issuance of the 2006 Series C Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, delivered an opinion with respect to such Bonds to the effect that 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 2006 Series C 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. The opinion of Bond Counsel further stated that interest on the 2006 Series C Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observed that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expressed no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2006 Series C Bonds. A complete copy of the form of opinion of Bond Counsel delivered at original issuance of the 2006 Series C Bonds is set forth in Appendix II hereto.

On the closing date for the remarketing of the 2006 Series C Bonds in connection with the division into four subseries, Bond Counsel will deliver on the effective date thereof its opinion (the "Remarketing Opinion") to the effect that such division and remarketing will not, in and of itself, adversely affect the exclusion from gross income of interest on the 2006 Series C Bonds for federal income tax purposes. The text of the Remarketing Opinion to be delivered by Bond Counsel is included as Appendix II hereto. Bond Counsel is not rendering any opinion on the current tax status of the 2006 Series C Bonds.

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 2006 Series C Bonds. The Authority has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2006 Series C 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 2006 Series C Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2006 Series C Bonds. The opinion of Bond Counsel rendered in connection with the original issuance of the 2006 Series C Bonds assumes the accuracy of these representations and compliance with these covenants. With the exception of the matters set forth in its Remarketing Opinion, 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 original issuance of the 2006 Series C Bonds may adversely affect or have adversely affected the value of, or the tax status of interest on, the 2006 Series C Bonds. Accordingly, the opinion of Bond Counsel was and is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although the opinion Bond Counsel rendered in connection with the original issuance of the 2006 Series C Bonds stated that interest on the 2006 Series C 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 2006 Series C 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 2006 Series C 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 2006 Series C Bonds. Prospective purchasers of the 2006 Series C 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 opinions of Bond Counsel are 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 2006 Series C Bonds for federal income tax purposes. The opinions of Bond Counsel are 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 2006 Series C 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 2006 Series C 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 2006 Series C 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, and for the Remarketing Agents by their counsel, Nixon Peabody LLP.

## RATINGS

### 2006 Series C Bonds

Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Fitch Ratings ("Fitch") have assigned the short term ratings to the 2006 Series C Bonds of "VMIG 1," "A-1+," and "F-1+," respectively. The short term ratings on the 2006 Series C Bonds are based upon the Standby Bond Purchase Agreement.

Moody's, S&P and Fitch have assigned long term ratings to the 2006 Series C 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 2006 Series C Bonds.

## REMARKETING

In connection with the division of the 2006 Series C Bonds into four subseries, the 2006 Series C Bonds are subject to a mandatory tender by the owners thereof for purchase on February 4, 2010 at a purchase price equal to the principal amount thereof plus accrued interest to the purchase date. Each of the Remarketing Agents shown in the Summary of Reoffering following the front cover of this Reoffering Circular will remarket the 2006 Series C Bonds for which it is the Remarketing Agent to investors effective February 4, 2010 pursuant to Remarketing Agreements between the Authority and each Remarketing Agent. The Remarketing Agents will receive remarketing fees quarterly based on the aggregate principal amount of their subseries that is outstanding, plus reimbursement of certain expenses. The Remarketing Agents are not receiving any additional fees for the February 4, 2010 reoffering.

J.P. Morgan Securities Inc. is currently the Remarketing Agent for the 2006 Series C Bonds and may hold 2006 Series C Bonds in its inventory at the time of the mandatory tender for purchase of the 2006 Series C Bonds.

## 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 2006 Series C 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

The Authority's capital improvement projects and related activities, including the remarketing of the 2006 Series C 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 2006 Series C Bonds while the 2006 Series C 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 2006 Series C 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 2006 Series C 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/ Steve Heminger
Executive Director

## 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 2006 Series C Bonds. The 2006 Series C Bonds will be remarketed 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 2006 Series C Bond certificate will be issued for each maturity of each subseries of the 2006 Series C 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 2006 Series C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2006 Series C Bonds on DTC's records. The ownership interest of each actual purchaser of each 2006 Series C 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 2006 Series C 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 2006 Series C Bonds, except in the event that use of the book-entry system for the 2006 Series C Bonds is discontinued.

To facilitate subsequent transfers, all 2006 Series C 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 2006 Series C 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 2006 Series C Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2006 Series C 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 2006 Series C Bonds.

Redemption notices shall be sent to DTC. If less than all of the 2006 Series C 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 2006 Series C 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 2006 Series C 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 2006 Series C 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 2006 Series C 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, 2006 Series C 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 2006 SERIES C BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED HOLDERS OF THE 2006 SERIES C BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2006 SERIES C 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 2006 SERIES C BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE. Each person for whom a Participant acquires an interest in the 2006 Series C 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 2006 SERIES C BONDS TO BE REDEEMED IN THE EVENT OF REDEMPTION OF LESS THAN ALL 2006 SERIES C 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 2006 SERIES C 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 2006 SERIES C 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 2006 Series C Bonds, and the Authority does not select another qualified securities depository, the Authority shall deliver one or more 2006 Series C 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 2006 Series C Bonds will be governed by the provisions of the Indenture.

(This page intentionally left blank)

## APPENDIX II

## PROPOSED FORM OF OPINION OF BOND COUNSEL AND PRIOR OPINION OF BOND COUNSEL REGARDING THE 2006 SERIES C BONDS

[Closing Date]

Bay Area Toll Authority
Oakland, California

Union Bank, N.A.
San Francisco, California
as Trustee for the Bonds

Bay Area Toll Authority
San Francisco Bay Area Toll Bridge Revenue Bonds,
2006 Series C-1, 2006 Series C-2, 2006 Series C-3 and 2006 Series C-4
(2010 Reoffering)

Ladies and Gentlemen:

Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds, 2006 Series C, in the aggregate principal amount of $275,000,000 (the "2006 Series C Bonds"), were issued by the Bay Area Toll Authority (the "Issuer") on February 8, 2006, pursuant to, and are currently outstanding under, a Master Indenture, dated as of May 1, 2001, as supplemented (hereinafter collectively referred to as the "Indenture"), including as supplemented by the Fifth Supplemental Indenture, dated as of February 1, 2006, the Eleventh Supplemental Indenture, dated as of August 1, 2008, and the Fifteenth Supplemental Indenture, dated as of February 1, 2010 (the "Fifteenth Supplemental Indenture"), each between the Issuer and Union Bank, N.A., as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

Pursuant to Sections 9.01(g) and 97.01 of the Indenture, the Indenture is being amended by the Fifteenth Supplemental Indenture to divide the 2006 Series C Bonds into four subseries for remarketing purposes, namely 2006 Series C-1, 2006 Series C-2, 2006 Series C-3 and 2006 Series C-4 (collectively, the "Bonds"). Such amendment does not change the February 8, 2006 date of issuance of the Bonds.

In connection with the execution and delivery of the Fifteenth Supplemental Indenture and remarketing of the Bonds, as bond counsel to the Issuer, we have reviewed the Indenture, the tax certificate of the Issuer dated February 8, 2006 (the "Tax Certificate"), opinions of counsel to the Issuer and the Trustee, certificates of the Issuer, the Trustee, the banks, and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinion 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, and we disclaim any obligation to update this opinion. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any party 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 third paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate (including any supplements or amendments thereto), including (without limitation) covenants and agreements compliance with which is necessary to assure that actions, omissions or events on and after the date of issuance of the Bonds have not caused and will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We have not undertaken to determine compliance with any of such covenants and agreements or any other requirements of law, and, except as expressly set forth below, we have not otherwise reviewed any actions, omissions or events occurring after the date of issuance of the Bonds or the exclusion of interest on the Bonds from gross income for federal income tax purposes. Accordingly, no opinion is expressed herein as to whether interest on the Bonds is excludable from gross income for federal income tax purposes or as to any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. Nothing in this letter should imply that we have considered or in any manner reaffirm any of the matters covered in any prior opinion we rendered with respect to the Bonds. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public 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 any offering material relating to the Bonds in connection with the Fifteenth Supplemental Indenture, the remarketing of the Bonds or otherwise 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 Fifteenth Supplemental Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer, and the division of the 2006 Series C Bonds into four subseries for remarketing purposes is authorized under the Indenture and complies with the terms thereof.

2. The execution and delivery of the Fifteenth Supplemental Indenture, the division of the 2006 Series C Bonds into four subseries for remarketing purposes contemplated thereby and the remarketing of the Bonds in accordance with the provisions of the Indenture will not, in and of itself, adversely affect the validity of the Bonds or the exclusion from gross income of interest on the Bonds for federal income tax purposes.

This opinion is furnished by us as bond counsel to the Issuer for purposes of Section 41.06(b) of the Indenture. The foregoing opinion is limited to matters arising under the federal laws of the United States of America and the laws of the State of California. No attorney-client relationship has existed or exists between our firm and the Trustee in connection with the Bonds or by virtue of this opinion, and we disclaim any obligation to update this opinion.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

ORRICK

ORRICK, HERRINGTON & SUTCLIFFE LLP
THE ORRICK BUILDING
405 HOWARD STREET
SAN FRANCISCO, CALIFORNIA 94105-2669
tel +1-415-773-5700
fax +1-415-773-5759
WWW.ORRICK.COM

February 8, 2006

Bay Area Toll Authority
Oakland, California

Bay Area Toll Authority
San Francisco Bay Area Toll Bridge Revenue Bonds,
2006 Series A-1, 2006 Series A-2, 2006 Series A-3,
2006 Series B-1, 2006 Series B-2, 2006 Series C, 2006 Series D-1,
2006 Series D-2, 2006 Series D-3, 2006 Series E-1 and 2006 Series E-2
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Bay Area Toll Authority (the "Issuer") in connection with issuance of $1,000,000,000 aggregate principal amount of Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds, 2006 Series A-1, 2006 Series A-2, 2006 Series A-3, 2006 Series B-1, 2006 Series B-2, 2006 Series C, 2006 Series D-1, 2006 Series D-2, 2006 Series D-3, 2006 Series E-1 and 2006 Series E-2 (collectively, the "Bonds"), issued pursuant to the provisions of Chapter 4, Chapter 4.3 and Chapter 4.5 of Division 17 of the California Streets and Highway Code and Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code, and a Master Indenture, dated as of May 1, 2001, as previously supplemented and as supplemented by a Fifth Supplemental Indenture, dated as of February 1, 2006 (hereinafter collectively referred to as the "Indenture"), between the Issuer and 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 Certificate of the Issuer, dated the date hereof (the "Tax Certificate"), opinions of counsel to the Issuer and the Trustee, certificates of the Issuer, the Trustee, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The interest rate mode on each series of the Bonds and certain agreements, requirements and procedures contained or referred to in the Indenture, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

DOCSSF1:859926.2

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. 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 Certificate, including, without limitation, covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public 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 real or personal property 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 property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated February 2, 2006, 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, although we observe that interest on the Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per Mary a. Collins

DOCSSF1:859926.2

(This page intentionally left blank)

## 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 2006 Series C Bonds.

| Fiscal Year Ending (June 30) | Debt Service | | |
|---|---|---|---|
| | Principal | Interest[1] | Total |
| 2010 | $ 35,345,000 | $ 240,126,668 | $ 275,471,668 |
| 2011 | 36,990,000 | 295,383,295 | 332,373,295 |
| 2012 | 38,695,000 | 293,591,334 | 332,286,334 |
| 2013 | 40,540,000 | 291,864,466 | 332,404,466 |
| 2014 | 46,165,000 | 289,971,429 | 336,136,429 |
| 2015 | 48,195,000 | 287,903,661 | 336,098,661 |
| 2016 | 56,915,000 | 285,691,843 | 342,606,843 |
| 2017 | 59,615,000 | 283,046,812 | 342,661,812 |
| 2018 | 62,555,000 | 280,084,396 | 342,639,396 |
| 2019 | 65,705,000 | 276,957,746 | 342,662,746 |
| 2020 | 84,825,000 | 273,839,093 | 358,664,093 |
| 2021 | 89,010,000 | 269,656,612 | 358,666,612 |
| 2022 | 93,375,000 | 265,289,471 | 358,664,471 |
| 2023 | 98,045,000 | 260,620,721 | 358,665,721 |
| 2024 | 103,015,000 | 255,648,306 | 358,663,306 |
| 2025 | 108,260,000 | 250,403,375 | 358,663,375 |
| 2026 | 113,655,000 | 245,011,171 | 358,666,171 |
| 2027 | 119,415,000 | 239,247,696 | 358,662,696 |
| 2028 | 125,475,000 | 233,189,518 | 358,664,518 |
| 2029 | 131,770,000 | 226,879,232 | 358,649,232 |
| 2030 | 138,555,000 | 219,909,611 | 358,464,611 |
| 2031 | 145,325,000 | 212,918,626 | 358,243,626 |
| 2032 | 152,830,000 | 204,509,237 | 357,339,237 |
| 2033 | 159,435,000 | 196,857,258 | 356,292,258 |
| 2034 | 166,315,000 | 188,885,906 | 355,200,906 |
| 2035 | 173,495,000 | 180,568,362 | 354,063,362 |
| 2036 | 181,005,000 | 171,871,255 | 352,876,255 |
| 2037 | 188,680,000 | 163,217,302 | 351,897,302 |
| 2038 | 197,115,000 | 153,813,036 | 350,928,036 |
| 2039 | 205,935,000 | 143,983,744 | 349,918,744 |
| 2040 | 188,245,000 | 133,670,217 | 321,915,217 |
| 2041 | 197,345,000 | 123,479,435 | 320,824,435 |
| 2042 | 206,900,000 | 112,793,080 | 319,693,080 |
| 2043 | 216,945,000 | 101,577,971 | 318,522,971 |

*(Table continued on following page)*

| Fiscal Year Ending (June 30) | Debt Service Principal | Interest[(1)] | Total |
|---|---|---|---|
| 2044 | 227,495,000 | 89,805,095 | 317,300,095 |
| 2045 | 238,445,000 | 77,590,512 | 316,035,512 |
| 2046 | 249,670,000 | 65,781,673 | 315,451,673 |
| 2047 | 263,985,000 | 50,971,318 | 314,956,318 |
| 2048 | 278,860,000 | 36,023,837 | 314,883,837 |
| 2049 | 296,325,000 | 18,558,835 | 314,883,835 |
| **TOTAL** | **$5,630,470,000** | **$7,991,193,156** | **$13,621,663,156** |

(1) Assumes an interest rate of 5.25% per annum for the 2001 Series A Variable Rate Bonds (based on interest rate swap arrangements and inclusive of liquidity facility and remarketing fees), the actual interest rates for the 2001 Series D Fixed Rate Bonds, an interest rate of 4.32% per annum for the 2006 Series C Variable Rate Bonds (based on interest rate swap arrangements and inclusive of liquidity facility and remarketing fees), the actual interest rates for the 2006 Series F Fixed Rate Bonds, an interest rate of 5.13% per annum for the 2007 Series A-1, C-1 and G-1 Variable Rate Bonds (based on interest rate swap arrangements and inclusive of liquidity facility and remarketing fees), the actual interest rates for the 2007 Series F Fixed Rate Bonds, an interest rate of 4.88% per annum for the 2007 Series A-2, B-2, C-2, D-2 and E-3 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 2008 Series A-1, B-1, C-1, D-1, E-1 and G-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 2008 Series E-1 Bonds not subject to an interest rate swap agreement (inclusive of liquidity facility and remarketing fees) and the actual interest rates on the 2008 Series F-1 Bonds, the 2009 Series F-1 Bonds and the 2009 Series F-2 Bonds.

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

## APPENDIX IV

## PARITY BONDS AND PARITY OBLIGATIONS

At the time of reoffering of the 2006 Series C Bonds, there will be outstanding $5,630,470,000 principal amount of Bonds secured on a parity with the 2006 Series C Bonds as indicated below.

| 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-1, 2006 Series C-2, 2006 Series C-3 and 2006 Series C-4 | $275,000,000 | Variable |
| San Francisco Bay Area Toll Bridge Revenue Bonds, 2006 Series F | $1,071,740,000 | 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 Bay Area Toll Bridge Revenue Bonds 2008 Series F-1 | $707,730,000 | Fixed |
| San Francisco Bay Area Toll Bridge Revenue Bonds 2009 Series F-1 | $768,720,000 | Fixed |
| San Francisco Bay Area Toll Bridge Revenue Bonds 2009 Series F-2 | $1,300,000,000 | Fixed (Taxable) |
| TOTAL | $5,630,470,000 | |

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 "OTHER AUTHORITY OBLIGATIONS — Qualified Swap Agreements" in the Information Statement for information concerning recent termination of certain other Qualified Swap Agreements.

**Qualified Swap Agreements**

| Counterparty | Notional Amount | Rate Paid by Authority | Rate Received by Authority |
|---|---|---|---|
| Bank of America, N.A. | $30,000,000 amortizing to $0 by April 1, 2045 | 3.633% per annum | A floating per annum rate based on 68% of the one-month LIBOR Index(1) |
| Bank of America, N.A. | $50,000,000 amortizing to $0 by April 1, 2047 | 3.6255% per annum | A floating per annum rate based on 68% of the one-month LIBOR Index(1) |
| Bank of America, N.A. | $160,000,000 amortizing to $0 by April 1, 2045 | 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) |

(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.

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

(This page intentionally left blank)

# APPENDIX V

# THE LIQUIDITY PROVIDERS

*The information contained in this appendix has been provided by the Liquidity Providers. 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 Providers 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.*

## THE LLOYDS TSB BANK GROUP

Lloyds TSB Bank plc (the "Bank") is a wholly-owned subsidiary of Lloyds TSB Group plc ("Lloyds Group"). The Bank and its subsidiaries (the "Bank's Group") comprise one of the leading United Kingdom-based financial services groups, whose businesses provide a wide range of banking and financial services in the United Kingdom and overseas.

At the end of 2007, total consolidated assets of Lloyds Group were approximately £353 billion. The total number of persons employed by Lloyds Group and its subsidiaries was approximately 70,000.

As at the end of 2007, the activities of the Bank's Group are organised into three divisions described below:

***UK Retail Banking***

UK Retail Banking provides banking and financial services to some 16 million personal customers through over 2,000 branches throughout the United Kingdom.

***Insurance and Investments***

Insurance and Investments offers life assurance, pensions, and investment products, general insurance and fund management services.

***Wholesale and International Banking***

Wholesale and International Banking provides banking and related services for major United Kingdom and multinational companies and financial institutions, and small and medium-sized United Kingdom businesses. It also provides asset finance services to personal and corporate customers, manages the Bank's Group's activities in financial markets through its treasury function and provides banking and financial services in some overseas locations.

On September 18, 2008, the boards of directors of Lloyds Group and HBOS plc ("HBOS") announced that they had reached agreement on the terms of a recommended acquisition of HBOS by Lloyds Group by way of a scheme of arrangement (the "Scheme"). On January 16, 2009, Lloyds Group announced that: (i) the Scheme by which its acquisition of HBOS plc was being implemented had become effective in accordance with its terms and (ii) it had, following the Scheme becoming effective and as approved by its shareholders at its General Meeting held on November 19, 2008, changed its legal name from Lloyds TSB Group plc to Lloyds Banking Group plc.

On January 19, 2009, Lloyds Group announced *inter alia,* the successful completion of the acquisition of HBOS.

**Availability of Public Information**

The Bank will provide, upon request, to each person to whom this Reoffering Circular is delivered a copy of the most recently available (i) Annual Report and Accounts of the Bank and Lloyds Group (ii) Annual Report on Form 20F of Lloyds Group. Written requests should be directed to the Bank at 1251 Avenue of the Americas, 39th Floor, New York, New York 10020; Attention: Structured Finance. Additional information (including full copies of each such Report and Accounts) is available from the Lloyds Group web site at http://www.investorrelations.lloydsbankinggroup.com. The acquisition of HBOS is more fully described by the information filed or submitted by Lloyds Group with the U.S. Securities and Exchange Commission.

## CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)

California Public Employees' Retirement System ("CalPERS" or the "System"), a unit of the California State and Consumer Services Agency, provides retirement and health benefits to more than 1.5 million public employees, retirees, and their families, based on employment services provided to more than 1,500 cities, counties, districts, and other local authorities or public bodies of or within the State of California. CalPERS is created pursuant to, and governed by the provisions of, Title 2, Division 5, Parts 3 through 8, of the Government Code, section 20000 *et seq.* (the "Public Employees' Retirement Law").

California Constitution Article XVI, Section 17 (the "Constitutional Provision") grants to the CalPERS Board plenary authority and financial responsibility for the investment of System assets. These assets are held in trust under the Constitutional Provision, to be used for the exclusive purposes of providing benefits to System members and their beneficiaries and defraying reasonable expenses of administering the System. Under paragraph (c) of the Constitutional Provision, the Board may make investments consistent with the trust imposed upon it, with the further obligation to diversify the investments so as to minimize the risk of loss and maximize the rate of return and to act with the care, skill, prudence and diligence "under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims." The sole additional limit on the Board's investment authority is that it will not invest in instruments prohibited by the legislature as being violative of the public interest. California Government Code (the "Government Code") section 7514.3 provides express statutory authority for CalPERS to establish a credit enhancement program to assist entities of state and local government and other issuers of municipal and public finance debt to secure more favorable financing terms through a variety of types of credit enhancement including, but not limited to, enhancement of the credit of bonds, notes, and other indebtedness.

The standards set forth in the Constitutional Provision are further defined in several provisions of the Government Code. For example, the same "prudent person" standard is restated in Section 20151(c) of the Government Code. In Section 20190, the Government Code recognizes the Board as possessing the "exclusive control" for investment of the retirement fund, again authorizing the Board, in its discretion, to "invest the assets of the fund through the purchase, holding or sale ... [of] any investment, financial instrument, or financial transaction [that] is prudent in the informed opinion of the board."

Under Section 20191 of the Government Code, the Board may further specify guidelines "by which to designate those securities and real property that are acceptable for purchase" through the adoption of investment resolutions. The Board may delegate its investment authority to its executive officer, who may further delegate to his or her subordinates, unless the Board has reserved authority to the executive officer to act personally (Section 20099 of the Government Code).

Financial data for June 30, 2008 are taken from the audited financial statements presented in CalPERS' Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended June 30, 2008.

As of June 30, 2008, the Fund had net assets held in trust for pension benefits with a market value of approximately $239.2 billion, compared to approximately $251.1 billion as of June 30, 2007. As of December 31, 2009, net assets had a total market value of approximately $203.3 billion (unaudited).

CalPERS is independently rated "Aa3/P-1" by Moody's Investors Service, "AAA/F1+" by Fitch Ratings, and "A1+" by Standard and Poor's.

CalPERS will provide without charge, upon request, a copy of the 2008 CAFR for the years ended June 30, 2008 and 2007. Requests to CalPERS for the CAFR should be directed by mail to P.O. Box 2749, Sacramento, CA 95812-2749, Attention: Investment Operations / Credit Enhancement Program, or by email to invo_credit_enhancement@calpers.ca.gov. The most recent Annual Report and other information regarding CalPERS can be viewed at http://www.calpers.ca.gov.

*The foregoing information has been provided by CalPERS and is not intended to serve as a representation, warranty, or contract modification of any kind.*

(This page intentionally left blank)

# APPENDIX VI

## VARIABLE RATE DEMAND BONDS

| BOND SERIES | REMARKETING AGENT | LIQUIDITY BANK (Effective August 27, 2009) | 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-1 | J.P. Morgan Securities Inc. | Lloyds[3]/CALPERs[2] | $125,000,000 | 2045 | August 26, 2011 |
| 2006 Series C-2 | Morgan Stanley & Co. Incorporated | Lloyds[3]/CALPERs[2] | $100,000,000 | 2045 | August 26, 2011 |
| 2006 Series C-3 | Goldman, Sachs & Co. | Lloyds[3]/CALPERs[2] | $25,000,000 | 2045 | August 26, 2011 |
| 2006 Series C-4 | E. J. De La Rosa & Co., Inc. | Lloyds[3]/CALPERs[2] | $25,000,000 | 2045 | August 26, 2011 |
| 2007 Series A-1 | J.P. Morgan Securities Inc. | 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[5] | $50,000,000 | 2047 | June 3, 2011 |
| 2007 Series A-2 | J.P. Morgan Securities Inc. | Union Bank, N.A. | $75,000,000 | 2047 | June 3, 2011 |
| 2007 Series B-2 | Citigroup Global Markets Inc. | JPM Bank[5] | $75,000,000 | 2047 | June 3, 2011 |
| 2007 Series C-2 | Stone & Youngberg LLC | BofA[4] | $25,000,000 | 2047 | June 3, 2011 |
| 2007 Series D-2 | Merrill Lynch | JPM Bank[5] | $100,000,000 | 2047 | June 3, 2011 |
| 2007 Series E-3 | Morgan Stanley & Co. Incorporated | BofA[4]/CALPERs[2] | $100,000,000 | 2047 | August 26, 2011 |
| 2008 Series A-1 | J.P. Morgan Securities Inc. | JPM Bank[5] | $110,000,000 | 2045 | June 3, 2011 |
| 2008 Series B-1 | Citigroup Capital Markets Inc. | BofA[4] | $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[6] | $155,000,000 | 2045 | June 3, 2011 |
| 2008 Series E-1 | Morgan Stanley & Co. Incorporated | BofA[4] | $57,760,000 | 2045 | June 3, 2011 |
| 2008 Series G-1 | Banc of America Securities LLC | BNP Paribas[6] | $50,000,000 | 2045 | June 3, 2011 |

* Effective February 4, 2010 Barclays Capital Inc. will become the Remarketing Agent for the 2001 Series A Bonds.

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)

(This page intentionally left blank)

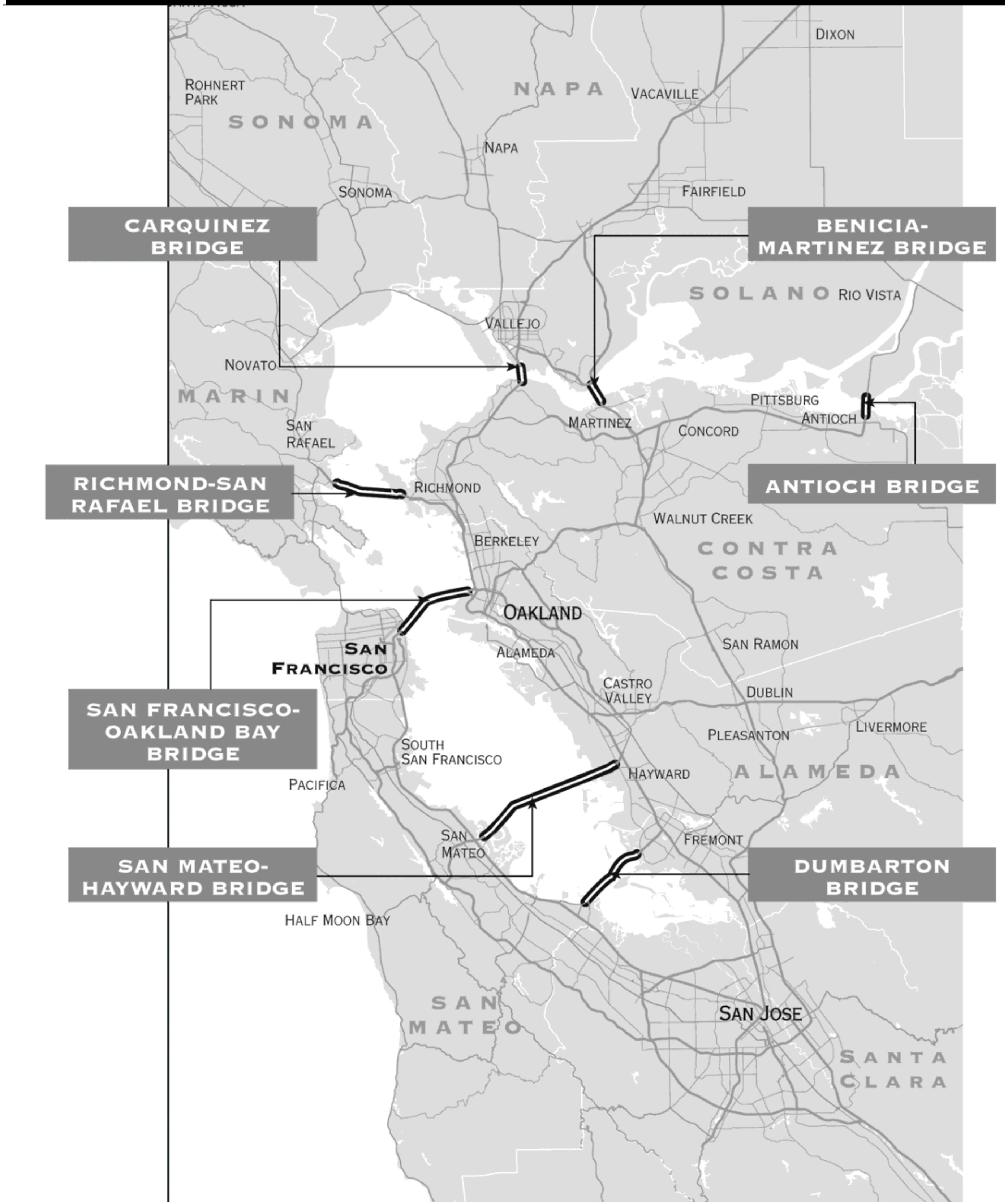
# BAY AREA TOLL AUTHORITY

# INFORMATION STATEMENT

**(Including Comprehensive Annual Financial Statements For The Fiscal Year Ending June 30, 2009)**

**Dated: October 15, 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**

## TABLE OF CONTENTS
(continued)

**Page**

## 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, 2010, become available and annually thereafter; however, other than what is provided in the Continuing Disclosure Agreements relating to toll bridge revenue bonds issued by the Authority, the Authority is not obligated to provide any update hereto and may discontinue its annual updates at any time without notice. See “CONTINUING DISCLOSURE.”

All descriptions and summaries of documents and statutes hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document and statute for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and statute. Capitalized terms used but not defined herein are defined in APPENDIX B—“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 October 15, 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's toll bridge revenue bonds (the "Bonds") have been issued 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 (the "Trustee").

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, 2009, including MTC's Financial Statements For Years Ended June 30, 2009 and 2008, is attached as Appendix A.

## INDEPENDENT ACCOUNTANTS

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

The prospective financial information included in this Information Statement has been prepared by, and is the responsibility of, MTC's management. PricewaterhouseCoopers LLP has neither examined, compiled nor performed any procedures with respect to the accompanying prospective financial information and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance on such information or its achievability. PricewaterhouseCoopers LLP assumes no responsibility for and denies any association with the prospective financial information. The PricewaterhouseCoopers LLP report included in Appendix A 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 123 of APPENDIX A—"METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009."

***San Francisco-Oakland Bay Bridge***. The San Francisco-Oakland Bay Bridge opened to traffic in 1936 and connects 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 downtown San Francisco and the main transcontinental highways in the Bay Area.

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

The San Francisco-Oakland Bay Bridge has an overall length of approximately 8.5 miles consisting of two major bridge structures and a connecting tunnel on Yerba Buena Island, which is located at the midpoint of the bridge. The west span consists of two suspension bridges with a common central anchorage and a truss span at the San Francisco end; the length of the western crossing is 10,300 feet. A 520 foot long tunnel on Yerba Buena Island connects the western crossing to the eastern crossing.

The east span consists of a 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 the Cities of Vallejo and Crockett and carry Interstate 80, linking the Bay Area and the Napa Valley. The spans are 28 miles north-east of San Francisco and 65 miles south-west of Sacramento. The eastern span is the older of the two bridges and opened in 1958. The eastern span is a through-truss superstructure 3,350 feet long with cantilever spans of 1,100 feet consisting of welded members of high strength steel bolted together and carries four lanes of northbound Interstate 80 traffic. The western span is a recently constructed suspension bridge with concrete towers and steel orthrotropic box girder decks that opened to traffic in 2003 and carries four lanes of southbound traffic.

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

***San Mateo-Hayward Bridge***. The San Mateo-Hayward Bridge is approximately 17 miles south of the San Francisco-Oakland Bay Bridge, 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 current bridge was built in 1967 and seismically retrofitted in 2000. The high-level steel section of the current structure is approximately two miles long and carries six lanes of traffic. The low-rise trestle section of the bridge was widened to carry six lanes of traffic as well in 2003.

***Richmond-San Rafael Bridge***. The Richmond-San Rafael Bridge opened to traffic in 1956 and carries Interstate 580 across the San Francisco Bay from a point about three miles west of the City of Richmond in Contra Costa County to the Marin County shore three miles southeast of the City of San Rafael. The Richmond-San Rafael Bridge is approximately 5.5 miles long and of cantilever-truss construction. Its major spans are 1,070 feet long. As originally constructed, a single three-lane deck carried two-way traffic. A lower two-lane deck was constructed later, resulting in a two-deck structure carrying traffic in opposite directions.

***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. California law was amended effective on January 1, 2010 at the request of the Authority to add the Dumbarton Bridge to the state toll bridge seismic retrofit program and require the Authority to fund the seismic retrofit of the Dumbarton Bridge. See "—Toll Setting Authority" below and "CAPITAL PROJECTS AND FUNDING—Seismic Retrofit Program Capital Projects."

***Antioch Bridge***. Located 25 miles east of the Benicia-Martinez Bridge, the Antioch Bridge is the only northerly highway connection across the San Joaquin River linking east Contra Costa County to the delta communities of Rio Vista and Lodi. In 1978, a 1.8 mile long high-level fixed-span structure replaced the original bridge constructed in 1926. The Antioch Bridge spans the 3,600-foot wide San Joaquin River and extends 4,000 feet onto Sherman Island in Sacramento County to the north and 1,000 feet into Contra Costa County to the south. Traffic lanes consist of two 12-foot wide lanes for motor vehicles and two shoulders for pedestrians and bicyclists. This bridge has been the subject of recent seismic vulnerability study and analysis, and Caltrans has determined that a seismic retrofit is needed. California law was amended effective on January 1, 2010 at the request of the Authority to add the Antioch Bridge to the state toll bridge seismic retrofit program and require the Authority to fund the seismic retrofit of the Antioch Bridge. See "—Toll Setting Authority" below and "CAPITAL PROJECTS AND FUNDING—Seismic Retrofit Program Capital Projects."

### Toll Setting Authority

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

California law requires the Authority to increase the toll rates specified in its adopted toll schedule in order to meet its obligations and covenants under the Indenture and the requirements of the Standby Bond Purchase Agreements, Qualified Swap Agreements, and Subordinate Obligations described under "OTHER AUTHORITY OBLIGATIONS" (and under any other bond resolution or indenture or other related obligations entered into in the future).

California law also authorizes the Authority to increase the toll rates specified in its adopted toll schedule to provide funds for the planning, design, construction, operation, maintenance, repair, replacement, rehabilitation, and seismic retrofit of the Bridges, to provide funding to meet the requirements of the voter-approved regional measures described under "History of Toll Rates" below and "CAPITAL PROJECTS AND FUNDING—Regional Measure 1 Projects" and "—Regional Measure 2 Projects," and to make the fund transfers to MTC described under "THE BRIDGE SYSTEM—Transfers to MTC."

All bridge tolls are treated as a single revenue source for accounting and administrative purposes and for the purposes of the Indenture, the Standby Bond Purchase Agreements, the Qualified Swap Agreements, and the Subordinate Obligations.

References in this section to California law include amendments to California law that have been enacted effective January 1, 2010.

### History of 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 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.

Tolls on each of the Bridges are currently uniform on each Bridge. California law has been amended to authorize the Authority's toll structure to vary from bridge to bridge.

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 Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS—Toll Rate Covenants." In the fiscal year ended June 30, 2009, authorized toll-free traffic consisted of approximately 12.1 million vehicles (representing about 10% of total traffic).

