

NEW ISSUE – BOOK-ENTRY ONLY

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

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Series 2017A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2017 Bonds is exempt from State of California personal income taxes. Bond Counsel further observes that interest on the Series 2017B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2017 Bonds. See "TAX MATTERS" herein.



\$185,505,000

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
SALES TAX REVENUE BONDS



\$118,260,000

2017 REFUNDING SERIES A
(GREEN BONDS)

\$67,245,000

2017 REFUNDING SERIES B (FEDERALLY TAXABLE)
(GREEN BONDS)

Dated: Date of Delivery

Due: **July 1**, as shown on the inside cover

The San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2017 Refunding Series A (Green Bonds) (the "Series 2017A Bonds") and 2017 Refunding Series B (Federally Taxable) (Green Bonds) (the "Series 2017B Bonds" and, together with the Series 2017A Bonds, the "Series 2017 Bonds") are being issued by the San Francisco Bay Area Rapid Transit District (the "District") to, along with other District funds, provide sufficient funds to (i) refund all or a portion of the District's Sales Tax Revenue Bonds, Refunding Series 2010, the District's Sales Tax Revenue Bonds, 2012 Series A, and the District's Sales Tax Revenue Bonds, 2012 Series B (Federally Taxable) and (ii) fund costs of issuance associated with the Series 2017 Bonds. See "PLAN OF REFUNDING" herein. The Series 2017 Bonds are deliverable in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Series 2017 Bonds will be made in principal amounts of \$5,000 and integral multiples thereof and will be in book-entry-only form. Purchasers of the Series 2017 Bonds will not receive bonds representing their beneficial ownership in the Series 2017 Bonds but will receive a credit balance on the books of their respective DTC Direct Participants or DTC Indirect Participants.

Interest on the Series 2017 Bonds is payable on January 1 and July 1 of each year, commencing July 1, 2018, and the principal of the Series 2017 Bonds is payable July 1 in the amounts and the years set forth on the inside cover by U.S. Bank National Association, as trustee, to Cede & Co., and such interest and principal payments are to be disbursed to the beneficial owners of the Series 2017 Bonds through their respective DTC Direct Participants or DTC Indirect Participants.

The Series 2017 Bonds are subject to redemption prior to maturity as described herein. See "DESCRIPTION OF THE SERIES 2017 BONDS" herein.

The Series 2017 Bonds are special obligations of the District, payable from and secured by a pledge of Sales Tax Revenues derived from a transaction and use tax levied by the District in Alameda and Contra Costa Counties and the City and County of San Francisco, as more fully described herein. The Series 2017 Bonds are issued on a parity with certain other bonds issued by the District and currently outstanding. See "SECURITY FOR THE SERIES 2017 BONDS" herein.

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

The Series 2017 Bonds will be offered when, as and if issued by the District and received by the Underwriters, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by its General Counsel, Matthew Burrows, Esq., and by Orrick, Herrington & Sutcliffe LLP, Disclosure Counsel to the District. Certain legal matters will be passed upon for the Underwriters by their counsel, Curls Bartling P.C. The Series 2017 Bonds in book-entry-only form are expected to be delivered through the facilities of DTC on or about December 28, 2017.

Barclays

Goldman Sachs & Co. LLC

Fidelity Capital Markets

J.P. Morgan

The date of this Official Statement is December 14, 2017.

\$118,260,000
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
SALES TAX REVENUE BONDS
2017 REFUNDING SERIES A
(GREEN BONDS)

MATURITY SCHEDULE

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP[†] (Base: 797669)
2023	\$9,185,000	5.000%	1.590%	XD5
2024	12,065,000	5.000	1.670	XE3
2025	12,520,000	5.000	1.730	XF0
2026	13,105,000	5.000	1.830	XG8
2027	13,665,000	5.000	1.900	XH6
2028	14,250,000	5.000	2.000*	XJ2
2029	7,215,000	5.000	2.090*	XK9
2030	7,465,000	5.000	2.170*	XL7
2031	7,715,000	5.000	2.240*	XM5
2032	7,945,000	4.000	2.610*	XN3
2033	8,145,000	4.000	2.650*	XP8
2034	4,985,000	3.000	3.078	XQ6

\$67,245,000
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
SALES TAX REVENUE BONDS
2017 REFUNDING SERIES B
(FEDERALLY TAXABLE) (GREEN BONDS)

MATURITY SCHEDULE

Maturity Date (July 1)	Principal Amount	Interest Rate	Price	CUSIP[†] (Base: 797669)
2018	\$1,200,000	1.911%	100.000	XR4
2019	8,200,000	2.011	100.000	XS2
2020	8,795,000	2.169	100.000	XT0
2021	15,995,000	2.387	100.000	XU7
2022	17,995,000	2.537	100.000	XV5
2023	15,060,000	2.621	100.000	XW3

* Yield to the par call date of July 1, 2027.

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This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor will there be any offer or solicitation or sale of the Series 2017 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the San Francisco Bay Area Rapid Transit District (the "District") or the underwriters identified on the cover page of this Official Statement (the "Underwriters") to give any information or to make any representation other than that contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized. Neither the delivery of this Official Statement nor the sale of any of the Series 2017 Bonds implies that the information herein is correct as of any time subsequent to the date hereof. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2017 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. All summaries of statutes and documents are made subject to the provisions of such statutes and documents, respectively, and do not purport to be complete statements of any or all of such provisions.

The information set forth herein has been obtained from sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. (No representation, warranty or guarantee is made by the Municipal Advisor as to the accuracy or completeness of any information in this Official Statement, including, without limitation, the information contained in the appendices hereto, and nothing contained in this Official Statement is or will be relied upon as a promise or representation by the Municipal Advisor.)

FORWARD LOOKING STATEMENTS

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

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

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

The Series 2017 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein, and have not been registered or qualified under the securities laws of any state.

The District maintains a website. References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specifically indicated otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement and should not be relied upon in making investment decisions with respect to the Series 2017 Bonds.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2017 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2017 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2017 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

CERTIFICATION AS CLIMATE BONDS

The Climate Bonds Initiative has provided the following paragraphs for inclusion in this official statement: The certification of the Series 2017 Bonds as Climate Bonds by the Climate Bonds Initiative is based solely on the Climate Bonds Standard and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the Series 2017 Bonds or any Nominated Project, including but not limited to the Official Statement, the transaction documents, the District or the management of the District.

The certification of the Series 2017 Bonds as Climate Bonds by the Climate Bonds Initiative was addressed solely to the board of directors of the District and is not a recommendation to any person to purchase, hold or sell the Series 2017 Bonds and such certification does not address the market price or suitability of the Series 2017 Bonds for a particular investor. The certification also does not address the merits of the decision by the District or any third party to participate in any Nominated Project and does not express and should not be deemed to be an expression of an opinion as to the District or any aspect of any Nominated Project (including but not limited to the financial viability of any Nominated Project) other than with respect to conformance with the Climate Bonds Standard.

In issuing or monitoring, as applicable, the certification, the Climate Bonds Initiative has assumed and relied upon and will assume and rely upon the accuracy and completeness in all material respects of the information supplied or otherwise made available to the Climate Bonds Initiative. The Climate Bonds Initiative does not assume or accept any responsibility to any person for independently verifying (and it has not verified) such information or to undertake (and it has not undertaken) any independent evaluation of any Nominated Project or the District. In addition, the Climate Bonds Initiative does not assume any obligation to conduct (and it has not conducted) any physical inspection of any Nominated Project. The certification may only be used with the Series 2017 Bonds and may not be used for any other purpose without the Climate Bonds Initiative's prior written consent.

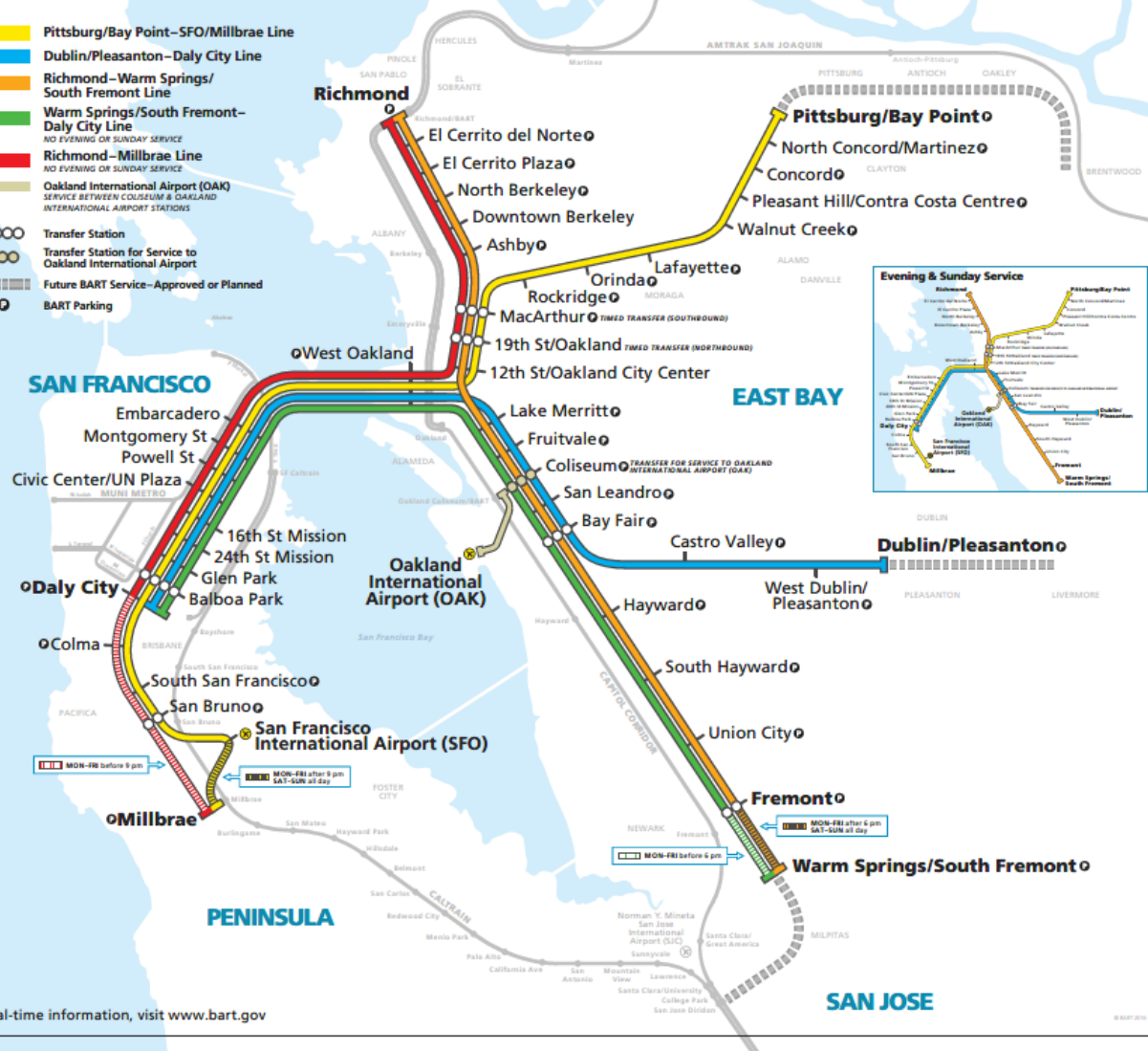
The certification does not and is not in any way intended to address the likelihood of timely payment of interest when due on the Series 2017 Bonds and/or the payment of principal at maturity or any other date.

The certification may be withdrawn at any time in the Climate Bonds Initiative's sole and absolute discretion and there can be no assurance that such certification will not be withdrawn.

BART System Map



- Pittsburg/Bay Point–SFO/Millbrae Line
- Dublin/Pleasanton–Daly City Line
- Richmond–Warm Springs/South Fremont Line
- Warm Springs/South Fremont–Daly City Line
- Richmond–Millbrae Line
- Oakland International Airport (OAK) SERVICE BETWEEN COLUSA & OAKLAND INTERNATIONAL AIRPORT STATIONS
- Transfer Station
- Transfer Station for Service to Oakland International Airport
- Future BART Service—Approved or Planned
- BART Parking



For real-time information, visit www.bart.gov

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SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

**300 Lakeside Drive, 23rd Floor
Oakland, California 94612**

BOARD OF DIRECTORS*

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Thomas Blalock <i>Director</i>	Bevan Dufty <i>Director</i>	Joel Keller <i>Director</i>
Nicholas Josefowitz <i>Director</i>	John McPartland <i>Director</i>	Lateefah Simon <i>Director</i>

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Rosemarie V. Poblete – Controller/Treasurer
Kenneth A. Duron – District Secretary
Russell G. Bloom – Independent Police Auditor

GENERAL COUNSEL

Matthew Burrows, Esq.

TRUSTEE

U.S. Bank National Association
San Francisco, California

BOND COUNSEL AND DISCLOSURE COUNSEL

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

MUNICIPAL ADVISOR

Sperry Capital Inc.
Sausalito, California

VERIFICATION AGENT

The Arbitrage Group, Inc.
Houston, Texas

* The Board of Directors is expected, as is its tradition, to choose a new President and Vice President of the Board from among its members at its last meeting of the calendar year which this year falls on December 21, 2017.

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OFFICIAL STATEMENT

\$118,260,000
SAN FRANCISCO BAY AREA RAPID TRANSIT
DISTRICT
SALES TAX REVENUE BONDS
2017 REFUNDING SERIES A
(GREEN BONDS)

\$67,245,000
SAN FRANCISCO BAY AREA RAPID TRANSIT
DISTRICT
SALES TAX REVENUE BONDS
2017 REFUNDING SERIES B
(FEDERALLY TAXABLE) (GREEN BONDS)

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to set forth certain information in connection with the issuance by the San Francisco Bay Area Rapid Transit District (the “District” or “BART”) of \$118,260,000 aggregate principal amount of San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2017 Refunding Series A (Green Bonds) (the “Series 2017A Bonds”) and \$67,245,000 aggregate principal amount of San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2017 Refunding Series B (Federally Taxable) (Green Bonds) (the “Series 2017B Bonds” and, together with the Series 2017A Bonds, the “Series 2017 Bonds”).

The District was created in 1957 pursuant to the laws of the State of California (the “State”) to provide rapid transit service in the San Francisco Bay area. The District is composed of all of the area in the Counties of Alameda and Contra Costa and the City and County of San Francisco (herein referred to as the “Three BART Counties”). In addition, the District owns property within the County of San Mateo on which BART facilities are located, and the District acquired the right to use additional right of way and station locations in connection with the extension of its rapid transit system (the “BART System”) to the San Francisco International Airport (“SFO”) located in the County of San Mateo. Extension of the BART System to the County of Santa Clara is currently under construction. The District’s transit system extends over 100 miles and is the major transit provider of transbay traffic from the East Bay to downtown San Francisco, averaging over 231,000 transbay passengers each weekday and over 125 million passengers annually. The District is governed by an elected board of directors consisting of nine members. For additional information concerning the District, see APPENDIX A – “SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT FINANCIAL AND OPERATING INFORMATION.”

Authority for Issuance and Purpose and Application of Proceeds

The Series 2017 Bonds are to be issued pursuant to the laws of the State of California, including Article 2, Chapter 7, Part 2, Division 10 of the California Public Utilities Code, as amended from time to time, and applicable portions of the Revenue Bond Law of 1941, as amended from time to time and Articles 10 and 11 of Chapter 3, Part 1 of Division 2 of Title 5 of the Government Code (collectively, the “Act”) and pursuant to a Master Indenture, dated as of September 1, 2012 (the “Master Indenture”), between the District and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented and amended (the “Indenture”) including as supplemented by the Fourth Supplemental Indenture, dated as of December 1, 2017 (the “Fourth Supplemental Indenture”), between the District and the Trustee.

Bonds issued under the Indenture are parity debt to the outstanding bonds issued pursuant to the indenture dated as of July 1, 1990 (as supplemented and amended, the “1990 Indenture”), between the District and U.S. Bank National Association, as successor trustee. Upon the issuance of the Series 2017

Bonds and the defeasance of the Refunded Bonds (as defined herein), there will be no remaining Bonds Outstanding under the 1990 Indenture and the 1990 Indenture will be discharged.