Alternatives that would change the toll structure have been presented to the Authority's governing board. Such changes have the potential to increase bridge toll revenues to provide funding for the seismic retrofit of the Antioch Bridge and the Dumbarton Bridge and to maintain debt service coverage. The Authority's governing board plans to review these toll increase options at public meetings and a public hearing in 2009. Any resulting changes in the toll structure are likely to be implemented on or after July 1, 2010. See "Toll Setting Authority" above.

**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.

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 September 2009, approximately 65% of peak morning period total toll-paying traffic, 60% of peak afternoon period total toll-paying traffic and 53% 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, 2000, through June 30, 2009. See Table 9 on page 119 of APPENDIX A—"METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009."

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

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

(1) Totals may not add due to rounding.
Source: Caltrans/The Authority.

Total toll-paying traffic on the Bridge System has declined in each fiscal year since the fiscal year ended June 30, 2004. The Authority believes that this decline in total traffic may be attributed to, among other factors, ongoing construction and resulting congestion on and temporary closures of the San Francisco-Oakland Bay Bridge, 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 2% of total traffic in the fiscal year ended June 30, 2009). The subsequent recovery of payment from a toll violator is reported by the Authority as Revenue (see "HISTORICAL REVENUE, 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 also pays certain operating and administrative expenses, including the costs of the ETC system and related consultant contracts ("Authority Operating Expenses").

***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 Caltrans' 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 $28.6 million in the fiscal year ended June 30, 2009) are paid prior to debt service on the Authority's Bonds and Parity Obligations, and Subordinated Maintenance Expenditures (which totaled approximately $6 million in the fiscal year ended June 30, 2009) are paid after such debt service. Under an amendment to California law that takes effect on January 1, 2010, all Operations & Maintenance Expenses will be paid after debt service on the Authority's Bonds and Parity Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS" and "HISTORICAL REVENUE, EXPENDITURES AND DEBT SERVICE COVERAGE." See Appendix B for the definition of Parity Obligations.

"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 also will be payable from Bridge Toll Revenues.

The Authority also pays directly (not through Caltrans) certain operating and administrative expenses for the Bridge System, including the costs of the ETC system and related consultant contracts (defined above as "Authority Operating Expenses"). Authority Operating Expenses were approximately

$43.9 million in Fiscal Year 2008-2009. See the "Bridge System" table at page 21 for a five year history of Operations & Maintenance Expenses, Subordinated Maintenance Expenditures, and Authority Operating Expenses.

### 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

The annual operating budget of the Authority provides for fund transfers to MTC (the "MTC Transfers") for the purposes set forth in the Act as 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 required by State law and regional measures, 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(2) | Total |
|---|---|---|---|---|---|---|
| 2005 | 11.91 | 0.94 | 9.90 | 6.82 | 3.29 | 32.86 |
| 2006 | 11.64 | 0.92 | 9.41 | 17.38 | 8.80(3) | 48.15 |
| 2007 | 11.32 | 0.91 | 9.10 | 24.27 | 5.19 | 50.79 |
| 2008 | 11.08 | 0.89 | 8.97 | 26.70 | 6.26 | 53.90 |
| 2009 | 10.88 | 0.87 | 9.05 | 28.34 | 5.25 | 54.39 |

(1) Regional Measure 2 Operating Transfers are expected to continue to increase in future years as additional eligible operating programs are implemented, subject to a statutory cap of 38% of RM2 revenue, which equaled approximately $113 million in Fiscal Year 2008-2009.
(2) Authority Administrative Costs are transferred by the Authority to MTC. This amount does not include Authority Operating Expenses, which are also subordinate to debt service and amounted to approximately $43.9 million in Fiscal Year 2008-2009.
(3) Includes, in addition to Authority Administrative Costs that are limited to 1% of the gross annual bridge toll revenues, direct operating costs of the Authority and MTC for initial RM2 project management set-up costs.
Source: The Authority.

The "AB 664 Net Toll Revenue Reserve Transfer" is the transfer of an amount equal to 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" (defined as the "Five Percent Reserves" in the Indenture) 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 is authorized to remit to MTC on an annual basis for its cost of administration pursuant to Section 30958 of the Act, which amount may not exceed 1% of the gross annual Bridge System revenues. 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 all have been completed 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 has been modified to add another vehicle lane and a pedestrian/bicycle lane at an estimated construction cost of approximately $60 million. The project is substantially complete and only punchlist items remain.

***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 approximately $28.3 million for the fiscal year ended June 30, 2009.

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 $470 million through August 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 August 31, 2009**
**($ in millions)**

| Contract | Status | Current Approved Budget (1) | Forecast Cost at Completion | Expenditures through August 31, 2009 |
|---|---|---|---|---|
| New Benicia-Martinez Bridge(2) | New span open and modification of old span substantially completed | $1,272.5 | $1,272.5 | $1,201.6 |
| I-880/SR-92 Interchange Improvement | Construction | 245.0 | 245.0 | 136.1 |
| 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 | $2,216.4 |
| **RM2 Capital Projects Subtotal(4)** | | $1,465.0(5) | $1,465.0(5) | $420.0 |

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

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

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

(4) The RM2 Capital Projects Subtotals are approximate. They do not include $50 million allocated for the new Benicia-Martinez Bridge project under RM2. Such amount is included in the budget for New Benicia-Martinez Bridge above. See APPENDIX 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") that identified State and federal sources as well as bridge tolls for funding of the program.

The Seismic Retrofit Program includes seismic upgrade work on the original Benicia-Martinez Bridge span, the 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. The Seismic Retrofit Program was expanded by legislation effective January 1, 2010 at the request of the Authority to include the Antioch Bridge and the Dumbarton Bridge. Other Seismic Retrofit Program projects are located in southern California. All Seismic Retrofit Program project construction is administered by Caltrans.

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

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

The self-anchored suspension superstructure is a major component of the replacement of the east span. The contractor for that component 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," a number of other factors could contribute to cost increases in the future, and thus it is possible that costs of the east span replacement may exceed those contingency amounts.

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 AUGUST 31, 2009**

| Contract | Status | Forecast Year of Completion |
|---|---|---|
| Skyway | Completed | -- |
| Self Anchored Suspension (SAS) Span Marine Foundations | Completed | -- |
| Stormwater Treatment Measures | Completed | -- |
| Right-of-Way and Environmental Mitigation | Completed | -- |
| SAS Superstructure | Under Construction | 2013 |
| Yerba Buena Island (YBI) Detour | Under Construction | 2010 |
| Oakland Touchdown (OTD) (an aggregate of up to 4 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 August 31, 2009, approximately $3.8 billion (60 percent) of the $6.3 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 regular reports to the Oversight Committee regarding construction status, actual expenditures, and forecasted costs and schedules. The monthly reports that are reviewed and approved by the Oversight Committee are provided to the Authority. The Oversight Committee is required to provide quarterly reports with respect to the Seismic Retrofit Program projects to the transportation and fiscal committees of both houses of the State Legislature and the California Transportation Commission. Copies of such monthly and quarterly reports may be found at the Authority's website.

***Antioch Bridge and Dumbarton Bridge.*** Caltrans has determined that the Antioch Bridge and the Dumbarton Bridge both require seismic retrofit. Caltrans has recommended that the Antioch Bridge be retrofitted using a "no collapse" strategy and that the Dumbarton Bridge be retrofitted using an "intermediate strategy" as described under "—Seismic Design Strategies for the Bridge System" below. The work on the Antioch Bridge is proposed to consist of the installation of isolation bearings and strengthening the superstructure and substructure. The work on the Dumbarton Bridge is proposed to consist of the installation of isolation bearings and strengthening the substructure for the main span and approaches. Both projects have 100% complete designs and are in the process of being permitted for construction. Based on the design scope, the current project cost estimate for the Antioch Bridge is approximately $267 million and for the Dumbarton Bridge is approximately $483 million. It is anticipated that construction will commence in 2010 at each bridge and that the work would be completed on the Antioch Bridge in 2012 and on the Dumbarton Bridge in 2013, although there may be delays on account of the environmental permit process for the projects.

**Seismic Retrofit Program Status**

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

**SUMMARY OF SEISMIC RETROFIT PROGRAM CAPITAL PROJECTS[(1)]**
**Program Budget and Project Status as of August 31, 2009**
**($ in millions)**

| Contract | Status | Current Approved Budget | Forecast Cost at Completion | Expenditures through August 31, 2009 |
|---|---|---|---|---|
| San Francisco-Oakland Bay Bridge–East Span Retrofit and Replacement[(2)] | Under Construction | $5,752.7 | $6,319.9 | $3,797.3 |
| San Francisco-Oakland Bay Bridge–West Approach Replacement | Completed | 470.7 | 457.7 | 444.6 |
| 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**[(3)] | | $7,965.3 | $8,519.5 | $5,954.5 |
| Misc. Program Costs | | 30.0 | 30.0 | 24.7 |
| Programmatic Risk and Project Contingency | | 689.7 | 135.5 | --- |
| **Total**[(2)] | | $8,685.0 | $8,685.0 | $5,979.2 |

(1) Does not include the seismic retrofit of the Antioch and Dumbarton Bridges, both of which are in the design phase.
(2) The new bridge is forecast to open in the westbound and eastbound directions in December 2012 and September 2013, respectively, although delays in the fabrication of steel components for the east end of the bridge may prevent the westbound opening of the bridge in 2012. Demolition of the existing bridge is forecast to be completed in September 2015.
(3) Subtotals and totals may not add due to independent rounding of numbers.
Source: Caltrans.

As of August 31, 2009, $653.8 million of the project contingency budget had been designated to 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 $6,319.9 million above), leaving $49.8 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 $85.7 million as additional contingency reserves. Any unutilized contingency will be used for the Antioch Bridge and Dumbarton Bridge seismic retrofit projects.

### 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 each of the Bridges.

**BRIDGE DESIGN BASIS AND STATUS**

| Bridge | Seismic Strategy |
|---|---|
| **Antioch**[3] | "No Collapse" Strategy<br>Avoid catastrophic failure |
| **Benicia—Martinez (existing span)**[1] | Lifeline Structure<br>Minor to moderate damage expected, reopen to traffic quickly |
| **Benicia—Martinez (new span)**[2] | Lifeline Structure<br>Minor to moderate damage expected, reopen to traffic quickly |
| **Carquinez (existing east span)**[1] | Intermediate Strategy<br>Moderate to major damage expected |
| **Carquinez (new west span)**[2] | Intermediate Strategy<br>Moderate to major damage expected |
| **Dumbarton**[3] | Intermediate Strategy<br>Moderate to major damage expected |
| **Richmond—San Rafael**[1] | "No Collapse" Strategy<br>Avoid catastrophic failure |
| **San Francisco—Oakland (east span)** [1] | Lifeline Structure is under construction<br>Minor to moderate damage expected, reopen to traffic quickly<br>Current Structure Intermediate Strategy<br>Moderate to major damage expected |
| **San Francisco—Oakland (west span)** [1] | Lifeline Structure<br>Minor to moderate damage expected, reopen to traffic quickly |
| **San Mateo—Hayward**[1] | Intermediate Strategy<br>Moderate to major damage expected |

(1) A Seismic Retrofit Program project.
(2) A RM1 Project.
(3) A Seismic Retrofit Program project pursuant to legislation effective on January 1, 2010.
Source: Caltrans.

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

### Bridge Rehabilitation Program

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

The Authority has developed a ten-year rehabilitation program through 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.

### Regional Express Lanes Initiative

The Authority is discussing with MTC, Caltrans and the local congestion management agencies around the San Francisco Bay area ways 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.

## 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.

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 and the State's credit ratings on its general obligations have been reduced. However, the Authority is confident the State will honor its mandatory tender for purchase commitment on November 1, 2010.

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

## HISTORICAL REVENUE, 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, 2005 through 2009. For calculations showing debt service as a percentage of Bridge Toll Revenues (only) net of all operating expenses, see Table 11 on page 121 of APPENDIX A—"METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009." 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,** | **2005** | **2006** | **2007** | **2008** | **2009** |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Bridge Toll Revenues | $248,141 | $280,277[1] | $422,355 | $477,377 | $470,136 |
| Interest Earnings | 21,235 | 44,060 | 96,415 | 116,134 | 38,740[7] |
| Other Revenues[2] | 4,090 | 9,657 | 5,989 | 14,309 | 18,088 |
| **Total Revenue** | $273,466 | $333,994 | $524,759 | $607,820 | $526,964 |
| **Less: Operations & Maintenance Expenses[3]** | $37,582 | $32,657 | $29,576 | $30,271 | $28,609 |
| **Net Revenue** | $235,884 | $301,337 | $495,183 | $577,549 | $498,355 |
| **Debt Service on Bonds and Parity Obligations** | $35,374 | $68,931 | $161,144 | $234,479 | $238,607 |
| **Debt Service Coverage[4]** | 6.67x | 4.37x | 3.07x | 2.46x | 2.09x |
| **Subordinated Maintenance Expenditures and Authority Operating Expenses[5] [6]** | $18,046 | $35,132 | $49,404 | $48,253 | $64,364 |
| **MTC Transfers[6]** | $32,859 | $48,152 | $50,785 | $53,904 | $54,393 |

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

(2) Consists of, among other things, violation revenues. Includes $1.26 million of transfers from MTC for Fiscal Year 2008-09 relating to a Transit Cooperative Research Program grant.

(3) Includes Caltrans' operation and maintenance expenses that are payable prior to debt service on Bonds and Parity Obligations until January 1, 2010 when new legislation becomes effective that makes those expenses subordinate to the Authority's obligations on the Bonds and other Parity Obligations. Does not include all operating expenses of the Bridge System. See "THE BRIDGE SYSTEM—Toll Operations and Maintenance—Maintenance Expenditures" above.

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

(5) Prior to the fiscal year ended June 30, 2006, Subordinated Maintenance Expenditures were not payable from Bridge Toll Revenues. Beginning in that fiscal year, Subordinated Maintenance Expenditures other than with respect to the San Francisco-Oakland Bay Bridge were payable from Bridge Toll Revenues. See "THE BRIDGE SYSTEM—Toll Operations and Maintenance—Maintenance Expenditures" above. Authority Operating Expenses include bank liquidity fees and operating expenses of the Authority, and, beginning in the fiscal year ended June 30, 2007, ETC and open road tolling expenditures. In the fiscal year ended June 30, 2009, the Authority experienced an increase in bank liquidity fees and certain other financing fees it pays.

(6) Subordinated Maintenance Expenditures, Authority Operating Expenses, financing fees 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-Maintenance Expenditures" and "THE BRIDGE SYSTEM — Transfers to MTC."

(7) Does not reflect non-cash derivative investment charge of $38,719,155 that does not reduce Revenue for purposes of the Indenture. See "INVESTMENT PORTFOLIO" and Notes 1.S and 5, starting on pages 46 and 57, respectively, of APPENDIX A—"METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009."

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

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

## SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS

At October 1, 2009, the Authority had $4,330,470,000 of Bonds outstanding pursuant to the Indenture. See Note 5 starting on page 57 of APPENDIX A—"METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009." 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, interest earnings on fund balances and payments received under swap agreements.

### 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."

### 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. The statutory lien is subject to expenditures for operation and maintenance of the Bridges, including toll collection, unless those expenditures are otherwise provided for by statute. As described above, the lien created on the Bridge Toll Revenues is subject to the prior payment to Caltrans of Operations & Maintenance Expenses until January 1, 2010. 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 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."

All interest subsidy payments received from the federal government on account of the issuance of Build America Bonds will constitute Revenue. See "PROPOSED BUILD AMERICA BONDS AMENDMENT."

**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 by RM1, RM2 and State law to be made to MTC for public transit projects, for projects that will help reduce vehicular congestion and improve bridge operations, and for the Authority’s Administrative Costs) (See “THE BRIDGE SYSTEM—Transfers to MTC”),

(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 12 at page 98 in the Other Supplementary Information of APPENDIX A—“METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009.”

### Additional Bonds Test

Additional 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." Prior to the execution of the Build America Bonds Amendment, Net Revenue will include federal interest rate subsidy payments. After its execution, they will be excluded from Net Revenue but treated as an offset to interest on Build America Bonds in calculating Annual Debt Service. See "PROPOSED BUILD AMERICA BONDS AMENDMENT" below.

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.

### 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 October 1, 2009, the Reserve Requirement equals approximately $263,856,000, 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."

### 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.

## PROPOSED BUILD AMERICA BONDS AMENDMENT

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. Such payments to the Authority will constitute Revenue under the Indenture. 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. Net Revenue is a term used in the toll rate covenants and the additional bonds test described under "SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS—Toll Rate Covenants" and "–Additional Bonds Test."

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 and any subsequent owners of the Series 2007C-2 Bonds, the Series 2008A-1 Bonds and the Series 2009F-1 Bonds have already irrevocably consented to the proposed amendment, and 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. No assurance can be given as to when or if the proposed amendment to the Indenture will become effective. The Authority has covenanted to file a continuing disclosure notice upon the effective date of the proposed amendment.

## OTHER AUTHORITY OBLIGATIONS

### Standby Bond Purchase Agreements

As of October 1, 2009, the Authority has three Standby Bond Purchase Agreements with various banks under which banks have agreed (subject to conditions specified in the agreements) to purchase the Authority's 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 Credit Provider Bonds evidencing the Authority's obligation to pay amounts advanced under the Standby Bond Purchase Agreements can be as high as 15% per annum. In addition, the amortization period applicable to Credit Provider Bonds may be accelerated under certain circumstances. The Standby Bond Purchase Agreements are not a source of funds for the payment of the principal of or interest on the Bonds.

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

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

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

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

**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 Standby Bond Purchase Agreements and any termination payments under the Authority's Qualified Swap Agreements.

**Qualified Swap Agreements**

The Authority has entered into Qualified Swap Agreements that as of October 1 had an aggregate notional amount of $2,267,200,000 and may enter into more in the future. For a discussion of the Authority's outstanding interest rate swap agreements as of June 30, 2009, see "Note 5—Derivative Instruments" and "—Objective and Terms of Hedging Derivative Instruments" on pages 62-70, and Schedules 15 through 19 on pages 104-108, of APPENDIX A—"METROPOLITAN TRANSPORTATION COMMISSION COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009." The Qualified Swap Agreements may terminate upon the occurrence of certain events. In the event a 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.

In July 2009, the Authority terminated $1,073,605,000 notional amount of interest rate swap agreements with Ambac Financial Services, LLC ("AFS"), a subsidiary of Ambac Assurance Corporation ("Ambac") on account of downgrades to the credit ratings of Ambac. The interest rate swap agreements (under which the Authority paid a fixed 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 issuance of the Series 2009F-1 Bonds on August 20, 2009 and redemption of $776,405,000 of outstanding variable rate bonds, replace a portion of the Authority's synthetic fixed rate debt with actual fixed rate debt. The Authority made termination payments to AFS totaling approximately $105,000,000 in July 2009. In August 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.

Following such termination, the Authority has outstanding Qualified Swap Agreements with a notional amount of $2,267,200,000 of which $1,710,000,000 are agreements pursuant to which the Authority pays a fixed rate and receives a variable rate based on an index and of which $557,200,000 are agreements pursuant to which the Authority pays a variable rate based on an index and receives a fixed rate.

## 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.

Research conducted since the 1989 Loma Prieta earthquake by the United States Geological Survey concludes that there is a 70% probability of at least one magnitude 6.7 or greater earthquake, capable of causing wide-spread damage, striking the Bay Area before 2030. Major earthquakes may occur at any time in any part of the Bay Area. An earthquake of such magnitude with an epicenter in sufficiently close proximity to the San Francisco-Oakland Bay Bridge occurring prior to completion of the Seismic Retrofit Program would likely result in substantial damage.

The Seismic Retrofit Program is specifically intended to mitigate the risk of major damage to the Bridges due to seismic activity by enhancing the structural integrity of the Bridges to accommodate ground motions along the various identified faults with return periods of between 1,000 and 2,000 years. However, Caltrans currently estimates that the Seismic Retrofit Program will not be fully completed until 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.

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.

### Liquidity Facilities Risk

The domestic and international financial crisis and recession have had a negative impact on the availability and cost of liquidity facilities. While the Authority, by the refunding of variable rate bonds with fixed rate bonds, has reduced its requirements for liquidity facilities, it still has a material amount of variable rate debt supported by bank liquidity facilities and will continue to need to renew or replace liquidity facilities in the coming years or, alternatively, to restructure its variable rate debt to reduce the need for liquidity support. Bonds purchased by banks under the Authority's liquidity facilities are required to be redeemed over a five year period (unless the bonds are remarketed) and bear interest at increased rates as set forth in the respective liquidity facility. The rating agencies could announce changes in rating outlook, or reviews for downgrade, or downgrades of the Authority's liquidity providers. Such adverse ratings developments with respect to liquidity providers or purchases of Bonds pursuant to the liquidity facilities could cause a substantial increase in the Authority's debt service-related costs. The availability and cost of replacement facilities or of extending existing facilities cannot be currently predicted.

### Rising Tolls Could Result in Reduced Traffic and Lower Total Revenue

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. Alternatives that would change the toll structure to increase bridge toll revenues have been presented to the Authority's governing board and may be considered for implementation in 2010. See "THE BRIDGE SYSTEM— History of Toll Rates." 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. 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 of Toll Bridge Revenue Bonds," and "CAPITAL PROJECTS AND FUNDING—Seismic Retrofit Program Capital Projects—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, force majeure events, unforeseen geotechnical conditions, the presence of hazardous materials or endangered species on or near the Bridges, or for other reasons.

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

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

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

### Voter Initiatives

In 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 adds Articles XIIIC and XIIID 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 XIIIC 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 XIIIC applies to any local taxes, assessments, fees and charges as defined in Articles XIIIC and XIIID. Article XIIID 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 XIIIC 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 XIIID or XIIIC. 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

(This page intentionally left blank)

# APPENDIX A

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

(This page intentionally left blank)

METROPOLITAN
TRANSPORTATION
COMMISSION

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2009

Prepared by the
MTC Finance Section

State of California

# Table of Contents

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

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

*Page*

**Statistical Section**

METROPOLITAN
TRANSPORTATION
COMMISSION

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

*Scott Haggerty, Chair*
Alameda County

*Adrienne J. Tissier, Vice Chair*
San Mateo County

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

*Tom Bates*
Cities of Alameda County

*Dean J. Chu*
Cities of Santa Clara County

*Dave Cortese*
Association of Bay Area Governments

*Chris Daly*
City and County of San Francisco

*Bill Dodd*
Napa County and Cities

*Dorene M. Giacopini*
U.S. Department of Transportation

*Federal D. Glover*
Contra Costa County

*Anne W. Halsted*
San Francisco Bay Conservation and Development Commission

*Steve Kinsey*
Marin County and Cities

*Sue Lempert*
Cities of San Mateo County

*Jake Mackenzie*
Sonoma County and Cities

*Jon Rubin*
San Francisco Mayor's Appointee

*Bijan Sartipi*
State Business, Transportation and Housing Agency

*James P. Spering*
Solano County and Cities

*Amy Rein Worth*
Cities of Contra Costa County

*Ken Yeager*
Santa Clara County

*Steve Heminger*
Executive Director

*Ann Flemer*
Deputy Executive Director, Operations

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

*Therese W. McMillan*
Deputy Executive Director, Policy

September 29, 2009

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, 2009. State law requires that MTC and its component units publish a complete audited financial statement within six months of the close of each fiscal year.

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

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

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

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

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

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

Profile of the Government:

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

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

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

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

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

Awards and Acknowledgments:

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

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

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

Sincerely,

Brian Mayhew
Chief Financial Officer

METROPOLITAN
TRANSPORTATION
COMMISSION

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

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

# STAFFING ORGANIZATION

## July 2009

### COMMISSION
Scott Haggerty
Chair

### EXECUTIVE OFFICE (6)
Steve Heminger
Executive Director

Rosy Leyva
Commission Secretary

Maria Leon
Exec Assistant

Eva Jimenez
Exec Assistant

### OFFICE OF CHIEF FINANCIAL OFFICER (32)
Brian Mayhew
CFO

Debbie Atmaja
Suzanne Bode
Vince Cabrieto
Catherine Cam
Dustin Claussen
Sonia Elsonbaty
Maria "Elena" Federis
Abbey Haile
Betty Lam
Susana Lau
Alan Lee
Jennifer Lee
Suk Li
Jeannie Lim
Jessica Lin
Lilia Lobetos
Doris Louie
Gary Louie
Nancy Louie
Mabel Melkonians
Carolyn McKenzie (*Jacks*)
Rowena Pagtakhan
Anna Pan
Prabhashni Prasad
Renato Reyna
Eva Sun
Lourdes Tang
Carol Weismiller
Kenneth Wong
Susan Woo
Russell Yuen

### DEPUTY EXECUTIVE DIRECTOR, POLICY
Ann Flemer

### JOINT POLICY COMMITTEE
Ted Droettboom

### PLANNING (19)
Doug Kimsey
Director

Harold Brazil
Elizabeth Brisson
Carolyn Clevenger
Sean Co
Benjamin Espinosa
Shimon Israel
Douglas Johnson
Lisa Klein
Valerie Knepper
Ashley Nguyen
Charles Purvis
Janice Richards
Rupinder Singh
Kearey Smith
Therese Trivedi
Stella Wotherspoon
Jennifer Yeamans
Michael Ziyambi

### PROGRAMMING AND ALLOCATIONS (19)
Alix Bockelman
Director

Mathew Adamo
Marcella Aranda
Bob Bates
Kenneth Folan
Craig Goldblatt
Theresa Hannon
Shruti Hari
Kimberly Hughes
Kenneth Kao
Kristen Mazur
Ross McKeown
Anne Richman
Theresa Romell
Sri Srinivasan
Sui Tan
Glen Tepke
Christina Verdin

Vacant - Planner Analyst

### LEGISLATION AND PUBLIC AFFAIRS (18)
Randy Rentschler
Director

Catalina Alvarado
Peter Beeler
Karin Betts
Ying Cai
David Cooper
Joe Curley
John Goodwin
Ellen Griffin
Pam Grove
Brenda Kahn
Georgia Lambert
Leslie Lara
Rebecca Long
Jessica Moran
Michele Stone
Julie Tunnell
Ursula Vogler

### ADMINISTRATIVE AND TECHNOLOGY SERVICES (25)
Teri Green
Director

Jason Agbunag
Gavin Alavinejad
John Albrecht
Luis Barragan
Tom Bryan
Betty Cecchini
Frank Harris
Robert Hoffman
Robin James
Paula Johnson
Pratul Kant
Thomas Lacap
Yong Lee
Ann Macaulay
Joel Markowitz
Irving Maxwell
Ethan Michaels
Gilbert Mingming
Celeste Ramos
Denise Rodrigues
Valerie Stark
Michelle Tan
Lois Tucker
Norma White

### DEPUTY EXECUTIVE DIRECTOR, OPERATIONS
Andrew Fremier

### HIGHWAY AND ARTERIAL OPERATIONS (15)
Albert Yee
Director

Nancy Charles
Joanna Fox
Michael Kerns
Joy Lee
Sze Lei Leong
Jaime Maldonado
Raymond Odunlami
Nancy Okasaki
Stefanie Pow
Danielle Stanislaus
John Urban *
Radiah Victor

Vacant - Sr Program Coordinator
Vacant - Program Coordinator

### BRIDGE OVERSIGHT AND OPERATIONS (12)
Rod McMillan
Director

Stephen Baker
Valerie Campbell
Jeff Gerbracht
Kathy Hsieh
Raymond Jocson
Linda Lee
Peter Lee
Scott Shepard
Jason Weinstein
Stephen Wolf
Beth Zelinski

### TRAVELER COORDINATION AND INFORMATION (20)
Melanie Crotty
Director

Nisar Ahmed
Jacob Avidon
Janet Banner
Edgar Brown
Shauna Callow
Cheryl Chi
Brian Gebhardt *
Pierce Gould
Susan Heinrich
Kelley Jackson*
Carol Kuester
Mike Lee *
Jim Macrae
Debbie Scarborough
Thomas Spiekerman
James Stagi
Emily Van Wagner
David Weir

Vacant - Program Coordinator

### OFFICE OF GENERAL COUNSEL (4)
Francis Chin [1]
General Counsel

Melanie J. Morgan
Deputy General Counsel

Cynthia Segal
Associate Counsel

Ron Ceguera
Legal Assistant

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

Steve Heminger
Executive Director

# METROPOLITAN TRANSPORTATION COMMISSION

## COMMISSIONERS

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

## APPOINTED OFFICIALS

| | |
|---|---|
| Steve Heminger | Executive Director |
| Francis Chin | Legal Counsel |

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Metropolitan Transportation Commission, California

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

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

President

Executive Director

PRICEWATERHOUSECOOPERS

**PricewaterhouseCoopers LLP**
Three Embarcadero Center
San Francisco CA 94111-4004
Telephone (415) 498 5000
Facsimile (415) 498 7100

## Report of Independent Auditors

To the Commissioners of the
Metropolitan Transportation Commission:

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

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

The accompanying management's discussion and analysis appearing on pages 2 through 13 and the budgetary comparison and funding status information identified in the table of contents under *Required Supplementary Information* and appearing on pages 81 through 85 of this report are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise MTC's basic financial statements. The supplementary schedules identified in the table of contents under O*ther Supplementary Information* and appearing on pages 86 through 108 of this report are presented for purposes of additional analysis and are not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

PricewaterhouseCoopers LLP

October 6, 2009

**Management's Discussion and Analysis**

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

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

## A. Financial Highlights

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

Following are some highlights from fiscal year 2009:

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

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

**B. Overview of Government-Wide Financial Statements**

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

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

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

**C. Overview of the Fund Financial Statements**

*i.)* *Governmental Funds*

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

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

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

*ii)* *Proprietary Funds*

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

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

*iii) Fiduciary Funds*

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

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

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

*iv) Discretely Presented Component Unit*

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

**D. Notes to the Financial Statements**

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

**E. Government-Wide Financial Analysis**

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

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

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

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

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

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

Other liabilities increased by $65,470 or 19.6 percent in 2009 compared to a decrease of $20,988 or 5.9 percent in 2008. The increase in 2009 and the decrease in 2008 is mainly the result of the scheduled BAIFA payments. In 2009, BAIFA payment was $99,000 compared to $43,000 in 2008, an increase of $56,000 to the liability. The increases in the liability to Caltrans of $7,352 for the reimbursement of San Francisco East Span Replacement Project, the unearned revenue of $2,934, and the accounts payable of $572 also contributed to the increase, but there was a decrease in the current portion of long term debt by $1,435. In 2008, BAIFA payment was $43,000 compared to $100,000 in 2007 for a decrease of $57,000 to the liability. The increase in the liability to CALTRANS of $34,226 offset this decrease.

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

*ii) <u>Statement of Activities</u>*

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

Metropolitan Transportation Commission's Statement of Activities ($000)

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

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

## F. Financial Analysis of Business-Type Activities

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

Business-Type Activities ($000)

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

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

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

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

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

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

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

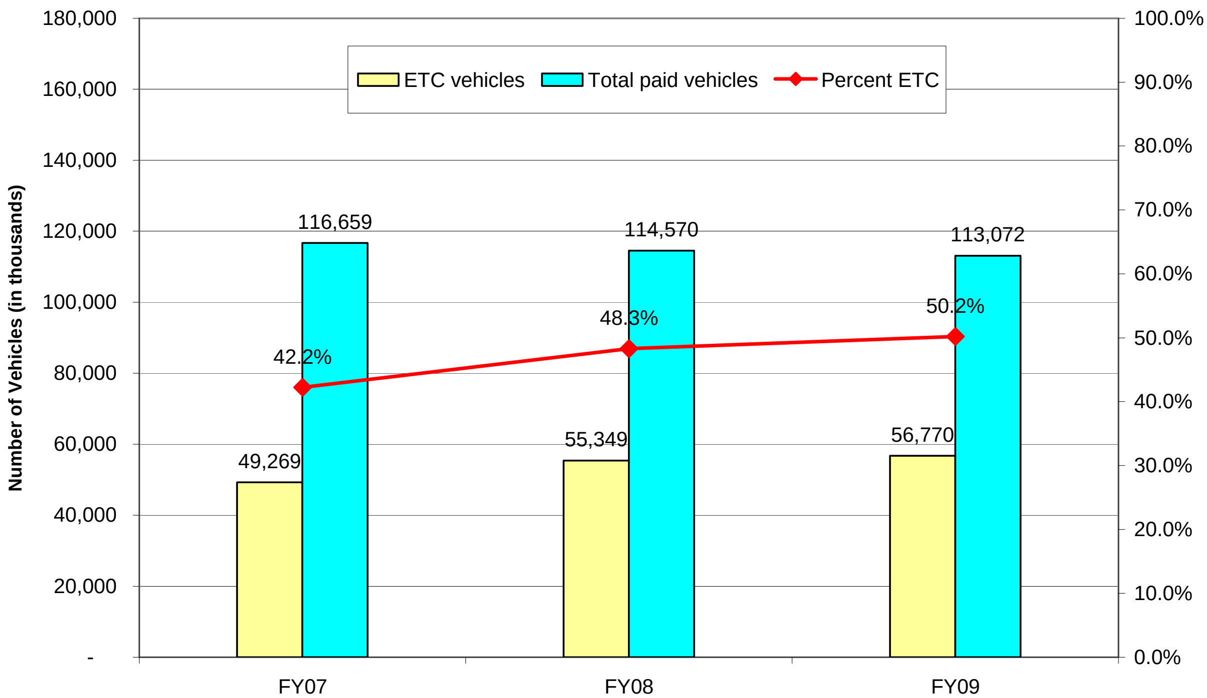
BATA's investment income for 2009 decreased by $116,113 compared to an increase of $19,719 in 2008. The combination of historically low interest rates, lower cash balances, and the decrease in fair value of derivative instruments not considered hedging instruments, contributed to the decrease in 2009.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

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

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

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

### ETC Usage by Fiscal Year




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

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

### G. Financial Analysis of Governmental Funds

The fund balance, including restricted and unassigned funds, has decreased over the last two years. The fund balance of the MTC governmental funds was $295,069 and $299,364 as of June 30, 2009 and 2008, respectively, as reported under the modified accrual basis of accounting. The fund balance includes nonspendable amounts of $593 and $408 for prepaid items in fiscal 2009 and 2008, respectively, and restricted amounts of $273,880 and $276,906 for transportation and rail projects specific to special revenue and capital project funds for fiscal 2009 and 2008, respectively. The committed amounts of $10,386 and $10,375 for fiscal 2009 and 2008, respectively, represent amounts designated by the Commission for specific or other designated purposes. The unassigned fund balance of $10,210 and $11,676 for fiscal 2009 and 2008, respectively, represents unassigned funds available for appropriation at the government's discretion.

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

Governmental Funds ($000)

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

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

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

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

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

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

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

### H. General Fund Budget

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

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

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

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

### I. Capital Asset Administration

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

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

### J. Long-Term Debt Administration

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

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

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

### K. Economic Factors Impacting MTC

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

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

### Requests for information

This financial report is designed to provide a general overview of the Metropolitan Transportation Commission's financial position for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Metropolitan Transportation Commission, 101 8th Street, Oakland, CA 94607.