Security

General. The Series 2017 Bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues derived from a seventy-five percent (75%) portion of a transactions and use tax levied by the District in Alameda and Contra Costa Counties and the City and County of San Francisco in an amount equal to one-half of one percent (0.5%) of gross retail receipts, as more fully described herein. See “SECURITY FOR THE SERIES 2017 BONDS.”

Outstanding Bonds. The Series 2017 Bonds are issued on a parity with certain outstanding bonds of the District issued pursuant to the parity 1990 Indenture and the Indenture. Prior to the issuance of the Series 2017 Bonds, the outstanding bonds consist of the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Refunding Series 2010 (the “Series 2010 Bonds”) issued in the principal amount of \$129,595,000, of which \$115,095,000 are Outstanding, the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Refunding Series 2012 A (the “Series 2012A Bonds”) issued in the principal amount of \$130,475,000, of which \$117,060,000 are Outstanding, the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Refunding Series 2012 B (the “Series 2012B Bonds”) issued in the principal amount of \$111,085,000, of which \$99,635,000 are Outstanding, the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2015 Refunding Series A (the “Series 2015A Bonds”) issued in the principal amount of \$186,640,000, of which \$155,655,000 are Outstanding, and the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2016 Refunding Series A (the “Series 2016A Bonds”) issued in the principal amount of \$83,800,000, of which \$83,800,000 are Outstanding. The Series 2017 Bonds are being issued to refund all or a portion of the Series 2010 Bonds, the Series 2012A Bonds and the Series 2012B Bonds. The Series 2010 Bonds, the Series 2012A Bonds, the Series 2012B Bonds, the Series 2015A Bonds, the Series 2016A Bonds, the Series 2017A Bonds and the Series 2017B Bonds, together with any future series of parity bonds, are hereinafter collectively referred to as the “Bonds.”

References

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to the entire contents of this Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein, a full review of which should be made by potential investors. All descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. The offering of the Series 2017 Bonds is made only by means of this entire Official Statement and is subject in all respects to the information contained herein. All capitalized terms used and not otherwise defined herein will have the meanings assigned to such terms in APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions” or, if not defined therein, in the Indenture.

PLAN OF REFUNDING

The District intends to apply the proceeds of the Series 2017 Bonds, together with other funds of the District, to advance refund all of the Series 2010 Bonds and a portion of the Series 2012A Bonds, and the Series 2012B Bonds, and to pay costs of issuance of the Series 2017 Bonds. Upon the issuance of the Series 2017 Bonds and defeasance of the Series 2010 Bonds, the 1990 Indenture will be discharged. The Series 2010 Bonds, the Series 2012A Bonds and the Series 2012B Bonds to be refunded by the Series 2017 Bonds are hereinafter collectively referred to as the “Refunded Bonds.” The Refunded Bonds that will be defeased upon issuance of the Series 2017 Bonds are set forth below. See “ESTIMATED SOURCES AND USES OF FUNDS” and “VERIFICATION OF MATHEMATICAL ACCURACY.”

The moneys required to refund the Refunded Bonds will be derived from the net proceeds of the Series 2017 Bonds and other available funds. The Refunded Bonds subject to redemption prior to maturity are expected to be redeemed on the respective dates set forth below. Pursuant to the Escrow Agreement to be entered into between the District and the U.S. Bank National Association, as escrow agent for the Refunded Bonds (the “Escrow Agent”), such moneys will be deposited in the escrow fund established for the Refunded Bonds (the “Escrow Fund”) and held in cash or applied to purchase direct obligations of, or obligations of certain agencies unconditionally guaranteed by, the United States of America (the “Government Securities”). The Government Securities will be purchased and held by the Escrow Agent in the Escrow Fund in an amount sufficient to redeem the Refunded Bonds on their respective redemption dates, at a redemption price equal to the principal amount of the Refunded Bonds to be redeemed, plus interest thereon to the redemption date and to pay principal maturing prior to the redemption date for the Series 2010 Bonds and interest on the Refunded Bonds to their respective maturity or redemption dates. See “VERIFICATION OF MATHEMATICAL ACCURACY.”

The Refunded Bonds that the District will defease in whole or in part upon issuance of the Series 2017 Bonds are set forth below.

**San Francisco Bay Area Rapid Transit District
Sales Tax Revenue Bonds, Series 2010
Redemption Date: July 1, 2020
Redemption Price: 100%**

Maturity Date (July 1)	Interest Rate	Defeased Principal Amount	CUSIP* (Base: 797669)
2018	4.000%	\$3,165,000	TS7
2019	5.000	10,490,000	TT5
2020	5.000	11,020,000	TU2
2021	5.000	17,065,000	TV0
2022	5.000	17,920,000	TW8
2023	5.000	18,815,000	TX6
2024	5.000	6,630,000	TY4
2025	5.000	6,955,000	TZ1
2026	5.000	7,305,000	UA4
2027	5.000	7,675,000	UB2
2028	5.000	8,055,000	UC0

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Total

\$115,095,000

**San Francisco Bay Area Rapid Transit District
Sales Tax Revenue Bonds, Series 2012 A
Redemption Date: July 1, 2022
Redemption Price: 100%**

Maturity Date (July 1)	Interest Rate	Defeased Principal Amount	Unrefunded Principal Amount	CUSIP* (Base: 797669)
2023	5.000%	\$1,230,000	\$3,325,000	VB1
2024	5.000	1,340,000	3,610,000	VC9
2025	5.000	1,455,000	3,915,000	VD7
2026	5.000	1,575,000	4,250,000	VE5
2027	5.000	1,710,000	4,605,000	VF2
2028	5.000	1,845,000	4,980,000	VG0
2029	5.000	1,990,000	5,370,000	VH8
2030	5.000	2,140,000	5,780,000	VJ4
2031	5.000	2,305,000	6,225,000	VK1
2032	5.000	2,480,000	6,690,000	VL9
2036	5.000	8,750,000	23,585,000	VM7
Total		\$26,820,000	\$72,335,000	

**San Francisco Bay Area Rapid Transit District
Sales Tax Revenue Bonds, Series 2012 B (Federally Taxable)
Redemption Date: July 1, 2022
Redemption Price: 100%**

Maturity Date (July 1)	Interest Rate	Defeased Principal Amount	CUSIP* (Base: 797669)
2027	3.477%	\$15,670,000	UN6
2032	4.087	18,815,000	UP1
2042	4.287	51,540,000	UQ9
Total		\$86,025,000	

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CLIMATE BOND CERTIFIED

The information set forth under this caption “Climate Bond Certified” concerning (1) the Climate Bonds Initiative (the “Climate Bonds Initiative”) and the process for obtaining Climate Bond Certification (the “Climate Bond Certification”), and (2) First Environment, Inc. (“First Environment”) in its role as a verifier with respect to the Climate Bond Certification, all as more fully described below, has been extracted from materials provided by the Climate Bonds Initiative and First Environment, respectively, for such purposes, and none of such information is guaranteed as to accuracy or completeness or is to be construed as a representation by the District or the Underwriters. Additional information relating to the Climate Bonds Initiative, the Climate Bonds Standard, the Certification Process (defined herein) and the process for obtaining Climate Bond Certification can be found at www.climatebonds.net. This hyperlink is included for reference only and the information contained therein is not incorporated by reference in this Official Statement.

The terms “Climate Bond Certified” and “green bonds” are neither defined in, nor related to the Indenture, and their use herein is for identification purposes only and is not intended to provide or imply that a holder of the Series 2017 Bonds is entitled to any additional security other than as provided in the Indenture. The District has no continuing legal obligation to maintain the Climate Bond Certification of the Series 2017 Bonds.

Introduction. Green Bonds, also known as Climate Bonds, were popularized in 2008 as a method for raising capital for climate-friendly projects across the globe. In 2016, \$81 billion in Climate Bonds were issued worldwide, according to the Climate Bonds Initiative, an international nongovernmental, nonprofit organization dedicated to stimulating investment in projects and assets supporting environmental sustainability. The District has requested, and the Climate Bonds Standard Board has approved, the labeling of the Series 2017 Bonds as “Climate Bond Certified” based on the Climate Bonds Standard Verification Statement provided by First Environment. First Environment’s factual findings assessed that the Series 2017 Bonds were used on projects conforming to the Climate Bonds – Low Carbon Land Transport Standard.

The Climate Bonds Initiative and Climate Bond Certification. The Series 2017 Bonds are being issued to finance or refinance projects that assist the District in providing mass transit services using an electrified railway that provides a low-carbon alternative to automobile travel. BART’s sustainability statistics include the following estimates:

- (i) 1,844,516,471 passenger miles traveled in 2016;
- (ii) 433,394 average weekday exits in 2016;
- (iii) 14.7 miles average trip length in 2016;
- (iv) 139,116 gallons of gasoline saved from all riders for one typical weekday;
- (v) 2,724,313 pounds of carbon dioxide emissions avoided from automobiles otherwise used by riders for one typical weekday;
- (vi) 283,325,856 kilowatt-hours of traction power in 2016;
- (vii) BART trains are 100% electric, and in 2017 approximately 97% of such power comes from low- and zero-carbon sources, including solar and hydro facilities; and

(viii) According to a 2010 U.S. Department of Transportation Federal Transit Administration report titled “Public Transportation’s Role in Responding to Climate Change,” BART was the country’s cleanest major transit system in its class emitting fewer pounds of carbon dioxide per passenger mile than any other transit system.

As such, the District applied to the Climate Bonds Initiative under the Climate Bonds Standard & Certification Scheme (the “Certification Process”) for designation of the Series 2017 Bonds as “Climate Bond Certified.” The Certification Process is a voluntary verification initiative which allows the District to demonstrate to the investor market, the users of the District’s transportation system, and other stakeholders that the Series 2017 Bonds meet international standards for climate integrity, management of proceeds and transparency. The Certification Process provides a scientific framework for determining which projects and assets are consistent with a low carbon and climate resilient economy and, therefore, eligible for inclusion in a Certified Climate Bond. The Certification Process relating to the Series 2017 Bonds includes pre-issuance and post-issuance requirements.

The pre-issuance requirements are designed to ensure that the District has established appropriate internal processes and controls prior to issuance of the Series 2017 Bonds, and that these internal processes and controls are sufficient to enable conformance with the Certification Process after the Series 2017 Bonds have been issued and bond proceeds are expended. The District does not intend to conduct periodic post-issuance assurance.

DESCRIPTION OF THE SERIES 2017 BONDS

General

The Series 2017 Bonds will be dated as of their date of issuance and mature at the times and in the principal amounts as set forth on the inside cover page of this Official Statement. Interest on the Series 2017 Bonds will be payable on January 1 and July 1 of each year, commencing July 1, 2018. Interest on the Series 2017 Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

The Series 2017 Bonds will be delivered in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2017 Bonds. Beneficial Ownership interests in the Series 2017 Bonds may be purchased by or through a DTC Participant (as described below) in book-entry-only form in denominations of \$5,000 or any integral multiple thereof. See APPENDIX F – “DTC AND THE BOOK-ENTRY-ONLY SYSTEM.”

Optional Redemption

The Series 2017A Bonds maturing on or before July 1, 2027 are not subject to redemption prior to their stated maturities. The Series 2017A Bonds maturing on or after July 1, 2028 will be subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after July 1, 2027, at the principal amount of Series 2017A Bonds called for redemption plus interest accrued thereon to the date fixed for redemption without premium.

The Series 2017B Bonds maturing on July 1, 2018 are not subject to redemption prior to their stated maturity. The Series 2017B Bonds maturing on or after July 1, 2019 will be subject to redemption prior to their stated maturities, at the option of the District, from any source of available funds, as a whole or in part, on any date, at a redemption price equal to the greater of:

- (1) 100% of the principal amount of the Series 2017B Bonds to be redeemed; or
- (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2017B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2017B Bonds are to be redeemed, discounted to the date on which such Series 2017B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described below) plus (i) with respect to such Series 2017B Bonds maturing on July 1, 2019 to July 1, 2021, 5 basis points, or (ii) with respect to such Series 2017B Bonds maturing on July 1, 2022 to July 1, 2023, 10 basis points,

plus, in each case, accrued interest on such Series 2017B Bonds to be redeemed to the redemption date.

“Treasury Rate” means, with respect to any redemption date for a particular Series 2017B Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2017B Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Selection of Bonds for Redemption

The District will designate which maturities of Series 2017 Bonds are to be called for redemption pursuant to the Indenture. If less than all of the Series 2017A Bonds maturing on a specific maturity date are called for redemption, the Trustee will select the Series 2017A Bonds of such maturity to be redeemed from the outstanding Series 2017A Bonds of such maturity not previously called for redemption, in minimum denominations of \$5,000 (of principal), by lot in any manner which the Trustee in its sole discretion deems appropriate.

If less than all of the Series 2017B Bonds of a maturity shall be called for redemption, such Series 2017B Bonds of a maturity shall be redeemed in part, on a pro rata basis in authorized denominations; provided that, so long as the Series 2017B Bonds are held in book-entry-only form, the selection for redemption of such Series 2017B Bonds of a maturity shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata basis, the Series 2017B Bonds will be selected for redemption in accordance with DTC procedures, by lot or in such other manner as is in accordance with applicable DTC operational arrangements. Neither the District nor the Underwriters can provide any assurance that DTC, DTC’s direct and indirect participants, or any other intermediary will allocate partial redemptions among beneficial owners of the Series 2017B Bonds of a maturity on a pro rata basis. See APPENDIX F – “DTC AND THE BOOK-ENTRY-ONLY SYSTEM.”

Purchase In Lieu of Redemption

Pursuant to the Indenture, the District has the option to purchase the Series 2017 Bonds at any time that the Series 2017 Bonds are subject to optional redemption as provided in the Indenture at a purchase price equal to the redemption price then applicable to such Series 2017 Bonds in which case such Series 2017 Bonds purchased in lieu of redemption may be remarketed and would remain

outstanding after such purchase. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Notwithstanding the foregoing, the District always retains the right to purchase the Series 2017 Bonds in the open market, at market rates, for cancellation.

Notice of Redemption

Notice of any redemption of Series 2017 Bonds will be mailed by the Trustee by first class mail to the Owner of any Series 2017 Bonds designated for redemption at least 20 but not more than 60 days prior to the redemption date (but failure to receive any such notice or any defect therein will not affect the sufficiency of the redemption proceedings).

With respect to any notice of optional redemption of Series 2017 Bonds delivered pursuant to the Indenture, unless, upon the giving of such notice, such Series 2017 Bonds will be deemed to have been paid within the meaning of the Indenture, such notice will state that such redemption will be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, such Series 2017 Bonds to be redeemed, and that if such amounts will not have been so received said notice will be of no force and effect and the District will not be required to redeem such Series 2017 Bonds. In the event that such notice of redemption contains such a condition and such amounts are not so received, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice to the Owners to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the same manner and to the same parties, as notice of such redemption was given pursuant to the Indenture.

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

Book-Entry-Only System

As noted above, DTC will act as securities depository for the Series 2017 Bonds. See APPENDIX F – “DTC AND THE BOOK-ENTRY-ONLY SYSTEM.”

Payments of interest on, principal of and premium, if any, on the Series 2017 Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the Series 2017 Bonds. Each such payment to DTC or its nominee will be valid and effective to fully discharge all liability of the District or the Trustee with respect to the principal, redemption price of or interest on the Series 2017 Bonds to the extent of the sum or sums so paid.

The District and the Trustee cannot and do not give any assurances that DTC Participants or DTC Indirect Participants will distribute to the Beneficial Owners (i) payments of interest and principal with respect to the Series 2017 Bonds, (ii) confirmation of ownership interests in the Series 2017 Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as Owner of the Series 2017 Bonds, or that they will do so on a timely basis.

Payments Upon Abandonment of Book-Entry-Only System

In the event that the book-entry-only system ceases to be used with respect to the Series 2017 Bonds, payment of interest on the Series 2017 Bonds will be made by check mailed by first class mail on each interest payment date to the Owners thereof as of the close of business on the fifteenth (15th) day of the calendar month immediately preceding such interest payment date; provided, however, that Owners of at least \$1,000,000 aggregate principal amount of Series 2017 Bonds may, at any time prior to the fifteenth day of the calendar month immediately preceding such interest payment date, give the Trustee written instructions for payment of such interest on each succeeding interest payment date by wire transfer. Principal of, and premium, if any, on the Series 2017 Bonds will be payable at the corporate trust office of the Trustee designated for such purpose. The Series 2017 Bonds will be in the form of fully registered Bonds and will be issued in denominations of \$5,000 or any integral multiple thereof.

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

The book-entry-only system for registration of the ownership of the Series 2017 Bonds in book-entry-only form may be discontinued at any time if: (1) after notice to the District and the Trustee, DTC determines to resign as securities depository for the Series 2017 Bonds; or (2) after notice to DTC and the Trustee, the District determines that a continuation of the system of book-entry transfers through DTC (or through a successor securities depository) is not in the best interests of the District. In each of such events (unless, in the case described in clause (1) above, the District appoints a successor securities depository), the Series 2017 Bonds will be delivered in such denominations and registered in the names of such persons as are requested in a certificate of the District, but without any liability on the part of the District or the Trustee for the accuracy of such designation. Whenever DTC requests the District and the Trustee to do so, the District and the Trustee will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of or to print bonds evidencing the Series 2017 Bonds. Thereafter, all Series 2017 Bonds are transferable or exchangeable as described in the Indenture.

ESTIMATED SOURCES AND USES OF FUNDS

Bonds: Set forth below are the estimated sources and uses of funds in connection with the Series 2017

Sources of Funds:

Principal Amount of Series 2017A Bonds	\$118,260,000.00
Principal Amount of Series 2017B Bonds	67,245,000.00
Net Original Issue Premium	24,813,728.45
Other Funds ⁽¹⁾	<u>42,716,019.14</u>

Total Sources: \$253,034,747.59

Uses of Funds:

Refunding Escrow Deposit for Series 2010 Bonds ⁽²⁾	\$126,039,065.65
Refunding Escrow Deposit for Series 2012A and Series 2012B Refunded Bonds ⁽²⁾	126,098,822.55
Costs of Issuance ⁽³⁾	<u>896,859.39</u>

Total Uses: \$253,034,747.59

⁽¹⁾ Includes funds released from 1990 Indenture and unspent proceeds of the Series 2012B Bonds.

⁽²⁾ See "PLAN OF REFUNDING."

⁽³⁾ Includes Underwriters' discount, rating agency fees, trustee fees, trustee counsel fees, escrow agent fees and expenses, verification agent fees, printing costs, Bond and Disclosure Counsel and Financial Advisor fees and expenses and other miscellaneous expenses. For details regarding the Underwriters' discount, see "UNDERWRITING."

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DEBT SERVICE REQUIREMENTS

The debt service requirements for the Outstanding Series 2012A Bonds, the Series 2012B Bonds, the Series 2015A Bonds, the Series 2016A Bonds and the debt service of the Series 2017 Bonds are shown in the following table. The debt service of the Refunded Bonds being defeased upon issuance of the Series 2017 Bonds is excluded from the following table.

Fiscal Year	Outstanding Sales Tax Bonds*	Series 2017 Bonds			Total Bond Debt Service†
	2012 Indenture	Principal	Interest	Total	
2018	\$45,093,331	-	-	-	\$45,093,331
2019	36,618,030	\$1,200,000	\$7,313,122	\$8,513,122	45,131,152
2020	30,827,476	8,200,000	7,158,671	15,358,671	46,186,147
2021	30,986,493	8,795,000	6,980,838	15,775,838	46,762,331
2022	25,755,617	15,995,000	6,694,556	22,689,556	48,445,173
2023	25,861,424	17,995,000	6,275,389	24,270,389	50,131,813
2024	21,945,719	24,245,000	5,620,136	29,865,136	51,810,855
2025	34,856,969	12,065,000	4,891,525	16,956,525	51,813,494
2026	35,014,594	12,520,000	4,276,900	16,796,900	51,811,494
2027	35,071,594	13,105,000	3,636,275	16,741,275	51,812,869
2028	35,177,869	13,665,000	2,967,025	16,632,025	51,809,894
2029	35,292,769	14,250,000	2,269,150	16,519,150	51,811,919
2030	19,111,819	7,215,000	1,732,525	8,947,525	28,059,344
2031	19,232,416	7,465,000	1,365,525	8,830,525	28,062,941
2032	19,363,194	7,715,000	986,025	8,701,025	28,064,219
2033	19,480,025	7,945,000	634,250	8,579,250	28,059,275
2034	19,600,275	8,145,000	312,450	8,457,450	28,057,725
2035	17,194,200	4,985,000	74,775	5,059,775	22,253,975
2036	12,190,700	-	-	-	12,190,700
2037	12,319,650	-	-	-	12,319,650
TOTAL†	\$530,994,162	\$185,505,000	\$63,189,137	\$248,694,137	\$779,688,299

SECURITY FOR THE SERIES 2017 BONDS

General

The Series 2017 Bonds are special obligations of the District payable from and secured by a pledge of sales tax revenues, comprised of seventy-five percent (75%) of the amounts derived from a one-half of one percent (0.5%) transactions and use tax (the “Sales Tax” or the “District Sales Tax”) imposed within the Three BART Counties pursuant to Section 29140 of the California Public Utilities Code, after deduction by the California Department of Tax and Fee Administration (the “CDTFA”) of its fee for administering the Sales Tax (such sales tax revenues being hereinafter referred to as the “Sales Tax Revenues”). See “– Sales Tax Revenues” below.

Only Sales Tax Revenues are pledged by the District for the payment of principal of, redemption premium, if any, and interest on the Series 2017 Bonds and no other revenues of the District are pledged

* Does not include the debt service on the Refunded Bonds being defeased upon the issuance of the Series 2017 Bonds.

† Totals may not add due to rounding.

to repayment of the Bonds, including the Series 2017 Bonds. The payment of principal of, redemption premium, if any, and interest on the Series 2017 Bonds will be on a parity with the payment of principal of, redemption premium, if any, and interest on and reserve requirements of all Bonds Outstanding under the Indenture and any Additional Bonds and Parity Obligations hereafter issued by the District pursuant to the Indenture. As of December 1, 2017, the District has \$571,245,000 aggregate principal amount of Bonds Outstanding.

“Parity Obligations” means any indebtedness, bond, installment sale obligation, lease obligation or other obligation of the District for borrowed money or interest rate swap agreement (but only as to the regular payments thereunder, fees, expenses and termination payments being subordinate obligations) having an equal lien and charge upon the Sales Tax Revenues and therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding). The District currently has no Parity Obligations outstanding other than the Bonds and certain reserve fund surety bond contracts under the 1990 Indenture, and all its outstanding issues of Bonds bear interest at fixed interest rates.

The District has covenanted in the Indenture not to create any pledge, lien or charge on Sales Tax Revenues having priority over the lien of the Bonds. The District has also covenanted in the Indenture not to create any pledge, lien or charge on Sales Tax Revenues on a parity with the lien of the Bonds and Parity Obligations except as described under “SECURITY FOR THE SERIES 2017 BONDS – Additional Bonds and Parity Debt” and “- Subordinated Obligations.”

Sales Tax Revenues

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

The Taxpayer Transparency and Fairness Act of 2017 restructured the California State Board of Equalization (the “State Board of Equalization”), which previously administered the collection of Sales Tax, into three separate entities: the State Board of Equalization, the CDTFA and the Office of Tax Appeals. As of July 1, 2017, the collection of the Sales Tax has been administered by the CDTFA. The CDTFA is authorized to charge a fee for collection of the Sales Tax (the “CDTFA Fee”) based on the cost of administering the Sales Tax. The CDTFA Fee, the amount of which is agreed with the California Department of Finance, is calculated based on a legislatively-approved costing model and includes direct, indirect, and central agency charges. The CDTFA Fee is deducted quarterly from the tax distributions made to the District during that period. For Fiscal Year 2016-17, the CDTFA Fee was \$8,568,669 (approximately 3.4% of Sales Tax receipts collected during the period). The CDTFA may be increased or decreased by legislative action and, accordingly, there can be no assurances that the amount of the CDTFA Fee, or the method for determining the amount of the CDTFA Fee, will remain the same.

After deducting the CDTFA Fee, the CDTFA is required by statute to allocate seventy-five percent (75%) of the Sales Tax receipts to the District. The remaining twenty-five percent (25%) of the Sales Tax collected by the CDTFA is allocated by the Metropolitan Transportation Commission (“MTC”), on the basis of regional priorities established by MTC, among the District, the City and County of San Francisco for the San Francisco Municipal Transportation Agency, which includes buses, street cars, cable cars and electric trolley buses, and the Alameda-Contra Costa Transit District (“AC Transit”) for transit service. The Sales Tax is authorized by State law, is not voter approved and has no limit on the term of its collection.

In addition to the Sales Tax and other sales taxes levied at the county level or the city and county level, the State also imposes a 7.25% sales tax. The Series 2017 Bonds are secured only by Sales Tax Revenues and not other sales taxes levied by the State or counties. The current breakdown of the State's basic 7.25% rate imposed on a Statewide basis is as set forth below.

- 3.9375% represents the State general fund tax rate.
- 1.25% is imposed under the State's uniform local sales and use tax law, with 1.00% dedicated to cities and counties and 0.25% dedicated to county transit systems.
- 0.50% is dedicated to local governments for health and social services.
- 0.50% is dedicated to local governments for public safety employees.
- 1.0625% is deposited into the State Local Revenue Fund.

In addition to the sales tax levied Statewide and the 0.5% District Sales Tax, the Three BART Counties have local transportation authorities which each collect a 0.5% sales tax. Currently, the total sales tax levied in each of the Three BART Counties is as follows: City and County of San Francisco, 8.50%; County of Alameda, 9.25%; County of Contra Costa, 8.25%. Certain cities in the Counties below have higher sales tax rates from local voter-approved measures:

<u>Alameda County</u>		<u>Contra Costa County</u>	
City of Albany	9.75%	City of Antioch	8.75%
City of Hayward	9.75%	City of Concord	8.75%
City of Newark	9.75%	City of El Cerrito	9.75%
City of San Leandro	9.75%	City of Hercules	8.75%
City of Union City	9.75%	City of Martinez	8.75%
		Town of Moraga	9.25%
		City of Orinda	8.75%
		City of Pinole	9.25%
		City of Pittsburg	8.75%
		City of Pleasant Hill	8.75%
		City of Richmond	9.25%
		City of San Pablo	8.75%

Source: California Department of Tax and Fee Administration.

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

Many categories of transactions are exempt from the State Sales Tax and from the District Sales Tax. The most important are: sales of food products for home consumption; prescription medicine; edible livestock and their feed; seed and fertilizer used in raising food for human consumption; and gas, electricity and water when delivered to consumers through mains, lines, and pipes. In addition, "Occasional Sales" (i.e., sales of property not held or used by a seller in the course of activities for which he or she is required to hold a seller's permit) are generally exempt from the State Sales Tax and from the

District Sales Tax; however, the “Occasional Sales” exemption does not apply to the sale of an entire business and other sales of machinery and equipment used in a business. Sales of property to be used outside the District which are shipped to a point outside the District, pursuant to the contract of sale, by delivery to such point by the retailer, or by delivery by the retailer to a carrier for shipment to a consignee at such point, are also exempt from the State Sales Tax and from the District Sales Tax.

Action by the State Legislature or by voter initiative could change the transactions and items upon which the State Sales Tax and the District Sales Tax are imposed. Such changes could have either an adverse or beneficial impact on the District Sales Tax Revenues.

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

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The following table shows the Sales Tax Revenues received by the District for Fiscal Years ended June 30, 1996 through June 30, 2017. For comparison purposes, the Fiscal Year 2017-18 budgeted amount is also shown.

SALES TAX REVENUES

<u>Fiscal Year Ended June 30</u>	<u>Sales Tax Revenues⁽¹⁾</u>	<u>Percentage Change from Prior Fiscal Year</u>
1996	\$126,077,000	9.46%
1997	134,984,000	7.06
1998	144,675,000	7.18
1999	151,806,000	4.93
2000	170,911,000	12.58
2001	191,648,000	12.13
2002	172,774,000	(9.84)
2003	167,441,000	(3.08)
2004	170,566,000	1.86
2005	178,392,000	4.58
2006	191,680,000	7.44
2007	198,805,000	3.72
2008	202,632,000	1.93
2009	184,286,000	(9.05)
2010	166,520,000	(9.64)
2011	180,819,000	8.59
2012	195,214,000	8.00
2013	208,561,000	6.84
2014	221,149,000	6.04
2015	233,148,000	5.43
2016	241,547,000	3.60
2017	247,185,000	2.33
2018	252,500,000 ⁽²⁾	2.15

(1) Sales Tax Revenues have been rounded to the nearest thousand.

(2) Budgeted.

Source: District.

For fiscal year ending June 30, 2017, the District received \$247.2 million in Sales Tax Revenues, or 2.33% more than Sales Tax Revenues received in the prior fiscal year and approximately \$2.0 million less than budgeted for the fiscal year. The District has budgeted \$252.5 million in Sales Tax Revenues for the fiscal year ending June 30, 2018. Through the first quarter of Fiscal Year 2017-18, Sales Tax Revenues were up 4.1% from the same period last year.

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

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

Application of Sales Tax Revenues

Pursuant to an agreement between the District and the State Board of Equalization, dated August 5, 1982, as amended, the State Board of Equalization previously and now the CDTFA remits all Sales Tax Revenues directly to the Trustee. Pursuant to legislation effective July, 2017, the CDTFA administers the collection of sales tax and pursuant to such legislation succeeded to the obligations of the State Board of Equalization under the agreement with the District and will continue to remit Sales Tax Revenues to the Trustee. Under the Indenture, the Sales Tax Revenues will be deposited in the Revenue Fund and will be applied by the Trustee to the following funds established by the Indenture in the following order of priority; provided that on a parity with such deposits the Trustee will set aside or transfer amounts with respect to outstanding Parity Obligations (which will be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Obligations):

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

Interest Fund. The Trustee will set aside in the Interest Fund as soon as practicable in each month an amount equal to one-sixth of the aggregate half-yearly amount of interest becoming due and payable on the Outstanding Current Interest Bonds during the next ensuing six months, until the requisite half-yearly amount of interest on all such Outstanding Current Interest Bonds is on deposit in the Interest Fund; provided that from the date of delivery of the Current Interest Bonds until the first interest payment date with respect to the Current Interest Bonds the amounts so paid will be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on said interest payment date. No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest to become due and payable on the interest payment dates falling within the next six months

upon all the Bonds then Outstanding and on July 1 of each year any excess amounts in the Interest Fund not needed to pay interest on such date will be transferred to the District.

Principal Fund; Sinking Accounts. The Trustee will deposit in the Principal Fund as soon as practicable in each month an amount equal to at least one-twelfth of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds having annual maturity dates within the next 12 months, plus one-twelfth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next twelve-month period into the respective Sinking Accounts for the Term Bonds of all Series for which a Sinking Account will have been created and for which annual mandatory redemption is required from such Sinking Account (See “DESCRIPTION OF THE SERIES 2017 BONDS – Mandatory Redemption”); provided that if the District certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in the Bond Reserve Fund that would be in excess of the Bond Reserve Requirement upon such payment, no amounts need be set aside towards such principal to be so refunded or paid.

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

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

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

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

Bond Reserve Fund

The District will not be establishing a Reserve Fund for the Series 2017 Bonds. A Bond Reserve Fund and certain surety bonds are held under the 1990 Indenture. Such reserve fund and the surety bonds held therein secure only the Bonds issued under the 1990 Indenture and not Bonds issued under the Indenture including the Series 2017 Bonds or any Additional Bonds. Upon the issuance of the Series 2017 Bonds and the defeasance of the Refunded Bonds, the 1990 Indenture will be discharged and the Trustee will no longer hold such reserve fund.

Additional Bonds and Parity Debt

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

The District may, by Supplemental Indenture, establish one or more Series of Bonds and the District may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as will be determined by the District, as well as Parity Debt, but only upon compliance by the District with certain provisions of the Indenture and the 1990 Indenture (until its discharge) and subject to certain specific conditions precedent to the issuance of any series of Bonds set forth in the Indenture. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Additional Bonds; Refunding Bonds; Parity Obligations; Subordinate Obligations.”