# Metropolitan Transportation Commission
## Statement of Net Assets
## June 30, 2009

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

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

# Metropolitan Transportation Commission
## Statement of Net Assets
## June 30, 2008

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

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

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

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

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

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

| | Expenses | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Primary Government | | | Component Unit |
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Total Program Revenues | Governmental Activities | Business-Type Activities | Total | Bay Area Infrastructure Financing Auth |
| **Functions** | | | | | | | | | |
| *Governmental Activities:* | | | | | | | | | |
| General government | $ 85,202,758 | $ - | $ 89,789,175 | $ - | $ 89,789,175 | $ 4,586,417 | $ - | $ 4,586,417 | $ - |
| Transportation | 152,998,857 | - | 117,706,667 | 9,858,000 | 127,564,667 | (25,434,190) | - | (25,434,190) | |
| Total governmental activities | 238,201,615 | - | 207,495,842 | 9,858,000 | 217,353,842 | (20,847,773) | - | (20,847,773) | - |
| *Business-type Activities:* | | | | | | | | | |
| 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 | $ 1,486,845,119 | $ 497,712,304 | $ 317,868,256 | $ 9,858,000 | $ 825,438,560 | $ (20,847,773) | $ (640,558,786) | $ (661,406,559) | $ - |
| *Component Unit* | | | | | | | | | |
| BAIFA | $ 38,473,976 | $ - | $ 17,757,697 | $ - | $ 17,757,697 | | | | $ (20,716,279) |
| General revenues: | | | | | | | | | |
| Restricted investment earnings | | | | | | 1,454,256 | - | 1,454,256 | - |
| Unrestricted investment earnings | | | | | | 9,936,121 | 116,704,140 | 126,640,261 | - |
| Transfers | | | | | | 28,922,337 | (28,922,337) | - | - |
| Total general revenues and transfers | | | | | | 40,312,714 | 87,781,803 | 128,094,517 | - |
| **Change in net assets** | | | | | | 19,464,941 | (552,776,983) | (533,312,042) | (20,716,279) |
| **Net assets / (deficit) - beginning** | | | | | | 293,453,977 | (1,650,078,842) | (1,356,624,865) | 11,987,896 |
| **Net assets / (deficit) - ending** | | | | | | $ 312,918,918 | $ (2,202,855,825) | $ (1,889,936,907) | $ (8,728,383) |

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

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

| | General | AB 664 Net Toll Revenue Reserve | STA | Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents - unrestricted | $ 16,263,181 | $ 21,202,758 | $ 60,625,710 | $ 899,681 | $ 58,877,918 | $ 157,869,248 |
| Cash and cash equivalents - restricted | - | - | - | - | 33,474,213 | 33,474,213 |
| Investments - unrestricted | 211,505 | 18,081,582 | - | - | 52,896,516 | 71,189,603 |
| Investments - restricted | - | - | - | - | 37,479,064 | 37,479,064 |
| Receivables: | | | | | | |
| Accounts | 240,577 | - | 2,149,409 | - | 832,677 | 3,222,663 |
| Interest | 793 | 17,820 | 325,000 | - | 136,894 | 480,507 |
| State/Caltrans funding | 3,279,083 | - | 19,242,333 | 47,242 | - | 22,568,658 |
| Federal funding | 13,166,457 | - | - | 8,635,476 | - | 21,801,933 |
| Due from other funds | 6,939,514 | - | - | 1,756,466 | 210,076 | 8,906,056 |
| Prepaid items | 593,062 | - | - | - | - | 593,062 |
| Total assets | 40,694,172 | 39,302,160 | 82,342,452 | 11,338,865 | 183,907,358 | 357,585,007 |
| **Liabilities and fund balances** | | | | | | |
| Liabilities | | | | | | |
| Accounts payable and accrued expenditures | 17,369,779 | 5,311,554 | 23,319,116 | 4,101,532 | 1,024,637 | 51,126,618 |
| Due to other funds | 3,599,261 | 99,751 | 1,347,040 | 5,495,453 | 847,736 | 11,389,241 |
| Total liabilities | 20,969,040 | 5,411,305 | 24,666,156 | 9,596,985 | 1,872,373 | 62,515,859 |
| Fund balances | | | | | | |
| Nonspendable: | | | | | | |
| Prepaid items | 593,062 | - | - | - | - | 593,062 |
| Restricted for: | | | | | | |
| Transportation projects | 5,086,117 | 33,890,855 | 57,676,296 | 1,229,130 | 9,969,239 | 107,851,637 |
| Rail projects | - | - | - | - | 166,028,389 | 166,028,389 |
| Committed to: | | | | | | |
| Benefits reserve | 1,223,564 | - | - | - | - | 1,223,564 |
| Building reserve | - | - | - | 499,769 | - | 499,769 |
| Liability reserve | 773,368 | - | - | - | - | 773,368 |
| Transportation projects | 1,839,051 | - | - | 12,981 | 6,037,357 | 7,889,389 |
| Unassigned: | | | | | | |
| Unassigned | 10,209,970 | - | - | - | - | 10,209,970 |
| Total fund balances | 19,725,132 | 33,890,855 | 57,676,296 | 1,741,880 | 182,034,985 | 295,069,148 |
| Total liabilities and fund balances | $ 40,694,172 | $ 39,302,160 | $ 82,342,452 | $ 11,338,865 | $ 183,907,358 | |

| | |
|---|---|
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | 8,442,776 |
| Other Post Employment Benefit (OPEB) Prefund Asset | 7,384,385 |
| Capital leases are not due and payable in the current period and therefore are not reported in the funds | (50,545) |
| Compensated absences are not due and payable in the current period and therefore are not reported in the funds | (3,120,636) |
| Other long-term assets are not available for current-period expenditures and, therefore, are deferred in the funds | 37,000,000 |
| Other long-term liabilities are not available for current-period expenditures and, therefore, are deferred in the funds | (37,000,000) |
| Net assets of governmental activities | $ 307,725,128 |

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Metropolitan Transportation Commission
## Statement of 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 | $ 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 | 491,685,881 | 6,026,423 | 497,712,304 |
| **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 | 101,090,539 | 13,698,672 | 114,789,211 |
| Operating income / (loss) | 390,595,342 | (7,672,249) | 382,923,093 |
| **Non-operating revenues / (expenses)** | | | |
| Investment income | 116,134,231 | 569,909 | 116,704,140 |
| Interest expense | (191,859,414) | - | (191,859,414) |
| Financing fees | (7,622,197) | - | (7,622,197) |
| Other non-operating expense | (1,386,813) | - | (1,386,813) |
| Caltrans/other agency operating grants | 102,832,315 | 5,849,763 | 108,682,078 |
| Federal operating grants | - | 1,690,336 | 1,690,336 |
| Distributions to other agencies for their capital purposes | (126,008,087) | - | (126,008,087) |
| Distributions to Caltrans for their capital purposes | (807,001,128) | - | (807,001,128) |
| Gain/(loss) on sale/abandonment of equipment | - | 23,346 | 23,346 |
| Total non-operating revenues / (expenses), net | (914,911,093) | 8,133,354 | (906,777,739) |
| Income/(loss) before transfers | (524,315,751) | 461,105 | (523,854,646) |
| **Transfers** | | | |
| Transfers to Metropolitan Transportation Commission | (27,207,788) | (1,714,549) | (28,922,337) |
| **Change in net assets** | (551,523,539) | (1,253,444) | (552,776,983) |
| **Total net assets / (deficit) - beginning** | (1,674,323,855) | 24,245,013 | (1,650,078,842) |
| **Total net assets / (deficit) - ending** | $ (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 Cash Flows – Proprietary Funds
## For the Year Ended June 30, 2009

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

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

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

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

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

### *Blended component units*

#### i.) Bay Area Toll Authority

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

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

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

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

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

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

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

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

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

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

**iii.) MTC General Revenue Fund**

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

**iv.) MTC Special Revenue Funds**

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

**Major Funds**

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

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

**Non-major Funds**

**Transit Reserve Fund** – MTC maintains a Transit Reserve Fund pursuant to Regional Measure 1, which was amended in 1988. The calculation of the transit reserves is set forth in Section 30913 (b) of the Streets and Highway Code as one third of 2 percent of base toll revenues collected on all seven Bay Area state-owned bridges.

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

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

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

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

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

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

### v.) MTC Capital Projects Fund

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

**vi.) MTC Fiduciary Funds**

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

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

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

### *Discretely presented component unit*

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

**i.) Bay Area Infrastructure Financing Authority**

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

### B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

GASB Statement No. 50, *Pension Disclosures*, an amendment to GASB Statements No. 25 and No. 27, which more closely aligns financial reporting requirements for pensions with that of other postemployment benefits (OPEB) has been adopted by MTC for the fiscal year ended June 30, 2008. This statement imposed similar note and required supplementary reporting requirements as that of GASB Statement No. 45, *Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement did not have any effect on the financial statements of MTC as the required disclosures were already incorporated into MTC's footnotes and included in MTC's required supplementary information. For additional information and impact on adoption see Note 9.

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

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

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

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

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

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

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

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

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

### D. Budgetary Accounting

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

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

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

- Annual budgets are adopted on the accrual basis for the proprietary fund types.

## E. Encumbrances

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

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

## F. Net Assets

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

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

## G. Fund Balances

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

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

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

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

## H. Cash and Investments

MTC applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which generally requires investments to be recorded at fair value with the difference between cost and fair value recorded as an unrealized gain or loss. Investments are stated at fair value based upon quoted market prices. MTC reports its money market investments and participating interest-earning investment contracts at amortized cost. This is permissible under this standard provided those investments have a remaining maturity at time of purchase of one year or less and that the fair value of those investments is not significantly affected by the credit standing of the issuer or other factors. Net increases or decreases in the fair value of investments are shown in the Statements of Revenues, Expenditures and Changes in Fund Balance for all governmental fund types and in the Statements of Revenues, Expenditures and Changes in Net Assets for the proprietary funds. Accounting for derivative investments is described in Note 1.P.

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

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

***Cash and Cash Equivalents***

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

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

***Restricted Cash***

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

***Restricted Investments***

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

## I. Capital Assets

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

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

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

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

| | Years |
|---|---|
| Buildings and improvements | 10 - 45 |
| Office furniture and equipment | 3 - 10 |
| Intangible assets | 5 - 7 |
| Leased equipment | 5 |
| Automobiles | 3 |
| Callboxes | 10 |

## J. Retirement Plans

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

### K. Postemployment Healthcare Benefits

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

### L. Compensated Absences

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

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

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

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

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

### M. Reconciliation of government-wide and fund financial statements

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balance – total governmental funds and Changes in net assets of governmental activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures." However, in the statement of activities the cost of those assets is allocated over their estimated useful life and reported as depreciation expense.

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

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

**N. Pledged Revenue to Bay Area Infrastructure Financing Authority**

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

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

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

**O. Unearned Revenue**

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

**P. Derivative Instruments**

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

**Q. Toll Revenues Collected**

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

**R. Operating Expenditures Incurred by Caltrans**

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

**S. Investment Income**

Investment income is comprised of interest income from investments and changes in the fair value of investment derivative instruments. The investment derivative component is the result of the implementation of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* which requires the change in fair value of the derivative instruments which no longer have an underlying item to hedge be reported in investment income. The following table shows the breakdown of investment income for the fiscal years ended June 30, 2009 and 2008:

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

### T. Distributions to Caltrans for Their Capital Purposes

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

### U. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### V. Operating and Non-operating Revenues and Expenses

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

## 2. UNRESTRICTED NET ASSET DEFICIT

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

## 3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

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

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

MTC holds a position in the investment pool of County of Alameda in the amount of $61,197,118 and $66,853,720 at June 30, 2009 and 2008. The Transportation Development Act (TDA) requires that STA and local Transportation Development Act (TDA) funds be deposited with the County Treasury. The County of Alameda is restricted by state code in the types of investments it can make. Further, the County Treasurer has a written investment policy approved by the Board of Supervisors and also has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134. The County's investment policy authorizes the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper prime rated by at least two agencies if maturity is greater than 30 days, banker's acceptances, repurchase agreements, reverse repurchase agreements, and the State Treasurer's investment pool. The position in the external investment pool at the County of Alameda is recorded at fair value at June 30, 2009 determined by the fair value per share of the pools' underlying portfolio. The investment holdings with the County of Alameda account for approximately 3 percent of MTC's investment portfolio. Deposits with the County of Alameda are available for immediate withdrawal.

MTC holds $316,087 and $307,654 at June 30, 2009 and 2008 in the Local Agency Investment Fund (LAIF). MTC's investment policy allows investment in LAIF as authorized by Government Code section 16429. LAIF is a program created by statute as an investment alternative for California's local governments and special districts. LAIF investments account for approximately 0.01 percent of MTC's total cash and investment portfolio.

MTC's portfolio includes five and four money market mutual fund investments at June 30, 2009 and 2008, respectively. The mutual funds are California Asset Management Program, Columbia Government Reserves Adviser Fund, Dreyfus Government Cash Management Institutional Fund, BlackRock T-Fund Institutional, and the PFM Funds-Government Series.

The mutual fund investments in MTC's investment portfolio are expressed as a percentage of MTC's total cash and investments as follows:

| | **2009** | **2008** |
|---|---|---|
| Columbia Government Reserves Adviser | 1% | 0% |
| Dreyfus Gov't Cash Mgmt Institutional | 1% | 0% |
| BlackRock T- Fund Institutional | 2% | 5% |
| California Asset Management Program | 11% | 0% |
| PFM Funds Gov't Series | 2% | 0% |
| Cadre Reserve Fund-US Gov't Series | 0% | 1% |
| Columbia Treasury Reserves Adviser | 0% | 1% |
| Dreyfus Treasury and Agency Cash Mgmt | 0% | 1% |

The BlackRock T-Fund Institutional is part of the overnight sweep fund utilized by Union Bank accounts, and invests primarily in money market instruments including U.S. Treasury bills, notes, obligations guaranteed by the U.S. Treasury and repurchase agreements fully collateralized by such obligations. The fund is rated "AAA" by both Standard & Poor's and Moody's.

The California Asset Management Program (CAMP) is a joint powers authority and common law trust. The Trust's Cash Reserve Portfolio is a short-term money market portfolio, which seeks to preserve principal, provide daily liquidity and earn a high level of income consistent with its objectives of preserving principal. CAMP's money market portfolio is rated "AAA" by Standard & Poor's.

Columbia Government Reserves Advisor funds are part of the overnight sweep fund utilized by Bank of America checking accounts and invested in short term debt securities that have relatively low risk, including, in some cases, securities issued or guaranteed by the U.S. Government. The fund is rated "AAA" by both Standard & Poor's and Moody's.

The Dreyfus Government Cash Management fund is part of the overnight sweep fund utilized by Bank of New York custodial accounts and invests in securities issued or guaranteed as to the principal and interest by the U.S. government or its agents or instrumentalities, and repurchase agreements. The fund is rated "AAA" by both Standard & Poor's and Moody's.

PFM Funds Government Series invests in short-term government securities, repurchase agreements secured by government securities and money market mutual funds that invest exclusively in government securities and repurchase agreements secured by government securities. The fund is rated "AAA" by both Standard & Poor's and Moody's.

State law and MTC policy limit mutual fund investments to 20 percent of the portfolio, with no more than 10 percent of the portfolio in any single fund. All the mutual fund holdings are highly rated by Standard & Poor's and Moody's, and are considered to be cash and cash equivalents.

The Government-Sponsored Enterprises (GSE) holdings carry "AAA" ratings. Neither State law nor MTC policy imposes a limit to the amount of GSE within the portfolio. The GSE holdings include Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), and Tennessee Valley Authority (TVA).

BATA repurchased $110 million of its own VRDOs on May 2009 and held them pending reoffering of the VRDOs. BATA includes these as current unrestricted cash and cash equivalents at June 30, 2009. The BATA 2008 Series A1 bonds were part of the August 2009 reoffering as described in Note 13.

### C. Deposit and Investment Risk Factors

There are many factors that can affect the value of investments. MTC invests substantially in fixed income securities, which are affected by credit risk, custodial credit risk, concentration of credit risk, and interest rate risk. The credit ratings of MTC's income securities holdings are discussed in Note 1.F.

#### i.) Credit Risk

Fixed income securities are subject to credit risk, which is the possibility that the security issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline.

A bond's credit quality is an assessment of the issuer's ability to pay principal and interest on the bond. Credit quality may be evaluated by a nationally recognized independent credit-rating agency. The lower the rating is, the greater the chance (in the opinion of the rating agency) that the bond issuer will default, or fail to meet its obligations.

#### ii.) Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be recovered. All securities are held in independent safekeeping accounts maintained with Union Bank or Bank of New York Mellon (BONY), and are held in the name of MTC. As a result, custodial credit risk is remote.

#### iii) Concentration of Credit Risk

Concentration of credit risk is the risk associated with lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory or credit developments. Investments in issuers that represent 5 percent or more of total cash and investments at June 30, 2009 and 2008 are as follows:

| | **2009** | **2008** |
|---|---|---|
| Federal Home Loan Bank (FHLB) | 32% | 46% |
| Federal Home Loan Mortgage Corp (FHLMC) | 17% | 36% |
| State of California | 8% | 0% |

**iv) Interest Rate Risk**

Interest rate risk is the risk that the market value of fixed-income securities will decline because of rising interest rates. The prices of fixed-income securities with a longer time to maturity, measured by duration in years, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. MTC's policy is to buy and hold investments to maturity.

MTC holds $30 million in investments tied to floating rate benchmarks. The rate on the investment will reset monthly or quarterly and is based on a LIBOR (London Interbank Offering Rate) index.

The floating rate securities are summarized as follows:

| Investment | Par Value | Structure | Final Maturity |
|---|---|---|---|
| FHLB | $5 million | 1 month LIBOR – (net) 14 basis points to maturity | 8/09 |
| FHLB | $25 million | 3 month LIBOR – (net) 18 basis points to maturity | 12/09 |

The weighted average maturities of MTC's Government Sponsored Enterprises (GSE) securities (expressed in number of years) at June 30, 2009 and 2008 are as follows:

| | **2009** | **2008** |
|---|---|---|
| Government-sponsored enterprises | | |
| Federal Home Loan Bank | 0.08 | 0.14 |
| Federal Home Loan Mortgage Corporation | 0.19 | 0.19 |
| Federal National Mortgage Association | 0.07 | - |
| Tennesse Valley Authority | 1.55 | 2.55 |

## 4. CAPITAL ASSETS

### A summary of changes in capital assets for the year ended June 30, 2009 is as follows:

| Governmental activities | Beginning Balance July 1, 2008 | Additions | Retirements | Ending Balance June 30, 2009 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Construction in progress | $ 3,502,701 | $ (3,502,701) * | $ - | $ - |
| Office furniture and equipment | - | 48,391 | - | 48,391 |
| Total capital assets, not being depreciated | 3,502,701 | (3,454,310) | - | 48,391 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 8,854,704 | 3,723,244 | - | 12,577,948 |
| Office furniture and equipment | 3,078,347 | 70,246 | - | 3,148,593 |
| Leased equipment | 168,489 | - | - | 168,489 |
| Automobiles | 187,835 | - | - | 187,835 |
| Total capital assets being depreciated | 12,289,375 | 3,793,490 | - | 16,082,865 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 3,783,174 | 643,991 | - | 4,427,165 |
| Office furniture and equipment | 2,900,340 | 59,594 | - | 2,959,934 |
| Leased equipment | 92,669 | 33,698 | - | 126,367 |
| Automobiles | 160,816 | 14,198 | - | 175,014 |
| Total accumulated depreciation | 6,936,999 | 751,481 | - | 7,688,480 |
| Total capital assets, being depreciated, net | 5,352,376 | 3,042,009 | - | 8,394,385 |
| Governmental activities capital assets, net | $ 8,855,077 | $ (412,301) | $ - | $ 8,442,776 |

| Business-type activities | Beginning Balance July 1, 2008 | Additions | Retirements | Ending Balance June 30, 2009 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Office furniture and equipment | $ 79,917 | $ 1,872,662 | $ - | $ 1,952,579 |
| Intangible assets | 443,582 | 1,739,367 | - | 2,182,949 |
| Call boxes | 377,285 | 1,668,396 | - | 2,045,681 |
| Total capital assets, not being depreciated | 900,784 | 5,280,425 | - | 6,181,209 |
| Capital assets, being depreciated: | | | | |
| Office furniture and equipment | 4,391,330 | 85,193 | - | 4,476,523 |
| Building and improvements | 3,134,200 | - | - | 3,134,200 |
| Automobiles | - | 54,262 | - | 54,262 |
| Intangible assets | 1,152,679 | - | - | 1,152,679 |
| Call boxes | 10,811,671 | 197,768 | - | 11,009,439 |
| Total capital assets being depreciated | 19,489,880 | 337,223 | - | 19,827,103 |
| Less accumulated depreciation for: | | | | |
| Office furniture and equipment | 1,998,423 | 526,802 | - | 2,525,225 |
| Building and improvements | 348,112 | 130,420 | - | 478,532 |
| Automobiles | - | 8,196 | - | 8,196 |
| Intangible assets | 136,515 | 164,829 | - | 301,344 |
| Call boxes | 9,701,628 | 214,294 | - | 9,915,922 |
| Total accumulated depreciation | 12,184,678 | 1,044,541 | - | 13,229,219 |
| Total capital assets, being depreciated, net | 7,305,202 | (707,318) | - | 6,597,884 |
| Business-type activities capital assets, net | $ 8,205,986 | $ 4,573,107 | $ - | $ 12,779,093 |

* Transfers to Building and Improvements ($3,502,701).

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

| | |
|---|---|
| Governmental activities: | |
| General government | $ 751,481 |
| Total depreciation expense - governmental activities | $ 751,481 |
| Business-type activities: | |
| Toll bridge | $ 759,887 |
| Congestion relief | 284,654 |
| Total depreciation expense - business-type activities | $ 1,044,541 |

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 | 337,020 | 3,165,681 | - | 3,502,701 |
| 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 | 12,145,268 | 160,452 | (16,345) | 12,289,375 |
| 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 | 6,348,810 | 604,534 | (16,345) | 6,936,999 |
| Total capital assets, being depreciated, net | 5,796,458 | (444,082) | - | 5,352,376 |
| Governmental activities capital assets, net | $ 6,133,478 | $ 2,721,599 | $ - | $ 8,855,077 |

| **Business-type activities** | **Beginning Balance July 1, 2007** | **Additions** | **Retirements** | **Ending Balance June 30, 2008** |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Office furniture and equipment | $ - | $ 79,917 | $ - | $ 79,917 |
| Intangible assets | - | 443,582 | - | 443,582 |
| Call boxes | 706,450 | (329,165) | - | 377,285 |
| Total capital assets, not being depreciated | 706,450 | 194,334 | - | 900,784 |
| Capital assets, being depreciated: | | | | |
| Office furniture and equipment | 2,705,559 | 1,685,771 | - | 4,391,330 |
| Building and improvements | 3,134,200 | - | - | 3,134,200 |
| Intangible assets | - | 1,152,679 | - | 1,152,679 |
| Call boxes | 10,313,695 | 523,091 | (25,115) | 10,811,671 |
| Total capital assets being depreciated | 16,153,454 | 3,361,541 | (25,115) | 19,489,880 |
| 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 | 11,263,574 | 946,188 | (25,084) | 12,184,678 |
| Total capital assets, being depreciated, net | 4,889,880 | 2,415,353 | (31) | 7,305,202 |
| Business-type activities capital assets, net | $ 5,596,330 | $ 2,609,687 | $ (31) | $ 8,205,986 |

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

| | | |
|---|---|---|
| Governmental activities: | | |
| General government | $ | 604,534 |
| Total depreciation expense - governmental activities | $ | 604,534 |
| Business-type activities: | | |
| Toll bridge | $ | 680,663 |
| Congestion relief | | 265,525 |
| Total depreciation expense - business-type activities | $ | 946,188 |

## 5. LONG-TERM DEBT

Toll Revenue Bonds were issued by BATA in May 2001, February 2003, October 2004, February 2006, April 2006, May 2007, October 2007, and June 2008 to (i) finance the cost of the design and construction of eligible projects of Regional Measure 1, Regional Measure 2, and the Seismic Retrofit projects for the Bay Area Bridges, (ii) to finance a Reserve Fund (iii) pay costs incurred in connection with the issuance of the bonds, and (iv) defease or refund bonds.

Toll Revenue Bonds were reoffered during August 2008 for 2001 Series A-C, 2003 Series C, 2004 Series A-C, 2006 Series B1 and C, and 2007 Series A1, C1, G1, A2, B2, C2, D2, E3, and G2-G3 as uninsured variable rate bonds.

Toll Revenue Bonds were issued during August 2008 (2008 Series F1) to (i) refund and fix the 2003 Series A-B, 2006 Series A1, D2, and E1, 2007 Series B1, D1, and E1-E2 variable rate bonds insured by Ambac Assurance Corporation, (ii) pay costs incurred in connection with the issuance of the 2008 Series F1 bonds, (iii) finance the Reserve Fund, and (iv) pay remarketing costs of certain of the variable rate bonds. This refunding was recorded as a current refunding in accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*.

During May 2009 BATA repurchased $110 million of its 2008 Series A1 bonds. These repurchased bonds were held and reported as an investment by BATA through the date of a subsequent effective reoffering that occurred in August 2009.

Component Unit – BAIFA – State Payment Acceleration Notes (SPANs) were issued during December 2006 (2006 SPANs) to (i) finance the costs of the design and construction of the Toll Bridge Seismic Retrofit Capital Program for the Bay Area bridges and (ii) pay costs incurred in connection with the issuance of the 2006 SPANs. More information is presented in Note 1.N.

A summary of changes in long-term debt for the year ended June 30, 2009 is as follows:

**Business-type activities**

| | Issue Date | Interest Rate | Calendar Maturity Year | Original Amount | Beginning Balance July 1, 2008 | Additions | Reductions | Ending Balance June 30, 2009 | Due Within One Year |
|---|---|---|---|---|---|---|---|---|---|
| 2001 Revenue Bond Series A | 05/24/2001 | 4.10% [2] | 2036 | $ 150,000,000 | $ 150,000,000 | $ - | $ - | $ 150,000,000 | $ - |
| 2001 Revenue Bond Series B | 05/24/2001 | 4.120% [2] | 2029 | 75,000,000 | 75,000,000 | - | - | 75,000,000 | - |
| 2001 Revenue Bond Series C | 05/24/2001 | 4.110% [2] | 2025 | 75,000,000 | 75,000,000 | - | - | 75,000,000 | - |
| 2001 Revenue Bond Series D | 05/24/2001 | 4.860% [1,3] | 2011 | 100,000,000 | 20,560,000 | - | (6,570,000) | 13,990,000 | 6,830,000 |
| 2003 Revenue Bond Series A | 02/12/2003 | 4.139% [2] | 2038 | 75,000,000 | 73,500,000 | - | (73,500,000) | - | - |
| 2003 Revenue Bond Series B | 02/12/2003 | 4.139% [2] | 2038 | 75,000,000 | 73,600,000 | - | (73,600,000) | - | - |
| 2003 Revenue Bond Series C | 02/12/2003 | 4.14% [2] | 2037 | 150,000,000 | 148,300,000 | - | (1,700,000) | 146,600,000 | 1,800,000 |
| 2004 Revenue Bond Series A | 10/05/2004 | 3.416% [2] | 2039 | 75,000,000 | 73,755,000 | - | (1,305,000) | 72,450,000 | 1,340,000 |
| 2004 Revenue Bond Series B | 10/05/2004 | 3.416% [2] | 2039 | 150,000,000 | 147,510,000 | - | (2,610,000) | 144,900,000 | 2,695,000 |
| 2004 Revenue Bond Series C | 10/05/2004 | 3.416% [2] | 2039 | 75,000,000 | 73,755,000 | - | (1,300,000) | 72,455,000 | 1,350,000 |
| 2006 Revenue Bond Series (B1, C) | 02/08/2006 | 3.730% [2] | 2045 | 1,000,000,000 | 500,000,000 | - | (160,000,000) | 340,000,000 | - |
| 2006 Revenue Bond Series F | 04/25/2006 | 4.590% [1] | 2031 | 1,149,205,000 | 1,099,090,000 | - | (27,350,000) | 1,071,740,000 | 28,480,000 |
| 2007 Rev Bond Ser(A1,C1,G1) | 05/15/2007 | 3.734% [2] | 2047 | 500,000,000 | 500,000,000 | - | (350,000,000) | 150,000,000 | - |
| 2007 Revenue Bond Series F | 05/15/2007 | 4.440% [1] | 2031 | 310,950,000 | 310,560,000 | - | (30,000) | 310,530,000 | 35,000 |
| 2007 Rev Bond Ser(A2-D2,E3, G2-G3) | 10/25/2007 | 3.734% [2] | 2047 | 500,000,000 | 500,000,000 | - | - | 500,000,000 | - |
| 2008 Revenue Bond Series(A1-E1, G1) | 06/05/2008 | 3.730% [2,4] | 2045 | 507,760,000 | 507,760,000 | - | - | 507,760,000 | - |
| 2008 Revenue Bond Series F1 | 08/28/2008 | 5.324% [1] | 2047 | 707,730,000 | - | 707,730,000 | - | 707,730,000 | - |
| | | | | $ 5,675,645,000 | $ 4,328,390,000 | $ 707,730,000 | $ (697,965,000) | $ 4,338,155,000 | $ 42,530,000 |
| Unamortized bond premium/ discount | | | | | 20,560,807 | (6,910,988) | (866,180) | 12,783,639 | |
| Deferred charge on bond refunding | | | | | (11,095,509) | (48,984,267) | 1,870,008 | (58,209,768) | |
| Net long-term debt as of June 30, 2009 | | | | | $ 4,337,855,298 | $ 651,834,745 | $ (696,961,172) | $ 4,292,728,871 | |
| | | | | | | | | | |
| Component Unit-BAIFA 2006 SPANs | 12/14/2006 | 4.27% [5] | 2017 | $ 972,320,000 | $ 867,140,000 | - | $ (75,970,000) | $ 791,170,000 | $ 8,720,000 |
| Unamortized bond premium | | | | | 45,689,269 | - | (5,030,011) | 40,659,258 | |
| Net long-term debt as of June 30, 2009 | | | | | $ 912,829,269 | $ - | $ (81,000,011) | $ 831,829,258 | |

(1) Fixed rate bonds

(2) Variable bonds have no stated rate; as such the weighted associated swap rate is presented. VRDBs are presented as long term debt in accordance with GASB Interpretation No. 1 as MTC have liquidity commitments obtained in support of the VRDBs. These commitments do not expire before June 30, 2010 and are not cancellable by the lender.

(3) 2001 Series D bonds are issued as fixed rate bonds with a final maturity of 2018 before the defeasance. Post defeasance final maturity is 2011. The bonds carry interest rates ranging from 4.0% in 2006 to 5.5% in 2011 with a true interest cost of 4.86%.

(4) Includes investment of $110 million in 2008 Series A1 that was reoffered in August 2009.

(5) 2006 Bay Area Infrastructure Financing Authority SPANs were issued as fixed rate bonds with a final maturity of 2017. The bonds carried interest rates ranging from 4.0% in 2007 to 5.0% in 2017, or an all in true interest cost of 4.27%.

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

**Business-type activities**

| | Issue Date | Interest Rate | Calendar Maturity Year | Original Amount | Beginning Balance July 1, 2007 | Additions | Reductions | Ending Balance June 30, 2008 | Due Within One Year |
|---|---|---|---|---|---|---|---|---|---|
| 2001 Revenue Bond Series A | 05/24/2001 | 4.10% [2] | 2036 | 150,000,000 | 150,000,000 | | | 150,000,000 | - |
| 2001 Revenue Bond Series B | 05/24/2001 | 4.120% [2] | 2029 | 75,000,000 | 75,000,000 | - | - | 75,000,000 | - |
| 2001 Revenue Bond Series C | 05/24/2001 | 4.110% [2] | 2025 | 75,000,000 | 75,000,000 | - | - | 75,000,000 | - |
| 2001 Revenue Bond Series D | 05/24/2001 | 4.860% [1,3] | 2011 | 100,000,000 | 26,785,000 | - | (6,225,000) | 20,560,000 | 6,570,000 |
| 2003 Revenue Bond Series A | 02/12/2003 | 4.139% [2] | 2038 | 75,000,000 | 75,000,000 | - | (1,500,000) | 73,500,000 | 1,500,000 |
| 2003 Revenue Bond Series B | 02/12/2003 | 4.139% [2] | 2038 | 75,000,000 | 75,000,000 | - | (1,400,000) | 73,600,000 | 1,600,000 |
| 2003 Revenue Bond Series C | 02/12/2003 | 7.00% [2] | 2037 | 150,000,000 | 150,000,000 | - | (1,700,000) | 148,300,000 | 1,700,000 |
| 2004 Revenue Bond Series A | 10/05/2004 | 3.416% [2] | 2039 | 75,000,000 | 75,000,000 | - | (1,245,000) | 73,755,000 | 1,305,000 |
| 2004 Revenue Bond Series B | 10/05/2004 | 3.416% [2] | 2039 | 150,000,000 | 150,000,000 | - | (2,490,000) | 147,510,000 | 2,610,000 |
| 2004 Revenue Bond Series C | 10/05/2004 | 3.416% [2] | 2039 | 75,000,000 | 75,000,000 | - | (1,245,000) | 73,755,000 | 1,300,000 |
| 2006 Revenue Bond Series (A-E) | 02/08/2006 | 3.730% [2] | 2045 | 1,000,000,000 | 1,000,000,000 | - | (500,000,000) | 500,000,000 | - |
| 2006 Revenue Bond Series F | 04/25/2006 | 4.590% [1] | 2031 | 1,149,205,000 | 1,125,515,000 | - | (26,425,000) | 1,099,090,000 | 27,350,000 |
| 2007 Rev Bond Ser(A1-D1,E1-E2, G1) | 05/15/2007 | 3.740% [2] | 2047 | 500,000,000 | 500,000,000 | - | - | 500,000,000 | - |
| 2007 Revenue Bond Series F | 05/15/2007 | 4.440% [1] | 2031 | 310,950,000 | 310,950,000 | - | (390,000) | 310,560,000 | 30,000 |
| 2007 Rev Bond Ser(A2-D2,E3 G2-G3) | 10/25/2007 | 3.740% [2] | 2047 | 500,000,000 | - | 500,000,000 | - | 500,000,000 | - |
| 2008 Revenue Bond Series(A1-E1, G1) | 06/05/2008 | 3.730% [2] | 2045 | 507,760,000 | - | 507,760,000 | - | 507,760,000 | - |
| | | | | $ 4,967,915,000 | $ 3,863,250,000 | $ 1,007,760,000 | $ (542,620,000) | $ 4,328,390,000 | 43,965,000 |
| 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 | | | | | $ 3,882,491,690 | $ 998,669,933 | $ (543,306,325) | $ 4,337,855,298 | |
| | | | | | | | | | |
| Component Unit-BAIFA 2006 SPANs | 12/14/2006 | 4.27% [4] | 2017 | $ 972,320,000 | $ 972,320,000 | - | $ (105,180,000) | $ 867,140,000 | $ 69,770,000 |
| Unamortized bond premium | | | | | 50,548,994 | - | (4,859,725) | 45,689,269 | |
| Net long-term debt as of June 30, 2008 | | | | | $ 1,022,868,994 | $ - | $ (110,039,725) | $ 912,829,269 | |

(1) Fixed rate bonds
(2) Variable bonds have no stated rate; as such the weighted associated swap rate is presented. VRDBs are presented as long term debt in accordance with GASB Interpretation No. 1 as MTC have liquidity commitments obtained in support of the VRDBs. These commitments do not expire before June 30, 2010 and are not cancellable by the lender.
(3) 2001 Series D bonds are issued as fixed rate bonds with a final maturity of 2018 before the defeasance. Post defeasance final maturity is 2011. The bonds carry interest rates ranging from 4.0% in 2006 to 5.5% in 2011 with a true interest cost of 4.86%.
(4) 2006 Bay Area Infrastructure Financing Authority SPANs were issued as fixed rate bonds with a final maturity of 2017. The bonds carried interest rates ranging from 4.0% in 2007 to 5.0% in 2017, or an all in true interest cost of 4.27%.