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

(a) if the Bonds or Parity Obligations are Variable Rate Indebtedness for which an Interest Rate Swap Agreement is not in place, the interest rate on such debt will be calculated at the greater per annum rate (not to exceed 12%) of: (i) the average of the SIFMA Swap Index for the ten years preceding the date of calculation, and (ii) the highest interest rate listed in The Bond Buyer “25 Bond Revenue Bond Index” published one month preceding the date of sale of such Series of Bonds or Parity Obligations; or, if such Variable Rate Indebtedness is to bear interest expected to be included in gross income for federal income tax purposes (taxable bonds), such higher rate of interest as will be specified in a Certificate of the District;

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

specifically to pay such interest by the Trustee or other fiduciary and to the extent such payments are to be paid from pledged Subsidy Payments the District expects to receive;

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

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

(e) if any Bonds feature an option, on the part of the Bondowners or an obligation under the terms of such Bonds, to tender all or a portion of such Bonds to the District, the Trustee, or other fiduciary or agent and require that such Bonds or portion thereof be purchased if properly presented, then for purposes of determining the amounts of principal and interest due in any Fiscal Year on such Bonds, the options or obligations of the Owners of such Bonds to tender the same for purchase or payment prior to their stated maturity or maturities will be ignored and not treated as a principal maturity and repayment obligations related to the purchase price of such Bonds provided by a Liquidity Facility and the obligation of the District with respect to the provider of such Liquidity Facility, other than its obligations on such Bonds, will be excluded from the tests for the issuance of Parity Obligations until such time as such obligation exist due to such purchase and thereafter, such repayment obligations of the District to the provider of such Liquidity Facility will be included in the computation of the Maximum Annual Debt Service in accordance with the terms of such obligation;

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

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

synthetic variable rate for the duration of the Interest Rate Swap Agreement calculated as if such Bonds or Parity Obligations were Variable Rate Indebtedness.

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

“Subsidy Payments” means payments made by the U.S. Department of the Treasury to the District pursuant to Section 6431 of the Internal Revenue Code

The District currently has no Parity Debt other than Bonds and reserve fund surety bond agreements outstanding under the 1990 Indenture, and has no Variable Rate Indebtedness or Interest Rate Swap Agreements relating to any Bonds Outstanding, nor has it issued any Bonds for which it expects to receive Subsidy Payments. All Outstanding Bonds of the District bear interest at fixed interest rates to maturity.

Subordinate Obligations

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

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

Special Obligations

The Series 2017 Bonds are special obligations of the District payable solely from Sales Tax Revenues and no other revenues of the District are pledged to the payment thereof. The Series 2017 Bonds are not a general obligation of the District, the State or any political subdivision thereof and the District is not obligated to levy any form of taxation, other than the Sales Tax, for the payment of the Series 2017 Bonds.

INVESTMENT CONSIDERATIONS

Economy of the Three BART Counties and the State

The Series 2017 Bonds are secured by a pledge of Sales Tax Revenues, which consist primarily of the Sales Tax less an administrative fee paid to the CDTFA. The level of Sales Tax Revenues collected at any time is dependent upon the level of retail sales within the Three BART Counties, which level of retail sales is, in turn, dependent upon the level of economic activity in the Three BART Counties and in the State generally.

The economy of the Three BART Counties has recovered from the recession at the beginning of this decade as evidenced by increased Sales Tax Revenues in recent fiscal years, accompanied by increased employment rates and an increase in total personal income and taxable sales.

For information relating to current economic conditions within the Three BART Counties and the State, see APPENDIX E – “THE ECONOMY OF THE THREE BART COUNTIES.”

Other Sales Taxes

With limited exceptions, the Sales Tax is imposed upon the same transactions and items subject to the 7.25% sales and use tax levied statewide by the State. The State Legislature or the voters of the State, through the initiative process, could change or limit the transactions and items upon which the statewide sales tax and the Sales Tax are imposed. Any such change or limitation could have an adverse impact on the Sales Tax Revenues collected. In addition, the Sales Tax is imposed generally on the same transactions and items subject to sales and use taxes levied by certain cities within the Three BART Counties. See “SECURITY FOR THE SERIES 2017 BONDS – Sales Tax Revenues” herein.

Limitations on Remedies in Event of Bankruptcy

Because it is a municipal governmental entity, BART may be eligible to file a bankruptcy petition under Chapter 9 (“Chapter 9”) of the United States Bankruptcy Code (the “Bankruptcy Code”) under certain circumstances.

If the Sales Tax Revenues are “special revenues” under Chapter 9, then Sales Tax Revenues collected after the date of the bankruptcy filing will be subject to the lien of the Indenture. “Special revenues” are defined to include taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. It is possible that a bankruptcy court would conclude that the sales tax is a sales tax levied to finance the general purposes of BART, and thus that the Sales Tax Revenues are not special revenues.

If the Sales Tax Revenues are subject to a “statutory lien” as defined in the Bankruptcy Code, then Sales Tax Revenues collected after the date of the bankruptcy filing will be subject to the statutory lien for the benefit of the holders of the Bonds. California state law provides that the payment of interest on and principal of the Bonds and any premiums upon the redemption of any thereof are secured by a pledge, charge, and lien upon the Sales Tax Revenues. BART believes that this law creates a statutory lien on the Sales Tax Revenues under the Bankruptcy Code, but the definition of a statutory lien is not entirely clear, and no assurance can be given that a bankruptcy court would not conclude otherwise.

Chapter 9 also provides that Chapter 9 does not limit or impair the power of the applicable state to control its municipalities in the exercise of the political or governmental powers of such municipality, including expenditures for such exercise. California state law provides that so long as any Bonds or

interest thereon are unpaid the Sales Tax Revenues and interest thereon will not be used for any other purpose. BART believes that this law would be respected in any bankruptcy proceeding so that the Sales Tax Revenues could not be used by BART for any purpose other than to make payments on the Bonds, but there are very few court decisions as to the precise meaning of this provision of Chapter 9, and no assurance can be given that a bankruptcy court would not conclude otherwise.

If it were to be determined that the Sales Tax Revenues are not special revenues and that there is no statutory lien, then the lien of the Indenture likely will not attach to any Sales Tax Revenues collected after the date of the bankruptcy filing. If it is also determined that the Sales Tax Revenues can be used for other purposes, then it is not clear whether the holders of the Bonds would be treated as general unsecured creditors of BART or whether the holders of the Bonds would have no further claim against any assets of BART.

Under any circumstance, the bankruptcy court may determine that BART is entitled to use Sales Tax Revenues to pay the necessary operating expenses of the BART system prior to paying debt service on the Bonds, regardless of the provisions of the Indenture.

If BART is in bankruptcy, the Trustee and the holders of the Bonds may be prohibited from taking any action to collect any amount from BART (including Sales Tax Revenues subject to a statutory lien) or to enforce any obligation of BART, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the Bonds from funds in the Trustee's possession during the pendency of the bankruptcy proceedings.

While the CDTFA has agreed that it will pay the Sales Tax Revenues directly to the Trustee, so that BART receives them only after debt service set asides, it is not clear whether this arrangement is enforceable in bankruptcy or whether BART will instead be able to require that Sales Tax Revenues be paid directly to it by the CDTFA.

BART may be able, without the consent and over the objection of the Trustee and the holders of the Bonds, to alter the priority, interest rate, payment terms, maturity dates, covenants (including tax-related covenants), and other terms or provisions of the Indenture and the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be other possible effects of a bankruptcy of BART that could result in delays or reductions in payments on the Bonds or in other losses to the holders of the Bonds. The proposed form of opinion of Bond Counsel, attached hereto as APPENDIX H, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. Regardless of any specific adverse determinations in a bankruptcy proceeding, the fact of a bankruptcy proceeding by BART could have an adverse effect on the liquidity and value of the Bonds.

Risk of Earthquake

The District is located in a seismically active region. Active earthquake faults underlie both the District and the surrounding Bay Area, most notably the Hayward Fault and the San Andreas Fault (both located within the District). On August 24, 2014, an earthquake occurred in Napa, California. The tremor's epicenter was located approximately 3.7 miles northwest of American Canyon near the West Napa Fault and registered 6.0 on the Richter scale of earthquake intensity. The Napa earthquake caused fires, damaged buildings and roads, and injured approximately 200 people. The Napa earthquake was the largest earthquake in the Bay Area since the 1989 Loma Prieta earthquake on the San Andreas Fault, which was centered about 60 miles south of San Francisco. It registered 6.9 on the Richter scale of

earthquake intensity, and caused fires and collapse of and structural damage to buildings, highways and bridges in the Bay Area. Neither earthquake caused damage to BART facilities.

In 2014, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (the “U.S.G.S.”), the California Geological Society, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more quakes of magnitude 6.7 or larger will occur in the Bay Area by the year 2043. Such earthquakes may be very destructive. Property within the District could sustain extensive damage in a major earthquake, District facilities could be damaged, and a major earthquake could adversely affect the area’s economic activity and decrease the sales tax collections in the District.

Climate Change

Hazards relating to climate change include sea level rise, flooding, heat wave, and severe storm and wind. Any such events, if unmitigated, may have major impacts to BART stations, trackway, traction power, train control and maintenance yard/shops, as well as wayside facilities. The impacts may directly impact patron safety, cause service disruptions and require prolonged recovery.

BART is responding to climate change impacts through developing adaptation strategies and hardening its infrastructure against such hazards. Current efforts include water intrusion mitigation, earthquake safety, erosion control, storm drainage treatment, power redundancy, and fire suppression. BART is also working with regional partners in the Bay Area to plan for regional adaptation needs. No assurance can be given that such measures will be sufficient to protect against all impacts of climate change.

Other Force Majeure Events

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

Threats and Acts of Terrorism

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

Changes in Taxable Items

With limited exceptions, the Sales Tax is imposed upon the same transactions and items subject to the sales tax levied statewide by the State. The State Legislature or the voters within the State, through the initiative process, could change or limit the transactions and items upon which the State Sales Tax and the District Sales Tax are imposed. Any such change or limitation could have an adverse impact on the Sales Tax Revenues collected. For a further description of the District Sales Tax, see “SECURITY FOR THE SERIES 2017 BONDS – Sales Tax Revenues.” See also APPENDIX E – “THE ECONOMY OF THE THREE BART COUNTIES” for data relating to taxable transactions in the Three BART Counties.

Effect of Growth in Internet Commerce

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

Constitutional Limitations on Appropriations

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

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

Section 7900 et seq. of the Government Code of the State of California defines certain terms used in Article XIII B and sets forth the methods for determining the appropriations limits for local jurisdictions. The District’s appropriations limit for the Fiscal Year ending June 30, 2017 is \$570,270,613 and the “appropriations subject to the limitation” are \$301,346,025, or \$268,924,588 under the limit. It is not anticipated that the District will ever reach its appropriations limit. However, if it were ever to reach such limit, it is arguable that amounts appropriated to pay debt service on the Bonds are appropriations for capital outlay projects and therefore not subject to the limit.

Proposition 218 and Proposition 26

On November 5, 1996, California voters approved an initiative known as the Right to Vote on Taxes Act (“Proposition 218”). Proposition 218 added Articles XIII C and XIII D to the California Constitution. Article XIII C requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, which is defined to include local or regional governmental agencies such as the District. Article XIII C also removes limitations on the initiative power with regard to reducing or repealing previously authorized local taxes. In the opinion of the District, however, any attempt by the voters to use the initiative provisions under Proposition 218 to rescind or reduce the levy and collection of the Sales Tax in a manner which would prevent the payment of debt service on the Series 2017 Bonds

would violate the Impairment Clause of the United States Constitution and, accordingly, would be precluded. However, it is likely that the interpretation and application of Proposition 218 will ultimately be determined by the courts. Proposition 26, approved by the voters of California on November 2, 2010, also amended Article XIII C to define “tax” to include in the two-thirds voter approval requirement local levies, charges or exactions previously considered fees with certain specified exemptions.

Further Initiatives

Article XIII B and Propositions 218 and 26 were each adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiative measures could be adopted, which may affect the District’s ability to levy and collect the Sales Tax.

Potential Labor Disruptions

BART employees are represented by employee bargaining units that under State law are permitted to strike during negotiations for a contract. During strikes, the District does not operate service, which results in lost operating revenues. In 2013, the District suffered strikes during contract negotiations. See APPENDIX A – “SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT FINANCIAL AND OPERATING INFORMATION – San Francisco Bay Area Rapid Transit District – Employees and Labor Relations.” The District cannot predict the potential impact of future labor disruptions on the financial condition of the District.

No Acceleration Provision

The Indenture does not contain a provision allowing for the acceleration of the Series 2017 Bonds in the event of a default in the payment of principal and interest on the Series 2017 Bonds when due. In the event of a default by the District, each holder of a Series 2017 Bond will have the right to exercise the remedies, subject to the limitations thereon, set forth in the Indenture. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Loss of Tax Exemption

As discussed under “TAX MATTERS,” interest on the Series 2017A Bonds could become includable in federal gross income, possibly from the date of issuance of the Series 2017A Bonds, as a result of acts or omissions of the District subsequent to the issuance of the Series 2017A Bonds. Should interest become includable in federal gross income, the Series 2017A Bonds are not subject to redemption by reason thereof and will remain outstanding until maturity or earlier redemption.

LEGAL MATTERS

The validity of the Series 2017 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the District (“Bond Counsel”). A complete copy of the proposed form of the opinion to be delivered by Bond Counsel is attached hereto as APPENDIX H. Compensation of Bond Counsel and counsel to the Underwriters is contingent upon the issuance of the Series 2017 Bonds. Neither Bond Counsel nor counsel to the Underwriters take any responsibility for the accuracy, completeness or fairness of this Official Statement. Approval of certain other legal matters will be passed upon for the District by Matthew Burrows, Esq., General Counsel to the District and by Orrick, Herrington & Sutcliffe LLP, Disclosure Counsel to the District, and for the Underwriters by their Counsel, Curls Bartling P.C.

TAX MATTERS

Series 2017A Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2017A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. As discussed further below, legislation has been introduced which, if enacted, would repeal the alternative minimum tax for tax years beginning after December 31, 2017. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX H hereto.

To the extent the issue price of any maturity of the Series 2017A Bonds is less than the amount to be paid at maturity of such Series 2017A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2017A Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2017A Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2017A Bonds is the first price at which a substantial amount of such maturity of the Series 2017A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2017A Bonds accrues daily over the term to maturity of such Series 2017A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2017A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2017A Bonds. Beneficial Owners of the Series 2017A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2017A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2017A Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2017A Bonds is sold to the public.

Series 2017A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2017A Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2017A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2017A Bonds being included in gross income for federal

income tax purposes, possibly from the date of original issuance of the Series 2017A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2017A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2017A Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2017A 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 amounts treated as interest on, the Series 2017A 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.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2017A Bonds to be subject, directly or indirectly, in whole or in part, 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. Legislation has been introduced in Congress which, if enacted, would significantly change the income tax rates for individuals and corporations and would repeal the alternative minimum tax for tax years beginning after December 31, 2017. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2017A Bonds. Prospective purchasers of the Series 2017A Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2017A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2017A Bonds ends with the issuance of the Series 2017A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Series 2017A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of Series 2017A Bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2017A Bonds for audit or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2017A Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Series 2017B Bonds

In the opinion of Bond Counsel, interest on the Series 2017B Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Series 2017B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Series 2017B Bonds. Investors are urged to obtain independent tax advice regarding the Series 2017B Bonds based upon their particular circumstances. A complete copy of the proposed form of opinion of Bond Counsel relating to the Series 2017B Bonds is set forth in APPENDIX H hereto.

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to U.S. Holders (as defined below) of the Series 2017B Bonds that acquire their Series 2017B Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the “IRS”) with respect to any of the U.S. federal income tax considerations discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2017B Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose “functional currency” is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Series 2017B Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Series 2017B Bonds pursuant to this offering for the issue price that is applicable to such Series 2017B Bonds (i.e., the price at which a substantial amount of the Series 2017B Bonds are sold to the public) and who will hold their Series 2017B Bonds as “capital assets” within the meaning of Section 1221 of the Code. The following discussion does not address tax considerations applicable to any investors in the Series 2017B Bonds other than investors that are U.S. Holders.

As used herein, “U.S. Holder” means a Beneficial Owner of a Series 2017B Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). If a partnership holds Series 2017B Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2017B Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2017B Bonds (including their status as U.S. Holders).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Series 2017B Bonds in light of their particular circumstances.

Interest. Interest on the Series 2017B Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Series 2017B Bonds is less than the amount to be paid at maturity of such Series 2017B Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2017B Bonds) by more than a de minimis amount, the difference may constitute original issue discount ("OID"). U.S. Holders of Series 2017B Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Series 2017B Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Series 2017B Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Series 2017B Bond.