### Annual funding requirements

The annual funding requirements (principal and interest) for the debt outstanding of the business-type activities at June 30, 2009 are as follows:

**Business-type activities**

| Fiscal Year Ending | Principal Payments | Interest Payments | Total Payments |
|---|---|---|---|
| 2010 | $ 42,530,000 | $ 185,299,360 | $ 227,829,360 |
| 2011 | 44,580,000 | 183,482,740 | 228,062,740 |
| 2012 | 46,570,000 | 181,578,556 | 228,148,556 |
| 2013 | 48,580,000 | 179,589,371 | 228,169,371 |
| 2014 | 55,005,000 | 177,514,331 | 232,519,331 |
| 2015-2019 | 343,180,000 | 848,461,562 | 1,191,641,562 |
| 2020-2024 | 445,155,000 | 766,362,741 | 1,211,517,741 |
| 2025-2029 | 567,565,000 | 661,356,474 | 1,228,921,474 |
| 2030-2034 | 787,315,000 | 524,724,649 | 1,312,039,649 |
| 2035-2039 | 889,925,000 | 337,713,958 | 1,227,638,958 |
| 2040-2044 | 741,770,000 | 167,042,387 | 908,812,387 |
| 2045-2047 | 325,980,000 | 24,255,494 | 350,235,494 |
| | $ 4,338,155,000 | $ 4,237,381,623 | $ 8,575,536,623 |

**Component Unit - BAIFA**

| Fiscal Year Ending | Principal Payments | Interest Payments | Total Payments |
|---|---|---|---|
| 2010 | $ 8,720,000 | $ 33,782,959 | $ 42,502,959 |
| 2011 | 17,020,000 | 33,410,615 | 50,430,615 |
| 2012 | 12,820,000 | 32,683,861 | 45,503,861 |
| 2013 | 19,795,000 | 32,136,447 | 51,931,447 |
| 2014 | 40,350,000 | 31,291,200 | 71,641,200 |
| 2015-2018 | 692,465,000 | 110,363,488 | 802,828,488 |
| | $ 791,170,000 | $ 273,668,570 | $ 1,064,838,570 |

### Bond Covenants -BATA

The Bay Area Toll Authority Bridge Toll Revenue Bonds are payable solely from "Pledged Revenues." The Master Indenture, dated as of May 1, 2001 defines Pledged Revenues as all bridge toll revenue as well as revenue and all amounts held by the Trustee in each fund and account established under the indenture except for amounts in the Rebate Fund and amounts on deposit in any fund or account established to hold the proceeds of a drawing on any Liquidity Instrument. BATA covenanted to establish a Reserve Fund under the 2001 indenture. The current reserve requirement is $269,641,011 to be used to pay debt service if pledged revenues are insufficient to satisfy the debt service payments.

In the fifth supplemental indenture dated February 2006, BATA covenanted to maintain toll revenue at levels that result in net operating revenue greater than 1.2 times annual debt service costs as defined in the master indenture dated May 1, 2001. In addition, BATA has agreed to maintain tolls at a level where net operating revenue plus the balance in the operations and maintenance reserve is at least 1.25 times total “fixed costs” as well as maintaining tolls at levels exceeding 1.0 times all fixed costs as costs are defined in this indenture.

BATA has also covenanted in the 2001 Indenture that no additional bonds shall be issued, unless the additional bonds are issued for refunding of 2001 Series bond purposes, or Net Revenue equates to greater than 150 percent of the combined maximum annual debt service of all outstanding parity bonds.

BATA has covenanted to maintain an operations and maintenance reserve of two times the adopted operations and maintenance budget for Caltrans toll operations and maintenance costs. At June 30, 2009, BATA had restricted $150 million as the restricted operations and maintenance reserve. BATA has also covenanted to maintain an emergency extraordinary loss reserve of not less than $50 million. These amounts are shown as restricted assets for the year ended June 30, 2009. In addition, the BATA board has authorized a total of $600 million for emergency extraordinary loss reserves, which includes $70 million bridge rehabilitation as well as the $200 million committed in the bond covenants.

The bonds issued by BATA are collateralized by a first lien on all of its revenues after a provision for Caltrans costs for operations and maintenance of toll facilities and are not an obligation of the MTC primary government or any component unit other than BATA.

In August 2008, BATA reoffered $1,733,320,000 of 2001 Series A-C, 2003 Series C, 2004 Series A-C, 2006 Series B1 and C and 2007 Series A1, C1, G1, A2, B2, C2, D2, E3, and G2-G3 of uninsured variable rate demand bonds (VRDBs). BATA’s VRDB is a tax-exempt bond that reflects a floating interest rate that is reset every seven days. The investors have an option to tender or put securities at par with seven days notice. BATA also issued $707,730,000 of 2008 Series F1 Fixed bonds. A portion of the 2008 Series F1 proceeds, $657,100,000, was applied to the refunding of the 2003 Series A and B, 2006 Series A1, D2 and E1, and 2007 Series B1, D1, and E1-E2. Another $30,518,323 was deposited to Reserve Fund with the remainder of the proceeds was applied to issuance costs for the 2008 Series F1 and the 2008 Reoffered bonds. Ambac was downgraded several notches below “AA”, which caused market volatility in the weekly pricing of BATA’s insured VRDBs. The transaction was completed with the business purpose of removing Ambac’s underlying insurance on the VRDBs that had caused interest rates to increase sharply and does not provide any economic gain or loss. The difference between the reacquisition price and the net carrying amount of the old debt is $10,696,513, which is reported as a deferred charge.

**Bond Covenants – BAIFA**

The BAIFA State Payment Acceleration Notes (SPANs) are payable solely from “Pledged Revenues” of BAIFA. The Indenture of Trust, dated December 1, 2006, defines Pledged Revenues as all scheduled payments allocated by the California Transportation Commission (CTC) to BAIFA, as well as revenue and all amounts held by the Trustee in each fund and account established under the indenture.

The SPANs issued by BAIFA do not constitute debt of the State, MTC, or BATA or any other political subdivisions of the State, MTC or BATA. More information is presented in Note 1.L.

**Derivative Instruments**

MTC has adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as discussed in Note 1.N.

MTC enters into derivative instruments to hedge interest rate risk and not for speculative or trading purposes. Existing derivatives are composed solely of interest rate swaps. All the derivative instruments were issued as hedges of MTC’s bonds and were determined to be effective at June 30, 2008. As such, the fair value of the derivative instruments, ($158,599,966), was recorded in the Statement of Net Assets as a non-current liability with the corresponding amount being recorded as a deferred outflow. The derivative instruments were also determined to be effective hedging derivatives at June 30, 2009 except for a portion of the Series 2003, 2006 and 2007 pay-fixed interest rate swaps for which the hedged items for these derivative instruments were refunded in August 2008. Accordingly, the accumulated changes in fair value of the swap that were reported as a deferred outflow of resources of $28,290,143 at June 30, 2008 and $9,997,611 through the date of the transaction in August 2008 for a total of $38,287,754 was deferred in accordance with GASB Statement No. 23 over the life of the bonds. Hence, these swaps are now considered investment derivative instruments. Some of these investment derivatives were terminated in July 2009; see Note 13 on Subsequent Events.

The fair value of the hedged and investment derivatives was ($411,060,427) at June 30, 2009 and recorded in the Statement of Net Assets as a non-current liability. The change in the hedging derivatives was recorded as deferred outflows of $334,053,518 and the change in investment derivatives of $38,719,155 was recorded as an offset to investment income. See Note 1.S. for further details.

Cancellation of any or all of the swap transactions is subject to a market value calculation at the time of termination. The market value calculation is used to determine what, if any, termination payment is due from or to the counterparty. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2009, classified by type, and the changes in fair value of such derivative instruments as reported in the financial statements is as follows:

| Business-type Activities | Changes in Fair Value since June 30, 2008 Classification | Changes in Fair Value since June 30, 2008 Amount | Fair Value at June 30, 2009 Classification | Fair Value at June 30, 2009 Amount | Notional |
|---|---|---|---|---|---|
| Cash flow hedges: | | | | | |
| Pay-fixed interest rate swap | Deferred Outflow of Resources | $ 192,003,537 | Noncurrent Liabilities | $ (322,313,361) | $ 2,783,600,000 |
| Pay-fixed interest rate swap | Investment revenue | 38,719,155 | Noncurrent Liabilities | (77,006,909) | 557,200,000 |
| Fair Value hedges: | | | | | |
| Receive-fixed interest swap | Deferred Outflow of Resources | 11,740,157 | Noncurrent Liabilities | (11,740,157) | 557,200,000 |
| | | | | $ (411,060,427) | |

As of August 2008, a portion of the pay-fixed interest swap listed as a cash value hedge no longer qualified for hedge accounting as the bonds were refunded.

### Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and terms of the derivative instruments outstanding at June 30, 2009, along with the credit rating of the associated counterparty as well as the fair value of the derivative instrument.

| | Standard & Poor's | Moody's |
|---|---|---|
| Ambac Financial Services | BBB | Ba3 |
| Bank of America, N.A. | A+ | Aa3 |
| Bank of New York Mellon | AA | Aaa |
| Citibank, N.A. | A+ | A1 |
| Citigroup Financial Products | A | A3 |
| Goldman Sachs Mitsui Marine Derivative Products | AAA | Aa1 |
| JP Morgan Chase Bank, N.A. | AA- | Aa1 |
| JP Morgan Chase Bank, N.A. AAA Enhanced ISDA | AAA | Aaa |
| Morgan Stanley Capital Services | A | A2 |

| Amortized Notional Value | Counterparty | Fixed Payer Rate (A) | Value due from / (to) counterparty Jun 30, 2009 | Value due from / (to) counterparty Jun 30, 2008 |
|---|---|---|---|---|
| $75 million | Ambac Financial Services | 4.110% | $ (12,358,585) | $ (7,898,320) |
| $75 million | Ambac Financial Services | 4.120% | (14,879,183) | (9,215,923) |
| $75 million | Morgan Stanley Capital Services | 4.090% | (16,741,156) | (9,995,740) |
| $75 million | Citigroup Financial Products | 4.100% | (16,857,869) | (10,105,118) |
| $193.8 million | Ambac Financial Services | 4.139% | (37,404,325) | (23,360,198) |
| $289.8 million | Ambac Financial Services | 3.416% | (26,124,014) | (9,421,674) |
| $315 million | Ambac Financial Services | 3.647% [1] | (46,867,070) | (25,143,744) |
| $30 million | Bank of America, N.A. | 3.633% | (4,391,196) | (1,443,910) |
| $225 million | Citibank, N.A. | 3.638% | (26,542,353) | (9,004,894) |
| $245 million | JP Morgan Chase Bank, N.A. AAA Enhanced ISDA | 4.000% | (32,226,004) | (8,670,225) |
| $125 million | Ambac Financial Services | 3.641% [2] | (18,804,788) | (20,975,864) |
| $50 million | Bank of America, N.A. | 3.626% | (7,386,444) | (2,376,005) |
| $260 million | Citibank, N.A. | 3.636% | (31,164,278) | (10,486,639) |
| $270 million | JP Morgan Chase Bank, N.A. AAA Enhanced ISDA | 4.000% | (36,089,708) | (10,501,712) |
| $125 million | Bank of America, N.A. | 3.642% [3] | (18,489,379) | - |
| $60 million | Goldman Sachs Mitsui Marine Derivative Products | 3.642% [3] | (8,874,902) | - |
| $85 million | Goldman Sachs Mitsui Marine Derivative Products | 3.636% [3] | (12,712,146) | - |
| $170 million | Bank of New York Mellon | 3.636% [3] | (25,424,162) | - |
| $40 million | Bank of New York Mellon | 3.636% [3] | (5,982,707) | |
| | Total Fixed Payer Swap | | (399,320,269) | (158,599,966) |
| | | **Fixed Receiver Rate (B)** | $ - | |
| $145.4 million | JP Morgan, Chase Bank, N.A. | 3.903% | (2,698,174) | - |
| $146.4 million | Bank of New York Mellon | 4.040% | (2,927,345) | - |
| $105.4 million | Citibank, N.A. | 3.967% | (2,677,260) | - |
| $160 million | Bank of America, N.A. | 4.013% | (3,437,379) | - |
| | Total Fixed Receiver Swap | | (11,740,158) | - |
| | Total Derivative Instrument - Fair Value | | $ (411,060,427) | $ (158,599,966) |

(A) Cash flow hedge paying fixed rate receiving variable rate based on LIBOR index
(B) Fair value hedge receiving fixed rate paying variable rate based on SIFMA index
(1) Original notional amount was $500,000,000
(2) Original notional amount was $420,000,000
(3) Novated from Ambac Financial Services FY2009

The termination value, or fair value, BATA would pay to terminate all swaps is $411 million on June 30, 2009 and $159 million on June 30, 2008, respectively. The fair value was determined by an independent outside pricing service. BATA's intent, however, is to maintain the swap transactions for the life of the financing, notwithstanding market opportunities to restructure.

The schedules that follow show the total interest cost of the swap payments. The total cost is determined by calculating the fixed rate payment to the counterparty, netting the variable rate payment received from the counterparty, total variable bond interest payments to bondholders, plus any associated administrative costs associated with the swap and variable rate obligation.

In January 2002, BATA completed a contract to swap variable-to-fixed rate bonds with a notional amount of $300 million. Counterparties to the transaction are Ambac for $150 million, Citigroup for $75 million and Morgan Stanley for $75 million. During the 34-year term of the swap, BATA will pay each respective counterparty based on a fixed rate ranging from 4.09 percent to 4.12 percent while receiving a variable rate payment based on 65 percent of the one-month LIBOR index. The variable rate bonds associated with this swap were issued as part of BATA's 2001 $300 million Toll Bridge Revenue Bond issue.

BATA completed a contract with Ambac to swap variable-to-fixed rate bonds with a notional amount of $200 million. The amortized notional value of the swap at June 30, 2009 is $193.8 million. The contract calls for BATA to pay Ambac a fixed rate of 4.139 percent with an effective date of March 2003. In exchange, BATA will receive a variable rate payment based on 65 percent of the one-month LIBOR rate for 35 year term of the 2003 financing. The variable rate bonds associated with this swap ($75 million for Series A, $75 million for Series B, and $50 million for Series C) were issued as part of BATA's 2003 $300 million Toll Bridge Revenue Bond issue.

In August 2004, BATA completed a contract with Ambac to swap variable-to-fixed rate bonds with a notional amount of $300 million with an effective date of October 2004. The amortized notional amount of the swap at June 30, 2009 is $289.8 million. The contract calls for BATA to pay Ambac a fixed rate of 3.416 percent. In exchange, BATA will receive a variable rate based on 54 percent of the one-month LIBOR rate and 54 basis points for 35 year term of the 2004 financing. The variable rate bonds associated with this swap were issued as part of BATA's 2004 $300 million Toll Bridge Revenue Bond issue.

In November 2005, BATA approved a contract to swap variable-to-fixed rate bonds with a notional amount of $1 billion with an effective date of February 2006. At June 30, 2009, the counterparties to the transactions are Ambac for $315 million, JP Morgan AAA ISDA for $245 million, Citibank for $225 million and Bank of America for $30 million. During the 39 year-term of the swap, BATA will pay each respective counterparty based on a fixed rate ranging from 3.63 percent to 4.00 percent. In exchange, BATA will receive a variable rate payment based on varying percentages of LIBOR.

BATA will receive from Ambac and Bank of America a variable rate payment based on 68 percent of the one-month LIBOR rate. BATA will receive from Citibank a variable rate payment based on 53.8 percent of the one-month LIBOR rate and 74 basis points. BATA will receive from JP Morgan a variable rate payment based on 67.8 percent of the 10 year LIBOR rate in years 1 through 30 (first leg) and a variable rate payment based on 75.105 percent of the one-month LIBOR in years 31 through 39 (second leg).

The variable rate bonds associated with this swap were issued as part of BATA's 2006 $1 billion Toll Bridge Revenue Bond issuance. In June 2008, BATA refunded $500 million of the XL insured 2006 Series A2-A3, B2, D1, D3, and E2 bonds with uninsured 2008 Series A1, B1, C1, D1, E1, and G1 bonds.

In August and September 2008, BATA novated (or replaced) Ambac's $125 million of the 2006 Series swap to Bank of America, N.A. and $60 million to Goldman Sachs Mitsui Marine Derivative Products at a fixed rate of 3.6418%.

On November 30, 2005, BATA approved another contract to swap variable-to-fixed rate bonds with a notional amount of $1 billion. The effective swap date on this contract was November 2007. Counterparties to the transactions are Ambac for $420 million, JP Morgan for $270 million, Citibank for $260 million and Bank of America for $50 million. During the 39-year term, BATA will pay each respective counterparty based on a fixed rate ranging from 3.63 percent to 4.00 percent. In exchange, BATA will receive a variable rate based on ranging percentages of LIBOR.

BATA will receive from Ambac and Bank of America a variable rate payment based on 68 percent of the one-month LIBOR rate. BATA will receive from Citibank a variable-rate payment based on 53.80 percent of the one-month LIBOR rate and 74 basis points. BATA will receive from JP Morgan a variable-rate payment based on 69.33 percent of the 1-year LIBOR rate in years 1 through 34 (first leg) and a variable-rate payment based on 75.08 percent of the one-month LIBOR in years 35 through 39 (second leg).

The $500 million dollars in variable-rate bonds associated with this $1 billion dollar swap were issued as part of BATA's 2007 Series A1-D1, E1-E2, and G1 Bonds. BATA issued the remaining $500 million of the variable-rate bonds associated with this swap as part of the 2007 Series A2-D2, E3, G2-G3 Bonds.

In August and September 2008, BATA novated (or replaced) Ambac's $210 million of the 2007 Series swap to Bank of New York Mellon and $85 million to Goldman Sachs Mitsui Marine Derivative Products at a fixed rate of 3.6357%.

In August 2008, BATA refunded $657.1 million in variable rate bonds, of which $558.7 million were associated with floating-to-fixed rate swaps. The associated swaps included $48.7 million of swap 2003 Series, $160 million of swap 2006 Series, and $350 million of swap 2007 Series. The floating-to-fixed rate swaps were left intact and hedged with four Securities Industry and Financial Markets Association (SIFMA) fixed to floating rate swaps. BATA approved contracts to execute SIFMA swaps with Bank of New York Mellon, Citigroup, N.A., Bank of America, N.A., and JP Morgan Chase Bank, N.A.

BATA will receive a fixed payment from the following counterparties: from Bank of New York Mellon a fixed rate of 4.04% on a notional amount of $146.4 million, from JP Morgan Chase Bank, N.A. a fixed rate of 3.9025% on a notional amount of $145.4 million, from Citibank, N.A. a fixed rate of 3.967% on a notional amount of $105.4 million, and from Bank of America a fixed rate of 4.013% on a notional amount of $160 million. The four counterparties to the SIFMA swaps have a right, but not the obligation, to terminate the swaps on April 1, 2011, without receiving a termination payment.

BATA entered into fixed to floating rate swaps as a means of lowering long-term debt costs while maintaining a hedge against increases in short-term rates. The SIFMA swaps (floating to fixed rate) were completed as a means to offset the fixed to floating rate swaps that remained after the associated floating rate debt was replaced with fixed rate debt. BATA is aware that swap transactions contain certain associated risks not traditionally associated with fixed-rate issues, particularly the risk of counterparty failure. However, BATA has structured the transaction with reasonable safeguards, including downgrade and collateral provisions required of all counterparties, insurance guaranteeing performance on the Ambac components, as well as BATA's unilateral ability to cancel any transaction with 15 days notice.

The swap contracts, with the exception of JP Morgan Chase AAA Enhanced ISDA, address credit risk by requiring the counterparties to post collateral in the event of the following: 1. A counterparty's credit rating equals "A-", "A", or "A+" as determined by S&P or "A3", "A2", or "A1" as determined by Moody's and the market value of its swaps exceeds $10 million, or 2. A counterparty's credit rating is below "A-", as determined by S&P or "A3" as determined by Moody's and the market value of its swaps exceeds $0. JP Morgan Chase AAA Enhanced ISDA posts collateral regardless of ratings threshold and terminated value in accordance with the requirements imposed upon it by Moody's and Standard & Poor's.

As of June 30, 2009, counterparties were not required to post collateral with a third party safekeeping agent. However, as part of the JP Morgan AAA Enhanced ISDA, JP Morgan maintains a $15 million pool of collateral as a means to maintain the AAA rating. At present, BATA is the only participant in the AAA ISDA pool.

As of June 30, 2009, debt service requirements of the variable rate debt and net swap payments for 2001 Series A, B and C, effective January 14, 2002, are as follows:

| Payment Date | Notional Amortization | Variable Interest[B] | Interest Rate Swaps, Net[C] | Remarketing and Liquidity[D] | Total Payment |
|---|---|---|---|---|---|
| 4/1/2010 | $ - | $ 2,070,000 | $ 11,691,000 | $ 2,100,000 | $ 15,861,000 |
| 4/1/2011 | - | 2,070,000 | 11,691,000 | 2,100,000 | 15,861,000 |
| 4/1/2012 | - | 2,070,000 | 11,691,000 | 2,100,000 | 15,861,000 |
| 4/1/2013 | - | 2,070,000 | 11,691,000 | 2,100,000 | 15,861,000 |
| 4/1/2014 | - | 2,070,000 | 11,691,000 | 2,100,000 | 15,861,000 |
| 4/1/2015-2036 | 300,000,000 | 30,634,620 | 173,019,006 | 31,078,600 | 234,732,226 |
| | $ 300,000,000 | $ 40,984,620 | $ 231,474,006 | $ 41,578,600 | $ 314,037,226 |

As of June 30, 2009, debt service requirements of the variable rate debt for 2003 Series C and net swap payments for 2003 Swap Series, effective March 3, 2003, are as follows:

| Payment Date | Notional Amortization | Variable Interest[B] (1) | Interest Rate Swaps, Net[C] | Remarketing and Liquidity[D] | Total Payment |
|---|---|---|---|---|---|
| 4/1/2010 | $ 3,300,000 | $ 1,011,540 | $ 7,618,278 | $ 1,026,200 | $ 9,656,018 |
| 4/1/2011 | 3,500,000 | 999,120 | 7,488,555 | 1,013,600 | 9,501,275 |
| 4/1/2012 | 3,600,000 | 985,320 | 7,350,970 | 999,600 | 9,335,890 |
| 4/1/2013 | 3,800,000 | 970,830 | 7,209,454 | 984,900 | 9,165,184 |
| 4/1/2014 | 4,000,000 | 957,030 | 7,060,076 | 970,900 | 8,988,006 |
| 4/1/2015-2038 | 175,600,000 | 13,895,910 | 100,841,943 | 14,097,300 | 128,835,153 |
| | $ 193,800,000 | $ 18,819,750 | $ 137,569,276 | $ 19,092,500 | $ 175,481,526 |

As of June 30, 2009, debt service requirements of the variable rate debt and net swap payments for 2004 Series A, B and C, effective October 5, 2004, are as follows:

| Payment Date | Notional Amortization | Variable Interest[B] | Interest Rate Swaps, Net[C] | Remarketing and Liquidity[D] | Total Payment |
|---|---|---|---|---|---|
| 4/1/2010 | $ 5,385,000 | $ 1,999,655 | $ 7,832,560 | $ 2,028,635 | $ 11,860,850 |
| 4/1/2011 | 5,590,000 | 1,962,498 | 7,687,019 | 1,990,940 | 11,640,457 |
| 4/1/2012 | 5,775,000 | 1,923,927 | 7,535,938 | 1,951,810 | 11,411,675 |
| 4/1/2013 | 6,040,000 | 1,884,080 | 7,379,857 | 1,911,385 | 11,175,322 |
| 4/1/2014 | 6,240,000 | 1,842,404 | 7,216,614 | 1,869,105 | 10,928,123 |
| 4/1/2015-2039 | 260,775,000 | 26,788,871 | 104,930,841 | 27,177,115 | 158,896,827 |
| | $ 289,805,000 | $ 36,401,435 | $ 142,582,829 | $ 36,928,990 | $ 215,913,254 |

As of June 30, 2009, debt service requirements of the variable rate debt for 2006 Series B1, C and 2008 Series A1-E1, G1 and net swap payments for 2006 Swap Series, effective February 8, 2006, are as follows:

| Payment Date | Notional Amortization | Variable Interest[B] (2) | Interest Rate Swaps, Net[C] | Remarketing and Liquidity[D] | Total Payment |
|---|---|---|---|---|---|
| 4/1/2010 | $ - | $ 5,796,000 | $ 27,505,462 | $ 5,880,000 | $ 39,181,462 |
| 4/1/2011 | - | 5,796,000 | 27,505,462 | 5,880,000 | 39,181,462 |
| 4/1/2012 | - | 5,796,000 | 27,505,462 | 5,880,000 | 39,181,462 |
| 4/1/2013 | - | 5,796,000 | 27,505,462 | 5,880,000 | 39,181,462 |
| 4/1/2014 | - | 5,796,000 | 27,505,462 | 5,880,000 | 39,181,462 |
| 4/1/2015-2045 | 1,000,000,000 | 145,504,889 | 690,477,324 | 147,613,655 | 983,595,868 |
| | $ 1,000,000,000 | $ 174,484,889 | $ 828,004,634 | $ 177,013,655 | $ 1,179,503,178 |

As of June 30, 2009, debt service requirements of the variable rate debt for 2007 Series A1, C1, G1, A2 - D2, E3, G2 - G3 and net swap payments for 2007 Swap Series, effective November 1, 2007, are as follows:

| Payment Date | Notional Amortization | Variable Interest[B] (3) | Interest Rate Swaps, Net[C] | Remarketing and Liquidity[D] | Total Payment |
|---|---|---|---|---|---|
| 4/1/2010 | $ - | $ 4,485,000 | $ 28,427,941 | $ 4,550,000 | $ 37,462,941 |
| 4/1/2011 | - | 4,485,000 | 28,427,941 | 4,550,000 | 37,462,941 |
| 4/1/2012 | - | 4,485,000 | 28,427,941 | 4,550,000 | 37,462,941 |
| 4/1/2013 | - | 4,485,000 | 28,427,941 | 4,550,000 | 37,462,941 |
| 4/1/2014 | - | 4,485,000 | 28,427,941 | 4,550,000 | 37,462,941 |
| 4/1/2015-2047 | 1,000,000,000 | 117,939,630 | 747,484,291 | 119,648,900 | 985,072,821 |
| | $ 1,000,000,000 | $ 140,364,630 | $ 889,623,996 | $ 142,398,900 | $ 1,172,387,526 |

As of June 30, 2009, debt service requirements of the fixed rate debt and net swap payments for 2008 Series F, effective August 28, 2008, are as follows:

| Payment Date | Notional Amortization | Fixed Interest[B] (4) | Interest Rate Swaps, Net[C] | Total Payment |
|---|---|---|---|---|
| 4/1/2010 | $ 1,500,000 | $ 28,559,561 | $ (20,240,646) | $ 8,318,915 |
| 4/1/2011 | 1,500,000 | 28,559,561 | (20,186,157) | 8,373,404 |
| 4/1/2012 | 1,500,000 | 28,559,561 | (20,131,669) | 8,427,892 |
| 4/1/2013 | 1,800,000 | 28,559,561 | (20,077,180) | 8,482,381 |
| 4/1/2014 | 1,400,000 | 28,559,561 | (20,011,794) | 8,547,767 |
| 4/1/2015-2047 | 549,500,000 | 702,900,411 | (500,175,884) | 202,724,527 |
| | $ 557,200,000 | $ 845,698,216 | $ (600,823,330) | $ 244,874,886 |

| | Series 2001 Bonds [A] | Series 2003 Bonds | Series 2004 Bonds | Series 2006 Bonds | Series 2007 Bonds |
|---|---|---|---|---|---|
| Interest Rate Swap | | | | | |
| Fixed payment to counterparty | 4.105% | 4.139% | 3.416% | 3.730% | 3.734% |
| LIBOR percentage of payments [E] | -0.208% | -0.208% | -0.713% | -0.979% | -0.891% |
| Net interest rate swap payments [C] | 3.897% | 3.931% | 2.703% | 2.751% | 2.843% |
| Variable rate bond coupon payments [B] | 0.690% | 0.690% | 0.690% | 0.690% | 0.690% |
| Synthetic interest rate on bonds | 4.587% | 4.621% | 3.393% | 3.441% | 3.533% |
| Remarketing/liquidity fee[D] | 0.700% | 0.700% | 0.700% | 0.700% | 0.700% |
| Total Cost | 5.287% | 5.321% | 4.093% | 4.141% | 4.233% |

| | Series 2008 Bonds |
|---|---|
| Interest Rate Swap | |
| Fixed payment from counterparty | -3.983% |
| SIFMA[F] | 0.350% |
| Net interest rate swap payments [C] | -3.633% |
| Fixed rate bond coupon payments [G] | 5.126% |
| Synthetic interest rate on bonds | 1.493% |
| Fees | 0.000% |
| Total Cost | 1.493% |

[A] Converted to 65% one month LIBOR on 1/1/06
[B] The ending average variable rate as of last June 2009 reset
[C] Net receipt/(payment)
[D] Remarketing/liquidity fees
[E] LIBOR rates as of last June 2009 reset
[F] SIFMA rates as of June 2009 reset
[G] Blended coupon

(1) Variable outstanding par $146.6 million
(2) Variable outstanding par $840 million
(3) Variable outstanding par $650 million
(4) Fixed outstanding par $707.73 million, but adjusted to $557.2 million to match swap

## 6. LEASES

### Capital Leases

MTC leases copier equipment under capital leases which expire during fiscal year 2011. The assets and liabilities under this capital lease are recorded at the present value of the minimum lease payments. Minimum future lease payments under the capital lease are comprised of the following:

| Governmental Activities<br>Year Ending June 30 | Amount |
|---|---|
| 2010 | $ 42,736 |
| 2011 | 10,684 |
| Total | 53,420 |
| Less interest amounts | (2,875) |
| Present value of net minimum lease payments | $ 50,545 |

## 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund transfers as of June 30, 2009, is as follows:

| | Transfer In: | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Transfer Out:** | **General** | **AB 664 Net Toll Revenue Reserve** | **STA** | **Capital Projects** | **Non-Major Governmental Funds** | **SAFE** | **BATA** | **Total** |
| Non-Major | $ - | $ - | $ - | $ 1,354,777 | $ - | $ - | $ 1,260,000 | $ 2,614,777 |
| General | - | - | 2,047,373 | - | - | - | - | 2,047,373 |
| STA | 13,803,937 | - | - | 891,675 | 9,856,450 | - | - | 24,552,062 |
| Capital | 466,278 | - | - | - | - | - | - | 466,278 |
| BATA | 5,250,642 | 10,881,735 | - | 1,157,541 | 9,918,754 | 761,000 | - | 27,969,672 |
| SAFE | 1,263,120 | - | - | 791,000 | - | - | - | 2,054,120 |
| Total | $ 20,783,977 | $ 10,881,735 | $ 2,047,373 | $ 4,194,993 | $ 19,775,204 | $ 761,000 | $ 1,260,000 | $ 59,704,282 |

**Due to/from other funds**

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General | Capital | $ 5,495,453 |
| General | STA | 1,133,702 |
| General | Non-Major | 49,242 |
| General | BATA | 176,237 |
| General | SAFE | 84,880 |
| Capital | STA | 213,338 |
| Capital | Non-Major | 788,255 |
| Capital | BATA | 255,104 |
| Capital | General | 499,769 |
| Non-Major | BATA | 210,076 |
| SAFE | General | 3,099,492 |
| BATA | AB664 | 99,751 |
| BATA | Non-Major | 10,239 |
| BATA | MTC | 37,000,000 |

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

| | Transfer In: | | | | | |
|---|---|---|---|---|---|---|
| **Transfer Out:** | **General** | **AB 664 Net Toll Revenue Reserve** | **Capital Projects** | **STA** | **Non-Major Governmental Funds** | **Total** |
| Non-Major | $ - | $ - | $ 1,079,283 | $ - | $ - | $ 1,079,283 |
| STA | 12,737,870 | - | 994,757 | - | - | 13,732,627 |
| General | - | - | 2,080,477 | 3,943,000 | | 6,023,477 |
| AB664 | 21,000 | - | - | - | - | 21,000 |
| BATA | 5,945,179 | 11,083,741 | 321,287 | - | 9,857,581 | 27,207,788 |
| SAFE | 1,714,549 | - | - | - | - | 1,714,549 |
| Total | $ 20,418,598 | $ 11,083,741 | $ 4,475,804 | $ 3,943,000 | $ 9,857,581 | $ 49,778,724 |

**Due to/from other funds**

| **Receivable Fund** | **Payable Fund** | **Amount** |
|---|---|---|
| General | Capital | $ 1,069,902 |
| General | STA | 622,707 |
| General | Non-Major | 49,242 |
| General | BATA | 512,340 |
| General | Capital | 1,299,567 |
| Capital | STA | 400,571 |
| Capital | Non-Major | 750,192 |
| Capital | BATA | 280,787 |
| STA | General | 3,943,000 |
| SAFE | General | 3,454,699 |
| BATA | AB664 | 286,258 |
| BATA | Non-Major | 57,419 |
| BATA | MTC | 42,000,000 |

Transfers are used to move revenues from the fund with collection authority to the program fund that accounts for the various grant programs based on both budgetary and matching fund requirements.

Outstanding receivables and payables between funds are due to timing differences resulting from when expenditures are incurred and reimbursement payments are made.

## 8. EMPLOYEES' RETIREMENT PLAN

### Plan Description

MTC's single employer defined benefit pension plan, the Miscellaneous Plan of Metropolitan Transportation Commission ("the Plan"), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by state statutes within the Public Employees' Retirement Law. The MTC selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS website or by writing to CalPERS fiscal Services Division, PO Box 942703, Sacramento, California 94229.

### Funding Policy

Members in the Plan are required to contribute a percent of their annual covered salary, which is established by California state statute. MTC is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its employees. The actuarial methods and assumptions are those adopted and amended by the CalPERS Board of Administration. Pursuant to an election by MTC employees, a contract amendment was executed with CalPERS in fiscal 2007, amending the retirement benefit formula from 2 percent at 55 to 2 ½ percent at 55. MTC employees agreed to contribute the full cost of this enhancement and share in future retirement cost increases. The full cost of MTC's retirement benefit is allocated as follows:

- MTC pays the Base Rate of 17.395 percent in effect on July 1, 2006 (10.395 percent employer contribution and 7 percent employee share, per employee's gross earnings), and the fiscal 2008 Base Rate. The Base Rate increased in fiscal 2009 by a percentage equivalent to the actual increase in cost attributable to the BATA employees hired in fiscal 2006.

- Members pay 3.402 percent of eligible gross earnings (2.402 percent employer contribution and 1.0 percent employee contribution) to cover the full cost of the enhancement.

- MTC and members will share equally in payment for additional CalPERS increases, up to 2.0 percent above the Base Rate and the 3.402 percent enhancement cost, each paying up to an additional 1 percent.

- Per agreement, any CalPERS contribution rate increases exceeding the additional 2 percent referenced above will result in re-opening the agreement to determine further cost-sharing arrangements.

### Annual Pension Cost and Funding Progress

The required contribution was $2,937,722 and $2,813,755 for the years ended June 30, 2009 and 2008 determined as part of the June 30, 2007 and June 30, 2006 actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of payroll. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses) and (b) projected salary increases that vary by entry age and duration of service. Both (a) and (b) include an inflation component of 3.0 percent and an annual payroll growth of 3.25 percent. The actuarial valuation of the Plan's asset was determined using a technique that smoothes the effect of short-term volatility in market value of investments over a fifteen-year period depending on the size of investment gains and/or losses.

The following table shows the MTC's required contributions and the percentage contributed for the current year and each of the two preceding years:

| Fiscal Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed |
|---|---|---|
| June 30, 2007 | $ 2,647,617 | 100% |
| June 30, 2008 | 2,813,755 | 100% |
| June 30, 2009 | 2,937,722 | 100% |

The MTC's funding progress information as of June 30, 2007 is illustrated as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial 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, 2005 | $ 49,691,002 | $ 55,528,976 | $ 5,837,974 | 89.5% | $ 11,623,784 | 50.2% |
| June 30, 2006 | 54,611,669 | 61,472,801 | 6,861,132 | 88.8% | 14,292,965 | 48.0% |
| June 30, 2007 | 60,833,239 | 68,280,990 | 7,447,751 | 89.1% | 15,865,270 | 46.9% |

The latest available actuarial valuation was as of June 30, 2007 showing an under-funded status.