Sale or Other Taxable Disposition of the Series 2017B Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition of a Series 2017B Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2017B Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2017B Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Series 2017B Bond (generally, the purchase price paid by the U.S. Holder for the Series 2017B Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Series 2017B Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Series 2017B Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Series 2017B Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the Series 2017B Bonds. If the District defeases any Series 2017B Bond, such Series 2017B Bond may be deemed to be retired and "reissued" for federal income tax purposes as a result of the defeasance. In that event, in general, a U.S. Holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the U.S. Holder's adjusted tax basis in the Series 2017B Bond.

Information Reporting and Backup Withholding. Payments on the Series 2017B Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Series 2017B Bonds may be subject to backup withholding at the current rate of 28% with respect to "reportable payments," which include interest paid on the Series 2017B Bonds and the gross proceeds of

a sale, exchange, redemption, retirement or other disposition of the Series 2017B Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder’s failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Foreign Account Tax Compliance Act (“FATCA”). Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the Series 2017B Bonds and sales proceeds of Series 2017B Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2018 and (ii) certain “passthru” payments no earlier than January 1, 2019. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Series 2017B Bonds in light of the holder’s particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Series 2017B Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Series 2017 Bonds, the District will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending with respect to which the District has been served with process or, to the knowledge of the District, threatened against the District in any way affecting the existence of the District or the titles of its officers to their respective offices or seeking to restrain or to enjoin the issuance, sale or delivery of the Series 2017 Bonds, the application of the proceeds thereof in accordance with the Indenture, or the levy or collection of the Sales Tax or application of the Sales Tax Revenues or other moneys to be pledged to pay the principal of and interest on the Series 2017 Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Series 2017 Bonds, the Indenture, the Continuing Disclosure Agreement or in any way contesting the completeness or accuracy of this Official Statement.

RATINGS

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and Fitch Ratings ("Fitch") have assigned ratings of "AA+" and "AA+," respectively, to the Series 2017 Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from such rating agencies furnishing the same at the following addresses: Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041 and Fitch Ratings, 33 Whitehall Street, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any credit ratings given to the Series 2017 Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by such rating agencies, if, in their judgment, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2017 Bonds.

MUNICIPAL ADVISOR

Sperry Capital Inc., Sausalito, California, serves as Municipal Advisor to the District with respect to the sale of the Series 2017 Bonds. The Municipal Advisor has not conducted a detailed investigation of the affairs of the District to determine the completeness or accuracy of this Official Statement and has not independently verified any of the data contained herein and has no responsibility for the accuracy or completeness thereof.

The compensation of the Municipal Advisor is contingent upon the issuance of the Series 2017 Bonds.

CONTINUING DISCLOSURE

To enable the Underwriters to comply with the requirements of Rule 15c2-12 promulgated by the Securities Exchange Commission (the "Rule"), the District will enter into a Continuing Disclosure Agreement with the Trustee, as dissemination agent, for the benefit of the Beneficial Owners (as such term is defined in such Continuing Disclosure Agreement) from time to time of the Series 2017 Bonds. A copy of the proposed form of Continuing Disclosure Agreement is set forth in APPENDIX G hereto. During the five-year period preceding the date of this Official Statement, the District was current in the filing of its required annual report filings under the Rule; however, within the last five years, the District has determined that certain annual reports were not linked to all of the specific CUSIP numbers to which they related and that certain annual reports, while including District wide assessed value information, did not include specific assessed value information by county as may have been required by a continuing disclosure agreement. The District recently filed notices on the Municipal Securities Rulemaking Board Electronic Municipal Market Access System ("EMMA") with respect to the affected bonds and provided the additional information. The District has engaged BLX Group to assist with its continuing disclosure obligations and U.S Bank National Association to serve as Dissemination Agent.

UNDERWRITING

The Series 2017 Bonds are being purchased by Barclays Capital Inc., as representative of itself and the Underwriters identified on the cover page of this Official Statement (together, the "Underwriters"). The bond purchase agreement provides that the Underwriters will purchase all of the Series 2017 Bonds, if any are purchased, at a purchase price equal to \$209,951,110.23 (representing the principal amount of the Series 2017 Bonds plus a net premium of \$24,813,728.45, less an underwriters' discount in the aggregate amount of \$367,618.22).

The Underwriters are initially offering the Series 2017 Bonds to the public at the public offering yields indicated on the inside cover page hereof but the Underwriters may offer and sell the Series 2017 Bonds to certain dealers, institutional investors and others (including sales for deposit into investment trusts, certain of which may be sponsored or managed by one or more of the Underwriters) at yields higher than the public offering yields stated on the cover page and the public offering yields may be changed from time to time by the Underwriters.

VERIFICATION OF MATHEMATICAL ACCURACY

Upon delivery of the Series 2017 Bonds, the arithmetical accuracy of certain computations included in the schedules provided by the Underwriters on behalf of the District relating to the: (i) sufficiency of forecasted receipts of principal and interest on the escrow securities and cash held in the escrow fund relating to the Refunded Bonds; (ii) the scheduled payments of principal and interest with respect to the Refunded Bonds on and prior to their projected maturity and/or redemption dates; (iii) yields on the securities to be deposited pursuant to the escrow funds relating to the Refunded Bonds upon delivery of the Series 2017 Bonds, and (iv) the level of debt service savings, will be verified by The Arbitrage Group, Inc. (the "Verification Agent"). Such verification will be based solely upon information and assumptions supplied to the Verification Agent by the Underwriters or the Municipal Advisor. The Verification Agent has not made a study or evaluation of the information and assumptions on which such computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

FINANCIAL STATEMENTS

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

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the District and the purchasers, holders or Beneficial Owners of any of the Series 2017 Bonds. All of the preceding summaries of the Series 2017 Bonds, the Indenture, applicable legislation and other agreements and documents are made subject to the provisions of the Series 2017 Bonds and such documents, respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the District for further information in connection therewith.

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

APPENDIX A

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
FINANCIAL AND OPERATING INFORMATION**

APPENDIX B

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
REPORT ON AUDITS OF FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

APPENDIX C

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT STATEMENT OF INVESTMENT POLICY

SECTION I: INVESTMENT OBJECTIVES, SCOPE & SUITABILITY

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

1. Preservation of Capital – The investment portfolio should be structured to minimize the probability of a loss of principal value through adequate diversification of investments across a variety of security offerings, maturities, and financial institutions.
2. Liquidity – Funds shall be invested only until date of anticipated need or for a lesser period. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets.
3. Yield – generation of the best available return on investment without compromise of the first two objectives.

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

To the extent that District funds are invested pursuant to a Trust Agreement or other Security Agreement, the provisions of such document will control the investment of the funds held hereunder.

SECTION II: GOVERNING AUTHORITY

The Controller-Treasurer may invest in Securities authorized by the California Public Utilities Code Sections 29100 through 29103; Government Code Sections 53601, 53601.1 and 53635 and Board Resolution 2697 with the following exception: the Controller-Treasurer will not invest in financial or commodity futures, options contracts, medium-term corporate notes, or mutual funds unless specifically authorized by the Board. Should the provisions of respective Codes become more restrictive than those contained herein, such provisions will be considered as immediately incorporated into this investment policy.

SECTION III: AUTHORIZED INVESTMENTS

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

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

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

In addition to the securities authorized above, the Controller-Treasurer may invest in public time deposits in financial institutions having at least one branch within the District boundaries.

The Controller-Treasurer will accept as collateral securities authorized by the California Government Code Section 53651 (a) through (p) excluding subsection (m) promissory notes secured by first mortgages and first trust deeds. The Controller-Treasurer will require 110% collateralization, less the portion authorized by California Government Code Section 53653 on public time deposits, except for San Francisco Federal Home Loan Bank Letters of Credit, in which case the collateralization will be 105%.

The Controller-Treasurer has the authority to waive the required collateralization and substitute Federal Deposit Insurance Corporation (FDIC) for the first \$250,000 of the investment.

The Controller-Treasurer will continue to seek minority depository institutions, as defined by the Federal Government, for the placement of some of the District’s funds.

The Controller-Treasurer may invest in money market mutual funds up to 20% of District funds eligible to be invested under California Government Code 53601. The money market mutual funds must carry a credit rating equal to or higher than U.S. Treasury securities and their portfolio must consist entirely of direct obligations of the U.S. Government, its agencies or instrumentalities eligible, and repurchase agreements backed by such obligations.

The Controller-Treasurer may invest in the State of California Local Agency Investment Fund as authorized by California Government Code Sections 16429.1, 2, 3 & 4 up to 20% of District funds eligible to be invested under California Government Code 53601.

The Controller-Treasurer may invest in United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank as authorized by California Government Code 53601 (q) up to 30% of District funds eligible to be invested under California Government Code 53601.

SECTION IV: REPORTING & ANNUAL REVIEW

The Controller-Treasurer shall report on the investments covered under this policy at least quarterly to the Board.

The foregoing defines the Controller-Treasurer’s investment policies for calendar year 2017 and thereafter unless and until they are modified by the Controller-Treasurer. The Controller-Treasurer shall review this policy annually and submit modifications to the Board when needed.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture, dated as of September 1, 2012, as supplemented and amended, including as supplemented and amended by the Fourth Supplemental Indenture, dated as of December 1, 2017 (the “Fourth Supplemental Indenture”), between the San Francisco Bay Area Rapid Transit District (the “District”) and U.S. Bank National Association, as trustee (the “Trustee”). Such summary does not purport to be complete or definitive, is supplemental to the summary of other provisions of the Indenture contained elsewhere in this Official Statement, and is qualified in its entirety by reference to the full terms of the Indenture. All capitalized terms used and not otherwise defined in this Official Statement shall have the meanings assigned to such terms in the Indenture. Copies of the Indenture are available from the District.

Definitions

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

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

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

“Alternate Credit Enhancement” means, with respect to a Series of Bonds, any insurance, letter of credit, line of credit, surety bond or other instrument, if any, which secures or guarantees the payment of principal of and interest on a Series of Bonds, issued by an insurance company, commercial bank, pension fund or other financial institution, and delivered or made available to the Trustee, as a replacement or substitution for any Credit Enhancement then in effect.

“Alternate Liquidity Facility” means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility, issued by a commercial bank, insurance company, pension fund or other financial institution, and delivered or made available to the Trustee, as a replacement or substitute for any Liquidity Facility then in effect.

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

“Associated Sales Tax Revenues” means, for any designated period, an amount of Sales Tax Revenues that would have been received by the District from a transaction and use tax imposed in a

jurisdiction, if such jurisdiction had been annexed to the District during such period of time, as set forth in a Certificate of the District delivered to the Trustee.

“Authorized Representative” means the President of the Board, the General Manager, the Treasurer, or any other person designated to act on behalf of the District by a written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the District by any of such officials.

“Board” means the Board of Directors of the District.

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

“Bond Reserve Fund” means the fund by that name established with respect to one or more Series of Bonds pursuant to one or more Supplemental Indentures establishing the terms and provisions of such Series of Bonds.

“Bond Reserve Requirement” means, as of any date of calculation, an amount equal to the aggregate of the Bond Reserve Requirements, if any, established by the District for one or more Series of Bonds Outstanding as such requirement is specified in the Supplemental Indenture pursuant to which such Series of Bonds is issued.

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

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

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

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

“Code” means the Internal Revenue Code of 1986, and the regulations applicable thereto or issued thereunder, or any successor to the Internal Revenue Code of 1986. Reference to any particular Code section shall, in the event of such a successor Code, be deemed to be reference to the successor to such Code section.

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

“Continuing Disclosure Agreement” means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the Continuing Disclosure Agreement, dated the date of issuance of such Series of Bonds, executed by the District and a Dissemination Agent, as the same may be supplemented, modified or amended in accordance with its terms.

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

“Credit Enhancement” means, with respect to a Series of Bonds, any insurance, letter of credit, line of credit, surety bond or other instrument, if any, which secures or guarantees the payment of principal of and interest on a Series of Bonds, issued by an insurance company, commercial bank or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms, or, in the event of the delivery or availability of an Alternate Credit Enhancement, such Alternate Credit Enhancement.

“Credit Provider” means, with respect to a Series of Bonds, the insurance company, commercial bank or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Credit Enhancement then in effect with respect to such Series of Bonds.

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

“Dissemination Agent” means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12(b)(5), the dissemination agent under the Continuing Disclosure Agreement delivered in connection with such Series of Bonds, or any successor dissemination agent designated in writing by the District and which has entered into a Continuing Disclosure Agreement with the District.

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

“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.

“EMMA” means Electronic Municipal Market Access.

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

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

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

“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, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“Indenture” means the Master Indenture, dated as of September 1, 2012, by and between the District and the Trustee, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Indenture delivered pursuant to the provisions thereof. As of the date of issuance of the Series 2017 Bonds, “Indenture” includes the Fourth Supplemental Indenture, dated as of December 1, 2017.

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

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

“Investment Securities” means the following:

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

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

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

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

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

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

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

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

date of purchase “A-1” or better by S&P and certificates of deposit (including those of the Trustee, its parent and its affiliates);

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

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

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

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

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

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

(xv) the Local Agency Investment Fund (LAIF) or similar pool operated by or on behalf of the State of California and is authorized to accept investments of money held under the Indenture; and

(xvi) any investment approved by the Board for which confirmation, which may be in the form of a general renewal of rating, is received from Fitch (if Fitch is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds) that such investment will not adversely affect such agency's rating on such Bonds.

“Letter of Credit Account” means an account by that name established to hold funds that are drawn on Credit Enhancement provided in the form of a letter of credit and that are to be applied to pay the principal of or interest on a Series of Bonds, which account shall be established pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

“Liquidity Facility” means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility securing or guaranteeing the payment of purchase price of such Series of Bonds and issued by a commercial bank, insurance company, pension fund or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms, or, in the event of the delivery or availability of an Alternate Liquidity Facility, such Alternate Liquidity Facility.

“Liquidity Facility Bonds” means any Bonds purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a Liquidity Facility, but excluding any Bonds no longer considered to be Liquidity Facility Bonds in accordance with the terms of the applicable Liquidity Facility.

“Liquidity Facility Rate” means, with respect to a Series of Bonds, the interest rate per annum, if any, specified as applicable to Liquidity Facility Bonds in the Liquidity Facility delivered in connection with such Series of Bonds.

“Liquidity Provider” means, with respect to a Series of Bonds, the commercial bank, insurance company, pension fund or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Liquidity Facility then in effect with respect to such Series of Bonds.

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

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

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

Series of Bonds or Parity Obligations; or, if such Variable Rate Indebtedness is to bear interest expected to be included in gross income for federal income tax purposes (taxable bonds), such higher rate of interest as shall be specified in a Certificate of the District;

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

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

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

(e) if any Bonds feature an option, on the part of the Bondowners or an obligation under the terms of such Bonds, to tender all or a portion of such Bonds to the District, the Trustee, or other fiduciary or agent and require that such Bonds or portion thereof be purchased if properly presented, then for purposes of determining the amounts of principal and interest due in any Fiscal Year on such Bonds, the options or obligations of the Owners of such Bonds to tender the same for purchase or payment prior to their stated maturity or maturities shall be ignored and not treated as a principal maturity and repayment obligations related to the purchase price of such Bonds provided by a Liquidity Facility and the obligation of the District with respect to the provider of such Liquidity Facility, other than its obligations on such Bonds, shall be excluded from the tests for the issuance of Parity Obligations until such time as such obligation exist due to such purchase and thereafter, such repayment obligations of the District to the provider of such Liquidity Facility shall be included in the computation of the Maximum Annual Debt Service in accordance with the terms of such obligation;

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

variable rate that is expected to equal or approximate the rate of interest on such Variable Rate Indebtedness), the Variable Rate Indebtedness shall be treated as bearing such synthetic fixed rate for the duration of the synthetic fixed rate; and

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

“1990 Indenture” means the indenture dated as of July 1, 1990, by and between the District and U.S. Bank National Association, as successor trustee, pursuant to which the District has issued sales tax revenue bonds, which bonds shall be Parity Obligations thereunder.

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

“Outstanding,” when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the District shall have been discharged in accordance with the provisions of the Indenture; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture; provided, however, that in the event the principal of or interest due on any Bonds shall be paid by the Credit Provider pursuant to the Credit Enhancement issued in connection with such Bonds, such Bonds shall remain Outstanding for all purposes and shall not be considered defeased or otherwise satisfied or paid by the District and the pledge of Revenues and all covenants, agreements and other obligations of the District to the Owners shall continue to exist and shall run to the benefit of such Credit Provider and such Credit Provider shall be subrogated to the rights of such Owners.

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

“Parity Obligations” means any indebtedness, bond, installment sale obligation, lease obligation or other obligation of the District for borrowed money or interest rate swap agreement (but only as to the regular payments thereunder, fees, expenses and termination payments being subordinate obligations) having an equal lien and charge upon the Sales Tax Revenues and therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding).

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

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

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

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

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

“Purchase Fund” means a fund by that name established to hold funds to be applied to pay the purchase price of a Series of Bonds, which fund shall be established pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

“Rating Agency” means, as and to the extent applicable to a Series of Bonds, each of Fitch and Standard & Poor’s then maintaining a rating on such Series of Bonds at the request of the District.

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

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

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

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

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

“Reserve Facility” means any insurance policy, letter of credit or surety bond issued by a Reserve Facility Provider, meeting the requirements set forth in the Indenture, and delivered to the Trustee in satisfaction of all or a portion of the Bond Reserve Requirement applicable to one or more Series of Bonds.

“Reserve Facility Provider” means any issuer of a Reserve Facility.

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

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

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

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

“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 (“SIFMA”) or by any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the District and effective from such date.

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

“Standard & Poor’s” or “S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Standard & Poor’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“State” means the State of California.

“Subordinate Obligations” means any obligations of the District issued or incurred in accordance with the Indenture.

“Subordinate Obligations Fund” means the fund by that name established pursuant to the Indenture.

“Subsidy Payments” means payments to be made by the United States Treasury to the Trustee, for credit to the accounts held by the Trustee on behalf of the District, with respect to the interest due on a Series of Bonds that qualify for one or more direct subsidy payments or other form of credits or payments pursuant to the Code, including, without limitation, pursuant to Section 54AA or Section 6431 of the Code or any successor to either such provision.

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

“Swap Revenues” means all regularly-scheduled amounts (but not termination payments) owed or paid to the District by any counterparty under any Interest Rate Swap Agreement after offset for the regularly-scheduled amounts (but not termination payments) owed or paid by the District to such counterparty under such Interest Rate Swap Agreement.

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

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

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

“Trustee” means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, or its successors as Trustee as provided in the Indenture.

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

“2017 Costs of Issuance Fund” means the fund by that name established pursuant to the Fourth Supplemental Indenture.

Additional Bonds; Refunding Bonds; Parity Obligations; Subordinate Obligations

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

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

(b) The Trustee shall have received an Opinion of Bond Counsel to the effect that the Supplemental Indenture authorizing such Series of Bonds has been duly executed and delivered by the District, that the Bonds of such Series, when duly executed by the District and authenticated by the Trustee, will be valid and binding special obligations of the District.

(c) The Trustee shall have received a Certificate of the District certifying that: (1) the amount of Sales Tax Revenues received plus the amount of Associated Sales Tax Revenues relating to any recently annexed jurisdiction for any period of 12 consecutive months during the 18 months immediately preceding the date on which such additional Series of Bonds will become

Outstanding shall have been at least equal to 1.5 times the amount of Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding, and the additional Series of Bonds then proposed to be issued; (2) the amount of Sales Tax Revenues for the Fiscal Year in which the Bonds are to be issued and each of the next succeeding 4 Fiscal Years under the laws then in existence at the time of issuance of such additional Series of Bonds are estimated by the District to be at least 1.5 times the amount of Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding, including the additional Series of Bonds then proposed to be issued, in each such Fiscal Year; and (3) Sales Tax Revenues for the Fiscal Year in which the additional Series of Bonds are to be issued under the laws then in existence at the time of the issuance of such additional Series of Bonds shall be at least 1.0 times the amount of the District's obligations with respect to repayment of any withdrawals under a Reserve Facility, if any, then due and owing under the Reserve Facility.

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

- (a) The principal or Redemption Price of the Outstanding Bonds or Parity Obligations to be refunded.
- (b) 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.
- (c) Interest on all Outstanding Bonds or Parity Obligations to be refunded to the date such Bonds or Parity Obligations will be called for redemption or paid at maturity.
- (d) Interest on the refunding Bonds from the date thereof to the date of payment or redemption of the Bonds or Parity Obligations to be refunded.

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

- (a) An Opinion of Bond Counsel to the effect that the execution of the Supplemental Indenture authorizing the refunding Bonds has been duly authorized by the District, that such Series, when duly executed by the District and authenticated and delivered by the Trustee, will be valid and binding special obligations of the District, and that upon delivery of such Series the aggregate principal amount of Bonds then Outstanding will not exceed the amount permitted by law or by the Indenture.
- (b) If any of the Bonds to be refunded are to be redeemed prior to their stated maturity dates, irrevocable instructions to the Trustee to give the applicable notice of redemption or a waiver of the notice of redemption signed by the Owners of all or the portion of the Bonds or Parity Obligations to be redeemed, or proof that such notice has been given by the District; provided, however, that in lieu of such instructions or waiver or proof of notice of redemption, the District may cause to be deposited with the Trustee all of the Bonds and Parity Obligations proposed to be redeemed (whether cancelled or uncanceled) with irrevocable instructions to the Trustee to cancel said Bonds or Parity Obligations so to be redeemed upon the exchange and delivery of said refunding Bonds.
- (c) A Certificate of the District certifying that: (1) the amount of Sales Tax Revenues received plus the amount of Associated Sales Tax Revenues relating to any recently

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

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

(1) Such Parity Obligations have been duly and legally authorized for any lawful purpose.

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

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

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

(5) The Trustee shall be designated as paying agent or trustee for such Parity Obligations and the District shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Parity Obligations (but the Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Parity Obligations).

Subordinate Obligations. Subordinate Obligations that are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Sales Tax Revenues after the prior payment of all amounts then required to be paid under the Indenture from Sales Tax Revenues for principal, premium, interest and reserve fund requirements, if any, for all Bonds Outstanding, and all Parity Obligations outstanding, as the same become due and payable, and at the times and in the amounts as required in the Indenture and in the instrument or instruments pursuant to which any Parity Obligations were issued or

incurred, provided that the following conditions to issuance or incurrence of such Subordinate Obligations are satisfied:

- (1) Such Subordinate Obligations have been duly and legally authorized by the District for any lawful purpose.
- (2) No Event of Default shall have occurred and then be continuing, as evidenced by the delivery to the Trustee of a Certificate of the District to that effect.
- (3) As and to the extent applicable, the Trustee shall be designated as paying agent or trustee for such Subordinate Obligations and the District shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Subordinate Obligations (but the Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Subordinate Obligations).

Termination Payments. Termination payments and fees and expenses on Interest Rate Swap Agreements, Liquidity Provider or Credit Provider fees and expenses and other obligations that may be secured by a lien and charge on the Sales Tax Revenues subordinate to the lien and charge upon the Sales Tax Revenues that secures the Bonds, Parity Obligations and payment of principal of and interest on Subordinate Obligations.

Mandatory Purchase In Lieu of Redemption

Each Owner, by purchase and acceptance of any Series 2017 Bonds, irrevocably grants to the District the option to purchase such Series 2017 Bonds at any time such Series 2017 Bonds is subject to optional redemption as provided in the Indenture at a purchase price equal to the Redemption Price then applicable to such Series 2017 Bonds. In order to exercise such option, the District shall direct the Trustee to provide notice of mandatory purchase, such notice to be provided, as and to the extent applicable, in accordance with the provisions set forth in the Indenture. On the date fixed for purchase of any Series 2017 Bonds pursuant to this paragraph, the District shall pay the purchase price of such Series 2017 Bonds to the Trustee in immediately available funds and the Trustee shall pay the same to the Owners of Series 2017 Bonds being purchased against delivery thereof. Following such purchase, the Trustee shall register such Series 2017 Bonds in accordance with the written instructions of the District. No purchase of any Series 2017 Bonds pursuant to this paragraph shall operate to extinguish the indebtedness evidenced by such Series 2017 Bonds. No Owner may elect to retain Series 2017 Bonds subject to mandatory purchase pursuant to this paragraph. Notwithstanding the foregoing, nothing contained herein is meant to prevent the District from purchasing Series 2017 Bonds on the open market for cancellation.

Establishment and Application of Funds and Accounts; Investments

The following funds and accounts are established pursuant to the Indenture: the Revenue Fund, the Interest Fund, the Principal Fund, the Bond Reserve Fund, the Redemption Fund, the Rebate Fund, Subordinate Obligations Fund and the Expense Account. In addition, the 2017 Costs of Issuance Fund is established pursuant to the Fourth Supplemental Indenture.

For a description of the allocation of Sales Tax Revenues and the Interest Fund, Principal Fund, Bond Reserve Fund and Expense Account see “SECURITY FOR THE SERIES 2017 BONDS” in the front portion of this Official Statement.

Redemption Fund. All moneys deposited by the District with the Trustee for the purpose of optionally redeeming Bonds of any Series shall, unless otherwise directed by the District, be deposited in

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

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

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

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

Interest Rate Swaps. The District may and the Trustee shall, upon the Request of the District, and provided that the Trustee is supplied with an Opinion of Bond Counsel to the effect that such action is permitted under the laws of the State of California, enter into an Interest Rate Swap Agreement corresponding to the interest rate or rates payable on a Series of Bonds or any portion thereof and the amounts received by the District or the Trustee, if any, pursuant to such an Interest Rate Swap Agreement may be applied to the deposits required under the Indenture. If the District so designates, amounts payable under the Interest Rate Swap Agreement shall be secured by Sales Tax Revenues and other assets pledged under the Indenture to the Bonds on a parity basis therewith and, in such event, the District shall pay to the Trustee for deposit in the Interest Fund, at the times and in the manner provided by the provisions of the Indenture, the amounts to be paid under such Interest Rate Swap Agreement, as if such amounts were additional interest due on the Bonds to which such Interest Rate Swap Agreement relates, and the Trustee shall pay to the other party to the Interest Rate Swap Agreement, to the extent required thereunder, amounts deposited in the Interest Fund for the payment of interest on the Bonds with respect to which such agreement was entered into; provided that all termination payments payable with respect to an Interest Rate Swap Agreement shall only be payable on a subordinate basis to payment of principal and interest on the Bonds and to costs of replenishing the Bond Reserve Fund, including, without limitation, any account therein securing a Series of Bonds or any costs associated with a surety bond or

other instrument permitted under the Indenture to be deposited therein to provide credit support for a Series of Bonds.

Certain Covenants of the District

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

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

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

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

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

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

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

Events of Default and Remedies

The following events shall be Events of Default:

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

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

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

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

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

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

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

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

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

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

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

(3) To the payment of reimbursement of withdrawals under any Reserve Facility and, at the written request of the provider of the Reserve Facility, costs and interested related thereto.

Trustee to Represent Bondholders. The Trustee is irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, the Indenture, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and upon the written request of the Owners of not less than 25% in aggregate amount of Bond Obligation of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Indenture, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a

receiver of the Sales Tax Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

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

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

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

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

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

Defeasance

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

- (a) by paying or causing to be paid the Bond Obligations of and interest on such Outstanding Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem such Outstanding Bonds; or
- (c) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

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

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

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

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

the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by request of the District) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

Payment of Bonds After Discharge of Indenture. Any moneys held by the Trustee in trust for the payment of the principal or Redemption Price of, or interest on, any Bonds and remaining unclaimed for 2 years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption as provided in the Indenture), if such moneys were so held at such date, or 2 years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall, upon Request of the District, be repaid to the District free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the District as aforesaid, the Trustee may (at the cost of the District) first mail to the Owners of any Bonds remaining unpaid at the addresses shown on the registration books maintained by the Trustee a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof. All moneys held by or on behalf of the Trustee for the payment of principal of Accreted Value of or interest or premium on Bonds, whether at redemption or maturity, shall be held in trust for the account of the Owners thereof and the Trustee shall not be required to pay Owners any interest on, or be liable to the Owners or any other person (other than the District) for any interest earned on, moneys so held. Any interest earned thereon shall belong to the District and shall be deposited monthly by the Trustee into the Revenue Fund.

Amendments

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

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

No such modification or amendment shall (a) extend the fixed maturity of any Bond or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption

thereof, without the consent of the Owner of each Bond so affected, or (b) reduce the aforesaid percentage of Bond Obligation the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Sales Tax Revenues or other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Owners of the Bonds of the lien created by the Indenture on such Sales Tax Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding.

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

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

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

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

(4) To make modifications or adjustments necessary, appropriate or desirable to provide for the issuance of Variable Rate Indebtedness, Capital Appreciation Bonds or Parity Obligations with such interest rate, payment, maturity and other terms as the District may deem desirable, subject to the provisions of the Indenture described above under the caption "Additional Bonds, Refunding Bonds, Parity Obligations, Subordinate Obligations";

(5) To provide for the issuance of Bonds in book-entry form or bearer form, or as direct placements loans or as may be necessary to accommodate electronic transactions and recordkeeping and new technology;

(6) To make modifications or adjustments necessary, appropriate or desirable to accommodate liquidity or credit enhancements including Reserve Facilities delivered with respect to any Bond Reserve Fund;

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

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

(9) to make modifications or adjustments necessary, appropriate or desirable to provide for the appointment of an auction agent, a broker-dealer, a remarketing agent, a tender agent and/or a paying agent in connection with any Series of Bonds;

(10) to modify, alter, amend or supplement this Indenture in any other respect, including amendments that would otherwise be described in the Indenture, if the effective date of such amendments is a date on which all Bonds affected thereby are subject to mandatory tender for purchase pursuant to the provisions of the Indenture or if notice of the proposed amendments is given to Owners of the affected Bonds at least thirty (30) days before the proposed effective date of such amendments and, on or before such effective date, such Owners have the right to demand purchase of their Bonds pursuant to the provisions of the Indenture or if all Bonds affected thereby are in an auction mode and a successful auction is held following notice of such amendment; and

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

Other Provisions

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

APPENDIX E

THE ECONOMY OF THE THREE BART COUNTIES

General

The San Francisco Bay Area (the “Bay Area”) encompasses the nine counties which border San Francisco Bay. The Three BART Counties (the City and County of San Francisco, Alameda County and Contra Costa County) comprise a 1,512-square-mile central core of the nearly 7,000 square miles of land in the Bay Area. The City and County of San Francisco occupies approximately 49 square miles, while Alameda County and Contra Costa County are approximately 733 and 734 square miles in size, respectively. The San Francisco Bay Area Rapid Transit District (the “District” or “BART”) service area also includes northern San Mateo County, adjacent to the southern border of San Francisco. The surrounding non-member six counties, Marin, Sonoma, Napa and Solano to the north and San Mateo and Santa Clara to the south, provide reciprocal economic support, potential users and expansion area for the District’s centrally located system. All capitalized terms used and not otherwise defined in this Appendix E shall have the meanings set forth in the front portion of this Official Statement.

The City and County of San Francisco occupies the tip of a peninsula situated between the Pacific Ocean and San Francisco Bay (the “Bay”) and is separated from Marin County and other northerly counties by the Golden Gate, which forms the entrance to the Bay and is spanned by the Golden Gate Bridge. Alameda and Contra Costa Counties, bordering the east side of the Bay across from San Francisco, stretch eastward up to 40 miles beyond the series of hills between the Bay and the Central Valley (the Sacramento and San Joaquin Valleys) of California. Contra Costa County is bordered on the northwest by San Pablo Bay and the north by the Carquinez Strait and the extensive delta area of the Sacramento and San Joaquin Rivers, which empty into the Bay. Alameda County adjoins Santa Clara County at the southern end of the Bay. Linking the Bay Area are seven major bridges.

Sales taxes levied in the Three BART Counties are a principal source of District revenues. Sales tax revenues depend on economic activity and trends as well as the demographic characteristics of the Three BART Counties. Historical trends are summarized below and forecasts are presented for the population and employment of the Three BART Counties.

Historical Population and Employment Trends

Table 1 shows historical population for cities within the Three BART Counties for the selected years between 2000 and 2017. Population in the Three BART Counties increased approximately 15.4% between 2000 and 2017 and approximately 1.1% between 2016 and 2017.