## 9. POSTEMPLOYMENT HEALTHCARE BENEFITS

### Plan Description

MTC's single employer defined benefit other postemployment healthcare (OPEB) plan, or MTC's California Employer's Retirement Benefit Trust (CERBT) account, provides health plan coverage through the CalPERS Health Plan to eligible retired employees and their eligible dependants. MTC maintains the same medical plans for its retirees as for its active employees, with the general exception that once a retiree becomes eligible for Medicare, he or she must join a Medicare HMO or a Medicare Supplement plan, with

Medicare becoming the primary payer. Employees become eligible to retire and receive healthcare benefits upon reaching the age of 50 with 5 years of service to MTC. Benefits are paid for the lifetime of the retiree, spouse or surviving spouse, and dependents up to the age of 23.

MTC is a contracting agency under the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by CalPERS for provision of healthcare insurance programs for both active and retired employees. CalPERS issue a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS website or by writing to CalPERS fiscal Services Division, PO Box 942703, Sacramento, California 94229.

**Funding Policy**

MTC contributions are based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting of Post Employment Benefits Other Than Benefits*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC is based on separate actuarial computations for the active and retiree employee groups. MTC's payments of monthly retiree premiums of $452,003 and $428,810 for the years ended 2009 and 2008 were applied toward the required annual employer contribution of $799,483 and $1,372,945 for the years ended 2009 and 2008. In addition, MTC made a voluntarry contribution in excess of the ARC for fiscal 2008 of $8,676,000. This contribution nearly eliminated the Unfunded Actuarial Accrued Liability (UAAL) and resulted in the reporting of a net OPEB asset of $7,731,865 at June 30, 2008. The interest earned on this additional contribution will reduce the OPEB cost in future years.

**Annual OPEB Cost, Funded Status and Funding Progress**

MTC's annual Other Postemployement Benefit (OPEB) expense is based on the ARC of the employer less healthcare costs paid on behalf of its retirees as well as any other contributions made to the plan during the year. The following table represents annual OPEB cost for the year, the percentage of costs contributed to the plan, and changes in the net OPEB obligation. Governmental and Business-Type Activities funded 100% of the ARC attributable to them. Any net OPEB obligation/ (asset) resulted solely from Governmental Activities.

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation/(Asset) |
|---|---|---|---|
| June 30, 2007 | $ 2,155,931 | 16.4% | $ 1,802,533 |
| June 30, 2008 | 1,372,945 | 794.4% | (7,731,865) |
| June 30, 2009 | 799,483 | 56.5% | (7,384,385) |

The funded status of the plan as of July 1, 2009 was as follows:

| | |
|---|---|
| Annual required contribution (ARC) | $ 836,099 |
| Interest on net OPEB obligation | (599,220) |
| Adjustment to ARC | 562,604 |
| Annual OPEB Cost | 799,483 |
| Less Contributions made | (452,003) |
| Increase in net OPEB obligation | 347,480 |
| Net OPEB obligation - beginning of year | (7,731,865) |
| Net OPEB obligation/(asset) - end of year | $ (7,384,385) |

The MTC's funding progress information as of June 30, 2009 is illustrated as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| July 1, 2006 | $ - | $ 14,376,476 | $ 14,376,476 | 0.0% | $ 15,193,161 | 94.6% |
| January 1, 2007 | - | 10,297,911 | 10,297,911 | 0.0% | 22,965,687 | 44.8% |
| January 1, 2009 | 7,299,050 | 12,774,408 | 5,475,358 | 57.1% | 24,500,000 | 22.3% |

Actuarial valuations must make certain assumptions regarding the probability of occurrence of certain events such as employment turnover, retirement, and mortality, as well as economic assumptions regarding future healthcare costs and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress on Schedule IV, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### Actuarial Methods and Assumptions

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

In the January 1, 2007 actuarial valuation, the valuation date was changed from July 1 to January 1 to align the valuation date with the health plan's premium renewal period. Additionally, the cost method was changed from the Projected Unit Credit cost method to Entry Age Normal cost method. This change in method was required in order for MTC to participate in the trust fund managed by CalPERS. The actuarial assumptions include a discount rate of 7.75 percent to reflect the expected return on assets in the CalPERS' retiree health trust fund and an annual healthcare cost trend rate of 6.5 percent for 2010 to 2014, 6.0 percent for 2015 to 2017, and 5.85 percent per year thereafter.

Demographic assumptions were changed to conform to the CalPERS assumption model, which was required in order for MTC to participate in the trust fund managed by CalPERS. Demographic assumptions are the same as those used by CalPERS in its valuation of pension benefits under its Miscellaneous 2.5 percent @ 55 formulas for miscellaneous employees. MTC employees participate in CalPERS and accrue pension benefits under this formula.

The Unfunded Actuarial Liability (UAAL) is the actuarial liability offset by any assets set aside to provide retiree health benefits. The UAAL must be amortized over a period of up to 30 years and included in the ARC each year. For fiscal year 2008, MTC has elected to amortize its UAAL over a period of 20 years.

## 10. COMMITMENTS AND CONTINGENCIES

MTC's administered projects are subject to audit by the respective grantors. The final determination of allowable project costs can be made only after the grantor's audits are completed and final rulings by the grantor's administrative departments are obtained. Disallowed expenditures, if any, must be borne by nonfederal funds. In the opinion of MTC's management, such disallowances, if any, would not have a material adverse effect on the accompanying government-wide financial statements.

MTC is involved in various claims and litigation that are considered normal to the MTC's regional planning activities. MTC has established an accrual for certain of these contingencies of $773,368 and $746,451 for fiscal years ended June 30, 2009 and 2008, respectively. In the opinion of the MTC's management, the ultimate resolution of these matters will not have a material adverse effect on the MTC's government-wide financial position.

### Commitment and Loan to Bay Area Rapid Transit District

On March 11, 1999, MTC, the San Mateo County Transit District (Samtrans) and the Bay Area Rapid Transit District (BART) (collectively the Parties) entered into a Memorandum of Understanding (MOU) defining the terms and conditions by which additional funds would be made available for the SFO Extension Project (the Project). On September 1, 1999, the Parties agreed to provide a total of $198.5 million to the Project, with BART providing $50 million, Samtrans providing $72 million, and MTC providing $76.5 million.

MTC's commitment included a $60 million loan (the Loan) for the Project's cash flow requirements and $16.5 million for additional budget items. In addition, MTC agreed to pay for interest and financing costs not to exceed $11.8 million, for a total commitment of $88.3 million.

To fund the Loan, MTC agreed to advance $60 million from the Rail Reserve Fund (East Bay Account) for Project cash flows. Under the MOU, BART was to repay this advance without interest, upon authorization and receipt of federal funds anticipated pursuant to

BART's full funding grant agreement with the U.S. Department of Transportation (Federal Transportation Administration grant). MTC further agreed to allocate $16.5 million to BART from the Rail Reserve Fund (West Bay Account) for budget items, and utilize a combination of bridge toll revenues and other sources to pay interest and financing costs up to $11.8 million.

On February 12, 2001, MTC and BART executed an Acknowledgement Agreement (the Agreement) which modified the repayment terms of the Loan. Under the Agreement, MTC acknowledged that the FTA grant proceeds, originally pledged to repay the Loan, will be pledged and assigned in favor of bonds (the Bonds) issued by the Association of Bay Area Governments to refinance the Notes and finance the Project. The Agreement confirms BART's obligation to repay the Loan, as set forth in the MOU; however, such repayment will be made from the general resources of BART and subject to the prior pledge in favor of the Bonds.

On June 28, 2006, MTC and BART revised the terms of the $60 million loan agreement. The new agreement extends the $60 million loan to June 30, 2015 with an interest rate of 3 percent.

On November 28, 2007, the MTC Commission authorized the pledging of the then remaining proceeds of the $47 million BART loan receivable balance from the Rail Reserve Fund to BATA. As a result BATA transferred $47 million for their operating cash to the Rail Reserve Fund thereby providing cash flow to the Rail Reserve Fund (East Bay Account) to be used for East Bay rail projects. MTC retains all of its contract protections and enforcement rights against BART until the BART obligations to the East Bay Rail Reserve are satisfied. MTC also retains the legal obligation and responsibility to seek any payment due from BART. The pledge of the $47 million BART loan from MTC to BATA is an Intra-Entity Transfers of Assets which bears an interest rate of 3.0 percent. GASB statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues* provides guidance on the accounting and reporting of Intra-Entity Transfers of Assets.

As of June 30, 2009 and 2008, the total loan outstanding with BART is $37 million and $42 million. Remaining payments due under the loan are as follows:

| Fiscal Year | Principal Payments |
|---|---|
| 2010 | $ 8,000,000 |
| 2011 | 8,000,000 |
| 2012 | 8,000,000 |
| 2013 | 8,000,000 |
| 2014 | 5,000,000 |
| | $ 37,000,000 |

## 11. RISK MANAGEMENT

MTC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. MTC purchases commercial insurance through an insurance agent, who obtains the appropriate insurance coverage needed by the MTC from insurance companies. To date, there have been no significant reductions in any of the MTC's insurance coverage, and no settlement amounts have exceeded commercial insurance coverage for the past three years.

## 12. RELATED PARTY TRANSACTIONS

The Regional Administrative Facility Corporation (RAFC) was incorporated in the State of California on March 23, 1983, for the purpose of administering, operating and maintaining common areas and certain easements of the property. The Condominium Plan establishes the following three owner occupants: BART, MTC and ABAG. RAFC exercises a custodial responsibility on behalf of the owner occupants and assesses sufficient amounts to meet all required expenditures of the common areas and easements. MTC provides management and other staff functions to RAFC through management fees. Fees to RAFC were $300,000 and $300,000 for fiscal year ended June 30, 2009 and June 30, 2008 respectively. MTC also recorded the return of MTC's portion of the Metrocenter seismic improvement project of $187,489 as revenue in fiscal 2009. MTC currently has a prepaid asset of $294,282 and $97,314 as of June 30, 2009 and 2008, respectively, for funding capital improvement projects of the property.

## 13. SUBSEQUENT EVENTS

In July 2009, BATA made a termination payment of $105 million to terminate the swaps with Ambac Financial Services. In August 2009, BATA restructured the variable rate bonds underlying the Ambac swaps by issuing $768.7 million in new fixed rate bonds and reissuing the balance of variable rate demand bonds. The new bonds refunded 2001 Series B and C, 2003 Series C, 2004 Series A-C, 2006 Series B1, and 2007 Series G2-G3. The 2008 Series A1 and 2007 Series C2 were reoffered in August 2009.

# REQUIRED SUPPLEMENTARY INFORMATION

# Metropolitan Transportation Commission
## Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund
## For the Year Ended June 30, 2009

**Schedule I**

| | Budgeted Amounts | | | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | (Negative) |
| **Revenues** | | | | |
| Sales taxes for planning activities | $ 10,584,001 | $ 10,584,001 | $ 9,678,324 | $ (905,677) |
| Grants - Federal | 78,285,174 | 84,929,499 | 31,541,171 | (53,388,328) |
| Grants - State | 3,841,248 | 5,122,248 | 2,658,926 | (2,463,322) |
| Local Agencies Revenues | 5,004,727 | 5,387,290 | 3,423,340 | (1,963,950) |
| Investment Income - unrestricted | 650,000 | 650,000 | 157,624 | (492,376) |
| Total revenues | 98,365,150 | 106,673,038 | 47,459,385 | (59,213,653) |
| **Expenditures** | | | | |
| Current: | | | | |
| General Government | 133,057,863 | 141,643,851 | 57,672,098 | 83,971,753 |
| Allocations to Other Agencies | 14,420,026 | 14,420,026 | 7,873,335 | 6,546,691 |
| Capital outlay | 365,000 | 365,000 | 186,931 | 178,069 |
| Total expenditures | 147,842,889 | 156,428,877 | 65,732,364 | 90,696,513 |
| Deficiency of revenues under expenditures | (49,477,739) | (49,755,839) | (18,272,979) | 31,482,860 |
| **Other financing sources** | | | | |
| Transfers in | 44,539,218 | 44,817,318 | 18,736,604 | (26,080,714) |
| **Net change in fund balances** | (4,938,521) | (4,938,521) | 463,625 | 5,402,146 |
| **Fund balances - beginning** | 19,261,507 | 19,261,507 | 19,261,507 | - |
| **Fund balances - ending** | $ 14,322,986 | $ 14,322,986 | $ 19,725,132 | $ 5,402,146 |

# Metropolitan Transportation Commission
## Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – AB 664 Net Toll Revenue Reserves Fund
## For the Year Ended June 30, 2009

**Schedule II**

| | Budgeted Amounts | | | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | (Negative) |
| **Revenues** | | | | |
| Investment Income - unrestricted | $ - | $ - | $ 622,863 | $ 622,863 |
| Total Revenues | - | - | 622,863 | 622,863 |
| **Expenditures** | | | | |
| Current: | | | | |
| General Govemement | - | - | 4,005 | (4,005) |
| Allocations to Other Agencies | 47,953,002 | 47,734,488 | 14,362,740 | 33,371,748 |
| Total expenditures | 47,953,002 | 47,734,488 | 14,366,745 | 33,367,743 |
| Deficiency of revenues under expenditures | (47,953,002) | (47,734,488) | (13,743,882) | 33,990,606 |
| **Other financing sources** | | | | |
| Transfers in | 11,200,000 | 10,981,486 | 10,881,735 | (99,751) |
| **Net change in fund balances** | (36,753,002) | (36,753,002) | (2,862,147) | 33,890,855 |
| **Fund balances - beginning** | 36,753,002 | 36,753,002 | 36,753,002 | - |
| **Fund balances - ending** | $ - | $ - | $ 33,890,855 | $ 33,890,855 |

# Metropolitan Transportation Commission
## Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – State Transit Assistance Fund
## For the Year Ended June 30, 2009

**Schedule III**

| | Budgeted Amounts | | | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | (Negative) |
| **Revenues** | | | | |
| Grants - State | $ 234,770,866 | $ 56,779,792 | $ 56,142,205 | $ (637,587) |
| Local Agencies Revenues and Refunds | - | - | 343,055 | 343,055 |
| Investment Income - unrestricted | - | | 1,452,171 | 1,452,171 |
| Total revenues | 234,770,866 | 56,779,792 | 57,937,431 | 1,157,639 |
| **Expenditures** | | | | |
| Current: | | | | |
| Allocations to Other Agencies | 327,589,428 | 149,618,354 | 80,325,647 | 69,292,707 |
| Total expenditures | 327,589,428 | 149,618,354 | 80,325,647 | 69,292,707 |
| Excess (deficiency) of revenues over (under) expenditures | (92,818,562) | (92,838,562) | (22,388,216) | 70,450,346 |
| **Other financing sources / (uses)** | | | | |
| Transfers (out) / in | - | - | (22,504,689) | (22,504,689) |
| **Net change in fund balances** | (92,818,562) | (92,838,562) | (44,892,905) | 47,945,657 |
| **Fund balances - beginning** | 102,569,201 | 102,569,201 | 102,569,201 | - |
| **Fund balances - ending** | $ 9,750,639 | $ 9,730,639 | $ 57,676,296 | $ 47,945,657 |

# Metropolitan Transportation Commission
## Schedules of Funding Progress
## For the Year Ended June 30, 2009 — Schedule IV

### Pension Plan (Required Supplementary Information)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial 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, 2005 | $ 49,691,002 | $ 55,528,976 | $ 5,837,974 | 89.5% | $ 11,623,784 | 50.2% |
| June 30, 2006 | 54,611,669 | 61,472,801 | 6,861,132 | 88.8% | 14,292,965 | 48.0% |
| June 30, 2007 | 60,833,239 | 68,280,990 | 7,447,751 | 89.1% | 15,865,270 | 46.9% |

### Postemployment Benefits (Required Supplementary Information)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| July 1, 2006 | $ - | $ 14,376,476 | $ 14,376,476 | 0.0% | $ 15,193,161 | 94.6% |
| January 1, 2007 | - | 10,297,911 | 10,297,911 | 0.0% | 22,965,687 | 44.8% |
| January 1, 2009 | 7,299,050 | 12,774,408 | 5,475,358 | 57.1% | 24,500,000 | 22.3% |

# OTHER SUPPLEMENTARY INFORMATION

# Metropolitan Transportation Commission
## Combining Balance Sheet – Non-Major Governmental Funds
## As of June 30, 2009

**Schedule 1**

| | Transit Reserves | Rail Reserves | Exchange | BART Car Exchange | Feeder Bus | Prop 1B Funds | Total Non-Major Governmental Funds |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and cash equivalents - unrestricted | $ 750,088 | $ 41,834,403 | $ 6,936,876 | $ - | $ 48,883 | $ 9,307,668 | $ 58,877,918 |
| Cash and cash equivalents - restricted | - | - | - | 33,474,213 | - | - | 33,474,213 |
| Investments - unrestricted | - | 52,896,516 | - | - | - | - | 52,896,516 |
| Investments - restricted | - | - | - | 37,479,064 | - | - | 37,479,064 |
| Accounts Receivables | - | - | - | - | 832,677 | - | 832,677 |
| Interest receivable | - | 78,935 | - | 57,959 | - | - | 136,894 |
| Due from other funds | - | 210,076 | - | | - | - | 210,076 |
| Total assets | 750,088 | 95,019,930 | 6,936,876 | 71,011,236 | 881,560 | 9,307,668 | 183,907,358 |
| **Liabilities and fund balances** | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | 282,266 | 2,142 | 62,022 | 635 | 665,790 | 11,782 | 1,024,637 |
| Due to other funds | 10,239 | - | 837,497 | - | - | - | 847,736 |
| Total liabilities | 292,505 | 2,142 | 899,519 | 635 | 665,790 | 11,782 | 1,872,373 |
| Fund balances | | | | | | | |
| Restricted for: | | | | | | | |
| Transportation projects | 457,583 | - | - | - | 215,770 | 9,295,886 | 9,969,239 |
| Rail projects | - | 95,017,788 | - | 71,010,601 | - | - | 166,028,389 |
| Committed to: | | | | | | | |
| Transportation projects | - | - | 6,037,357 | - | - | - | 6,037,357 |
| Total fund balances | 457,583 | 95,017,788 | 6,037,357 | 71,010,601 | 215,770 | 9,295,886 | 182,034,985 |
| Total liabilities and fund balances | $ 750,088 | $ 95,019,930 | $ 6,936,876 | $ 71,011,236 | $ 881,560 | $ 9,307,668 | $ 183,907,358 |

# Metropolitan Transportation Commission
## Combining Statement of Revenues, Expenses and Changes in Fund Balances – Non-Major Governmental Funds
## For the Year Ended June 30, 2009

**Schedule 2**

| | Transit Reserves | Rail Reserves | Exchange | BART Car Exchange | Feeder Bus | Prop 1B Funds | Total Non-Major Governmental Funds |
|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | |
| Grants - State | $ 2,994,857 | $ - | $ - | $ - | $ - | $ - | $ 2,994,857 |
| Project grants from local agencies | - | 5,000,000 | 1,492,857 | 22,682,000 | 832,677 | - | 30,007,534 |
| Investment income - unrestricted | 10,599 | 2,629,315 | 55,405 | - | 374 | 72,632 | 2,768,325 |
| Investment income - restricted | - | - | - | 783,516 | - | - | 783,516 |
| Total revenues | 3,005,456 | 7,629,315 | 1,548,262 | 23,465,516 | 833,051 | 72,632 | 36,554,232 |
| **Expenditures** | | | | | | | |
| Current: | | | | | | | |
| General government | - | 5,008,540 | 832,483 | 4,160 | - | 633,196 | 6,478,379 |
| Allocations to other agencies | 3,799,252 | - | - | - | 665,790 | - | 4,465,042 |
| Total expenditures | 3,799,252 | 5,008,540 | 832,483 | 4,160 | 665,790 | 633,196 | 10,943,421 |
| Excess / (deficiency) of revenues over / (under) expenditures | (793,796) | 2,620,775 | 715,779 | 23,461,356 | 167,261 | (560,564) | 25,610,811 |
| **Other financing sources / uses** | | | | | | | |
| Transfers in | 872,894 | 9,045,860 | - | - | - | 9,856,450 | 19,775,204 |
| Transfers out | - | (1,260,000) | (1,354,777) | - | - | - | (2,614,777) |
| Total other financing sources and uses | 872,894 | 7,785,860 | (1,354,777) | - | - | 9,856,450 | 17,160,427 |
| **Net change in fund balances** | 79,098 | 10,406,635 | (638,998) | 23,461,356 | 167,261 | 9,295,886 | 42,771,238 |
| **Fund balances - beginning** | 378,485 | 84,611,153 | 6,676,355 | 47,549,245 | 48,509 | - | 139,263,747 |
| **Fund balances - ending** | $ 457,583 | $ 95,017,788 | $ 6,037,357 | $ 71,010,601 | $ 215,770 | $ 9,295,886 | $ 182,034,985 |

## Metropolitan Transportation Commission
### Schedule of Revenues, Expenses and Changes in Fund Balances – Budget and Actual – Transit Reserves Fund
### For the Year Ended June 30, 2009

**Schedule 3**

| | Budgeted Amounts | | | Variance with Final Budget |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | Positive (Negative) |
| **Revenues** | | | | |
| Grants - State | $ 3,092,771 | $ 3,091,628 | $ 2,994,857 | $ (96,771) |
| Investment Income - unrestricted | - | - | 10,599 | 10,599 |
| Total revenues | 3,092,771 | 3,091,628 | 3,005,456 | (86,172) |
| **Expenditures** | | | | |
| Current: | | | | |
| Allocations to Other Agencies | 4,274,485 | 4,256,475 | 3,799,252 | 457,223 |
| Deficiency of revenues under expenditures | (1,181,714) | (1,164,847) | (793,796) | 371,051 |
| **Other financing sources** | | | | |
| Transfers in | 900,000 | 883,133 | 872,894 | (10,239) |
| **Net change in fund balances** | (281,714) | (281,714) | 79,098 | 360,812 |
| **Fund balances - beginning** | 378,485 | 378,485 | 378,485 | - |
| **Fund balances - ending** | $ 96,771 | $ 96,771 | $ 457,583 | $ 360,812 |

# Metropolitan Transportation Commission
## Schedule of Revenues, Expenses and Changes in Fund Balances – Budget and Actual – Rail Reserve Fund
## For the Year Ended June 30, 2009

**Schedule 4**

| | Budgeted Amounts | | | Variance with Final Budget |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | Positive (Negative) |
| **Revenues** | | | | |
| Local Agency Revenue | $ - | $ - | $ 5,000,000 | $ 5,000,000 |
| Investment Income - unrestricted | - | 1,260,000 | 2,629,315 | 1,369,315 |
| Total revenues | - | 1,260,000 | 7,629,315 | 6,369,315 |
| **Expenditures** | | | | |
| Current: | | | | |
| General Government | - | 5,000,000 | 5,008,540 | (8,540) |
| Allocations to Other Agencies | 93,589,152 | 88,446,935 | - | 88,446,935 |
| Total expenditures | 93,589,152 | 93,446,935 | 5,008,540 | 88,438,395 |
| Deficiency of revenues under expenditures | (93,589,152) | (92,186,935) | 2,620,775 | 94,807,710 |
| **Other financing sources** | | | | |
| Transfers in | 8,978,000 | 8,835,783 | 7,785,860 | (1,049,923) |
| **Net change in fund balances** | (84,611,152) | (83,351,152) | 10,406,635 | 93,757,787 |
| **Fund balances - beginning** | 84,611,153 | 84,611,153 | 84,611,153 | - |
| **Fund balances - ending** | $ 1 | $ 1,260,001 | $ 95,017,788 | $ 93,757,787 |

# Metropolitan Transportation Commission
## Schedule of Revenues, Expenses and Changes in Fund Balances – Budget and Actual– Exchange Fund
## For the Year Ended June 30, 2009

## Schedule 5

| | Budgeted Amounts: Original | Budgeted Amounts: Final | Actual Amounts | Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Local Agencies Revenues | $ - | $ - | $ 1,492,857 | $ 1,492,857 |
| Investment Income - unrestricted | - | - | 55,405 | 55,405 |
| Total revenues | - | - | 1,548,262 | 1,548,262 |
| **Expenditures** | | | | |
| Current: | | | | |
| General Government | 1,882,337 | 1,882,337 | 832,483 | 1,049,854 |
| Allocations to Other Agencies | 3,455,007 | 3,455,007 | - | 3,455,007 |
| Total expenditures | 5,337,344 | 5,337,344 | 832,483 | 4,504,861 |
| Excess / (deficiency) of revenues over / (under) expenditures | (5,337,344) | (5,337,344) | 715,779 | 6,053,123 |
| **Other financing sources / (uses)** | | | | |
| Transfers (out) / in | - | - | (1,354,777) | (1,354,777) |
| **Net change in fund balances** | (5,337,344) | (5,337,344) | (638,998) | 4,698,346 |
| **Fund balances - beginning** | 6,676,355 | 6,676,355 | 6,676,355 | - |
| **Fund balances - ending** | $ 1,339,011 | $ 1,339,011 | $ 6,037,357 | $ 4,698,346 |

## Metropolitan Transportation Commission
### Schedule of Revenues, Expenses and Changes in Fund Balances – Budget and Actual– BART Car Exchange Fund
### For the Year Ended June 30, 2009 — Schedule 6

| | Budgeted Amounts | | | Variance with Final Budget |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | Positive (Negative) |
| **Revenues** | | | | |
| Project grants from local agencies | $ - | $ - | $ 22,682,000 | $ 22,682,000 |
| Investment income - restricted | - | - | 783,516 | 783,516 |
| Total revenues | - | - | 23,465,516 | 23,465,516 |
| **Expenditures** | | | | |
| Current: | | | | |
| General Government | - | - | 4,160 | (4,160) |
| Allocations to other agencies | - | - | - | - |
| Total expenditures | - | - | 4,160 | (4,160) |
| Excess of revenues over expenditures | - | - | 23,461,356 | 23,461,356 |
| **Net change in fund balances** | - | - | 23,461,356 | 23,461,356 |
| **Fund balances - beginning** | 47,549,245 | 47,549,245 | 47,549,245 | - |
| **Fund balances - ending** | $ 47,549,245 | $ 47,549,245 | $ 71,010,601 | $ 23,461,356 |

# Metropolitan Transportation Commission
## Schedule of Revenues, Expenses and Changes in Fund Balances – Budget and Actual – Feeder Bus Fund
## For the Year Ended June 30, 2009

**Schedule 7**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **Revenues** | | | | |
| Project grants from local agencies | $ - | $ - | $ 832,677 | $ 832,677 |
| Investment income - unrestricted | - | - | 374 | 374 |
| Total revenues | - | - | 833,051 | 833,051 |
| **Expenditures** | | | | |
| Current: | | | | |
| Allocations to other agencies | 122 | 122 | 665,790 | (665,668) |
| Total expenditures | 122 | 122 | 665,790 | (665,668) |
| Excess / (deficiency) of revenues over / (under) expenditures | (122) | (122) | 167,261 | 167,383 |
| **Net change in fund balances** | (122) | (122) | 167,261 | 167,383 |
| **Fund balances - beginning** | 48,509 | 48,509 | 48,509 | - |
| **Fund balances - ending** | $ 48,387 | $ 48,387 | $ 215,770 | $ 167,383 |

# Metropolitan Transportation Commission
## Schedule of Revenues, Expenses and Changes in Fund Balances – Budget and Actual – Prop 1B Fund
## For the Year Ended June 30, 2009

**Schedule 8**

| | Budgeted Amounts | | | Variance with Final Budget |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | Positive (Negative) |
| **Revenues** | | | | |
| Local Agencies Revenues | $ - | $ - | $ - | $ - |
| Investment Income - unrestricted | - | - | 72,632 | 72,632 |
| Total revenues | - | - | 72,632 | 72,632 |
| **Expenditures** | | | | |
| Current: | | | | |
| General Government | | 9,858,000 | 633,196 | 9,224,804 |
| Total expenditures | - | 9,858,000 | 633,196 | 9,224,804 |
| Excess / (deficiency) of revenues over / (under) expenditures | - | (9,858,000) | (560,564) | 9,297,436 |
| **Other financing sources / (uses)** | | | | |
| Transfers in | - | 9,858,000 | 9,856,450 | (1,550) |
| **Net change in fund balances** | - | - | 9,295,886 | 9,295,886 |
| **Fund balances - beginning** | - | - | - | - |
| **Fund balances - ending** | $ - | $ - | $ 9,295,886 | $ 9,295,886 |

# Metropolitan Transportation Commission
## Schedule of Expenditures – Governmental Funds
## For the Year Ended June 30, 2009 — Schedule 9

| | |
|---|---|
| Expenditures by natural classification[1]: | |
| Salaries & benefits [2] | $ 17,164,185 |
| Travel | 118,976 |
| Professional fees | 38,452,174 |
| Overhead | 2,860,457 |
| Printing & reproduction | 236,546 |
| Other | 23,743 |
| Reported as general government expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | $ 58,856,081 |
| | |
| Salaries & benefits - MTC[1] | $ 17,164,185 |
| Salaries & benefits - BATA | 5,411,205 |
| Salaries & benefits - SAFE | 957,831 |
| Total salaries & benefits | $ 23,533,221 |
| | |
| Overhead - MTC [1] | $ 2,860,457 |
| Overhead - SAFE | 522,401 |
| Total Overhead | $ 3,382,858 |
| | |
| [1] General Government Expenditures - by Fund | |
| General Fund | $ 57,672,098 |
| Capital Projects | 203,306 |
| Special Revenue - Prop 1B | 633,196 |
| Other Post Employement Benefits (OPEB) Accrual | 347,481 |
| | $ 58,856,081 |

[2] Includes OPEB Accrual of $347,481

# Metropolitan Transportation Commission
## Schedule of Overhead, Salaries and Benefits Expenditures – Governmental Funds
## For the Year Ended June 30, 2009 — Schedule 10

| | Direct Costs* | Allowable Indirect Costs | Unallowable Costs | Total |
|---|---|---|---|---|
| Salaries | $ 10,824,583 | $ 3,491,078 | $ 33,500 | $ 14,349,161 |
| Benefits | 7,027,123 | 2,153,912 | 3,025 | 9,184,060 |
| Total salaries and benefits | $ 17,851,706 | $ 5,644,990 | $ 36,525 | $ 23,533,221 |
| Reimbursable overhead:** | | | | |
| Agency Temps | | $ 184,913 | $ - | $ 184,913 |
| Training | | 84,576 | 28,416 | 112,992 |
| Personnel recruitment | | 104,608 | - | 104,608 |
| Public hearings | | 33,935 | - | 33,935 |
| Advertising | | 35,963 | (1,419) | 34,544 |
| Communications | | 148,887 | - | 148,887 |
| Utilities | | 131,755 | - | 131,755 |
| Meeting room rental | | 10,172 | - | 10,172 |
| Equipment rental | | 3,269 | 1,105 | 4,374 |
| Parking rental | | 15,612 | - | 15,612 |
| Storage rental | | 24,792 | - | 24,792 |
| Computer maintenance & repair | | 36,821 | - | 36,821 |
| Auto expense | | 13,436 | - | 13,436 |
| Equipment maintenance & repair | | 99 | - | 99 |
| General maintenance | | 21,476 | - | 21,476 |
| Janitorial service | | 119,513 | - | 119,513 |
| Office supplies | | 77,747 | 470 | 78,217 |
| Printing & graphics supplies | | 35,723 | 723 | 36,446 |
| Computer supplies | | 55,608 | - | 55,608 |
| Computer software | | 413,619 | - | 413,619 |
| Computer hardware | | 121,275 | 3,000 | 124,275 |
| Furniture & fixtures | | 35,656 | - | 35,656 |
| Postage & mailing | | 76,207 | - | 76,207 |
| Memberships | | 51,402 | 23,357 | 74,759 |
| Library acquisitions & subscriptions | | 33,575 | 2,335 | 35,910 |
| Law library | | 17,596 | - | 17,596 |
| Computer time & services | | 19,842 | - | 19,842 |
| Advisory member stipend | | 46,850 | 71,900 | 118,750 |
| Audit fees | | 33,329 | 193,656 | 226,985 |
| Newswire service | | 11,281 | - | 11,281 |
| Insurance | | 117,121 | - | 117,121 |
| Other | | 600 | 161,246 | 161,846 |
| Miscellaneous | | - | 49,107 | 49,107 |
| Travel | | 122,533 | 166,294 | 288,827 |
| Professional Fees | | 104,710 | - | 104,710 |
| Bldg Maintenance | | 403,811 | - | 403,811 |
| Subtotal Indirect Costs | | 2,748,312 | 700,190 | 3,448,502 |
| Depreciation expense | | 751,481 | - | 751,481 |
| Total indirect costs including depreciation expense | | $ 3,499,793 | $ 700,190 | $ 4,199,983 |
| Indirect Cost Recovered | | $ 9,756,241 | | |
| Indirect (Over)/Under Absorbed | | $ (611,458) | | |

*Direct Costs include BATA and SAFE Salaries and Benefits per Indirect Cost Plan for fiscal 2009.

** Overhead distributed to BATA and SAFE per Indirect Cost Plan for fiscal 2009.

# Metropolitan Transportation Commission
## Schedule of Expenditures – Federal Highway Administration Grant No. 09OWPMTCM
## For the Year Ended June 30, 2009 — Schedule 11

| | | ABAG | MTC | Total |
|---|---|---|---|---|
| **Authorized Expenditures** | | | | |
| Federal | | $ 977,764 | $ 7,137,809 | $ 8,115,573 |
| Local Match | | 126,680 | 924,778 | 1,051,458 |
| Total authorized expenditures | | 1,104,444 | 8,062,587 | 9,167,031 |
| **Actual Expenditures *** | | | | |
| Assocation of Bay Area Governments (ABAG) | | 926,250 | - | 926,250 |
| MTC | | | | |
| *Program No.* | *Program Name* | | | |
| 1112 | Implement Public Information Program | - | 1,000,000 | 1,000,000 |
| 1113 | Support Prtnership Board | - | 35,149 | 35,149 |
| 1114 | Support Advisory Committees | - | 63,458 | 63,458 |
| 1121 | Develop and Produce the RTP | - | 401,265 | 401,265 |
| 1122 | Travel Models and Data | - | 1,214,102 | 1,214,102 |
| 1123 | Corridor Sutdies - RTP Invest | - | 37,742 | 37,742 |
| 1124 | Integrate MTS with National & International Trasportation | - | 323,728 | 323,728 |
| 1156 | Library Services | - | 322,560 | 322,560 |
| 1212 | Develop MTS Performance Measures | - | 85,000 | 85,000 |
| 1225 | Transit Trip Planning | - | 40,000 | 40,000 |
| 1229 | Refine Regional Transport ERP | - | 259,299 | 259,299 |
| 1236 | Implement Freeway Management Program | - | 600,000 | 600,000 |
| 1311 | Develop and Implement Welfare to Work Program | - | 153,008 | 153,008 |
| 1412 | Air Quality Conformity | - | 100,000 | 100,000 |
| 1511 | Financial Analysis and Planning | - | 300,000 | 300,000 |
| 1512 | Federal Programming, Monitoring and TIP Development | - | 600,000 | 600,000 |
| 1611 | Development of Community Projects | - | 519,884 | 519,884 |
| Total Expenditures | | 926,250 | 6,055,195 | 6,981,445 |
| Balance of Federal Highway Administration Grant | | $ 51,514 | $ 1,082,614 | $ 1,134,128 |

* Expenditures reported at federal reimbursement rate (88.53%)

# Metropolitan Transportation Commission
## Schedule of Computations Demonstrating
## Bond Covenant Compliance – BATA Proprietary Fund
## For the Year Ended June 30, 2009 — Schedule 12

| | 2009 |
|---|---|
| **Revenue** | |
| Toll revenues collected | $ 470,136,376 |
| Investment income | 20,699 |
| Other operating revenues | 16,828,189 |
| Transfers from MTC | 1,260,000 |
| Total revenue | 488,245,264 |
| **Operating expenses** | |
| Operating expenses - Caltrans | 28,609,482 |
| Services and charges - BATA | 43,861,209 |
| Total operating before depreciation and amortization | 72,470,691 |
| Depreciation and amortization | 759,887 |
| Total operating expenses | 73,230,578 |
| Net operating income | 415,014,686 |
| **Debt service and financing fees** | |
| Interest expense | 197,742,351 |
| Financing fees | 14,441,725 |
| Bond issuance costs | 2,332,921 |
| Total debt service and financing fees | 214,516,997 |
| Income before grants & operating transfers | 200,497,689 |
| Caltrans/ other agency operating grants | 46,243,663 |
| **Operating transfers** | |
| Metropolitan Transportation Commission administrative transfers | 5,250,642 |
| Metropolitan Transportation Commission transit transfers | |
| AB 664 expenses | 10,881,735 |
| 90% rail expenses | 9,045,859 |
| 5% transit expenses | 872,895 |
| Transfers to Regional Measure 2 operators | 28,341,977 |
| Total operating transfers | 54,393,108 |
| Net income before capital transfers | 192,348,244 |
| **Capital project transfers** | |
| SAFE transfer | 761,000 |
| Metropolitan Transportation Commission Translink/ UPP | 1,157,541 |
| Regional Measure 1 transfers | 94,795,395 |
| Maintenance A transfers | 6,061,085 |
| Bridge rehabilitation transfers | 31,262,816 |
| Regional Measure 2 transfers | 122,101,360 |
| Bridge Seismic transfers | 718,155,840 |
| Transfers to other agencies | 10,669,099 |
| Total capital transfers | 984,964,136 |
| **Change in net assets** | (792,615,892) |
| **Total net assets/(deficits) - beginning** | (2,225,847,394) |
| **Total net assets/(deficits) - ending** | $ (3,018,463,286) |

| | | 2009 |
|---|---|---|
| Net revenue[1,6] | $ | 498,354,937 |
| Debt service[2] | $ | 238,607,351 |
| Debt service coverage[3] | | 2.09 |
| Debt service coverage - bond covenant requirement | | 1.20 |
| | | |
| Net revenue[1,6] | $ | 498,354,937 |
| Debt service[2], operating transfer and costs[7], financing fees[4] | $ | 313,503,269 |
| Fixed charge coverage | | 1.59 |
| Fixed charge coverage - bond covenant requirement | | 1.00 |
| | | |
| Net revenue[1,6] plus operations & maintenance reserve | $ | 648,354,937 |
| Fixed charges[5] | $ | 313,503,269 |
| Fixed charge coverage | | 2.07 |
| Fixed charge coverage - bond covenant requirement | | 1.25 |
| | | |
| Self insurance reserve | $ | 50,000,000 |
| Self insurance reserve - bond covenant requirement | $ | 50,000,000 |
| | | |
| Operations & maintenance reserve | $ | 150,000,000 |

1 Total revenue less Caltrans operating expenses
2 Interest expense plus principal retirement of $40,865,000
3 Based on debt outstanding from May 24, 2001 to August 28, 2009
4 Including BATA service and charges (excluding depreciation) = 1.40
5 Fixed charges comprise debt service, financing fees, and operating transfers ( including BATA expense = 1.81)
6 Net revenue includes interest earnings adjusted for the derivative investment charge of $38,719,155. See Note S.
7 Operating transfer and costs include Caltrans maintenance and RM2 operating costs

# Metropolitan Transportation Commission
## Schedule of Operating Revenues and Expenses – BATA Proprietary Fund – By Bridge
## For the Year Ended June 30, 2009 Schedule 13

| | Carquinez Bridge | Benicia - Martinez Bridge | Antioch Bridge | Richmond - San Rafael Bridge | San Francisco - Oakland Bay Bridge | San Mateo - Hayward Bridge | Dumbarton Bridge | Total |
|---|---|---|---|---|---|---|---|---|
| **Operating revenues** | | | | | | | | |
| Toll revenues collected | $83,121,692 | $73,535,614 | $ 9,848,575 | $48,263,187 | $ 163,424,734 | $56,451,232 | $ 35,491,342 | $ 470,136,376 * |
| Other operating revenues | 3,038,990 | 2,927,957 | 284,188 | 1,640,775 | 5,673,526 | 2,184,970 | 1,077,783 | 16,828,189 |
| Total operating revenues | 86,160,682 | 76,463,571 | 10,132,763 | 49,903,962 | 169,098,260 | 58,636,202 | 36,569,125 | 486,964,565 |
| **Operating expenses** | | | | | | | | |
| Operating expenditures incurred by Caltrans | 3,909,418 | 4,040,299 | 1,566,618 | 2,572,313 | 10,573,201 | 3,475,014 | 2,472,619 | 28,609,482 |
| Services and charges | 7,754,809 | 6,860,480 | 918,819 | 4,502,697 | 15,246,654 | 5,266,598 | 3,311,152 | 43,861,209 |
| Allocations to other agencies | 5,010,957 | 4,433,064 | 593,717 | 2,909,526 | 9,851,993 | 3,403,139 | 2,139,581 | 28,341,977 |
| Depreciation | 134,473 | 119,335 | 15,816 | 77,857 | 263,832 | 91,506 | 57,068 | 759,887 |
| Total operating expenses | 16,809,657 | 15,453,178 | 3,094,970 | 10,062,393 | 35,935,680 | 12,236,257 | 7,980,420 | 101,572,555 |
| **Operating income** | $69,351,025 | $61,010,393 | $ 7,037,793 | $39,841,569 | $ 133,162,580 | $46,399,945 | $ 28,588,705 | $ 385,392,010 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| * Toll revenues by Program | | | | | | | | |
| Regional Measure 1 (RM1) | $24,801,938 | $21,258,412 | $ 3,223,730 | $13,639,229 | $ 43,075,520 | $15,566,817 | $ 9,368,508 | $ 130,934,154 |
| Regional Measure 2 (RM2) | 19,440,890 | 17,426,414 | 2,208,357 | 11,541,829 | 40,118,033 | 13,628,691 | 8,707,943 | 113,072,157 |
| Seismic Program | 38,878,864 | 34,850,788 | 4,416,488 | 23,082,129 | 80,231,181 | 27,255,724 | 17,414,891 | 226,130,065 |
| Total Toll Revenues | $83,121,692 | $73,535,614 | $ 9,848,575 | $48,263,187 | $ 163,424,734 | $56,451,232 | $ 35,491,342 | $ 470,136,376 |

# Metropolitan Transportation Commission
## Combining Statement of Changes in Assets and Liabilities by Participant – Agency Funds
## For the Year Ended June 30, 2009 — Schedule 14

| County of Alameda | | Balance July 1, 2008 | Additions | Deductions | | Balance June 30, 2009 |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Cash and cash equivalents | $ | 14,895,937 | 57,576,065 | 58,712,759 | $ | 13,759,243 |
| Receivables - interest | | 150,000 | 60,000 | 150,000 | | 60,000 |
| Total Assets | $ | 15,045,937 | 57,636,065 | 58,862,759 | $ | 13,819,243 |
| Liabilities | | | | | | |
| Accounts payable and accrued liabilities | $ | 1,087,685 | 56,999,276 | 57,252,618 | $ | 834,343 |
| Due to other governments | | 13,958,252 | 636,789 | 1,610,141 | | 12,984,900 |
| Total Liabilities | $ | 15,045,937 | 57,636,065 | 58,862,759 | $ | 13,819,243 |
| **County of Contra Costa** | | | | | | |
| Assets | | | | | | |
| Cash and cash equivalents | $ | 16,013,576 | 37,109,907 | 41,519,024 | $ | 11,604,459 |
| Receivables - interest | | 13,389 | - | 13,389 | | - |
| Total Assets | $ | 16,026,965 | 37,109,907 | 41,532,413 | $ | 11,604,459 |
| Liabilities | | | | | | |
| Accounts payable and accrued liabilities | $ | 857,712 | 40,341,889 | 40,562,840 | $ | 636,761 |
| Due to other governments | | 15,169,253 | (3,231,982) | 969,573 | | 10,967,698 |
| Total Liabilities | $ | 16,026,965 | 37,109,907 | 41,532,413 | $ | 11,604,459 |
| **County of Marin** | | | | | | |
| Assets | | | | | | |
| Cash and cash equivalents | $ | 1,533,526 | 9,961,960 | 9,912,001 | $ | 1,583,485 |
| Receivables - interest | | 20,000 | 5,592 | 20,000 | | 5,592 |
| Total Assets | $ | 1,553,526 | 9,967,552 | 9,932,001 | $ | 1,589,077 |
| Liabilities | | | | | | |
| Accounts payable | $ | 190,436 | 9,321,680 | 9,512,116 | $ | - |
| Due to other governments | | 1,363,090 | 645,872 | 419,885 | | 1,589,077 |
| Total Liabilities | $ | 1,553,526 | 9,967,552 | 9,932,001 | | 1,589,077 |
| **County of Napa** | | | | | | |
| Assets | | | | | | |
| Cash and cash equivalents | $ | 12,009,912 | 6,474,575 | 6,511,495 | $ | 11,972,992 |
| Total Assets | $ | 12,009,912 | 6,474,575 | 6,511,495 | $ | 11,972,992 |
| Liabilities | | | | | | |
| Accounts payable and accrued liabilities | $ | 58,474 | 8,186,264 | 6,288,768 | $ | 1,955,970 |
| Due to other governments | | 11,951,438 | (1,711,689) | 222,727 | | 10,017,022 |
| Total Liabilities | $ | 12,009,912 | 6,474,575 | 6,511,495 | $ | 11,972,992 |

# Metropolitan Transportation Commission
## Combining Statement of Changes in Assets and Liabilities by Participant – Agency Funds, *continued*
## For the Year Ended June 30, 2009 — Schedule 14

| County of San Francisco | Balance July 1, 2008 | Additions | Deductions | Balance June 30, 2009 |
|---|---|---|---|---|
| Assets | | | | |
| Cash and cash equivalents | $ 1,824,017 | 37,026,321 | 36,996,308 | $ 1,854,030 |
| Total Assets | $ 1,824,017 | 37,026,321 | 36,996,308 | $ 1,854,030 |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | $ 218,387 | 34,105,690 | 33,997,936 | $ 326,141 |
| Due to other governments | 1,605,630 | 2,920,631 | 2,998,372 | 1,527,889 |
| Total Liabilities | $ 1,824,017 | 37,026,321 | 36,996,308 | $ 1,854,030 |

| County of Santa Mateo | Balance July 1, 2008 | Additions | Deductions | Balance June 30, 2009 |
|---|---|---|---|---|
| Assets | | | | |
| Cash and cash equivalents | $ 2,788,463 | 32,656,638 | 33,546,487 | $ 1,898,614 |
| Receivables - interest | 26,710 | 14,509 | 26,710 | 14,509 |
| Total Assets | $ 2,815,173 | 32,671,147 | 33,573,197 | $ 1,913,123 |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | $ 285,464 | 30,330,239 | 30,562,798 | $ 52,905 |
| Due to other governments | 2,529,709 | 2,340,908 | 3,010,399 | 1,860,218 |
| Total Liabilities | $ 2,815,173 | 32,671,147 | 33,573,197 | $ 1,913,123 |

| County of Santa Clara | Balance July 1, 2008 | Additions | Deductions | Balance June 30, 2009 |
|---|---|---|---|---|
| Assets | | | | |
| Cash and cash equivalents | $ 5,124,521 | 81,036,251 | 81,764,086 | $ 4,396,686 |
| Total Assets | $ 5,124,521 | 81,036,251 | 81,764,086 | $ 4,396,686 |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | $ 437,179 | 74,950,303 | 74,907,290 | $ 480,192 |
| Due to other governments | 4,687,342 | 6,085,948 | 6,856,796 | 3,916,494 |
| Total Liabilities | $ 5,124,521 | 81,036,251 | 81,764,086 | $ 4,396,686 |

| County of Solano | Balance July 1, 2008 | Additions | Deductions | Balance June 30, 2009 |
|---|---|---|---|---|
| Assets | | | | |
| Cash and cash equivalents | $ 7,237,614 | 19,612,639 | 15,794,073 | $ 11,056,180 |
| Total Assets | $ 7,237,614 | 19,612,639 | 15,794,073 | $ 11,056,180 |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | $ 538,096 | 16,344,093 | 15,778,848 | $ 1,103,341 |
| Due to other governments | 6,699,518 | 3,268,546 | 15,225 | 9,952,839 |
| Total Liabilities | $ 7,237,614 | 19,612,639 | 15,794,073 | $ 11,056,180 |

| County of Sonoma | Balance July 1, 2008 | Additions | Deductions | Balance June 30, 2009 |
|---|---|---|---|---|
| Assets | | | | |
| Cash and cash equivalents | $ 16,821,180 | 20,283,715 | 23,020,614 | $ 14,084,281 |
| Total Assets | $ 16,821,180 | 20,283,715 | 23,020,614 | $ 14,084,281 |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | $ 1,446,333 | 23,333,595 | 23,859,403 | $ 920,525 |
| Due to other governments | 15,374,847 | (3,049,880) | (838,789) | 13,163,756 |
| Total Liabilities | $ 16,821,180 | 20,283,715 | 23,020,614 | $ 14,084,281 |
| **AB 1107** | | | | |
| Assets | | | | |
| Cash and cash equivalents | $ - | 61,632,065 | 61,632,065 | $ - |
| Total Assets | $ - | 61,632,065 | 61,632,065 | $ - |
| Liabilities | | | | |
| Accounts payable | $ - | 61,730,774 | 61,730,774 | $ - |
| Total Liabilities | $ - | 61,730,774 | 61,730,774 | $ - |
| **Total - All Agency Funds** | | | | |
| Assets | | | | |
| Cash and cash equivalents | $ 78,248,746 | 363,370,136 | 369,408,912 | $ 72,209,970 |
| Receivables - interest | 210,099 | 80,101 | 210,099 | 80,101 |
| Total Assets | $ 78,458,845 | 363,450,237 | 369,619,011 | $ 72,290,071 |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | $ 5,119,766 | 355,643,803 | 354,453,391 | $ 6,310,178 |
| Due to other governments | 73,339,079 | 7,806,434 | 15,165,620 | 65,979,893 |
| Total Liabilities | $ 78,458,845 | 363,450,237 | 369,619,011 | $ 72,290,071 |

# Metropolitan Transportation Commission
## Schedule of Interest Rate Swap Summary – BATA Proprietary Fund
## For the Year Ended June 30, 2009 — Schedule 15

| COUNTERPARTY | SERIES 2001 | SERIES 2003 | SERIES 2004 | SERIES 2006 | SERIES 2007 | SERIES 2008 | TOTAL | PERCENTAGE BY COUNTERPARTY | RATINGS (S&P/MOODYS) |
|---|---|---|---|---|---|---|---|---|---|
| Ambac Financial Services | $150,000,000 | $193,800,000 | $289,805,000 | $315,000,000 | $125,000,000 | $0 | $1,073,605,000 | 32% | BBB/Ba3 |
| Citibank N.A. | $0 | $0 | $0 | $225,000,000 | $260,000,000 | $105,355,000 | $590,355,000 | 18% | A+/A1 |
| Citigroup Financial Products | $75,000,000 | $0 | $0 | $0 | $0 | $0 | $75,000,000 | 2% | A/A3 |
| JP Morgan Chase Bank, N.A. | $0 | $0 | $0 | $0 | $0 | $145,400,000 | $145,400,000 | 4% | AA-/Aa1 |
| JP Morgan Chase AAA Enhanced ISDA | $0 | $0 | $0 | $245,000,000 | $270,000,000 | $0 | $515,000,000 | 15% | AAA/Aaa |
| Bank of America, N.A. | $0 | $0 | $0 | $155,000,000 | $50,000,000 | $160,000,000 | $365,000,000 | 11% | A+/Aa3 |
| Goldman Sachs Mitsui Marine Derivative Products | $0 | $0 | $0 | $60,000,000 | $85,000,000 | $0 | $145,000,000 | 4% | AAA/Aa1 |
| Bank of New York Mellon | $0 | $0 | $0 | $0 | $210,000,000 | $146,445,000 | $356,445,000 | 11% | AA/Aaa |
| Morgan Stanley Capital Services | $75,000,000 | $0 | $0 | $0 | $0 | $0 | $75,000,000 | 2% | A/A2 |
| Total Swap Notional | $300,000,000 | $193,800,000 | $289,805,000 | $1,000,000,000 | $1,000,000,000 | $557,200,000 | $3,340,805,000 | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Termination Value | ($60,836,793) | ($37,404,325) | ($26,124,014) | ($137,390,904) | ($137,564,233) | ($11,740,158) | ($411,060,427) |

# Metropolitan Transportation Commission
## Schedule of Interest Rate Swap for Series 2001, 2003 and 2004 – BATA Proprietary Fund
## For the Year Ended June 30, 2009 Schedule 16

| | SERIES A-2001 | SERIES A-2001 | SERIES B-2001 | SERIES C-2001 | SERIES 2003 | SERIES 2004 | TOTAL |
|---|---|---|---|---|---|---|---|
| Notional Amount | $75,000,000 | $75,000,000 | $75,000,000 | $75,000,000 | $193,800,000 | $289,805,000 | $783,605,000 |
| Trade Date | 1/10/2002 | 1/10/2002 | 1/10/2002 | 1/10/2002 | 5/7/2002 | 8/31/2004 | |
| Effective Date | 1/14/2002 | 1/14/2002 | 1/14/2002 | 1/14/2002 | 3/3/2003 | 10/5/2004 | |
| Swap Mode | 65% One Mth LIBOR (1) | 65% One Mth LIBOR (1) | 65% One Mth LIBOR (1) | 65% One Mth LIBOR (1) | 65% One Mth LIBOR | 54% One Mth LIBOR+0.54% | |
| Maturity | 4/1/2036 | 4/1/2036 | 4/1/2029 | 4/1/2025 | 4/1/2038 | 4/1/2039 | |
| Basis Cost | Yes | Yes | Yes | Yes | Yes | Yes | |
| Swap Cost | 4.0900% | 4.1000% | 4.1200% | 4.1100% | 4.1390% | 3.4155% | |
| Counterparty (CP) | Morgan Stanley Capital Services | Citigroup Financial Products | AMBAC Financial Services | AMBAC Financial Services | AMBAC Financial Services | AMBAC Financial Services | |
| S&P/Moodys | A/A2 | A/A3 | BBB/Ba3 | BBB/Ba3 | BBB/Ba3 | BBB/Ba3 | |
| Ratings Outlook/watch | Negative | Stable | Negative | Negative | Negative | Negative | |
| Termination Value Due from (to) CP | ($16,741,156) | ($16,857,869) | ($14,879,183) | ($12,358,585) | ($37,404,325) | ($26,124,014) | ($124,365,132) |
| Credit Risk | | | | | | | |
| CP Collateral Posting (2) | | | | | | | |
| 1a) CP="A-", "A", or " A+" (S&P) | Yes | Yes | No | No | No | No | |
| or | | | | | | | |
| 1b) CP ="A3". "A2",. or "A1" (Moodys) | Yes | Yes | No | No | No | No | |
| and | | | | | | | |
| 2) Termination Value >$10 million | No | No | No | No | No | No | |
| CP Collateral Posting (2) | | | | | | | |
| 1c) CP<A- (S&P) | No | No | Yes | Yes | Yes | Yes | |
| or | | | | | | | |
| 1d) CP <A3 (Moodys) | No | No | Yes | Yes | Yes | Yes | |
| and | | | | | | | |
| 2) Termination Value >$0 | No | No | No | No | No | No | |
| Termination Risk (3) | No | No | No | No | No | No | |
| Rollover Risk | No | No | No | No | No | No | |

(1) prior to 1/1/06 was cost of fund
(2) unilateral collateral posting by cp
(3) unilateral termination at BATA's discretion

# Metropolitan Transportation Commission
## Schedule of Interest Rate Swap for Series 2006 – BATA Proprietary Fund
## For the Year Ended June 30, 2009 — Schedule 17

| | SERIES A 2006 | SERIES B 2006 | SERIES 2006 | SERIES 2006 | SERIES 2006 | SERIES 2006 | TOTAL |
|---|---|---|---|---|---|---|---|
| Notional Amount | $245,000,000 | $225,000,000 | $315,000,000 | $30,000,000 | $60,000,000 | $125,000,000 | $1,000,000,000 |
| Trade Date | 5/16/2006(5) | 11/15/2005 | 11/15/2005 | 11/15/2005 | 8/28/2008 | 9/2/2008 | |
| Effective Date | 2/8/2006 | 2/8/2006 | 9/2/2008(6) | 2/8/2006 | 8/28/2008 (6) | 9/2/2008 (6) | |
| Swap Mode | 67.8% 10 Yr LIBOR CMS (1)<br>75.105% One Mth LIBOR | 53.8% One Mth LIBOR+0.74% | 68% One Mth LIBOR | 68% One Mth LIBOR | 68% One Mth LIBOR | 68% One Mth LIBOR | |
| Maturity | 4/1/2045 | 4/1/2045 | 4/1/2045 | 4/1/2045 | 4/1/2045 | 4/1/2045 | |
| Basis Cost | Yes | Yes | Yes | Yes | Yes | Yes | |
| Swap Cost | 4.0000% | 3.6375% | 3.6468% | 3.6330% | 3.6418% | 3.6418% | |
| Counterparty (CP) | JP Morgan Chase AAA Enhanced ISDA | Citibank, N.A. | Ambac Financial Services | Bank of America, N.A. | Goldman Sachs Mitsui Marine Derivative Products | Bank of America, N.A. | |
| S&P/Moodys | AAA/Aaa | A+/A1 | BBB/Ba3 | A+/Aa3 | AAA/Aa1 | A+/Aa3 | |
| Ratings Outlook/watch | None | Stable | Negative | Stable | Negative/None | Stable | |
| Termination Value<br>Due from (to) CP | ($32,226,004) | ($26,542,353) | ($46,867,070) | ($4,391,196) | ($8,874,902) | ($18,489,379) | ($137,390,904) |
| Credit Risk<br>CP Collateral Posting (2) | | | | | | | |
| 1a) CP = "A-", "A" or "A+" (S&P)<br>or | (3) | Yes | No | Yes | No | Yes | |
| 1b) CP = "A3", "A2", or "A1" (Moodys)<br>and | (3) | Yes | No | No | No | No | |
| 2) Termination Value >$10 million | (3) | No | No | No | No | No | |
| CP Collateral Posting (2) | | | | | | | |
| 1c) CP < A- (S&P)<br>or | (3) | No | Yes | No | No | No | |
| 1d) CP < A3 ( Moodys)<br>and | (3) | No | Yes | No | No | No | |
| 2) Termination Value >$0 | (3) | No | No | No | No | No | |
| Collateral Posted by CP | (3) | | | | | | |
| Termination Risk (4) | No | No | No | No | No | No | |
| Rollover Risk | No | No | No | No | No | No | |

(1) amended on 6/1/06 from 75.105% one month libor; swap mode is in 2 legs, converts back to 75.105% one month llibor on 4/1/36
(2) unilateral collateral posting by CP
(3) collateral posted by cp under terms and conditions of JPM AAA Enhanced ISDA; $0 threshold regardless of ratings
(4) unilateral termination at BATA's discretion
(5) original trade date was 11/15/2005
(6) original effective date was 2/8/06, the original swap was novated on 8/28/08 and 9/2/08 for $60,000,000 and $125,000,000 respectively

# Metropolitan Transportation Commission
## Schedule of Interest Rate Forward Swap for Series 2007 – BATA Proprietary Fund
## For the Year Ended June 30, 2009 — Schedule 18

| | SERIES A 2007 | SERIES B 2007 | SERIES 2007 | SERIES 2007 | SERIES 2007 | SERIES 2007 | SERIES 2007 | Total |
|---|---|---|---|---|---|---|---|---|
| Notional Amount | $270,000,000 | $260,000,000 | $125,000,000 | $50,000,000 | $85,000,000 | $170,000,000 | $40,000,000 | $1,000,000,000 |
| Trade Date | 5/16/2006 (5) | 11/30/2005 | 11/30/2005 | 11/30/2005 | 8/28/2008 | 9/2/2008 | 9/2/2008 | |
| Effective Date | 11/1/2007 | 11/1/2007 | 9/2/2008 (5) | 11/1/2007 | 8/28/2008 (6) | 9/2/2008 (6) | 9/2/2008 (6) | |
| Swap Mode | 69.33% 5 Yr LIBOR CMS (1)<br>75.08% One Mth LIBOR | 53.8% One Mth LIBOR + 0.74% | 68% One Mth LIBOR | 68% One Mth LIBOR | 68% One Mth LIBOR | 68 % One Mth LIBOR | 68% One Mth LIBOR | |
| Maturity | 4/1/2046 | 4/1/2047 | 4/1/2047 | 4/1/2047 | 4/1/2047 | 4/1/2047 | 4/1/2047 | |
| Basis Cost | Yes | Yes | Yes | Yes | Yes | Yes | Yes | |
| Swap Cost | 4.0000% | 3.6360% | 3.6407% | 3.6255% | 3.6357% | 3.6357% | 3.6357% | |
| Counterparty (CP) | JP Morgan Chase AAA Enhanced ISDA | Citibank N.A. | Ambac Financial Services | Bank of America, N.A. | Goldman Sachs Mitsui Marine Derivative Products | Bank of New York Mellon | Bank of New York Mellon | |
| S&P/Moodys | AAA/Aaa | A+/A1 | BBB/Ba3 | A+/Aa3 | AAA/Aa1 | AA/Aaa | AA/Aaa | |
| Ratings Outlook | None | Stable | Negative | Stable | Negative/None | Stable | Stable | |
| Termination Value<br>Due from (to) CP | ($36,089,708) | ($31,164,278) | ($18,804,788) | ($7,386,444) | ($12,712,146) | ($25,424,162) | ($5,982,707) | ($137,564,233) |
| Credit Risk<br>CP Collateral Posting (2) | | | | | | | | |
| 1a) CP = "A-", "A" or "A+" (S&P)<br>or | (3) | Yes | No | Yes | No | No | No | |
| 1b) CP = "A3", "A2", or "A1" (Moodys)<br>and | (3) | Yes | No | No | No | No | No | |
| 2) Termination Value > $10 million | (3) | No | No | No | No | No | No | |
| CP Collateral Posting (2) | | | | | | | | |
| 1c) CP < A- (S&P)<br>or | (3) | No | Yes | No | No | No | No | |
| 1d) CP < A3 ( Moodys) | (3) | No | Yes | No | No | No | No | |
| 2) Termination Value > $0 | (3) | No | No | No | No | No | No | |
| Collateral Posted by CP | (3) | | | | | | | |
| Termination Risk (4) | No | No | No | No | No | No | No | |
| Rollover Risk | No | No | No | No | No | No | No | |

(1) amended on 6/1/06 fom 75.08% one month libor; swap mode is in 2 legs, converts back to 75.08% one month libor on 4/1/2041
(2) unilateral collateral posting by CP
(3) collateral posted by cp under terms and conditons of JPM AAA ISDA; $0 threshold regardless of ratings; collateral posted as of June 30, 2009 was approximately $133,653.
(4) unilateral termination at BATA's discretion
(5) original effective date was 11/01/07
(6) original effective date was 11/1/07, the original swap was novated on 8/28/08 and 9/2/08 for $85 million and $210 million, respectively.

# Metropolitan Transportation Commission
## Schedule of Interest Rate Forward Swap for Series 2008 – BATA Proprietary Fund
## For the Year Ended June 30, 2009 Schedule 19

| | SERIES 2008 F-1 | SERIES 2008 F-1 | SERIES 2008 F-1 | SERIES 2008 F-1 | Total |
|---|---|---|---|---|---|
| Notional Amount | $145,400,000 | $146,445,000 | $105,355,000 | $160,000,000 | $557,200,000 |
| Trade Date | 8/28/2008 | 8/28/2008 | 8/28/2008 | 8/28/2008 | |
| Effective Date | 8/28/2008 | 8/28/2008 | 8/28/2008 | 8/28/2008 | |
| Swap Fix Receiver Rate | 3.9025% | 4.0400% | 3.9670% | 4.0130% | |
| Maturity | 4/1/2047 | 4/1/2047 | 4/1/2047 | 4/1/2045 | |
| Basis Cost | No | No | No | No | |
| Swap Payer Index | SIFMA | SIFMA | SIFMA | SIFMA | |
| Counterparty (CP) | JP Morgan Chase Bank, N.A. | Bank of New York Mellon | Citibank N.A. | Bank of America, N.A. | |
| S&P/Moodys | AA-/Aa1 | AA/Aaa | A+/A1 | A+/Aa3 | |
| Ratings Outlook | Negative | Stable | Stable | Stable | |
| Termination Value | | | | | |
| Due from (to) CP | ($2,698,174) | ($2,927,345) | ($2,677,260) | ($3,437,379) | ($11,740,158) |
| Credit Risk | | | | | |
| CP Collateral Posting (1) | | | | | |
| 1a) CP = "A-", "A" , or "A+" (S&P) | No | No | Yes | Yes | |
| or | | | | | |
| 1b) CP = "A3", "A2" or "A1" (Moodys) | No | No | Yes | No | |
| and | | | | | |
| 2) Termination Value > $10 million | No | No | No | No | |
| CP Collateral Posting (1) | | | | | |
| 1c) CP < A- (S&P) | No | No | No | No | |
| or | | | | | |
| 1d) CP < A3 ( Moodys) | No | No | No | No | |
| 2) Termination Value > $0 | No | No | No | No | |
| Termination Risk (2) | Yes | Yes | Yes | Yes | |
| Rollover Risk | Yes | Yes | Yes | Yes | |

(1) swap termination option by CP on 4/1/2011

(2) unilateral termination at BATA's discretion with 15 days notice; CP has one time termination option on 4/1/2011

# STATISTICAL SECTION

This part of the MTC's comprehensive annual financial report presents detailed information to aid in understanding information contained in the financial statements, note disclosures, and required supplementary information.

**Contents** **Page**

# Metropolitan Transportation Commission
## Net Assets (deficit) by Component ($000)
## By Fiscal Year

**Table 1**

| | FISCAL YEAR | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008* | 2009 |
| Governmental activities | | | | | | | | |
| Invested in capital assets, net of related debt | $ 3,466 | $ 3,145 | $ 2,946 | $ 6,051 | $ 5,827 | $ 6,015 | $ 8,768 | $ 8,393 |
| Restricted | 101,516 | 123,408 | 116,532 | 104,451 | 117,117 | 157,234 | 337,420 | 329,243 |
| Unrestricted | 63,366 | 37,499 | 35,169 | 49,795 | 50,970 | 130,205 | (33,269) | (29,911) |
| Total governmental activities net assets | $ 168,348 | $ 164,052 | $ 154,647 | $ 160,297 | $ 173,914 | $ 293,454 | $ 312,919 | $ 307,725 |
| Business-type activites | | | | | | | | |
| Invested in capital assets, net of related debt | $ 1,274 | $ 2,137 | $ 1,886 | $ 4,895 | $ 5,539 | $ 5,596 | $ 8,206 | $ 12,779 |
| Restricted | 125,000 | 130,000 | 175,000 | 257,670 | 643,444 | 691,735 | 338,458 | 293,873 |
| Unrestricted | 288,981 | 40,210 | (320,399) | (592,302) | (1,914,340) | (2,347,410) | (2,549,520) | (3,304,407) |
| Total business-type activities net assets | $ 415,255 | $ 172,347 | $ (143,513) | $ (329,737) | $ (1,265,357) | $ (1,650,079) | $ (2,202,856) | $ (2,997,755) |
| Total Primary government | | | | | | | | |
| Invested in capital assets, net of related debt | $ 4,740 | $ 5,282 | $ 4,832 | $ 10,946 | $ 11,366 | $ 11,611 | $ 16,974 | $ 21,172 |
| Restricted | 226,516 | 253,408 | 291,532 | 362,121 | 760,560 | 848,969 | 675,878 | 623,116 |
| Unrestricted | 352,347 | 77,709 | (285,230) | (542,507) | (1,863,369) | (2,217,205) | (2,582,789) | (3,334,318) |
| Total primary government net assets | 583,603 | 336,399 | 11,134 | (169,440) | (1,091,443) | (1,356,625) | (1,889,937) | (2,690,030) |

*Note: Fiscal 2008 was restated per GASB 54. Fiscal years 2002 through 2007 have not been restated.

# Metropolitan Transportation Commission
## Changes in Net Assets ($000)
## By Fiscal Year

**Table 2**

| | FISCAL YEAR | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| **Expenses** | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | $ 45,895 | $ 48,571 | $ 47,238 | $ 47,452 | $ 63,297 | $ 93,884 | $ 85,203 | $ 86,672 |
| Transportation | 92,787 | 105,152 | 81,873 | 71,885 | 87,731 | 145,647 | 152,999 | 99,154 |
| Total governmental activities expenses | 138,682 | 153,723 | 129,111 | 119,337 | 151,028 | 239,531 | 238,202 | 185,826 |
| Business-type activities: | | | | | | | | |
| Toll bridge activites | $ 347,030 | $ 390,063 | $ 451,930 | $ 433,703 | $ 617,546 | $ 1,155,916 | $ 1,234,968 | $ 1,299,135 |
| Congestion relief | 9,251 | 10,376 | 10,869 | 11,789 | 12,402 | 16,892 | 13,675 | 14,363 |
| Total business-type activities expenses | 356,281 | 400,439 | 462,799 | 445,492 | 629,948 | 1,172,808 | 1,248,643 | 1,313,498 |
| Total primary government expenses | $ 494,963 | $ 554,162 | $ 591,910 | $ 564,829 | $ 780,976 | $ 1,412,339 | $ 1,486,845 | $ 1,499,324 |
| **Program Revenues** | | | | | | | | |
| Governmental activities: | | | | | | | | |
| Charges for services | | | | | | | | |
| Operating grants and contributions | $ 47,069 | $ 48,068 | $ 49,974 | $ 50,165 | $ 57,641 | $ 320,311 | $ 207,496 | $ 85,048 |
| Capital grants and contributions | 64,473 | 72,345 | 42,344 | 44,957 | 70,770 | - | 9,858 | 61,796 |
| Total governmental activities program revenues | 111,542 | 120,413 | 92,318 | 95,122 | 128,411 | 320,311 | 217,354 | 146,844 |
| Business-type activities: | | | | | | | | |
| Charges for services | 150,128 | 151,914 | 152,937 | 256,466 | 293,000 | 434,341 | 497,712 | 492,963 |
| Operating grants and contributions | 7,068 | 7,074 | 6,718 | 8,130 | 8,868 | 283,082 | 110,372 | 53,490 |
| Capital grants and contributions | - | - | - | - | 499,403 | 1,235 | - | - |
| Total business-type activities program revenues | 157,196 | 158,988 | 159,655 | 264,596 | 801,271 | 718,658 | 608,084 | 546,453 |
| Total primary government program revenues | $ 268,738 | $ 279,401 | $ 251,973 | $ 359,718 | $ 929,682 | $ 1,038,969 | $ 825,438 | $ 693,297 |
| Net (expense)/revenue | | | | | | | | |
| Governmental activities | $ (27,140) | $ (33,310) | $ (36,793) | $ (24,215) | $ (22,617) | $ 80,780 | $ (20,848) | $ (38,982) |
| Business-type activities | (199,085) | (241,451) | (303,144) | (180,896) | 171,323 | (454,150) | (640,559) | (767,045) |
| Total primary government net expense | $ (226,225) | $ (274,761) | $ (339,937) | $ (205,111) | $ 148,706 | $ (373,370) | $ (661,407) | $ (806,027) |

# Metropolitan Transportation Commission
## Changes in Net Assets ($000), *continued*
## By Fiscal Year

**Table 2**

| | FISCAL YEAR | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| **General Revenues and Other Changes in Net Assets** | | | | | | | | |
| Governmental activities: | | | | | | | | |
| Restricted investment earnings | $ 4,375 | $ 1,764 | $ 1,090 | $ 2,791 | $ 3,996 | $ 9,498 | $ 1,454 | $ 784 |
| Unrestricted investment earnings | - | - | - | - | - | 1,410 | 9,936 | 5,002 |
| Transfers | 27,013 | 27,250 | 26,298 | 27,074 | 32,238 | 27,852 | 28,922 | 28,003 |
| Total governmental activities | 31,388 | 29,014 | 27,388 | 29,865 | 36,234 | 38,760 | 40,312 | 33,789 |
| Business-type activities: | | | | | | | | |
| Unrestricted investment earnings | 45,598 | 25,793 | 11,185 | 21,746 | 44,857 | 97,280 | 116,704 | 149 |
| Contributed capital | - | - | 2,397 | - | - | - | - | - |
| Extraordinary item | - | - | - | - | (1,119,562) | - | - | - |
| Transfers | (27,013) | (27,250) | (26,298) | (27,074) | (32,238) | (27,852) | (28,922) | (28,003) |
| Total business-type activities | 18,585 | (1,457) | (12,716) | (5,328) | (1,106,943) | 69,428 | 87,782 | (27,854) |
| Total primary government | $ 49,973 | $ 27,557 | $ 14,672 | $ 24,537 | $ (1,070,709) | $ 108,188 | $ 128,094 | $ 5,935 |
| **Change in Net Assets** | | | | | | | | |
| Governmental activities | $ 4,248 | $ (4,296) | $ (9,405) | $ 5,650 | $ 13,617 | $ 119,540 | $ 19,465 | $ (5,194) |
| Business-type activities | (180,500) | (242,908) | (315,860) | (186,224) | (935,620) | (384,722) | (552,777) | (794,899) |
| Total primary government | $ (176,252) | $ (247,204) | $ (325,265) | $ (180,574) | $ (922,003) | $ (265,182) | $ (533,312) | $ (800,093) |

# Metropolitan Transportation Commission
## Fund Balances of Governmental Funds ($000)
## By Fiscal Year

**Table 3**

| | FISCAL YEAR | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008* | 2009 |
| General fund | | | | | | | | |
| Reserved | $ 15,989 | $ 25,259 | $ 20,310 | $ 15,647 | $ 15,186 | $ 13,949 | $ - | $ - |
| Unreserved | 13,245 | 1,953 | 4,133 | 5,591 | 8,832 | 12,870 | - | - |
| Total general fund | $ 29,234 | $ 27,212 | $ 24,443 | $ 21,238 | $ 24,018 | $ 26,819 | $ - | $ - |
| All other governmental funds | | | | | | | | |
| Reserved | $ 53,087 | $ 58,214 | $ 48,413 | $ 43,938 | $ 44,931 | $ 97,455 | $ - | $ - |
| Unreserved, reported in: | | | | | | | | |
| Capital projects fund | - | - | - | - | - | 96 | - | - |
| Special revenue funds | 50,194 | 35,601 | 31,072 | 35,032 | 44,556 | 117,239 | - | - |
| Total all other governmental funds | $ 103,281 | $ 93,815 | $ 79,485 | $ 78,970 | $ 89,487 | $ 214,790 | $ - | $ - |
| General fund | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | $ 408 | $ 593 |
| Restricted for | - | - | - | - | - | - | 4,175 | 5,086 |
| Committed to | - | - | - | - | - | - | 3,002 | 3,836 |
| Unassigned | - | - | - | - | - | - | 11,676 | 10,210 |
| Total general fund | $ - | $ - | $ - | $ - | $ - | $ - | $ 19,262 | $ 19,725 |
| All other governmental funds | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | $ - | $ - |
| Restricted for | - | - | - | - | - | - | 272,730 | 268,794 |
| Committed to | - | - | - | - | - | - | 7,372 | 6,550 |
| Unassigned | - | - | - | - | - | - | - | - |
| Total all other governmental funds | $ - | $ - | $ - | $ - | $ - | $ - | $ 280,102 | $ 275,344 |

*Note: Fiscal 2008 was restated per GASB 54. Fiscal years 2002 through 2007 have not been restated.

# Metropolitan Transportation Commission
## Changes in Fund Balances of Governmental Funds ($000)
## By Fiscal Year

**Table 4**

| | FISCAL YEAR | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| **Revenues** | | | | | | | | |
| Sales taxes | $ 9,326 | $ 8,903 | $ 9,087 | $ 9,562 | $ 10,355 | $ 10,626 | $ 10,800 | $ 9,848 |
| Grants - Federal | 24,334 | 28,129 | 30,979 | 32,568 | 37,452 | 44,211 | 50,727 | 41,426 |
| Grants - State | 71,062 | 77,009 | 45,821 | 47,339 | 74,084 | 227,809 | 127,565 | 61,796 |
| Local agencies revenues and refunds | 6,819 | 6,372 | 6,430 | 5,653 | 6,520 | 37,666 | 33,039 | 33,774 |
| Investment income - unrestricted | 4,375 | 1,764 | 1,090 | 2,791 | 3,997 | 9,498 | 11,346 | 5,002 |
| Investment income - restricted | - | - | - | - | - | - | 1,454 | 783 |
| Total revenues | 115,916 | 122,177 | 93,407 | 97,913 | 132,408 | 329,810 | 234,931 | 152,629 |
| **Expenditures** | | | | | | | | |
| General government | 45,502 | 48,211 | 44,958 | 38,805 | 49,945 | 59,182 | 74,153 | 64,358 |
| Allocation to other agencies | 100,528 | 112,648 | 91,680 | 81,185 | 95,765 | 156,210 | 163,201 | 107,027 |
| Capital outlay | 209 | 56 | 166 | 10,540 | 5,639 | 14,166 | 15,744 | 13,542 |
| Total expenditures | 146,239 | 160,915 | 136,804 | 130,530 | 151,349 | 229,558 | 253,098 | 184,927 |
| Excess of revenues over (under) expenditures | (30,323) | (38,738) | (43,397) | (32,617) | (18,941) | 100,252 | (18,167) | (32,298) |
| **Other financing sources (uses)** | | | | | | | | |
| Other financing source | - | - | - | - | - | - | 47,000 | - |
| Transfer in | 35,875 | 31,378 | 29,964 | 29,375 | 35,980 | 42,543 | 49,778 | 57,683 |
| Transfer out | (8,863) | (4,127) | (3,666) | (2,300) | (3,742) | (14,691) | (20,856) | (29,680) |
| Total other financing sources (uses) | 27,012 | 27,251 | 26,298 | 27,075 | 32,238 | 27,852 | 75,922 | 28,003 |
| **Net change in fund balances** | $ (3,311) | $ (11,487) | $ (17,099) | $ (5,542) | $ 13,297 | $ 128,104 | $ 57,755 | $ (4,295) |

# Metropolitan Transportation Commission
## Primary Government Revenues
## By Fiscal Year

**Table 5**

| | | **PROGRAM REVENUES** | | | **GENERAL REVENUES** | | |
|---|---|---|---|---|---|---|---|
| Fiscal Year | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Restricted Investment Earnings | Unrestricted Investment Earnings | Total |
| 2000 | | $ 146,570,469 | $ 31,848,657 | $ 36,779,136 | $ - | $ 44,447,110 | $ 259,645,372 |
| 2001 | [1] | 150,759,047 | 38,906,141 | 44,648,314 | - | 50,626,342 | 284,939,844 |
| 2002 | | 150,127,560 | 44,810,738 | 64,472,632 | - | 49,973,084 | 309,384,014 |
| 2003 | [2] | 151,914,404 | 46,238,665 | 72,344,529 | - | 27,557,608 | 298,055,206 |
| 2004 | | 152,936,898 | 47,604,184 | 42,343,900 | - | 12,274,572 | 255,159,554 |
| 2005 | [3] | 256,466,211 | 48,732,356 | 44,957,468 | - | 24,537,489 | 374,693,524 |
| 2006 | [4] | 292,999,899 | 66,509,695 | 570,172,943 | - | 48,853,834 | 978,536,371 |
| 2007 | [5] | 434,341,478 | 603,392,696 | 1,234,760 | 1,410,000 | 106,778,738 | 1,147,157,672 |
| 2008 | [6] | 497,712,304 | 317,868,256 | 9,858,000 | 1,454,256 | 126,640,261 | 953,533,077 |
| 2009 | [7] | 492,963,040 | 200,334,018 | - | 783,516 | 5,150,515 | 699,231,089 |

[1] Excludes $400 million bond proceeds
[2] Excludes $300 million bond proceeds
[3] Excludes $300 million bond proceeds
[4] Excludes $2,149 million bond proceeds
[5] Excludes $811 million bond proceeds
[6] Excludes $1,008 million bond proceeds
[7] Excludes $708 million bond proceeds

# Metropolitan Transportation Commission
## Primary Government Expenses by Function
## By Fiscal Year

**Table 6**

| Fiscal Year | General Government | Transportation | Toll Bridge Activities | Congestion Relief | Total |
|---|---|---|---|---|---|
| 2000 | $ 29,698,823 | $ 185,263,198 | $ 33,982,565 | $ 11,849,116 | $ 260,793,702 |
| 2001 | 38,845,325 | 58,179,156 | 277,944,435 | 9,618,902 | 384,587,818 |
| 2002 | 45,894,987 | 92,787,010 | 347,029,659 | 9,251,327 | 494,962,983 |
| 2003 | 48,570,719 | 105,152,624 | 390,063,272 | 10,375,587 | 554,162,202 |
| 2004 | 47,237,837 | 81,873,193 | 451,929,595 | 10,869,417 | 591,910,042 |
| 2005 | 47,451,629 | 71,885,313 | 433,703,072 | 11,788,922 | 564,828,936 |
| 2006 | 63,297,372 | 87,731,178 | 617,546,375 | 12,401,445 | 780,976,370 |
| 2007 | 93,884,140 | 145,646,986 | 1,155,916,387 | 16,891,976 | 1,412,339,489 |
| 2008 | 85,202,758 | 152,998,857 | 1,234,968,178 | 13,675,326 | 1,486,845,119 |
| 2009 | 86,671,886 | 99,153,429 | 1,299,135,147 | 14,363,137 | 1,499,323,599 |

# Metropolitan Transportation Commission
## Toll Revenues – By Bridge
## By Fiscal Year

**Table 7**

| Fiscal Year | San Francisco-Oakland Bay Bridge | San Mateo-Hayward Bridge | Dumbarton Bridge | Carquinez Bridge | Benicia-Martinez Bridge | Antioch Bridge | Richmond-San Rafael Bridge | Total Revenue |
|---|---|---|---|---|---|---|---|---|
| 2002 | $48,549,475 | $15,887,162 | $11,548,514 | $26,948,118 | $21,490,553 | $3,369,095 | $14,544,342 | $142,337,259 |
| 2003 | 48,788,086 | 16,689,764 | 11,114,225 | 27,475,268 | 21,792,680 | 3,422,296 | 14,917,557 | 144,199,876 |
| 2004 | 48,359,687 | 17,798,598 | 10,849,858 | 27,665,208 | 22,070,380 | 3,618,949 | 14,813,522 | 145,176,202 |
| 2005 | 85,879,816 | 30,369,927 | 18,559,373 | 46,458,835 | 36,529,638 | 5,850,611 | 24,492,701 | 248,140,901 |
| 2006 | 94,092,670 | 35,638,094 | 21,839,387 | 51,766,708 | 41,578,791 | 6,675,489 | 28,685,717 | 280,276,856 |
| 2007 | 141,806,435 | 53,621,361 | 33,662,371 | 77,320,278 | 62,637,940 | 9,905,926 | 43,400,541 | 422,354,852 |
| 2008 | 161,335,048 | 59,628,110 | 37,589,986 | 85,225,636 | 73,663,301 | 10,545,060 | 49,389,963 | 477,377,104 |
| 2009 | 163,424,734 | 56,451,232 | 35,491,342 | 83,121,692 | 73,535,614 | 9,848,575 | 48,263,187 | 470,136,376 |

## Metropolitan Transportation Commission
### Paid and Free Vehicles – By Bridge (in Number of Vehicles)
### By Fiscal Year

**Table 8**

| Fiscal Year | San Francisco-Oakland Bay Bridge | San Mateo-Hayward Bridge | Dumbarton Bridge | Carquinez Bridge | Benicia-Martinez Bridge | Antioch Bridge | Richmond-San Rafael Bridge | Total Traffic |
|---|---|---|---|---|---|---|---|---|
| 2002 | 50,081,390 | 15,183,309 | 12,275,888 | 23,135,711 | 18,412,461 | 2,480,315 | 13,036,822 | 134,605,896 |
| 2003 | 49,412,655 | 15,771,699 | 11,539,424 | 23,305,920 | 18,517,754 | 2,522,697 | 13,062,238 | 134,132,387 |
| 2004 | 49,181,230 | 16,716,970 | 11,182,599 | 23,610,150 | 18,775,231 | 2,659,370 | 13,036,614 | 135,162,164 |
| 2005 | 48,092,917 | 16,551,900 | 10,779,979 | 23,103,224 | 18,261,679 | 2,676,269 | 12,544,235 | 132,010,203 |
| 2006 | 46,253,979 | 16,948,414 | 10,957,158 | 22,709,571 | 18,292,428 | 2,687,915 | 12,645,557 | 130,495,022 |
| 2007 | 45,568,951 | 16,901,880 | 11,108,116 | 22,762,879 | 18,230,344 | 2,729,276 | 12,664,782 | 129,966,228 |
| 2008 | 45,139,513 | 16,376,583 | 10,767,813 | 21,795,287 | 18,508,003 | 2,559,936 | 12,528,248 | 127,675,383 |
| 2009 | 45,568,253 | 15,466,520 | 10,214,522 | 21,091,173 | 18,295,365 | 2,345,007 | 12,215,518 | 125,196,358 |

# Metropolitan Transportation Commission
## Average Toll Rate Revenues ($000) – By Bridge
## By Fiscal Year — Table 9

| Fiscal Year | Antioch | Benicia Martinez | Carquinez | Richmond | San Mateo-Hayward | Dumbarton | San Francisco-Oakland |
|---|---|---|---|---|---|---|---|
| **2002** | | | | | | | |
| No. of Paid Vehicles | 2,325 | 17,733 | 21,678 | 12,468 | 13,726 | 10,779 | 45,118 |
| Average Toll Rate | $1.45 | $1.21 | $1.24 | $1.17 | $1.16 | $1.07 | $1.08 |
| Total Revenue | $3,369 | $21,491 | $26,948 | $14,544 | $15,887 | $11,549 | $48,549 |
| **2003** | | | | | | | |
| No. of Paid Vehicles | 2,354 | 17,794 | 21,824 | 12,513 | 14,343 | 10,224 | 44,996 |
| Average Toll Rate | $1.45 | $1.22 | $1.26 | $1.19 | $1.16 | $1.09 | $1.08 |
| Total Revenue | $3,422 | $21,793 | $27,475 | $14,918 | $16,690 | $11,114 | $48,788 |
| **2004** | | | | | | | |
| No. of Paid Vehicles | 2,478 | 17,988 | 22,054 | 12,399 | 15,201 | 9,977 | 44,646 |
| Average Toll Rate | $1.46 | $1.23 | $1.25 | $1.19 | $1.17 | $1.09 | $1.08 |
| Total Revenue | $3,619 | $22,070 | $27,665 | $14,814 | $17,799 | $10,850 | $48,360 |
| **2005** | | | | | | | |
| No. of Paid Vehicles | 2,472 | 17,116 | 21,344 | 11,758 | 14,790 | 9,298 | 43,357 |
| Average Toll Rate | $2.37 | $2.13 | $2.18 | $2.08 | $2.05 | $2.00 | $1.98 |
| Total Revenue | $5,851 | $36,530 | $46,459 | $24,493 | $30,370 | $18,559 | $85,880 |
| **2006** | | | | | | | |
| No. of Paid Vehicles | 2,479 | 17,071 | 20,914 | 11,908 | 15,131 | 9,529 | 41,265 |
| Average Toll Rate | $2.69 | $2.44 | $2.48 | $2.41 | $2.36 | $2.29 | $2.28 |
| Total Revenue | $6,675 | $41,579 | $51,767 | $28,686 | $35,638 | $21,839 | $94,093 |
| **2007** | | | | | | | |
| No. of Paid Vehicles | 2,517 | 16,975 | 20,722 | 11,913 | 14,881 | 9,516 | 40,134 |
| Average Toll Rate | $3.94 | $3.69 | $3.73 | $3.64 | $3.60 | $3.54 | $3.53 |
| Total Revenue | $9,906 | $62,638 | $77,320 | $43,401 | $53,621 | $33,662 | $141,807 |
| **2008** | | | | | | | |
| No. of Paid Vehicles | 2,366 | 17,440 | 19,875 | 11,782 | 14,358 | 9,194 | 39,555 |
| Average Toll Rate | $4.46 | $4.22 | $4.29 | $4.19 | $4.15 | $4.09 | $4.08 |
| Total Revenue | $10,545 | $73,663 | $85,226 | $49,390 | $59,628 | $37,590 | $161,335 |
| **2009** | | | | | | | |
| No. of Paid Vehicles | 2,208 | 17,426 | 19,441 | 11,542 | 13,629 | 8,708 | 40,118 |
| Average Toll Rate | $4.46 | $4.22 | $4.28 | $4.18 | $4.14 | $4.08 | $4.07 |
| Total Revenue | $9,849 | $73,536 | $83,122 | $48,263 | $56,451 | $35,491 | $163,425 |

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

**Table 10**

| Fiscal Year | General Obligation Bonds | Less: Amounts Available in Debt Service Fund | Total | Toll Revenue | Per Toll Vehicle |
|---|---|---|---|---|---|
| 2002 | $ 400,000,000 | $ - | $ 400,000,000 | $ 142,337,259 | $ 2.97 |
| 2003 | 700,000,000 | - | 700,000,000 | 144,199,876 | 5.22 |
| 2004 | 700,000,000 | - | 700,000,000 | 145,176,202 | 5.18 |
| 2005 | 1,000,000,000 | - | 1,000,000,000 | 248,140,901 | 7.58 |
| 2006 | 3,143,420,000 | 24,148,268 | 3,119,271,732 | 280,276,856 | 23.90 |
| 2007 | 3,863,250,000 | 24,148,268 | 3,839,101,732 | 422,354,852 | 29.54 |
| 2008 | 4,328,390,000 | 238,449,821 | 4,089,940,179 | 477,377,104 | 32.03 |
| 2009 | 4,338,155,000 | 282,727,772 | 4,055,427,228 | 470,136,376 | 32.39 |

Notes:

*No Debt prior to 2001

**Bonded debt represents 99 percent of all outstanding debt

# Metropolitan Transportation Commission
## Pledged-Revenue Coverage
## By Fiscal Year

**Table 11**

**Tolls Revenue Bonds**

| Fiscal Year | Toll Revenue | Less: Operating Expenses | Net Available Revenue | Debt Service: Principal | Debt Service: Interest | Coverage |
|---|---|---|---|---|---|---|
| 2002 | $ 142,337,259 | $ 32,433,627 | $ 109,903,632 | $ - | $ 13,357,928 | 8.23 |
| 2003 | 144,199,876 | 38,836,593 | 105,363,283 | - | 20,440,983 | 5.15 |
| 2004 | 145,176,202 | 48,028,344 | 97,147,858 | - | 26,663,420 | 3.64 |
| 2005 | 248,140,901 | 54,371,891 | 193,769,010 | - | 35,373,668 | 5.48 |
| 2006 | 280,276,856 | 81,589,254 | 198,687,602 | 5,785,000 | 63,146,496 | 2.88 |
| 2007 | 422,354,852 | 100,926,883 | 321,427,969 | 29,705,000 | 131,438,684 | 1.99 |
| 2008 | 477,377,104 | 101,090,539 | 376,286,565 | 42,620,000 | 191,859,414 | 1.60 |
| 2009 | 470,136,376 | 101,572,555 | 368,563,821 | 40,865,000 | 197,742,351 | 1.54 |

# Metropolitan Transportation Commission
## Miscellaneous Statistics
## June 30, 2009 Table 12

| | |
|---|---|
| Date of Incorporation | 1970 |
| Form of Government | Commissioners with Appointed Executive Director |
| Number of Commissioners | 16 Voting and 3 Non-Voting Members |
| Number of Employees (Approved Positions) | 166 |
| Type of Tax Support | 3.5 % of TDA Sales Tax |
| Region in Which Commission Operates | San Francisco Bay Area<br>San Jose, San Francisco & Oakland<br>Combined Statistic Area including<br>San Benito & Santa Cruz |
| Number of Counties in the Region | 9 |
| Area of Authority in Square Miles | 6,980 |
| Population of Region in Which Commission Operates | 7,375,678 |
| Number of Toll Bridges in the Region | 8 |
| Traffic for All Toll Bridges - Number of Vehicles (excluding Golden Gate Bridge Highway District) | 125,196,358 |
| Toll Revenues (excluding Golden Gate Bridge Highway District) | $ 470,136,376 |
| Number of Call Boxes in the Region | 2,312 |

# Metropolitan Transportation Commission
## Demographic Statistics for Nine San Francisco Bay Area Counties
## Last Ten Calendar Years — Table 13

| Year | Population[1] | Per Capita Income[2, 5] | Median Age[2, 5] | School Enrollment[3] | Unemployment Rate[4] |
|---|---|---|---|---|---|
| 2000 | 6,764,500 | 30,934 | 36.6 | 975,710 | 2.50% |
| 2001 | 6,861,500 | N/A | N/A | 980,475 | 4.06% |
| 2002 | 6,936,700 | N/A | N/A | 972,766 | 6.47% |
| 2003 | 6,994,500 | N/A | N/A | 976,025 | 6.46% |
| 2004 | 7,009,400 | N/A | N/A | 974,281 | 5.30% |
| 2005 | 7,096,575 | N/A | N/A | 973,751 | 4.49% |
| 2006 | 7,126,284 | N/A | N/A | 971,392 | 4.61% |
| 2007 | 7,204,492 | N/A | N/A | 970,721 | 4.19% |
| 2008 | 7,301,080 | N/A | N/A | 974,089 | 5.81% |
| 2009 | 7,375,678 | N/A | N/A | 978,117 | 10.58% |

Data Sources

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

[2] Bureau of Census

[3] California Department of Education

[4] State of California, Employment Development Department

[5] Bureau of Census conducts survey every ten years for the Median Age and Per Capita Income of the nine-county region as a whole.

# Metropolitan Transportation Commission
## Full-Time Equivalent Employees by Function
## Last Ten Fiscal Years

**Table 14**

| Functions | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| Governmental Activities | | | | | | | | | | |
| General government | 57 | 58 | 58 | 56 | 55 | 56 | 65 | 65 | 66 | 66 |
| Transportation | 53 | 58 | 58 | 59 | 59 | 58 | 68 | 68 | 67 | 67 |
| Business-type Activities | | | | | | | | | | |
| Toll bridge activities | 6 | 8 | 8 | 9 | 9 | 10 | 30 | 30 | 33 | 33 |
| Congestion relief | 5 | 5 | 5 | 5 | 6 | 6 | 6 | 6 | 4 | 4 |
| | 121 | 129 | 129 | 129 | 129 | 130 | 169 | 169 | 170 | 170 |

# Metropolitan Transportation Commission
## Ratio of Retiree Medical Premium to Covered Payroll
## By Fiscal Year — Table 15

| Fiscal Year | Retiree Premiums | Covered Payroll | | % of Covered Payroll |
|---|---|---|---|---|
| 2000 | $ 77,882 | $ 8,383,503 | * | 0.9% |
| 2001 | 99,109 | 9,035,190 | * | 1.1% |
| 2002 | 120,377 | 10,346,350 | * | 1.2% |
| 2003 | 152,096 | 11,177,301 | * | 1.4% |
| 2004 | 217,975 | 11,289,637 | * | 1.9% |
| 2005 | 268,105 | 11,694,664 | * | 2.3% |
| 2006 | 308,512 | 12,687,014 | * | 2.4% |
| 2007 | 353,378 | 15,193,161 | * | 2.3% |
| 2008 | 428,810 | 16,122,962 | * | 2.7% |
| 2009 | 452,003 | 16,711,761 | * | 2.7% |

* From MTC records

(This page intentionally left blank)

## APPENDIX B

## DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

Set forth below are definitions of certain terms used elsewhere in the Reoffering Circular. In addition, this APPENDIX B includes a summary of certain provisions of the Master Indenture, dated as of May 1, 2001, as supplemented, including as supplemented by the Fourteenth Supplemental Indenture, dated as of November 1, 2009 (hereinafter collectively referred to as the "Indenture"), between the Bay Area Toll Authority and Union Bank, N. A., as trustee.

This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture. This summary does not repeat information set forth in the Information Statement, or any Supplement to the Information Statement, concerning terms (such as interest rates and maturities), redemption provisions, and certain other features of the Bonds. See the most recent Supplement to the Information Statement and "SECURITY AND SOURCES OF PAYMENT FOR THE TOLL BRIDGE REVENUE BONDS" in the Information Statement.

The Authority has various Series of Outstanding Bonds that currently bear interest at the Weekly Rate, determined in accordance with the provisions of the Indenture. Upon satisfaction of certain conditions set forth in the Indenture, the Bonds of such Series may bear interest calculated pursuant to a different Interest Rate Determination Method (which may be the Daily Rate, the Weekly Rate, the Commercial Paper Rate, the Index Rate, the Term Rate or the Fixed Rate). THIS APPENDIX B IS NOT INTENDED TO PROVIDE INFORMATION ABOUT SUCH SERIES OF BONDS AFTER CONVERSION TO ANOTHER INTEREST RATE DETERMINATION METHOD (EXCEPT WITH RESPECT TO THE CONVERSION OF ANY SUCH SERIES OF BONDS TO A DAILY RATE).

**Definitions**

"AB 664 Net Toll Revenue Reserves" means the funds generated from a toll increase on the three Bay Area Bridges which comprise the Southern Bridge Group, enacted by legislation referred to as "AB 664," which took effect in 1977, which funds are transferred by the Authority to MTC on an annual basis and allocated by MTC to capital projects that further development of public transit in the vicinity of the three Bay Area Bridges which comprise the Southern Bridge Group.

"Act" means Chapter 4, Chapter 4.3 and Chapter 4.5 of Division 17 of the California Streets and Highways Code and the Revenue Bond Law of 1941, as each may be amended from time to time hereafter.

"Annual Debt Service" means, at any point in time, with respect to 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 Account" means an account established within the Bond Purchase Fund pursuant to the Indenture.

"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 a Series of Bonds bearing interest at a fixed rate, $5,000 and any integral multiple thereof, and with respect to a Series of Bonds during a Daily Rate Period or Weekly Rate Period, $100,000 and any integral multiple of $5,000 in excess thereof.

"Authorized Representative" means the Executive Director, the Deputy Executive Director, the Manager of Finance of the Authority (now known as the Chief Financial Officer of the Authority), or any other employee of the Authority at the time designated to act on behalf of the Authority in a Certificate of the Authority executed by any of the foregoing officers and filed with the 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 Thirteenth Supplemental 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.

"Commercial Paper Rate" means the interest rate on any Bond in the Commercial Paper Rate Period established from time to time pursuant to the provisions of the Indenture.

"Commercial Paper Rate Period" means each period during which a Series of Bonds bears interest at a Commercial Paper Rate determined pursuant to the provisions of the Indenture.

"Construction Fund" means, with respect to a Series of Bonds, a Construction Fund established in the Supplemental Indenture providing for the issuance of such Series of Bonds.

"Conversion" means the conversion of any Series of Bonds from one Interest Rate Determination Method or Mode to another, which may be made from time to time in accordance with the terms of the Indenture.

"Conversion Date" means the date the Conversion of a Series of Bonds becomes effective in accordance with the provisions of the Indenture (or, with respect to notices, time periods and requirements in connection with the proceedings for such Conversion, the day on which it is proposed that such Conversion occur).

"Conversion Notice" means a written notice of an Authorized Representative delivered by the Authority to change the Interest Rate Determination Method for a Series of Bonds, such notice to be delivered to the Trustee, the Remarketing Agent and the applicable Liquidity Provider.

"Cost" means cost as defined in the Act.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Authority and related to the authorization, execution, sale and delivery of 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 Provider Bonds" means any Bonds purchased with funds provided under a Liquidity Instrument as provided in the Indenture for so long as such Bonds are held by or for the account of, or are pledged to, the applicable Credit Provider in accordance with the Indenture.

"Credit Provider Reimbursement Obligations" means obligations of the Authority to pay from the Bay Area Toll Account amounts due under a Credit Support Agreement, including, without limitation, amounts advanced by a Credit Provider pursuant to a Credit Support Instrument as credit support or liquidity for Bonds and the interest with respect thereto.

"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.

"CUSIP" means the Committee on Uniform Securities Identification Procedures of the American Bankers Association, or any successor to its functions.

"Daily Put Bonds" means any Series of Bonds bearing interest at a Daily Rate tendered for purchase pursuant to the provisions of the Indenture.

"Daily Rate" means the interest rate on any Bond in the Daily Rate Period established from time to time pursuant to the Indenture.

"Daily Rate Index" means, on any Business Day, the SIFMA Swap Index, or, if the SIFMA Swap Index is no longer published, an index or rate agreed upon by the Authority and the Remarketing Agents, but in no event in excess of the Maximum Interest Rate.

"Daily Rate Period" means any period during which a Series of Bonds bears interest at the Daily Rate established pursuant to the provisions of the Indenture.

"DTC" means The Depository Trust Company, New York, New York or any successor thereto.

"Electronic means " means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

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

"Expiration" (and other forms of "expire") means, when used with respect to a Liquidity Instrument, the expiration of such Liquidity Instrument in accordance with its terms.

"Favorable Opinion of Bond Counsel" means, with respect to any action requiring such an opinion, an Opinion of Bond Counsel to the effect that such action will not, in and of itself, adversely affect the Tax-Exempt status of interest on the 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. Five Percent Reserves are described as "Two Percent Transit Reserves" in the Information Statement under "THE BRIDGE SYSTEM – Transfers to MTC."

"Fixed Rate" means the fixed rate borne by a Series of Bonds from the Fixed Rate Conversion Date for such Series of Bonds, which rate shall be established in accordance with the provisions of the Indenture.

"Fixed Rate Conversion Date" means any Conversion Date on which the interest rate on a Series of Bonds shall be converted to a Fixed Rate.

"Fixed Rate Period" means the period from and including the Fixed Rate Conversion Date of a Series of Bonds converted to a Fixed Rate to and including their maturity date or earlier date of redemption.

"Government Obligations" means: (i) non-callable obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States, including, but not limited to, all direct or fully guaranteed U.S. Treasury Obligations, Farmers Home Administration Certificates of beneficial ownership, General Services Administration Participation certificates, U.S. Maritime Administration Guaranteed Title XI financing, Small Business Administration - Guaranteed participation certificates and Guaranteed pool certificates, Government National Mortgage Association (GNMA) - GNMA guaranteed mortgage-backed securities and GNMA guaranteed participation certificates, U.S. Department of Housing and Urban Development Local authority bonds, Washington Metropolitan Area Transit Authority Guaranteed transit bonds, and State and Local Government Series; (ii) non-callable obligations of government-sponsored agencies that are not backed by the full faith and credit of the U.S. Government, including, but not limited to, Federal Home Loan Mortgage Corp. (FHLMC) Debt Obligations, Farm Credit System (formerly Federal Land Banks, Intermediate Credit Banks, and Banks for Cooperatives) Consolidated Systemwide bonds and notes, Federal Home Loan Banks (FHL Banks) Consolidated debt obligations, Federal National Mortgage Association (FNMA) Debt Obligations, and Resolution Funding Corp. (REFCORP) Debt obligations; and (iii) certain stripped securities where the principal-only and interest-only strips are derived from non-callable obligations issued by the U.S.

Treasury and REFCORP securities stripped by the Federal Reserve Bank of New York, excluding custodial receipts, i.e. CATs, TIGERS, unit investment trusts and mutual funds, etc.

"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.

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants appointed by the Authority, and who, or each of whom, is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

"Index Agent" means the Trustee or such other Person acceptable to the Trustee as may be designated by the Authority to act as the Index Agent for the Trustee.

"Index Bonds" means a Series of Bonds bearing interest at the Index Rate.

"Index Rate" means the interest rate established from time to time pursuant to the Indenture, provided, however, that in no event may the Index Rate exceed the Maximum Interest Rate.

"Index Rate Period" means any period during which a Series of Bonds bears interest at the Index Rate.

"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 (a) with respect to fixed rate Bonds, April 1 and October 1 of each year; (b) with respect to variable rate Bonds (i) in the Daily Rate Period or the Weekly Rate Period, the first Business Day of each calendar month, (ii) in the Commercial Paper Rate Period, the day immediately succeeding the last day of each Commercial Paper Rate Period for such Bonds, (iii) in the Term Rate Period or the Fixed Rate Period, April 1 and October 1 of each year, (iv) in the Index Rate Period, on the first Business Day of each January, April, July and October or, if the Authority obtains a Favorable Opinion of Bonds Counsel, on such other periodic dates as may be selected by the Authority in accordance with the terms of the Indenture, and (v) in any Rate Period, each Conversion Date; and (c) with respect to all Bonds, the final maturity date or redemption date of such Bond.

"Interest Rate Determination Method" means any of the methods of determining the interest rate on a Series of Bonds from time to time as described in the Indenture.

"Interest Rate Mode" means, with respect to a Bond of a Series, the type of interest rate paid on Bonds of that Series consisting of either a Daily Rate, Weekly Rate, Commercial Paper Rate, Term Rate, Index Rate (certain series only) or Fixed Rate, as the case may be.

"Issue Date" means, with respect to a Series of Bonds, the date on which such Bonds are first delivered to the purchasers thereof.

"Liquidity Instrument" means the instrument pursuant to which liquidity is provided to Bonds of a Series and any substitute Liquidity Instrument provided pursuant to the Indenture.

"Liquidity Provider" means each bank or any successor Liquidity Provider providing liquidity for the Purchase Price of a Series of the Reoffered Bonds pursuant to a Liquidity Instrument.

"London Banking Day" means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency) in the City of London, United Kingdom.

"Mandatory Tender Bonds" means a Series of Bonds subject to mandatory tender in accordance with the provisions of the Indenture.

"Maximum Annual Debt Service" means the maximum amount of Annual Debt Service becoming due during the period from the date of such determination through the final maturity date of the Bonds then Outstanding, as calculated by the Authority, utilizing the assumptions set forth under the definition of Annual Debt Service.

"Maximum Interest Rate" means: (a) with respect to Bonds of a Series other than Credit Provider Bonds, (i) for the benefit of which a Liquidity Instrument is in effect, the rate of interest specified in such Liquidity Instrument that is used to determine the amount available under such Liquidity Instrument for payment of interest due and payable to Owners of such Bonds, but in no event greater than twelve percent (12%) per annum, and (ii) at all other times, twelve percent (12%) per annum; and (b) with respect to Credit Provider Bonds, the lesser of (i) 15% per annum or (ii) the maximum rate of interest with respect to such Credit Provider Bonds permitted by applicable law.

"Moody's" means Moody's Investors Service, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

"MTC" means the Metropolitan Transportation Commission, a regional transportation commission duly established and existing pursuant to Sections 66500 et seq. of the California Government Code, and any successor thereto.

"MTC Transfers" means the AB 664 Net Toll Revenue Reserves, the Five Percent Reserves, the Rail Extension Reserves, the Regional Measure 2 Reserves, and the Authority Administrative Costs.

"Net Revenue" means, for any Fiscal Year, Revenue less Operations & Maintenance Expenses, as set forth in the audited financial statements of the Authority.

"Nominee" means the nominee of the Securities Depository for the Book-Entry Bonds in whose name such 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.

"Optional Purchase Date" means each date on which a Series of Bonds would be subject to optional redemption and therefore are subject to purchase at the option of the Authority pursuant to the provisions of the Indenture.

"Optional Purchase Price" means, with respect to the purchase of a Series of Bonds to be purchased on any Optional Purchase Date pursuant to the provisions of the Indenture, the principal amount of such Bonds to be purchased on such Optional Purchase Date, plus accrued interest to such Optional Purchase Date, plus an amount equal to the premium, if any, that would be payable upon the redemption, at the option of the Authority exercised on such Optional Purchase Date, of such Bonds to be purchased.

"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.

“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.

"Purchase Date" means any date on which any Bond is purchased pursuant to the provisions of the Indenture.

"Purchase Price" means, with respect to any Bond tendered or deemed tendered pursuant to the Indenture, an amount equal to 100% of the principal amount of any Bond tendered or deemed tendered to the Trustee for purchase pursuant to the Indenture, plus, if such Purchase Date is not an Interest Payment Date, accrued interest thereon to but not including the Purchase Date; provided, however, if such

Purchase Date occurs before an Interest Payment Date, but after the Record Date applicable to such Interest Payment Date, then the Purchase Price shall not include accrued interest, which shall be paid to the Owner of record as of the applicable Record Date.

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

"Rate" means, with respect to any Bond of a Series, the interest rate applicable to such Bond as provided in the Indenture.

"Rate Index" means the Daily Index, the Weekly Rate Index or both, as the context may require.

"Rate Period" means any Daily Rate Period, Weekly Rate Period, Commercial Paper Rate Period, Term Rate Period, Index Rate Period or Fixed Rate Period.

"Rating Agency" means each of Fitch, Moody's and S&P.

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

"Rating Confirmation" means written evidence from each rating agency then rating any Series of 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 for any Interest Payment Date in respect of any Daily Rate Period or Weekly Rate Period, the Business Day next preceding such Interest Payment Date.

"Redemption Date" means the date fixed for redemption of 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, 100% of the principal amount thereof to be redeemed, 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.

"Remarketing Agent" means the one or more banks, trust companies or members of the National Association of Securities Dealers, Inc. meeting the qualifications set forth in the Indenture and appointed by an Authorized Representative to serve as Remarketing Agent for any Series of Bonds.

"Remarketing Agreement" means any agreement or agreements entered into by and between the Authority and a Remarketing Agent for any Series of Bonds.

"Representation Letter" means the letter or letters of representation from the Authority to, or other instrument or agreement with, a Securities Depository for Book-Entry Bonds, in which the Authority, among other things, makes certain representations to the Securities Depository with respect to the Book-Entry Bonds, the payment thereof and delivery of notices with respect thereto.

"Reserve Facility" means a surety bond or insurance policy issued to the 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.

"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.

"Subordinated Maintenance Expenditures" means maintenance expenditures payable to Caltrans from Bridge Toll Revenues that are Category A maintenance expenditures within the meaning of Streets and Highways Code section 188.4, including all normal highway maintenance on the Bay Area Bridges that would be performed by the State according to State procedures if the Bay Area Bridges were toll-free state facilities."

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

"Subsidy Payments" means payments from the United States Treasury to or upon the order of the Authority with respect to the eligible Bonds pursuant to Sections 54AA and 6431 of the Code in an amount equal to 35% of the interest due thereon on each Interest Payment Date.

"Supplemental Indenture" means any indenture executed and delivered by the Authority and the 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.

"Term Rate" means the interest rate on any Series of Bonds in the Term Rate Period established from time to time pursuant to the provisions of the Indenture.

"Term Rate Computation Date" means any Business Day during the period from and including the date of receipt of a Conversion Notice relating to a Conversion to a Term Rate for any Series of Bonds to and including the Business Day next preceding the proposed Term Rate Conversion Date.

"Term Rate Continuation Notice" means a written notice of an Authorized Representative delivered by the Authority to establish a new Term Rate Period for any Series of Bonds in the Term Rate, such notice to be delivered to the Trustee, the Remarketing Agent and the applicable Liquidity Provider as specified in the Indenture.

"Term Rate Conversion Date" means: (i) the Conversion Date on which the interest rate on any Series of Bonds shall be converted to a Term Rate; and (ii) the date on which a new Term Rate Period and Term Rate are to be established.

"Term Rate Period" means any period during which any Series of Bonds bear interest at the Term Rate established pursuant to the provisions of the Indenture.

"Termination" (and other forms of "terminate") means, when used with respect to any Liquidity Instrument, the replacement, removal, surrender or other termination of such Liquidity Instrument by the Authority other than an Expiration or an extension or renewal thereof; provided, however, that Termination does not include immediate suspension or termination events.

"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.

"Three-Month LIBOR Rate" means the rate for deposits in U.S. dollars with a three-month maturity that appears on Reuters Screen LIBOR01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m., London time, on the Index Rate Determination Date, except that, if such rate does not appear on such page on the Index Rate Determination Date, the Three-Month LIBOR Rate means a rate determined on the basis of the rates at which deposits in U.S. dollars for a three-month maturity and in a principal amount of at least U.S. $1,000,000 are offered at approximately 11:00 a.m., London time, on the Index Rate Determination Date, to prime banks in the London interbank market by three major banks in the London interbank market (herein referred to as the "Reference Banks") selected by the Index Agent (provided, however, that if the Index Agent is the Trustee, the Trustee may appoint an agent to identify such Reference

Banks). The Index Agent is to request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the Three-Month LIBOR Rate will be the arithmetic mean of such quotations. If fewer than two quotations are provided, the Three-Month LIBOR Rate will be the arithmetic mean of the rates quoted by three (if three quotations are not provided, two or one, as applicable) major banks in New York City, selected by the Index Agent, at approximately 11:00 a.m., New York City time, on the Index Rate Determination Date for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. $1,000,000 having a three-month maturity. If none of the banks in New York City selected by the Index Agent is then quoting rates for such loans, then the Three-Month LIBOR Rate for the ensuing interest period will mean the Three-Month LIBOR Rate then in effect in the immediately preceding Index Rate Interest Accrual Period.

"Toll Coverage Calculation Date" means the date the Authority computes the coverage ratios required to be computed pursuant to the provisions of the Indenture, which date shall be within 10 Business Days of the beginning of each Fiscal Year.

"Traffic Consultant" means any engineer or engineering firm or other consulting firm with requisite expertise appointed by the Authority to prepare estimates of Bridge Toll Revenues. The appointed Person or entity may not be an employee of the Authority or MTC, but may have other contracts with the Authority or MTC or any other Person to provide, directly or indirectly, other services to the Authority or MTC and still be appointed as Traffic Consultant.

"Treasury Rate" means the interest rate applicable to 13-week United States Treasury bills determined by the Remarketing Agent on the basis of the average per annum discount rate at which such 13-week Treasury bills shall have been sold at the most recent Treasury auction.

"Variable Rate" means any of the Daily Rate, the Weekly Rate, the Commercial Paper Rate, the Term Rate or the Index Rate.

"Variable Rate Demand Bonds" means Series of Bonds bearing interest at a Daily Rate or a Weekly Rate.

"Weekly Put Bonds" means any Bond of a Series bearing interest at a Weekly Rate tendered for purchase pursuant to the provisions of the Indenture.

"Weekly Rate" means the interest rate on any Series of Bonds in the Weekly Rate Period established from time to time pursuant to the provisions of the Indenture.

"Weekly Rate Index" means, on any Business Day, the SIFMA Swap Index or, if the SIFMA Swap Index is no longer published, an index or rate agreed upon by the Authority and the Remarketing Agents, but in no event in excess of the Maximum Interest Rate.

"Weekly Rate Period" means each period during which any Series of Bonds bear interest at the Weekly Rate established pursuant to the provisions of the Indenture.

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

## THE INDENTURE

### Proposed Amendment

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 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."

The purchasers and any subsequent owners of any Bonds issued after May 1, 2009, and the owners of any Bonds remarketed after a mandatory tender after May 1, 2009, have been or will be deemed, by acceptance of such Bonds, to have irrevocably consented to the proposed Build America Bonds Amendment. The Build America Bonds Amendment will only be adopted by the Authority upon determination that the requisite consents to such amendment have been obtained.

### Statutory Lien, Pledge of State, Pledge of Revenue and Funds and Accounts

**Statutory Lien**. All Bridge Toll Revenues are to be deposited by the Authority in the Bay Area Toll Account and are subject to a statutory lien created pursuant to Section 30960 of the Act in favor of the 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. Until January 1, 2010, the Indenture provides that 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 funding of the Operations and Maintenance Fund, 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. Effective January 1, 2010, the Indenture deletes the reference to the funding of the Operation and Maintenance Fund and provides that pursuant to Section 30960 of the Act, such lien, subject to expenditures for operation and maintenance of the Bay Area Bridges, including toll collection, unless those expenditures are otherwise provided for by statute as provided in Section 30960(c) of the Act, shall immediately attach to the Bridge Toll Revenues as such Bridge Toll Revenues are received by the Authority and shall be effective, binding, and enforceable against the Authority, its successors, creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any physical delivery, recordation, filing, or further act, and the Bridge Toll Revenues shall remain subject to such statutory lien until all Bonds are paid in full or provision made therefor, and the Bay Area Bridges shall not become toll-free prior to that time.

**Pledge of State**. Pursuant to Section 30963 of the Act, the State pledges and agrees with the Holders of the 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.

**Conversion of Interest Rate Determination Method.**

**Notice of Conversion.** Each Conversion Notice must specify: (A) the proposed Conversion Date; (B) the new Interest Rate Determination Method to take effect; (C) if the Conversion is to a Term Rate, the Term Rate Period; (D) whether the Liquidity Support Instrument then in effect, if any, will remain in effect and, if applicable, the terms upon which the Owners of the Variable Rate Reoffered Bonds shall have the option to tender such bonds for purchase during the new Interest Rate Determination Method; (E) if a new Liquidity Support Instrument will be in effect after the proposed Conversion Date, the form and terms of such Liquidity Support Instrument; (F) if the Conversion is to a Term Rate Period or Fixed Rate Period, the redemption dates and redemption prices applicable to such Term Rate Period or Fixed Rate Period and (G) if the Conversion is to an Index Rate Period, the Index Rate Index, the optional redemption provisions and the Interest Payment Dates to apply to such Series of Bonds and appointing an Index Agent and a Remarketing Agent for such Series of Bonds. The Conversion Notice must be accompanied by (i) 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 of Bonds to be converted, and (ii) a notice of the new Liquidity Provider, if applicable, and the new Liquidity Instrument, if at the same time as such Series of Bonds are being converted there is to be a change of Liquidity Provider or Liquidity Instrument with respect to such Series of Bonds.

**Notice to Owners.** Upon receipt of a Conversion Notice from an Authorized Representative, as soon as possible, but in any event not less than 30 days prior to the proposed Conversion Date, the Trustee is to give notice by first-class mail to the affected Owners of the Series of Bonds to be converted, which notice is to state in substance:

(A) that the Interest Rate Determination Method for the applicable Series of 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 such Series of 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 such Bonds are successfully purchased and remarketed in the new Interest Rate Determination Method on the Conversion Date;

(E) the CUSIP numbers or other identification information of such Bonds;

(F) that all such 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 such Series of 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 Bond being converted to a new Interest Rate Determination Method to receive the notice of Conversion described above, or any defect therein, is not to affect the validity of any Rate or any continuation of or change in the Interest Rate Determination Method for any such Bonds or extend the period for tendering any of such Bonds for purchase, and the Trustee is not to be liable to any Owner of such a Bond by reason of the failure of such Owner to receive such notice or any defect therein.

**Rescission of Election.** The Authority may rescind any Conversion Notice with respect to a Series of Bonds prior to the proposed Conversion Date set forth in the Conversion Notice by giving written notice thereof to the Trustee, the Liquidity Provider for the applicable Series of Bonds and the applicable 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 affected Series of 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 affected Series of Bonds, then such Series of Bonds are to continue to be subject to mandatory tender for purchase on the Conversion Date specified in the Conversion Notice and the Rate Period for such Series of Bonds is to automatically adjust to, or continue as, a Weekly Rate Period on the Conversion Date specified in the Conversion Notice.

**Limitations.** Any Conversion must comply with the following:

(A) the Conversion Date must be a date on which such Series of Bonds are subject to mandatory tender;

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

(C) the Liquidity Instrument for such Bonds after a Conversion to a Variable Rate must cover (except for conversion to an Index Rate Period or a Term Rate Period) principal plus accrued interest (computed at the Maximum Interest Rate then in effect on the basis of a 365-day year and actual days elapsed or a 360 day year of twelve 30-day months, as applicable) for the maximum number of days between Interest Payment Dates permitted under that Interest Rate Determination Method, plus such additional number of days, if any, as shall be required by each Rating Agency then rating such Series of Bonds; provided that if the number of days of interest coverage provided by the applicable Liquidity Instrument is being changed from the number of days previously in place, the Trustee shall have also received a Rating Confirmation from each of the Rating Agencies then rating such Bonds;

(D) no Conversion shall become effective unless the Opinion of Bond Counsel is redelivered on (and as of) the Conversion Date and all affected Outstanding Bonds are successfully purchased or deemed purchased and remarketed in the new Interest Rate Determination Method on the Conversion Date; and

(E) upon Conversion of any Series of Bonds to a Fixed Rate Period, an Index Rate Period or a Term Rate Period, an Authorized Representative may provide in the Conversion Notice to the applicable Liquidity Provider a request for termination of the Liquidity Instrument with respect to such Bonds to be effective upon such Conversion to a Fixed Rate Period, an Index Rate Period or a Term Rate Period.

**No Conversion During Continuance of Event of Default.** No Conversion is to occur if at the time of such Conversion an Event of Default shall have occurred and be continuing.

**Conversion of Credit Provider Bonds.** Notwithstanding anything to the contrary contained in the Indenture, if all of the Outstanding Bonds of any Series are Credit Provider Bonds, such Bonds may be converted to a Fixed Rate on such Conversion Date as shall be acceptable to the applicable 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 any Bonds of such Series.

**Mechanics of Optional and Mandatory Tenders**

**Purchase of Bonds of a Series**

Delivery of a 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 Bond or any Participant of such Securities Depository to reflect the transfer of the beneficial ownership interest in such 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 Bonds to be purchased pursuant to the Indenture are held by the Trustee on the applicable Purchase Date, such Bonds are to be deemed to have been purchased for all purposes of the Indenture, irrespective of whether or not such Bonds have been delivered to the Trustee or transferred on the books of a Securities Depository for such Bonds, and neither the former Owner or Beneficial Owner of such 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 Bond to be purchased pursuant to the Indenture, the Trustee is to segregate and hold uninvested the moneys for the Purchase Price of such Bond in trust, without liability for interest thereon, for the benefit of the former Owners or Beneficial Owners of such 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 Bond. Any moneys that the Trustee segregates and holds in trust for the payment of the Purchase Price of any 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 Bond is to look only to the Authority for the payment thereof.

**Remarketing of Tendered 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 Bond bearing interest at a Daily Rate to be tendered pursuant to the provisions of the Indenture permitting the Owner to tender such Bond (the "Daily Put Bonds"), the Trustee is to give notice to the Remarketing Agent and the Authority, specifying the principal amount of Bonds for which it has received such notice and the names of the Owner or Owners thereof. The Remarketing Agent will thereupon offer for sale and use its best efforts to find purchasers for such Daily Put Bonds, other than Credit Provider Bonds, which are to be remarketed pursuant to the 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 applicable Liquidity Instrument then in effect with respect to the Tendered Bonds by 12:30 p.m. (New York City time) on such Purchase Date so as to provide by 3:00 p.m. (New York City time) on such Purchase Date an amount sufficient, together with the remarketing proceeds to be available for such purchase, calculated solely on the basis of the notice given by the Remarketing Agent pursuant to the paragraph above, to pay the Purchase Price of the Daily Put Bonds. The 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 Bonds bearing interest at a Weekly Rate to be tendered pursuant to the provisions of the Indenture permitting the Owner to tender such Bond (the "Weekly Put Bonds"), the Trustee is to give notice to the Remarketing Agent and the Authority specifying the principal amount of Bonds for which it has received such notice, the names of the Owner or Owners thereof and the Purchase Date. The Remarketing Agent is to thereupon offer for sale and use its best efforts to find purchasers for such Weekly Put Bonds, other than Credit Provider Bonds, which are to be remarketed pursuant to the 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 applicable Liquidity Instrument then in effect with respect to the Weekly Put Bonds by 12:30 p.m. (New York City time) on such Purchase Date so as to provide by 3:00 p.m. (New York City time) on such Purchase Date an amount sufficient, together with the remarketing proceeds to be available for such purchase, calculated solely on the basis of the notice given by the Remarketing Agent pursuant to the immediately preceding paragraph, to pay the Purchase Price of the Weekly Put Bonds. The 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 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 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 applicable Liquidity Instrument then in effect with respect to the Mandatory Tender Bonds by 12:30 p.m. (New York City time) on such Purchase Date so as to provide by 3:00 p.m. (New York City time) on such Purchase Date an amount sufficient, together with the remarketing proceeds to be available for such purchase, calculated solely on the basis of the notice given by the Remarketing Agent pursuant to the paragraph above, to pay the Purchase Price of the Mandatory Tender Bonds. The 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 a Liquidity Provider that it will not provide sufficient funds from, draws on the applicable Liquidity Instrument to pay the Purchase Price of all such 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 Bonds for which moneys will not be available in the applicable 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 applicable Bond Purchase Fund, such notice to be confirmed immediately by telecopy to the Authority. Such deposit by the Authority is to be at the option of the Authority.

Insufficient Funds. The Indenture provides that if sufficient funds are not available for the purchase of all Bonds tendered and required to be purchased on any Purchase Date, all Bonds of such Series are to bear interest at the lesser of the SIFMA Swap Index plus 3% and the Maximum Interest Rate from the date of such failed purchase until all such Bonds are purchased as required in accordance with the Indenture, and that all tendered Bonds of such Series are to be returned. 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 Providers to purchase all Bonds required to be purchased. The Indenture provides that such failed purchase and return shall not constitute an Event of Default.

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

**Deposits into Accounts in the Bond Purchase Fund**. The terms of any sale by a Remarketing Agent of any 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 Bond by such Remarketing

Agent to the Trustee for deposit in the applicable Remarketing Account of the applicable Bond Purchase Fund in immediately available funds at or before 2:00 p.m. (New York City time) on the Purchase Date. The Remarketing Agent is to cause to be paid to the Trustee on each Purchase Date for tendered or deemed tendered Bonds all amounts representing proceeds of the remarketing of such Bonds, based upon the notice given by the Remarketing Agent pursuant to the Indenture. All such amounts are to be deposited in the applicable Remarketing Account. The Trustee is to deposit in the applicable Liquidity Instrument Purchase Account all amounts received under a Liquidity Instrument pursuant to the Indenture. Upon receipt of any notice from the Trustee that insufficient funds are on deposit in the applicable Bond Purchase Fund to pay the full Purchase Price of all 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 applicable Authority Account. The Trustee is to hold amounts in the applicable Bond Purchase Fund uninvested.

**Disbursements from the Bond Purchase Fund**.

Application of Moneys. Moneys in the applicable Bond Purchase Fund (other than the proceeds of any remarketing of Credit Provider Bonds, which are to be paid to the applicable Liquidity Provider on the remarketing date) are to be applied at or before 3:00 p.m. (New York City time) to the purchase of the applicable Bonds as provided therein by the Trustee, on each Purchase Date, as follows:

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

*Second* – In the event such moneys in the applicable Remarketing Account on any Purchase Date are insufficient to purchase all applicable Bonds tendered or deemed tendered for purchase pursuant to the Indenture on such Purchase Date, moneys in the applicable Liquidity Instrument Purchase Account on such Purchase Date are to be used by the Trustee at that time to purchase such remaining Bonds at the Purchase Price thereof.

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

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

Insufficient Funds. If sufficient funds are not available for the purchase of all Bonds of a Series tendered or deemed tendered and required to be purchased on any Purchase Date (with the exception of Bonds in an Index Rate Period), all Bonds of such Series are to bear interest at the lesser of the SIFMA Swap Index plus three percent and the Maximum Interest Rate from the date of such failed purchase until all such Bonds are purchased as required in accordance with the Indenture, and all tendered Bonds of such Series are to be returned to their respective Owners. Notwithstanding any other provision of the Indenture, such failed purchase and return does not constitute an Event of Default. 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 for such Series of Bonds.

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

Any Bonds purchased with funds in the applicable Liquidity Instrument Purchase Account of the applicable Bond Purchase Fund are to be delivered and held in accordance with the Indenture. Any Bonds purchased with funds in the applicable Authority Account of the applicable Bond Purchase Fund are to be delivered and held in accordance with the instructions of the Authority furnished to the Trustee. Such 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 applicable Liquidity Provider or the Authority, as the case may be.

**Liquidity Instruments**

With respect to the 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 Liquidity Instrument for each Series of Bonds. The Authority may not reduce the amount of the Liquidity Instrument or permit a substitution of a Liquidity Provider thereunder without obtaining a Rating Confirmation with respect to such action unless such action is considered a substitution of the Liquidity Instrument subjecting the Bonds affected thereby to mandatory purchase pursuant to the Indenture. The Authority has the right at any time to provide a substitute Liquidity Instrument for any Liquidity Instrument then in effect. If there have been delivered to the Trustee (i) a substitute 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 Liquidity Instrument and, if so directed by the Authority, on or after the effective date of such substitute Liquidity Instrument, promptly surrender the Liquidity Instrument being so substituted in accordance with the respective terms thereof for cancellation; provided the Trustee will not surrender any Liquidity Instrument until all draws or requests to purchase Bonds made under such Liquidity Instrument have been honored in accordance with the terms thereof. In the event that the Authority elects to provide a substitute Liquidity Instrument, the affected Bonds are to be subject to mandatory tender unless a Rating Confirmation is received with respect to such substitution as provided in the Indenture.

In the event that a Liquidity Instrument is in effect, the Trustee is to make a demand for payment under such Liquidity Instrument, subject to and in accordance with its terms and without seeking indemnity prior to the making of such demand, in order to receive payment thereunder on each Purchase Date.

Any Bonds purchased with payments made under a Liquidity Instrument will constitute Credit Provider Bonds and are to be registered in the name of, or as otherwise directed by, the applicable Liquidity Provider and delivered to or upon the order of, or as otherwise directed by, such Liquidity Provider.

Unless otherwise provided in the Liquidity Instrument, Credit Provider Bonds are to be remarketed by the applicable Remarketing Agent prior to any other Bonds of such Series tendered for purchase pursuant to the Indenture and are to be remarketed in accordance with the terms of the applicable Remarketing Agreement. Upon (i) receipt by the Authority and the Trustee of written notification from a Liquidity Provider that a Liquidity Instrument has been fully reinstated with respect to principal and interest and (ii) release by the applicable Liquidity Provider of any Credit Provider Bonds that the Remarketing Agent has remarketed, such Bonds are to be made available to the purchasers thereof and no longer constitute Credit Provider Bonds for purposes of the Indenture. The proceeds of any remarketing of Credit Provider Bonds are to be paid to the applicable 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 Credit Provider Bond; provided, however, if all such Bonds are Credit Provider Bonds, at par plus accrued interest, and the remarketing date is to be considered an Interest Payment Date.

**Substitute Liquidity Instruments**

So long as any Series of Bonds bear interest at a Variable Rate other than an Index Rate, a Term Rate or a Fixed Rate, on or prior to the expiration or termination of any existing Liquidity Instrument, including any renewals or extensions thereof (other than an expiration of such Liquidity Instrument at the final maturity of the Series of Bonds to which such Liquidity Instrument relates), the Authority is to provide to the Trustee a renewal or extension of the term of the existing Liquidity Instrument for such Series of Bonds or a substitute Liquidity Instrument meeting the following requirements: (i) the obligations of the Liquidity Provider under the substitute Liquidity Instrument to purchase such Bonds or otherwise provide for the Purchase Price of such 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 Liquidity Provider to purchase Bonds of a Series or otherwise provide for the Purchase Price of such Bonds may be immediately suspended or terminated without such notice upon the occurrence of such events as may be provided in a Liquidity Instrument and that are disclosed to the Owners of such Bonds in connection with the provision of such substitute Liquidity Instrument or, if applicable, upon the remarketing of such Bonds upon the mandatory tender thereof as a result of provision of another Liquidity Instrument; (ii) the substitute Liquidity Instrument must take effect on or before the Purchase Date for the applicable Series of Bonds established pursuant to the Indenture; and (iii) the substitute Liquidity Instrument must be in an amount sufficient to pay the maximum Purchase Price of the affected Series of Bonds which is to be applicable during the Rate Period commencing on such substitution.

Prior to the date of the delivery of a substitute Liquidity Instrument to the 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 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 affected Series of Bonds and (ii) an opinion or opinions of counsel to the Liquidity Provider for such substitute Liquidity Instrument addressed to the Trustee, to the effect that the substitute Liquidity Instrument has been duly authorized, executed and delivered by the applicable Liquidity Provider and constitutes the valid, legal and binding obligation of such Liquidity Provider enforceable against such Liquidity Provider in accordance with its terms and (iii) if the affected Series of 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 Liquidity Instrument not later than the fifteenth day prior to the substitution date.

**Purchase of Bonds at Direction of Authority**

If less than all of the Outstanding Bonds of any Series are called for mandatory tender for purchase at the direction of the Authority, the principal amount and maturity of such Bonds to be purchased are to be selected by the Authority in its sole discretion. If less than all of any Series of Bonds of like maturity are to be called for mandatory tender for purchase at the direction of the Authority, the particular Bonds or portions of Bonds to be purchased are to be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that in selecting portions of Bonds for purchase, the Trustee is to treat each Bond of the same Series as representing that number of Bonds of the minimum Authorized Denomination for the Bonds that is obtained by dividing the principal amount of such Bond by the minimum Authorized Denomination for the Bonds.

**Deposit of Bonds**. The Trustee agrees to accept and hold all Bonds delivered to it pursuant to the Indenture in trust for the benefit of the respective Owners or Beneficial Owners that will have so delivered such Bonds until the Optional Purchase Price of such Bonds will have been delivered to or for the account of or to the order of such Owners or Beneficial Owners pursuant to the Indenture. Any Bonds purchased pursuant to the Indenture and registered for transfer to the Trustee are to be held in trust by the Trustee for the benefit of the Authority until delivery to the Authority.

**Payment of Optional Purchase Price of Bonds**. Moneys held by the Trustee for the payment of the Optional Purchase Price of Bonds subject to mandatory tender for purchase at the option of the Authority are to be applied at or before 3:00 p.m. (New York City time) to the purchase of such Bonds. While such Bonds are Book-Entry Bonds, payment of the Optional Purchase Price for tendered Bonds is to be made in accordance with the rules and procedures of the applicable Securities Depository.

**Bonds Owned by Authority**. Any Bonds purchased by the Authority pursuant to the Indenture are not to be cancelled by the Trustee unless such cancellation is directed by an Authorized Representative but are to remain Outstanding for all purposes of the Indenture, except as otherwise provided in the Indenture.

The Authority covenants and agrees in the Indenture that it will not transfer or cause the transfer of any Bond purchased by the Authority pursuant to the Indenture unless the Authority delivers to the Trustee a Favorable Opinion of Bond Counsel with respect to such transfer.

The Authority covenants and agrees in the Indenture that, in the event that at any time there are insufficient funds in the Bond Fund or the Redemption Fund, as applicable, to pay the principal of and interest then due on the Outstanding Bonds, it is to surrender or cause to be surrendered to the Trustee for cancellation any Bonds held by the Authority.

**Funds and Accounts**

**Establishment and Application of Bond Fund**. Not less than three Business Days prior to each date when the Authority is required to pay principal or interest on the 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.

**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 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.

With respect to build America bonds it has issued, the Authority is not to use or permit the use of any proceeds of such Bonds or any funds of the Authority or any funds held by the Trustee under the Indenture, directly or indirectly, in any manner, nor to take or omit to take any action, that would adversely affect the receipt of the Subsidy Payments.

**Toll Rate Covenants**. The Authority covenants that it is at all times to establish and maintain tolls on the Bay Area Bridges at rates sufficient to meet Operations & Maintenance Expenses, to otherwise comply with the Act and to pay debt service on all Outstanding 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.

**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.

**Additional Security.** The Authority irrevocably directs that all Subsidy Payments be made to the Trustee for the payment of interest on Bonds pursuant to this Indenture. Any Subsidy Payments received by the Authority shall be promptly remitted to the Trustee. The Trustee shall deposit all Subsidy Payments to the Interest Account upon receipt thereof and thereby constitute those amounts Revenue. The Trustee shall file such forms with the Internal Revenue Service and take all other such actions as the Authority has notified it in writing may be necessary to request and receive the Subsidy Payments on the Authority's behalf and the Trustee has no responsibility therefor other than following the Authority's written instructions. Unless and until the proposed Build America Bonds Amendment becomes effective, all Subsidy Payments received or expected to be received, as applicable, shall be included in Net Revenue for purposes of the additional bonds test and rate covenants set forth in the Indenture. Upon the effective date of the Build America Bonds Amendment and thereafter, Net Revenue shall be calculated by excluding the Subsidy Payments therefrom but the deposit of the Subsidy Payments to the Interest Account upon receipt thereof shall continue.

**Events of Default and Remedies of Bondholders**

**Events of Default**. The following events shall be Events of Default:

(a) Default in the payment of any interest on any 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.

Notwithstanding the foregoing, pursuant to amendments to the Indenture, the failure to pay the Purchase Price of Bonds is not an Event of Default. See "Mechanics of Optional and Mandatory Tenders" herein.

In case one or more Events of Default occurs, then and in every such case the 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.

**Defeasance of Bonds Supported by a Liquidity Instrument**

A Rating Confirmation is required with respect to the defeasance of any Bonds supported by a Liquidity Instrument.

**Liability of Authority Limited to Revenue**

The Authority is not required to advance any money derived from any source of income other than Revenue as provided in the 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, 20__, by and between the Authority and the Trustee (collectively, the "**Indenture**").

The Authority and the Dissemination Agent covenant and agree as follows:

**Section 1. Purpose of this Disclosure Agreement**. This Disclosure Agreement is being executed and delivered by the Authority for the benefit of the holders and beneficial owners of the Bonds and to assist the Participating Underwriters (defined below) in complying with the Rule (defined below).

**Section 2. Definitions**. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined herein, the following capitalized terms shall have the following meanings:

"**Annual Report**" means any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"**Counsel**" means any nationally recognized bond counsel or counsel expert in federal securities laws.

"**Dissemination Agent**" means 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 [____________], 20__, relating to the Bonds.

"**Participating Underwriters**" means [______________________________].

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

**Section 3. Provision of Annual Reports**.

(a) The Authority shall provide, or shall cause the Dissemination Agent to provide, to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement by not later than 270 days after the end of the Authority's fiscal year in each year commencing with the report for 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 October 15, 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 October 15, 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 October 15, 2009, under the caption "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 end 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<br>101 Eighth Street<br>Oakland, California 94607<br>Attention: Chief Financial Officer<br>Phone: (510) 817-5730<br>Fax: (510) 817-5934 |
| If to the Trustee/Dissemination Agent: | Union Bank, N.A.<br>350 California Street, 11th Floor<br>San Francisco, California 94104<br>Attention: Corporate Trust Department<br>Phone: (415) 273-2518<br>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: [______________], 20__

**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: ________________________________________

ACKNOWLEDGED:

**UNION BANK, N.A.,**
as Trustee

By: ________________________________________
Its: ________________________________________

## EXHIBIT A

## NOTICE TO THE MSRB OF FAILURE TO FILE DISCLOSURE REPORT

Name of Issuer:

Bay Area Toll Authority

Name of Bond Issue:

San Francisco Bay Area Toll Bridge Revenue Bonds ____ Series __

Date of Issuance: [__________], 20__

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board (the "MSRB") that the Authority has not provided an annual Disclosure Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of [__________], 20__, by the Authority and 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 PROJECTS[1]

| RM2 Project | Authorized Amounts |
|---|---|
| BART/MUNI Connection at Embarcadero and Civic Center Stations | $ 3,000,000 |
| MUNI Metro Third Street Light Rail Line | 30,000,000 |
| MUNI Waterfront Historic Streetcar Expansion | 10,000,000 |
| East to West Bay Commuter Rail Service over the Dumbarton Rail Bridge | 44,000,000 |
| Vallejo Station | 28,000,000 |
| Solano County Express Bus Intermodal Facilities | 20,000,000 |
| Solano County Corridor Improvements near Interstate 80/Interstate 680 Interchange | 100,000,000 |
| Interstate 80: Eastbound High-Occupancy Vehicle (HOV) Lane Extension from Route 4 to Carquinez Bridge | 50,000,000 |
| Richmond Parkway Transit Center | 16,000,000 |
| Sonoma-Marin Area Rail Transit District (SMART) Extension to Larkspur or San Quentin | 35,000,000 |
| Greenbrae Interchange/Larkspur Ferry Access Improvements | 65,000,000 |
| Direct High-Occupancy Vehicle (HOV) lane connector from Interstate 680 to the Pleasant Hill or Walnut Creek BART Stations | 15,000,000 |
| Rail Extension to East Contra Costa/E-BART | 96,000,000 |
| Capital Corridor Improvements in Interstate 80/Interstate 680 Corridor | 25,000,000 |
| Central Contra Costa Bay Area Rapid Transit (BART) Crossover | 25,000,000 |
| Regional Express Bus North | 20,000,000 |
| TransLink | 22,000,000 |
| Real-Time Transit Information | 20,000,000 |
| Safe Routes to Transit | 22,500,000 |
| BART Tube Seismic Strengthening | 71,000,000 |
| Transbay Terminal/Downtown Caltrain Extension | 150,000,000 |
| Oakland Airport Connector | 78,000,000 |
| AC Transit Enhanced Bus-Phase 1 on Telegraph Avenue, International Boulevard, and East 14th Street | 65,000,000 |
| Commute Ferry Service for Alameda/Oakland/Harbor Bay | 12,000,000 |
| Commute Ferry Service for Berkeley/Albany | 12,000,000 |
| Commute Ferry Service for South San Francisco | 12,000,000 |
| Water Transit Facility Improvements, Spare Vessels, and Environmental Review Costs | 48,000,000 |
| Regional Express Bus Service for San Mateo, Dumbarton, and San Francisco-Oakland Bay Bridge Corridors | 22,000,000 |
| I-880 North Safety Improvements | 10,000,000 |
| BART Warm Springs Extension | 186,000,000 |
| I-580 (Tri Valley) Rapid Transit Corridor Improvements | 65,000,000 |
| Regional Rail Master Plan | 6,500,000 |
| Integrated Fare Structure Program | 1,500,000 |
| Transit Commuter Benefits Promotion | 5,000,000 |
| Caldecott Tunnel Improvements | 50,500,000 |
| BART Transit Capital Match | 24,000,000 |
| TOTAL | $1,465,000,000 |

[1] RM2 also authorizes $50 million for the construction of the Benicia-Martinez Bridge in addition to amounts authorized under RM1, bringing the total project authorizations under RM2 to $1.515 billion.

(This page intentionally left blank)