Table 1
HISTORICAL POPULATION
Alameda and Contra Costa Counties and City and County of San Francisco
2000, 2010 and 2014 through 2017

	<u>2000⁽¹⁾</u>	<u>2010⁽¹⁾</u>	<u>2014⁽²⁾</u>	<u>2015⁽²⁾</u>	<u>2016⁽²⁾</u>	<u>2017⁽²⁾</u>	<u>% Change 2016-2017</u>
Alameda County							
Alameda	72,259	73,812	76,785	77,657	79,338	79,928	0.7%
Albany	16,444	18,539	18,682	18,841	18,905	18,988	0.4
Berkeley	102,743	112,580	117,399	118,923	119,997	121,238	1.0
Dublin	30,023	46,036	53,512	56,014	57,394	59,686	4.0
Emeryville	6,882	10,080	10,822	10,967	11,730	11,854	1.1
Fremont	203,413	214,089	224,836	227,582	229,504	231,664	0.9
Hayward	140,030	144,186	154,832	157,305	159,104	161,040	1.2
Livermore	73,464	80,968	85,049	86,368	88,207	89,648	1.6
Newark	42,471	42,573	43,835	44,284	44,767	45,422	1.5
Oakland	399,566	390,724	413,626	419,539	423,191	426,074	0.7
Piedmont	10,952	10,667	11,018	11,138	11,227	11,283	0.5
Pleasanton	63,654	70,285	71,990	73,776	75,040	75,916	1.2
San Leandro	79,452	84,950	86,453	87,209	87,882	88,274	0.4
Union City	66,869	69,516	71,719	72,412	73,010	73,452	0.6
Other Areas	135,717	141,266	147,079	148,750	149,937	150,892	0.6
	<u>1,443,931</u>	<u>1,510,271</u>	<u>1,587,637</u>	<u>1,610,765</u>	<u>1,629,233</u>	<u>1,645,359</u>	1.0%
Contra Costa County							
Antioch	90,532	102,372	110,028	111,973	113,495	114,241	0.7%
Brentwood	23,302	51,481	55,353	57,072	59,058	61,055	3.4
Clayton	10,762	10,897	11,096	11,159	11,262	11,284	0.2
Concord	121,872	122,067	126,851	128,063	128,280	128,370	0.1
Danville	41,715	42,039	42,145	42,491	43,287	43,355	0.2
El Cerrito	23,171	23,549	23,980	24,132	24,490	24,600	0.4
Hercules	19,488	24,060	24,430	24,578	24,909	25,675	3.1
Lafayette	23,908	23,893	24,321	24,732	25,041	25,199	0.6
Martinez	35,866	35,824	36,497	36,931	37,224	37,658	1.2
Moraga	16,290	16,016	16,337	16,434	16,581	16,676	0.6
Oakley ⁽³⁾	25,619	35,432	38,864	39,609	40,327	41,199	2.2
Orinda	17,599	17,643	18,083	18,578	18,838	18,935	0.5
Pinole	19,039	18,390	18,560	18,660	18,827	18,975	0.8
Pittsburg	56,769	63,264	66,053	67,119	68,133	69,818	2.5
Pleasant Hill	32,837	33,152	33,708	33,918	34,232	34,657	1.2
Richmond	99,216	103,701	108,447	109,568	110,886	111,785	0.8
San Pablo	30,256	29,139	30,196	30,498	30,972	31,053	0.3
San Ramon	44,722	72,148	76,472	77,470	78,729	80,550	2.3
Walnut Creek	64,296	64,173	67,954	68,652	70,340	70,974	0.9
Other Areas	151,557	159,785	167,797	169,506	171,913	173,454	0.9
	<u>948,816</u>	<u>1,049,021</u>	<u>1,097,171</u>	<u>1,111,141</u>	<u>1,126,824</u>	<u>1,139,513</u>	1.1%
City and County of San Francisco							
San Francisco	<u>776,733</u>	<u>805,235</u>	<u>848,186</u>	<u>857,508</u>	<u>864,889</u>	<u>874,228</u>	1.1%
Three BART Counties							
	<u>3,169,488</u>	<u>3,364,531</u>	<u>3,542,317</u>	<u>3,579,410</u>	<u>3,620,946</u>	<u>3,659,100</u>	1.1%

⁽¹⁾ As of April 1 of that year.

⁽²⁾ As of January 1 of that year.

⁽³⁾ The City of Oakley was incorporated in 1999.

Source: For 2000-2010: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2001-2010, with 2000 & 2010 Census Counts. Sacramento, California, November 2012; For 2011-15: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2016, with 2010 Census Benchmark. Sacramento, California, May 2016; For 2016-2017: State of California,

Table 2-A shows historical nonagricultural employment for the Three BART Counties by industry sector in calendar year 2016 and Table 2-B shows total nonagricultural employment for the Three BART Counties by industry sector in calendar years 2005 and 2016.

Table 2-A
NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SECTOR
Alameda and Contra Costa Counties and City and County of San Francisco
Calendar Year 2016
(Not Seasonally Adjusted)

	Alameda County		Contra Costa County		City and County of San Francisco	
	Number	Percent ⁽²⁾	Number	Percent ⁽²⁾	Number	Percent ⁽²⁾
Total Nonagricultural Employment ⁽¹⁾	771,400	—	363,400	—	703,400	—
<i>Major Classifications</i>						
Manufacturing	75,000	9.7%	14,900	4.1%	12,200	1.7%
Transportation, Warehousing and Public Utilities	27,500	3.6	11,200	3.1	16,200	2.3
Wholesale Trade	38,700	5.0	10,400	2.9	15,600	2.2
Retail Trade	71,800	9.3	43,300	11.9	47,000	6.7
Finance and Insurance	20,300	2.6	20,000	5.5	42,200	6.0
Real Estate, Rental and Leasing	10,100	1.3	6,900	1.9	14,000	2.0
Information	18,200	2.4	8,100	2.2	39,000	5.5
Professional & Business Services	128,700	16.7	52,100	14.3	190,600	27.1
Educational & Health Services	117,600	15.2	67,300	18.5	87,700	12.5
Leisure & Hospitality	70,900	9.2	40,500	11.1	97,300	13.8
Other Services	26,200	3.4	13,000	3.6	26,900	3.8
Government	123,500	16.0	50,400	13.9	94,300	13.4

⁽¹⁾ Totals may reflect rounding.

⁽²⁾ Represents percentage of total nonagricultural employment; reflects rounding.

Source: California Employment Development Department, Labor Market Information Division with March 2015 Benchmark.

Table 2-B
NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SECTOR
Total Three BART Counties
Calendar Years 2005 and 2016
(Not Seasonally Adjusted)

	2005		2016	
	Number	Percent ⁽²⁾	Number	Percent ⁽²⁾
Total Nonagricultural Employment ⁽¹⁾	1,574,300	–	1,838,200	–
<i>Major Classifications</i>				
Manufacturing	105,600	6.7%	102,100	5.6%
Transportation, Warehousing and Public Utilities	49,800	3.2	54,900	3.0
Wholesale Trade	60,500	3.8	64,700	3.5
Retail Trade	155,200	9.9	162,100	8.8
Finance and Insurance	91,500	5.8	82,500	4.5
Real Estate, Rental, and Leasing	30,300	1.9	31,000	1.7
Information	48,000	3.0	65,300	3.6
Professional & Business Services	259,600	16.5	371,400	20.2
Educational & Health Services	203,300	12.9	272,600	14.8
Leisure & Hospitality	155,800	9.9	208,700	11.4
Other Services	56,900	3.6	66,100	3.6
Government	195,200	12.4	268,200	14.6

⁽¹⁾ Totals may reflect rounding.

⁽²⁾ Represents percentage of total nonagricultural employment; reflects rounding.

Source: California Employment Development Department, Labor Market Information Division with 2015 Benchmark.

Total nonagricultural employment in the Three BART Counties increased approximately 16.8% between 2005 and 2016.

As shown in Table 2-A and Table 2-B, the economy of the Three BART Counties is well diversified, with emphasis on educational and health services, professional and business services, and government.

Alameda County. Alameda County accounts for approximately 45.0% of the population and approximately 42.0% of the nonagricultural employment of the Three BART Counties. Alameda County’s population increased approximately 13.9% between 2000 and 2017.

Alameda County has a diverse economic base. A large number of new jobs have been, and are expected to be, created by firms classified in the services industry. Many of these jobs will be highly skilled professional, technical, and managerial positions. The two largest employment sectors are professional and business services and government, which account for approximately 32.7% of total nonagricultural employment. The transportation, warehousing and public utilities sector, accompanied by both retail trade and wholesale trade categories, averaged 138,000 jobs in 2016, comprising approximately 17.9% of total nonagricultural employment. The professional and business services industry averaged 128,700 jobs for 2016, comprising approximately 16.7% of total nonagricultural employment. Major employers in Alameda County include Kaiser Permanente, University of California at Berkeley, Alameda County, Lawrence Livermore National Laboratory, Oakland Unified School District, Alta Bates Summit Medical Center and Lawrence Berkeley National Laboratory, as shown in Table 4-A.

Contra Costa County. Contra Costa County, predominantly a low-density residential area, accounts for approximately 31.1% of the population and approximately 19.8% of total nonagricultural employment of the Three BART Counties in 2016. Contra Costa County’s population increased approximately 20.1% between 2000 and 2017.

Contra Costa County has one of the fastest-growing work forces among Bay Area counties, with growth in its employment base being driven primarily by the need to provide services to an increasing local population. Contra Costa County has also experienced an influx of white-collar jobs due to the relocation of companies from more expensive locations in the Bay Area. The professional and business services, educational and health services,

retail trade and government employment sectors account for approximately 58.6% of the nonagricultural employment base. Major employers in Contra Costa County include Contra Costa County, Safeway Inc., Chevron Corp. and John Muir/Mount Diablo Health System, as shown in Table 4-A.

City and County of San Francisco. The City and County of San Francisco (the “City”) is a major employment center of the Three BART Counties, accounting for approximately 38.3% of the nonagricultural employment and approximately 23.9% of the population of the Three BART Counties. The population of San Francisco is relatively dense and has increased slowly in recent years, with an overall increase of approximately 1.1% between 2016 and 2017.

The City has the benefit of a highly skilled, professional labor force. Key industries include tourism, real estate, banking and finance, retailing, apparel design and manufacturing. Emerging industries include multimedia and bioscience. Major employers in San Francisco include the City and County of San Francisco, the University of California at San Francisco, Wells Fargo & Co. Inc., and the San Francisco Unified School District, as shown in Table 4-B.

Table 3 shows the average annual unemployment rates for the Three BART Counties and the State of California and the United States for the calendar years 2012 through 2017.

**Table 3
AVERAGE ANNUAL UNEMPLOYMENT RATES**

**Alameda County, Contra Costa County, City and County of San Francisco,
State of California and the United States
Calendar Years 2012 Through 2017**

Calendar Year	Alameda County	Contra Costa County	City and County of San Francisco	State of California	United States
2012	8.7%	8.9%	6.8%	10.4%	8.1%
2013	7.2	7.5	5.5	8.9	7.4
2014	5.8	6.2	4.4	7.5	6.2
2015	4.7	5.0	3.6	6.2	5.3
2016	4.2	4.4	3.3	5.4	4.9
2017	4.4 ⁽¹⁾	4.5 ⁽¹⁾	3.5 ⁽¹⁾	5.1 ⁽²⁾	4.4 ⁽³⁾

⁽¹⁾ Not seasonally adjusted figure as of August 2017.

⁽²⁾ Seasonally adjusted figure as of August 2017.

⁽³⁾ Projected national unemployment rate for 2017.

Sources: California Employment Development Department, U.S. Department of Labor, Bureau of Labor Statistics and International Monetary Fund

Table 4-A identifies the major employers of Alameda and Contra Costa Counties and Table 4-B identifies the major employers in the City and County of San Francisco.

**Table 4-A
MAJOR EMPLOYERS
Alameda and Contra Costa Counties
As of 2015**

Employer	Number of Employees
University of California, Berkeley	23,962
Kaiser Permanente	18,450
Alameda County	9,147
State of California	8,930
Contra Costa County	8,500
Chevron Corp.	6,631
Safeway Inc.	6,270
U.S. Postal Service	5,948
John Muir Health	5,857
Wells Fargo Bank	5,400
City of Oakland	5,055
PG&E Corp.	4,625
Alta Bates Summit Medical Center	4,471
Oakland Unified School District	4,359
Lawrence Livermore National Lab	4,051
FedEx Corp.	4,000
Alameda Health System	3,800
Lam Research Corp.	3,465
UPS	3,369
Contra Costa Community College District	3,100
Hayward Unified School District	3,054
Tesla Motors Inc.	3,000
West Contra Costa Unified School District	2,968
San Ramon Valley Unified School District	2,900

Sources: San Francisco Business Times, 2015 *Book of Lists* and San Francisco Business Journal.

Table 4-B
MAJOR EMPLOYERS
City and County of San Francisco
As of 2016

Employer	Number of Employees⁽¹⁾
City and County of San Francisco	26,207
University of California, San Francisco	20,600
San Francisco Unified School District	8,497
Wells Fargo Bank	8,300
California Pacific Medical Center	5,837
Salesforce	5,000
Gap Inc.	4,438
PG&E Corp.	4,297
State of California	4,078
Kaiser Permanente	3,500
San Francisco State University	3,234
United States Postal Service	2,980
Academy of Art University	2,519
Dignity Health	2,428
Charles Schwab & Co. Inc.	2,400
San Francisco VA Medical Center	2,354
City College of San Francisco	2,339
Accenture	2,200
University of San Francisco	2,141
Safeway Inc.	2,000
Twitter Inc.	2,000
Williams-Sonoma Inc.	1,760
BlackRock	1,547
Google Inc.	1,500
Lucasfilm Ltd.	1,500
PricewaterhouseCoopers LLP (PwC)	1,500

Source: San Francisco Business Times, 2016 Book of Lists

⁽¹⁾ San Francisco employees.

Population and Employment Forecasts

Table 5 presents population and employment projections for the Three BART Counties prepared, respectively, by the Demographic Research Unit of the California Department of Finance (“DRU”) and the Association of Bay Area Governments (“ABAG”). The projected population and employment figures presented below constitute forecasts by the DRU and ABAG and, as a result, are subject to substantial uncertainty. Such prospective data are based on certain assumptions and methodologies of the underlying source which may be affected by a number of exogenous factors and dependent on the occurrence of future events which may or may not occur. Accordingly, actual population and employment statistics in the Three BART Counties may differ materially from the data presented in this table and are not intended as representations of fact or guarantees of future results. Subsequently published prospective data from the DRU and ABAG may also differ as the underlying assumptions and methodologies on which such forecasts are based continue to develop. The District does not plan to issue any updates or revisions to this information if, or when, expected population and employment change. See “FORWARD LOOKING STATEMENTS” herein.

DRU projects the population of the Three BART Counties to increase to approximately 4,347,691 people by 2035, as compared with the actual population of 3,659,100 in January 2017, with most of the growth occurring in Contra Costa and Alameda counties. Employment in the Three BART Counties is projected by ABAG to increase to

2,402,160 in 2035, as compared with the actual 1,853,500 employment level as of May 2016 (the most recent data available). Most of the growth in employment is projected by ABAG to occur in the professional and managerial services and health and educational services sectors in each of the Three BART Counties. ABAG also projects the largest growth in employment will occur in San Francisco County.

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

County	2017⁽¹⁾ (Actual)	2035⁽²⁾ (Projected)	% Change 2017-2035 (Projected)
Alameda.....	1,645,359	1,958,389	19.0%
Contra Costa	1,139,513	1,373,950	20.6
San Francisco.....	874,228	1,015,352	16.1
Three BART Counties	3,659,100	4,347,691	18.8%

County	2016⁽³⁾	2035⁽²⁾ (Projected)	% Change 2016-2035 (Projected)
Alameda.....	792,700	1,039,680	31.2%
Contra Costa	526,900	555,650	5.5
San Francisco.....	533,900	806,830	51.1
Three BART Counties	1,853,500	2,402,160	29.6%

⁽¹⁾ As of January 1, 2017.

⁽²⁾ Prospective data. Actual population and employment may materially differ.

⁽³⁾ Preliminary data for May 2016; not seasonally adjusted.

Sources: State of California Department of Finance; State of California Employment Development Department; Association of Bay Area Governments, *Jobs-Housing Connections Strategy*.

Personal Income

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

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

Table 6 below presents the latest available total income and per capita personal income for the Three BART Counties, the State and the nation for the calendar years 2010 through 2015 (the most recent annual data available). The Three BART Counties have traditionally had per capita income levels significantly higher than those of the State and the nation.

Table 6
PERSONAL INCOME
Alameda County, Contra Costa County, City and County of San Francisco,
State of California and United States
Calendar Years 2010 through 2015

Year and Area	Personal Income (millions of dollars) ⁽¹⁾	Per Capita Personal Income (dollars)
2010		
Alameda County	\$72,194	\$47,692
Contra Costa County	56,594	53,750
San Francisco County	61,333	76,114
State of California	1,617,134	43,315
United States	12,459,613	40,277
2011		
Alameda County	77,852	50,783
Contra Costa County	61,156	57,336
San Francisco County	66,094	80,974
State of California	1,727,434	45,820
United States	13,233,436	42,453
2012		
Alameda County	82,149	52,763
Contra Costa County	66,344	61,470
San Francisco County	73,115	88,141
State of California	1,838,567	48,312
United States	13,904,485	44,267
2013		
Alameda County	86,611	54,684
Contra Costa County	66,608	60,776
San Francisco County	74,677	88,825
State of California	1,861,957	48,471
United States	14,068,960	44,462
2014		
Alameda County	93,290	57,842
Contra Costa County	69,527	62,540
San Francisco County	83,120	97,498
State of California	1,977,924	50,988
United States	14,801,624	46,414
2015		
Alameda County	101,370	61,879
Contra Costa County	74,757	66,348
San Francisco County	89,533	103,529
State of California	2,103,669	53,741
United States	15,458,500	42,095

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

⁽¹⁾ Numbers reflect rounding.

Table 7 shows the total dollar volume of sales and other taxable transactions (which correlate with sales tax receipts) in the Three BART Counties for calendar years 2011 through 2015 (the most recent data available).

Table 7
HISTORICAL TAXABLE TRANSACTIONS
Alameda and Contra Costa Counties and City and County of San Francisco
Calendar Years 2011 Through 2015
(\$ in thousands)

Calendar Year	Alameda County	Contra Costa County	San Francisco County	Total Three BART Counties	Percentage Change
2011	\$23,430,799	\$12,799,857	\$14,890,527	\$51,121,183	8.9%
2012	25,181,571	13,997,249	15,953,605	55,132,425	7.8
2013	26,624,571	14,471,988	17,094,163	58,190,722	5.5
2014	28,377,714	15,030,047	18,469,729	61,877,490	6.3
2015	29,770,157	15,670,053	18,871,834	64,312,044	3.9

Source: California State Board of Equalization, 2011-2015 Annual Reports.

Table 8 shows taxable transactions by type of business for the Three BART Counties for the year ended December 31, 2015 (the most recent annual data available).

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Table 8
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
Alameda and Contra Costa Counties and the City and County of San Francisco
For Calendar Year 2015
(\$ in thousands)

Type of Business	Alameda County	Contra Costa County	City and County of San Francisco
<i>Retail and Food Services</i>			
Motor Vehicle and Parts Dealers	3,932,865	2,245,947	565,639
Home Furnishings and Appliance Stores	1,347,605	686,740	1,010,769
Building Material and Garden Equipment and Supplies Dealers	1,566,918	1,060,312	588,279
Food and Beverage Stores	1,146,357	816,995	830,061
Gasoline Stations	1,807,464	1,341,604	471,496
Clothing and Clothing Accessories Stores	1,573,419	902,810	2,163,743
General Merchandise Stores	1,787,594	1,392,414	825,300
Food Services and Drinking Places	3,027,990	1,613,644	4,441,352
Other Retail Group	2,512,594	1,359,781	2,136,115
<i>Total Retail and Food Services⁽¹⁾</i>	18,702,806	11,420,248	13,032,755
<i>All Other Outlets⁽¹⁾</i>	11,067,352	4,249,805	5,839,079
<i>Total All Outlets⁽¹⁾</i>	29,770,157	15,670,053	18,871,834

⁽¹⁾ Totals may reflect rounding.

Source: California State Board of Equalization.

Table 9 shows a comparison of taxable transactions among several large northern and southern California counties (including the Three BART Counties) and state-wide over the calendar years 2011 through 2015 (the most recent annual data available).

Table 9
COMPARISON OF TAXABLE TRANSACTIONS TRENDS
FOR MAJOR CALIFORNIA COUNTIES
Calendar Years 2011 Through 2015
(\$ in thousands)

	2011	2012	2013	2014	2015	% Change (2011-2015)
Three BART Northern Counties						
Alameda	\$23,430,799	\$25,181,571	\$26,624,571	\$28,377,714	\$29,770,157	27.1%
Contra Costa	12,799,857	13,997,249	14,471,988	15,030,047	15,670,053	22.4
San Francisco	14,890,527	15,953,605	17,094,163	18,469,729	18,871,834	26.7
Total Three BART Counties	\$51,121,183	\$55,132,425	\$58,190,722	61,877,490	64,312,044	25.8
Other Northern Counties						
Sacramento	\$18,003,765	\$19,089,848	\$20,097,095	\$21,061,901	\$22,043,196	22.4%
San Mateo	13,020,643	13,906,978	14,611,618	15,298,434	15,478,010	18.9
Santa Clara	33,431,217	36,220,445	37,621,606	39,628,655	41,231,759	23.3
Southern Counties						
Los Angeles	\$126,440,737	\$135,295,582	\$140,079,708	\$147,446,927	\$151,033,781	19.5%
Orange	51,731,139	55,230,612	57,591,217	60,097,128	61,358,087	18.6
Riverside	25,641,497	28,096,009	30,065,467	32,035,687	32,910,910	28.4
San Bernardino	27,322,980	29,531,921	31,177,823	33,055,967	35,338,556	29.3
San Diego	45,090,382	47,947,035	50,297,331	52,711,639	54,185,588	20.2
Ventura	11,020,181	11,958,260	12,824,296	13,366,628	13,784,346	25.1
Statewide	\$520,568,055	\$558,387,250	\$586,839,618	\$615,821,874	\$633,941,952	21.8%

Source: California State Board of Equalization.

APPENDIX F

DTC AND THE BOOK-ENTRY-ONLY SYSTEM

The information in this Appendix F concerning The Depository Trust Company (“DTC”) and DTC’s book-entry-only system has been obtained from sources that the San Francisco Bay Area Rapid Transit District (the “District”) believes to be reliable, but the District takes no responsibility for the accuracy thereof. The District cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (all as defined below): (a) payments of principal of, premium if any, and interest on (“Debt Service”) the Series 2017 Bonds; (b) confirmations of ownership interest in the Series 2017 Bonds; or (c) notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2017 Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Direct Participants and Indirect Participants are on file with DTC.

Neither the District nor the Trustee will have any responsibility or obligations to DTC, the Direct Participants, the Indirect Participants of DTC or the Beneficial Owners with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participants or Indirect Participants of DTC; (2) the payment by DTC or any Direct Participants or Indirect Participants of DTC of any amount due to any Beneficial Owner in respect of the Debt Service on the Series 2017 Bonds; (3) the delivery by DTC or any Direct Participants or Indirect Participants of DTC of any notice to any Beneficial Owner that is required or permitted to be given to owners under the terms of the Indenture; or (4) any consent given or other action taken by DTC as registered owner of the Series 2017 Bonds.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2017 Bonds. The Series 2017 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of Series 2017 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

rating of AA+. 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 Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2017 Series A Bond (each a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2017 Bonds, except in the event that use of the book-entry system for the Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2017 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2017 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the documents. For example, Beneficial Owners of Series 2017 Bonds may wish to ascertain that the nominee holding the Series 2017 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2017 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District or to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2017 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by

standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2017 Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

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

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Series 2017 Bonds, the provisions of the Indenture relating to place of payment, transfer and exchange of the Series 2017 Bonds, regulations with respect to exchanges and transfers, bond register, Bonds mutilated, destroyed or stolen, and evidence of signatures of 2017 Series A Bond Owners and ownership of Series 2017 Bonds will govern the payment, registration, transfer, exchange and replacement of the Series 2017 Bonds. Interested persons should contact the District for further information regarding such provisions of the Indenture.

APPENDIX G

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by the San Francisco Bay Area Rapid Transit District (the “Issuer”) and U.S. Bank National Association, as dissemination agent (the “Dissemination Agent”), in connection with the issuance of \$118,260,000 principal amount of San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2017 Refunding Series A (Green Bonds) (the “Series 2017A Bonds”) and \$67,245,000 principal amount of San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2017 Refunding Series B (Federally Taxable) (Green Bonds) (the “Series 2017B Bonds” and, together with the Series 2017A Bonds, the “Series 2017 Bonds”). The Series 2017 Bonds are being issued pursuant to an Indenture, dated as of September 1, 2012 (the “Master Indenture”), as supplemented and amended by a First Supplemental Indenture, dated as of September 1, 2012 (the “First Supplemental Indenture”), a Second Supplemental Indenture, dated as of October 1, 2015 (the “Second Supplemental Indenture”), a Third Supplemental Indenture, dated as of August 1, 2016 (the “Third Supplemental Indenture”), and a Fourth Supplemental Indenture, dated as of December 1, 2017 (the “Fourth Supplemental Indenture” and, together with the Master Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, and the Third Supplemental Indenture, the “Indenture”), each by and between the Issuer and the Trustee. The Issuer and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer and the Dissemination Agent for the benefit of the Holders and the Beneficial Owners (as hereinafter defined) of the Series 2017 Bonds and in order to assist the Participating Underwriters (as hereinafter defined) in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement and not otherwise defined in this Section, the following capitalized terms shall have the following meanings:

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

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2017 Bonds (including persons holding Series 2017 Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the Controller/Treasurer of the Issuer or her designee, or such other officer or employee of the Issuer as the Controller/Treasurer of the Issuer shall designate in writing to the Trustee and the Dissemination Agent from time to time.

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

“Holder” shall mean the person in whose name any Series 2017 Bond shall be registered.

“Listed Events” shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Agreement.

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

“Participating Underwriter” shall mean any of the original underwriters of the Series 2017 Bonds required to comply with the Rule in connection with offering of the Series 2017 Bonds.

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

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

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than eight (8) months after the end of the Issuer’s fiscal year (presently June 30), commencing with the Annual Report for the fiscal year of the Issuer ending June 30, 2018, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Each Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. Neither the Trustee nor the Dissemination Agent shall have any duties or responsibilities with respect to the contents of the Annual Report. If the Issuer’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

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

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

(d) If the Annual Report is delivered to the Dissemination Agent for filing, the Dissemination Agent shall file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided.

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

(a) The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to

Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, dated December 14, 2017, relating to the Series 2017 Bonds (the “Official Statement”), and the audited financial statements shall be filed in the same manner as the Annual Report when such audited financial statements become available.

(b) An update (as of the most recently ended fiscal year of the Issuer) for the table entitled “Sales Tax Revenues” set forth in the Official Statement under the caption “SECURITY FOR THE SERIES 2017 BONDS – Sales Tax Revenues” and an update for the table entitled “Debt Service Requirements” set forth in the Official Statement under the caption “DEBT SERVICE REQUIREMENTS.”

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

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2017 Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes; or;
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(b) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2017 Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series 2017 Bonds or other material events affecting the tax status of the Series 2017 Bonds;

2. Modifications to rights of bond holders;

3. Optional, unscheduled or contingent bond calls;

4. Release, substitution, or sale of property securing repayment of the Series 2017 Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional paying agent or the change of name of a paying agent.

(c) The Issuer shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3, as provided in Section 3(b).

(d) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the Issuer shall determine if such event would be material under applicable federal securities laws.

(e) If the Issuer learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the Issuer shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Series 2017 Bonds pursuant to the Resolution.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The obligations of the Issuer and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2017 Bonds. If such termination occurs prior to the final maturity of the Series 2017 Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

SECTION 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty (30) days written notice to the Issuer. The Dissemination Agent shall not be responsible in any manner for the form or the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Issuer, provided the Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2017 Bonds, or the type of business conducted;

(b) This Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2017 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Series 2017 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Series 2017 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(e), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee, at the written request of any

Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Series 2017 Bonds, shall, but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys, or any Owner or Beneficial Owner of the Series 2017 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Trustee and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent and the Trustee and their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Trustee's or the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The obligations of the Issuer under this Section shall survive resignation or removal of the Trustee or the Dissemination Agent and payment of the Series 2017 Bonds. The Dissemination Agent has no power to enforce performance on the part of the Issuer under this Disclosure Agreement.

The Dissemination Agent agrees to accept and act upon instructions or directions pursuant to this Disclosure Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Dissemination Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Issuer elects to give the Dissemination Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Dissemination Agent acts upon such instructions, the Dissemination Agent's understanding of such instructions shall be deemed controlling. The Dissemination Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Dissemination Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Issuer agrees: (i) to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Dissemination Agent, including without limitation the risk of the Dissemination Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting instructions to the Dissemination Agent and that there may be more secure methods of transmitting instructions than the method(s) selected by the Issuer; and (iii) that the security procedures (if any) to be followed in connection with its transmission of instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances.

It is understood and agreed that any information that the Dissemination Agent may be instructed to file with the MSRB shall be prepared and provided to it by the Issuer. The fact that the Dissemination

Agent or any affiliate thereof may have any fiduciary or banking relationship with the Issuer shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the Issuer.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

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

- (ii) If to the Dissemination Agent:
U.S. Bank National Association
One California Street, Suite 1000
San Francisco, California 94111
Attention: Global Corporate Trust Services
Telephone: (415) 677-3596
Fax: (415) 677-3769

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent. Notices may also be given by electronic means.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Series 2017 Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law. This Disclosure Agreement shall be governed under the laws of the State of California.

SECTION 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: December 28, 2017.

SAN FRANCISCO BAY AREA RAPID
TRANSIT DISTRICT

By _____
Controller/Treasurer

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By _____
Authorized Officer

Exhibit A

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF
FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: San Francisco Bay Area Rapid Transit District
Name of Bond Issue: San Francisco Bay Area Rapid Transit District Sales Tax Revenue
Bonds, 2017 Refunding Series A (Green Bonds)
San Francisco Bay Area Rapid Transit District Sales Tax Revenue
Bonds, 2017 Refunding Series B (Federally Taxable) (Green Bonds)
Date of Issuance of Bonds: December 28, 2017

NOTICE IS HEREBY GIVEN that the San Francisco Bay Area Rapid Transit District (the “Issuer”) has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Agreement, dated December 28, 2017, between the Issuer and U. S. Bank National Association, as dissemination agent. [The Issuer anticipates that the Annual Report will be filed by _____.]

Dated: _____

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent on behalf of the San
Francisco Bay Area Rapid Transit District

cc: Issuer

APPENDIX H

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Date of Delivery]

San Francisco Bay Area
Rapid Transit District
Oakland, California

San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds 2017 Refunding Series A (Green Bonds)	San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds 2017 Refunding Series B (Federally Taxable) (Green Bonds)
<hr/>	
(Final Opinion)	

Ladies and Gentlemen:

We have acted as bond counsel to the San Francisco Bay Area Rapid Transit District (the “District”) in connection with the issuance by the District of \$118,260,000 aggregate principal amount of San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2017 Refunding Series A (Green Bonds) (the “Series 2017A Bonds”) and \$67,245,000 aggregate principal amount of San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2017 Refunding Series B (Federally Taxable) (Green Bonds) (the “Series 2017B Bonds” and, together with the Series 2017A Bonds, the “Series 2017 Bonds”), issued pursuant to a Master Indenture, dated as of September 1, 2012, as supplemented and amended, including by a Fourth Supplemental Indenture, dated as of December 1, 2017 (hereinafter collectively referred to as the “Indenture”), between the District and U.S. Bank National Association, as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate, dated the date hereof (the “Tax Certificate”), certificates of the District, the Trustee, and others, opinions of counsel to the District and the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2017 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2017A 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 Series 2017 Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public transit districts in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, 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. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2017 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 Series 2017 Bonds constitute the valid and binding special obligations of the District payable from and secured by a pledge of Sales Tax Revenues.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the District. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2017 Bonds, of the Sales Tax Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. Interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Series 2017A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Series 2017B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Series 2017 Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2017 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP