

THIS PRINT COVERS CALENDAR ITEM NO. : 11 and 12

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY**

DIVISION: Finance and Information Technology

BRIEF DESCRIPTION:

Authorizing the issuance of up to \$170 million in revenue bonds, including the refinancing of outstanding revenue and lease revenue bonds related to certain parking garages and meters and providing funds for certain new projects, and authorizing the Director of Transportation to execute the documents necessary for this transaction, including, a Bond Purchase Contract, an Indenture of Trust and a Continuing Disclosure Certificate and, with respect to the Preliminary Official Statement, to finalize the Preliminary Official Statement and, upon finalization, return to the SFMTA Board for approval and distribution of said document in final form.

SUMMARY:

- The SFMTA wishes to finance the costs of certain transportation projects through the issuance of revenue bonds and to refinance bonds previously issued for certain parking garages and parking meters.
- The Charter and Administrative Code authorize the SFMTA to issue revenue bonds, with the concurrence of the Board of Supervisors, without voter approval and in accordance with State law.
- The bond financing will require the execution of certain documents related to the revenue bonds, including a Preliminary Official Statement, a Bond Purchase Contract, an Indenture of Trust and a Continuing Disclosure Certificate.
- If approved by the SFMTA Board and the Parking Authority Commission, this bond financing and the execution of the necessary documents will be submitted to the Recreation and Park Commission and the Board of Supervisors for final approval.

ENCLOSURES:

1. SFMTAB Resolution
2. PAC Resolution
3. Preliminary Official Statement
4. Indenture of Trust
5. First Supplement to Indenture of Trust
6. Bond Purchase Contract
7. Continuing Disclosure Agreement

APPROVALS:

DATE

DIRECTOR _____ 11-28-11

SECRETARY _____ 11-28-11

ADOPTED RESOLUTION

BE RETURNED TO Sonali Bose

ASSIGNED SFMTAB CALENDAR DATE: December 6, 2011

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PURPOSE

This calendar item authorizes the issuance of up to \$170 million in revenue bonds, including the refinancing of outstanding revenue and lease revenue bonds related to certain parking garages and meters and providing funds for certain new projects, and authorizes the Director of Transportation to execute all necessary documents for this transaction, including a Preliminary Official Statement, an Indenture of Trust, a Bond Purchase Contract and a Continuing Disclosure Certificate.

GOAL

This item will meet the following goal and objectives of the SFMTA Strategic Plan:

- Goal 4 - Financial Capacity: To ensure financial stability and effective resource utilization.

DESCRIPTION

Background

The City Charter 8A.102(b)13 states “To the maximum extent permitted by law, with the concurrence of the Board of Supervisors, and notwithstanding the requirements and limitations of Sections 9.107, 9.108, and 9.109, have authority without further voter approval to incur debt for Agency purposes and to issue or cause to be issued bonds, notes, certificates of indebtedness, commercial paper, financing leases, certificates of participation or any other debt instruments. Upon recommendation from the Board of Directors, the Board of Supervisors may authorize the Agency to incur on behalf of the City such debt or other obligations provided: 1) the Controller first certifies that sufficient unencumbered balances are expected to be available in the proper fund to meet all payments under such obligations as they become due; and 2) any debt obligation, if secured, is secured by revenues or assets under the jurisdiction of the Agency.”

The approval of the legal documentation for the issuance of revenue bonds is the latest development in a series of discussions by the Board. Prior discussions have included the following:

On October 19, 2010, the Board heard considerations for a bond financing of capital projects. The presentation included a discussion on the process and the actions required by the Board. These included the adoption of a debt policy, the development of required legal documentation, and the creation of a credit strategy.

On February 15, 2011, the Board received several informational items regarding potential bond financing for the SFMTA. These items included a financial plan and a summary of financing scenarios for the SFMTA. It was contemplated at the time that the SFMTA would pursue a strategy to issue lease revenue bonds with the San Francisco Municipal Railway Improvement

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Corporation (SFMRIC) and revenue bonds through its own credit. (Subsequently, the SFMTA decided that it would issue all of the bonds through its own credit and would not work with SFMRIC.)

On September 9, 2011, the Policy and Governance Committee discussed a financing strategy to refinance outstanding parking garage and parking meter bonds and to issue bonds for new capital improvements.

On September 20, 2011, the Board unanimously approved a reimbursement resolution and a debt policy. The reimbursement resolution allows the Board to issue bonds for project costs already incurred.

On November 1, 2011, the Board received training regarding disclosure requirements and the role of the Board in a bond financing.

Use of Bond Proceeds

Revenue bond proceeds are anticipated to fund (i) planning, design, construction or improvement of capital improvements in the SFMTA's transit and parking garage assets, (ii) refinancing of outstanding revenue and lease revenue bonds, (iii) a bond reserve account and (iv) the costs of issuance. The final determination as to any specific project shall be the subject of subsequent Board action.

ANTICIPATED APPLICATION OF BOND PROCEEDS FOR SERIES 2012 PROJECTS (IN MILLIONS)

Transit Projects	Bond Proceeds
Systemwide Transit Access and Reliability (Transit Signal Priority) Program	\$7.5
Muni Metro Sunset Tunnel Rail Rehabilitation	\$4.5
Muni Metro Turnback Rehabilitation	\$10.0
Muni Metro System Public Announcement and Public Display System Replacement	\$10.0
Muni System Radio Replacement Project	\$4.0
Muni Green Light Rail Facility Rehabilitation	\$12.0
<i>Total Uses of Funds</i>	<i>\$48.0</i>

Systemwide Transit Access and Reliability (Transit Signal Priority) Program

The Systemwide Transit Access and Reliability (Transit Signal Priority) Program is intended to increase transit ridership and improve the path of travel to transit stops and stations while minimizing delays associated with customer boarding and alighting from Muni vehicles and

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reducing delays associated with traffic signals. It includes projects supporting development of pedestrian and bicycle amenities which expand the ridership area and increase the utility of public transit access points. Projects also include small signal upgrades and modification of signal phases at intersections, adding bus or pedestrian bulbs, and street design changes to reduce delays for transit vehicles at busy intersections.

Muni Metro Sunset Tunnel Rail Rehabilitation

The goal of the Muni Metro Sunset Tunnel Rail Rehabilitation is to improve the safety, reliability and quality of the ride on the system's busiest rail line. The project will upgrade the rail track, ties and ballast in the Sunset Tunnel, which was originally constructed in October 1928 and lies directly beneath Buena Vista Park between Cole Valley and the Duboce Triangle neighborhood. The Muni Metro N-Judah line uses the tunnel for approximately 70,000 trips per year. The SFMTA expects to schedule the project concurrently with other projects which require the N-Judah line to be temporarily shut down, resulting in cost savings for this project.

Muni Metro Turnback Rehabilitation

The Muni Metro Turnback (MMT) extends the Muni Metro Light Rail Transit Line underground approximately one mile from Embarcadero Station to a tunnel portal connecting to the Mission Bay surface line. The MMT includes 800 feet of bored tunnel, cut-and-cover structure, and an extensive underground turnback complex with two pocket tracks. The MMT was designed to improve turnback operations, reduce headways, and provide underground train storage to increase system capacity. The turnback and pocket track just east of Embarcadero Station have been damaged over time by water intrusion from the San Francisco Bay. The worn track has in the past caused service delays. The MMT Rehabilitation is designed to improve service reliability by reducing train and control failures and to improve safety. It is also expected to reduce on-going maintenance costs.

Muni Metro System Public Announcement and Public Display System Replacement

The Muni Metro System Public Announcement and Public Display System Replacement project would improve customer experience within the Muni Metro system by replacing existing 28-year-old subway Public Address System & Platform Display systems with new devices. Specific improvements include the installation of LED passenger information displays at nine stations, for a total of 108 signs. Station improvements will also include speakers, microphones, ambient noise sensors and a digital voice announcement system.

Muni System Radio Replacement Project

Muni System Radio Replacement Project would modernize Muni's radio communications system and meet the Federal Communications Commission's narrow banding requirements that include Computer Aided Dispatch/Automatic Vehicle Monitoring and integrated incident management/reporting, as well as ADA-compliant travel information on Muni's light rail

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vehicles. It would use seventeen 700 MHZ voice channels and six 800 MHZ data channels as the basis for the communications network, utilize five existing antennae sites and meet the regional Intelligence Transportation Standard and the P25 interoperability criteria.

Muni Green Light Rail Facility Rehabilitation

The Muni Green Light Rail Facility Rehabilitation project will enhance system reliability while reducing the need for excess maintenance. The project calls for the replacement of approximately 11,200 track-feet of worn rails and track switches at the SFMTA's Green Light Rail Facility, where in excess of 89 Breda LRVs are regularly stored, and possibly improvements to the facility. It would also include the replacement of the roof at the Green maintenance yard.

Parking Garage Projects

Garage capital funds will be used to perform major rehabilitation, preservation, and improvement of existing parking facilities to enhance parking infrastructure and improve parking management. The following categories will be considered in determining the use of capital funds for parking garage improvements:

Structural/Waterproofing

Most of the SFMTA's parking structures are at least 20 years old. Addressing the structural integrity of the parking garages is the first step to ensuring the viability of the SFMTA's parking assets. These improvements may include remediating foundations, floors, walls, ceilings, stairs, doors, adding protectants (waterproofing, concrete inhibitors, fire proofing) and performing facility structural and seismic upgrades where needed.

Mechanical

The SFMTA's parking garages have ineffective mechanical systems. The heating system, boilers, ventilation, air conditioning, chillers and elevators all require updating. The California Building Code, for example, requires any unmonitored HVAC system to run constantly whenever a garage is open for business. Elevator and life safety systems modernization is also necessary to secure Agency assets and ensure public safety. The Parking and Revenue Control System is beyond its useful lifespan and requires immediate replacement to ensure accountability and implementation of industry best practices and to reduce maintenance costs.

Electrical/Fire Protection

Garage electrical systems need to be upgraded. Energy-efficient lights and all day or non-sensored heating and ventilation systems put extra load on electrical switches, transformers and breakers circuits. This extra load leads to excessive maintenance costs, emergency (rather than planned) repairs and operational inefficiencies. By installing energy-efficient lighting systems that include motion and heat sensors and solar panels, the SFMTA can significantly

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reduce garage energy consumption. Upgrades to the garage fire protection and alert systems are also necessary.

Plan of Finance

The SFMTA currently has no outstanding bonds issued, under this authorization from the City Charter. The SFMTA is indirectly associated with several outstanding series of bonds through other issuers, including the Parking Authority of the City and County of San Francisco and various non-profit parking corporations. As a part of the 2012 Bonds, the SFMTA will refinance all of the outstanding associated debt. Specifically, the bonds are the following:

	Final Maturity Date	Par Amount Outstanding (In Thousands)
Issued by Parking Authority		
Series 1999-1 Parking Meter Revenue Refunding Bonds	2020	\$14,385
Lease Revenue Bonds Series 2000A (North Beach)	2022	\$5,455
Issued by Non-Profit Garage Corporations		
Ellis-O'Farrell Parking Corporation– parking revenue refunding bonds	2017	\$2,980
Downtown Parking Corporation – parking revenue refunding bonds	2018	\$6,955
Uptown Parking Corporation – revenue bonds	2031	\$15,905
Total Par Outstanding		\$45,680

The SFMTA will issue fixed-rate tax-exempt revenue bonds for the proposed transaction. It is anticipated that the bonds will mature in 30 years. Outstanding debt service on the Parking bonds ranges from \$5.8 million in FY2013, to \$1.3 million in 2031 when the Uptown Parking Corporation bonds mature. In the current market, the SFMTA would issue approximately \$150 million in revenue bonds at a TIC (True Interest Cost) of 4.49% to finance capital projects and refinance existing bonds. This represents annual debt service of approximately \$9.5 million.

The SFMTA needs to be introduced to investors as a new issuer of municipal bonds. Part of this process includes obtaining a published rating from two rating agencies. The credit process involves presenting the documents and the financing to the ratings analysts. The ratings analysts will review the SFMTA's credit and issue a public rating on the bonds. Generally, two investment grade ratings enhance the ability of the SFMTA to sell bonds in the capital markets.

The SFMTA will also need to introduce itself as an issuer to the actual investors of the bonds. To that end, the SFMTA has elected to go with a negotiated sale process. Such a process will involve educating the sales force of the underwriting syndicate up to a potential investor roadshow.

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The proposed transaction will be sold via negotiated sale with an underwriting syndicate composed of JPMorgan Securities, RBC Capital Markets, Morgan Stanley, and Siebert Brandford Shank. The underwriters were selected through a Request for Proposals (RFP) process using the existing underwriting pool as established by the Office of Public Finance. The SFMTA has already received feedback from the underwriters regarding the underlying legal structure of the bonds. The SFMTA believes that the flexibility and marketing gained through the negotiated sale process would result in a lower cost of borrowing.

Sources and Uses (Estimated, subject to change)

Sources	
Bond Principal	\$149,950,000.00
Bond Premium	7,738,096.10
Funds on Hand	1,757,513.00
Total Sources	\$159,445,609.10

Uses	
Capital Projects	\$100,000,000.00
Refunding Escrow	46,792,036.13
Debt Service Reserve Account	11,151,150.00
Costs of Issuance	1,502,422.97
Total Uses	\$159,445,609.10

Authorization of the bond financing is requested at up to \$170 million in the event that a shift in interest rates or a different coupon structure results in a need to issue an incrementally larger amount of bonds in order to fund the proposed projects.

Costs of issuance for the transaction include fees for the co-financial advisors, co-bond counsel, disclosure counsel, underwriters, rating agencies, verification agent and other expenses.

The repayment of the bonds will be secured by certain revenues pledged by the SFMTA under the Indenture of Trust. These pledged revenues, as described in more detail in the Indenture of Trust and Preliminary Official Statement, generally include all revenue of the SFMTA other than the General Fund Transfer and designated grant funds whose uses are restricted and may not be used for this purpose.

Financing Schedule (subject to change)

January 2012	Board of Supervisors Budget and Finance Committee Board of Supervisors Approval File for Reverse Validation
February 2012	Rating Agency Presentations
March 2012	Receive Ratings

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April 2012 Bond Pricing
 Bond Closing

The City Attorney's Office and outside bond counsel have advised the SFMTA to wait the 60-day validation period prior to closing the transaction. In general, this 60-day period is a statute of limitations for legal challenges as to the validity of a bond issue. The City Attorney's Office and bond counsel gave this advice in order to be conservative and cautious as to possible challenges (even though any such challenge would not be expected to have any merit). This bond financing is the first revenue bond issue of the SFMTA and includes some novel aspects arising from the SFMTA's organization and finances as a City enterprise department with jurisdiction over a basket of transportation functions. There are not many comparable city transportation systems in California.

Documentation and Next Steps

The Board is being asked to consider several legal documents authorizing the issuance of revenue bonds by the SFMTA. These documents include the following:

- Preliminary Official Statement
- Indenture of Trust and First Supplemental Indenture of Trust
- Bond Purchase Contract
- Continuing Disclosure Agreement

The Director of Transportation will be authorized to make any necessary modifications, changes or additions to the following documents as long as they are within the parameters of the attached resolutions: the Indenture of Trust and First Supplemental Indenture of Trust, the Bond Purchase Contract, and the Continuing Disclosure Agreement. The Board will receive an update on any such modifications, changes or additions, as well as the final financing terms, prior to closing. With respect to the Preliminary Official Statement, the Director of Transportation will be authorized to finalize the Preliminary Official Statement and, upon finalization, return to the Board for approval and distribution of said document.

As stated in the City Charter, the Board of Supervisors will need to approve an ordinance after the Board approves the documents as presented. The Controller will also need to issue a certification of the SFMTA's financial condition. It is anticipated that the bonds will be issued as fixed-rate bonds in April 2012.

The City Attorney's Office has reviewed this report.

ALTERNATIVES CONSIDERED

The alternative to approving this bond offering is to fund capital improvements included in this bond offering from the operating budget and not achieve debt service savings through the refinancing of existing parking garage and meter debt.

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FUNDING IMPACT

The proceeds from this bond offering will enable the SFMTA to fund a part of the transit and parking garage projects described above and to refund existing parking garage and meters debt.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

This transaction will require the approval of the Board of Supervisors. The Controller will also need to issue a certification of the SFMTA's financial condition.

RECOMMENDATION

That the SFMTA Board of Directors and the Parking Authority Commission authorize the issuance of up to \$170 million in revenue bonds, including the refinancing of outstanding revenue and lease revenue bonds related to certain parking garages and meters and providing funds for certain new projects. The SFMTA Board further authorizes the Director of Transportation to execute the documents necessary for this transaction, including, a Bond Purchase Contract, an Indenture of Trust and a Continuing Disclosure Certificate. Finally, with respect to the Preliminary Official Statement, the Director of Transportation, it is recommended that the SFMTA Board authorize the Director of Transportation to finalize the Preliminary Official Statement and, upon finalization, return to the SFMTA Board for approval and distribution of said document in final form.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. _____

WHEREAS, The San Francisco Municipal Transportation Agency (SFMTA) desires to finance the costs of certain transportation projects including, but not limited to, streetcars, modern light rail vehicles, buses, alternative fuel vehicles, trolley coaches, cable cars, railway cars and construction projects related thereto; roads, bus stations, traffic signs, parking meters, improvements to parking garages under the jurisdiction of the SFTMA, The Parking Authority of the City and County of San Francisco, the Recreation and Park Department of the City, and/or various non-profit parking corporations, and parking lots and related improvements (collectively, Project); and

WHEREAS, Pursuant to Section 8A.102 (b)(13) of the Charter (Charter) and Chapter 43 of the Administrative Code of the City and County of San Francisco (City), the SFMTA may issue revenue bonds and other debt instruments, with the concurrence of the Board of Supervisors (Board) of the City and without voter approval, such bonds to be issued in accordance with State law or any procedure provided for by ordinance; and

WHEREAS, The Parking Authority of the City and County of San Francisco (Authority) has previously issued its Series 1999-1 Parking Meter Revenue Refunding Bonds (1999-1 Bonds) to finance and refinance the acquisition, installation, equipping, improvement or rehabilitation of various Agency owned parking meters, and its Lease Revenue Bonds Series 2000A (North Beach Parking Garage Project) (2000A Bonds and, together with the 1999-1 Bonds, Authority Bonds), to finance and refinance the acquisition, construction, installation, equipping, improvement or rehabilitation of the North Beach Garage; and

WHEREAS, The City of San Francisco Ellis-O'Farrell Parking Corporation (Ellis-O'Farrell Corporation) has previously issued its Parking Revenue Refunding Bonds, Series 2002 (Ellis-O'Farrell Bonds) to finance and refinance the acquisition, construction, installation, equipping, improvement or rehabilitation of the Ellis-O'Farrell Garage; and

WHEREAS, The City of San Francisco Downtown Parking Corporation (Downtown Corporation) has previously issued its Parking Revenue Refunding Bonds, Series 2002 (Downtown Bonds) to finance and refinance the acquisition, construction, installation, equipping, improvement or rehabilitation of the Fifth and Mission Garage; and

WHEREAS, The City of San Francisco Uptown Parking Corporation (Uptown Corporation) has previously issued its Parking Revenue Refunding Bonds (Union Square), Series 2001 (Uptown Bonds and, together with the Ellis-O'Farrell Bonds, Downtown Bonds, and the Authority Bonds, Prior Bonds) to finance and refinance the acquisition, construction, installation, equipping, improvement or rehabilitation of the Union Square Garage; and

WHEREAS, The SFMTA desires to issue revenue bonds to fund the Project and refinance the Prior Bonds; and

WHEREAS, The SFMTA desires to enter into a Bond Purchase Contract (Purchase Contract) with J.P. Morgan Securities LLC, as representative of RBC Capital Markets, LLC, Morgan Stanley & Co. LLC and Siebert Brandford Shank & Co., LLC, as the underwriters, for the purpose of selling the revenue bonds; and

WHEREAS, The SFMTA has been presented with the form of certain documents related to the revenue bonds, including the Indenture of Trust, the First Supplement to the Indenture of Trust, the Purchase Contract, and the Continuing Disclosure Certificate, and the SFMTA has examined each document and desires to approve, authorize and direct the execution of such documents and the consummation of such financing; now therefore be it

RESOLVED, That all of the recitals herein are true and correct; and be it

FURTHER RESOLVED, The SFMTA Board of Directors does hereby approve the issuance of up to \$170 million in San Francisco Municipal Transportation Agency Revenue Bonds (Bonds or Revenue Bonds), which shall be issued and delivered in accordance with the Indenture (defined below), as the same is finally executed and delivered; and be it

FURTHER RESOLVED, That pursuant to Section 8A.102(b)(13) of the Charter, the concurrence of the SFMTA Board of Directors shall be obtained prior to the issuance of the bonds, and by passage of this resolution the Board of Directors hereby recommends that the Board of Supervisors authorize the Agency to issue the bonds approved hereby; and be it

FURTHER RESOLVED, That the Director of Transportation is authorized to present to the Board of Supervisors the approval by the Board of Directors of the issuance of the Bonds; and be it

FURTHER RESOLVED, That the proceeds of the Bonds shall be used to (i) fund the Project, (ii) refund the Prior Bonds; (iii) fund a reserve fund, (iv) fund capitalized interest, if any, and (v) pay costs of issuance of the Bonds; and be it

FURTHER RESOLVED, That the Bonds may be issued in one or more series and that the Trustee (defined below) shall be authorized to cause the execution and delivery of the Bonds in an aggregate principal amount which shall not be greater than \$170,000,000, which shall bear interest rates not to exceed eight percent per annum, and which shall mature no later than 30 years from their date of issuance and that the Bonds shall be subject to prepayment as set forth in the Indenture; and be it

FURTHER RESOLVED, That the Board of Directors approves the form of an indenture of trust and a first supplement to indenture of trust (collectively, Indenture) by and between the SFMTA, and a trustee selected by the Director of Transportation (Trustee), and that the Director of Transportation or his designee is authorized to execute the Indenture, with such changes, additions and modifications as the Director of Transportation may make or approve; and be it

FURTHER RESOLVED, That the Board of Directors approves the form of a bond purchase contract (Purchase Contract), and that the Director of Transportation is authorized to execute the Purchase Contract with such changes, additions and modifications as the Director of Transportation may make or approve, provided however, that the Underwriters' discount under the Purchase Contract shall not exceed 0.6% of the principal amount of the Bonds; and be it

FURTHER RESOLVED, That the Board of Directors approves the form of the continuing disclosure certificate of the City (Continuing Disclosure Certificate), authorizing the Director of Transportation or his designee to execute the Continuing Disclosure Certificate, with such changes, additions and modifications as the SFMTA Director of Transportation may make or approve; and be it

FURTHER RESOLVED, That the Board of Directors authorizes the expenditure of a portion of the proceeds of the Bonds for the payment of certain costs of issuance incurred in connection with the execution and delivery of the Bonds; and be it

FURTHER RESOLVED, That the draft preliminary official statement related to the Bonds (Preliminary Official Statement) is on file with the Secretary of the Board of Directors and that the Director of Transportation is authorized to finalize the Preliminary Official Statement and upon such finalization return to this Board of Directors for approval of said document in final form; and be it

FURTHER RESOLVED, That the Board of Directors makes the following finding in compliance with the California Environmental Quality Act (CEQA), California Public Resources Code Sections 21000 et seq., the CEQA Guidelines, 15 Cal. Administrative Code Sections 15000 et seq., (CEQA Guidelines), and San Francisco Administrative Code Chapter 31 (Chapter 31); that the issuance of the Bonds is not subject to CEQA because as the establishment of a government financing mechanism that does not identify individual specific projects to be constructed with the funds, it is not a project as defined by CEQA and the CEQA Guidelines and that the SFMTA shall consult with the City Attorney as to necessary CEQA findings and determinations with respect to any project prior to the expenditure of bond proceeds; and be it

FURTHER RESOLVED, That the Director of Transportation is authorized and directed to prepare such resolutions or ordinances as may be necessary to effectuate the purposes of this resolution, including such resolutions or ordinances as may be necessary to obtain Board of Supervisors authorization of the Agency's issuance of bonds for the purposes set forth herein and that the Controller of the City, the Treasurer of the City, the Director of Transportation, the City Attorney, and all other appropriate officers, employees, representatives and agents of the City are authorized and directed to do everything necessary or desirable to provide for the execution and delivery of the Bonds, including, but not limited to, executing and delivering such certificates and other documents as they may deem necessary or advisable, including without limitation any custody agreements required by the Trustee; and be it

FURTHER RESOLVED, That the Director of Transportation is authorized to approve and make such modifications, changes or additions to the Indenture, the Purchase Contract or the Continuing Disclosure Certificate, upon consultation with the City Attorney, as may be necessary or desirable in the interests of the SFMTA, and which changes are within the parameters of this Resolution and that the Director of Transportation's approval of such modifications, changes, additions or deletions shall be conclusively evidenced by the execution and delivery by the Director of Transportation, of the Indenture, the Purchase Contract or the Continuing Disclosure Certificate; and be it

FURTHER RESOLVED, That, notwithstanding anything to the contrary in this resolution, the Director of Transportation, with the advice of the financial advisors to the SFMTA, may modify the financial covenants set forth in the Financial Documents, including but not limited to budget and revenue covenants, additional debt covenants and the definitions of Pledged Revenues and Operational Maintenance Expenses to the extent such revisions are deemed necessary or desirable by the Director of Transportation for the issuance of the Bonds based on advice from the SFMTA's financial advisors; and be it

FURTHER RESOLVED, That the documents presented to the SFMTA Board of Directors are on file with the Secretary of the Board of Directors.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of _____.

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency

SAN FRANCISCO
PARKING AUTHORITY COMMISSION
RESOLUTION No. _____

WHEREAS, The Parking Authority of the City and County of San Francisco (Authority) has previously issued its Series 1999-1 Parking Meter Revenue Refunding Bonds (1999-1 Bonds) to finance and refinance the acquisition, installation, equipping, improvement or rehabilitation of various Agency owned parking meters, and its Lease Revenue Bonds Series 2000A (North Beach Parking Garage Project) (2000A Bonds and, together with the 1999-1 Bonds, Authority Bonds), to finance and refinance the acquisition, construction, installation, equipping, improvement or rehabilitation of the North Beach Garage; and

WHEREAS, Pursuant to Section 8A.102 (b)(13) of the Charter (Charter) and Chapter 43 of the Administrative Code of the City and County of San Francisco (City), the SFMTA may issue revenue bonds and other debt instruments, with the concurrence of the Board of Supervisors (Board) of the City and without voter approval, such bonds to be issued in accordance with State law or any procedure provided for by ordinance; and

WHEREAS, The SFMTA desires to issue revenue bonds (Bonds) to refinance the Authority Bonds; and

WHEREAS, The Authority has been presented with the form of certain documents related to the revenue bonds, including the Indenture of Trust, the First Supplement to the Indenture of Trust, the Purchase Contract, and the Continuing Disclosure Certificate, and the SFMTA has examined each document and desires to approve, authorize and direct the execution of such documents and the consummation of such financing; now therefore be it

RESOLVED, That all of the recitals herein are true and correct; and be it

FURTHER RESOLVED, The Parking Authority Commission does hereby approve the issuance of revenue bonds by the SFMTA to refund the Authority Bonds; and be it

FURTHER RESOLVED, That the Controller of the City, the Treasurer of the City, the Commission President, the City Attorney, and all other appropriate officers, employees, representatives and agents of the City are hereby authorized and directed to do everything necessary or desirable to provide for the execution and delivery of the Bonds, including, but not limited to, executing and delivering such certificates and other documents as they may deem necessary or advisable, including without limitation any custody agreements required by the Trustee; and be it

FURTHER RESOLVED, That the documents presented to the Parking Authority Commission are on file with the Secretary of the Parking Authority Commission.

I certify that the foregoing resolution was adopted by the Parking Authority Commission at its meeting of _____.

Secretary to the Parking Authority Commission

Enclosure 3

Preliminary Official Statement (Form)

PRELIMINARY OFFICIAL STATEMENT, DATED MARCH __, 2012

New Issue—Book-Entry Only

Ratings: Moody's: "[]"

S&P: "[]"

(See "RATINGS" herein)

In the opinion of Hawkins Delafield & Wood LLP and Rosales Law Partners LLP, San Francisco, Co-Bond Counsel to the SFMTA, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2012 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of the alternative minimum tax imposed on such corporations. In addition, in the opinion of Co-Bond Counsel to the SFMTA, under existing statutes, interest on the Series 2012 Bonds is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.

SFMTA

\$[]*
**SAN FRANCISCO MUNICIPAL TRANSPORTATION
AGENCY
REVENUE BONDS**

\$[]*
Series 2012A

\$[]*
Series 2012B

Dated: Date of Delivery

Due: [] 1, as shown on the inside cover

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012A (the "Series 2012A Bonds") and Series 2012B (the "Series 2012B Bonds" and, together with the Series 2012A Bonds, the "Series 2012 Bonds"), are being issued by the San Francisco Municipal Transportation Agency (the "SFMTA") pursuant to the Charter of the City and County of San Francisco (the "Charter"), the Indenture of Trust dated as of March 1, 2012 between the SFMTA and [TRUSTEE], as trustee (the "Trustee"), and the First Supplement to Indenture of Trust dated as of March 1, 2012 between the SFMTA and the Trustee. The Series 2012A Bonds are being issued to (i) refund prior bonds issued by [the Parking Authority, the City of San Francisco Ellis-O'Farrell Parking Corporation, the City of San Francisco Downtown Parking Corporation and the City of San Francisco Uptown Parking Corporation]; (ii) make a deposit to the 2012 Reserve Account of the Bond Reserve Fund established under the Indenture for the Series 2012 Bonds; and (iii) pay a portion of the costs of issuance of the Series 2012 Bonds; and the Series 2012B Bonds are being issued to (i) finance a portion of the costs of various capital projects for the

* Preliminary, subject to change.

SFMTA as described herein; (ii) make a deposit to the 2012 Reserve Account of the Bond Reserve Fund established under the Indenture for the Series 2012 Bonds; and (iii) pay a portion of the costs of issuance of the Series 2012 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Interest on the Series 2012 Bonds will be payable on [_____] 1, 2012 and on each [_____] 1 and [_____] 1 thereafter until their respective stated maturity dates. The Series 2012 Bonds will be issued only as fully registered bonds without coupons and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), to which payments of principal of and interest on the Series 2012 Bonds will be made. Individual purchases of the Series 2012 Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Beneficial Owners of the Series 2012 Bonds will not receive physical delivery of bond certificates. Payment of principal of the Series 2012 Bonds at maturity, as shown in the Maturity Schedule set forth on the inside cover, and interest when due will be payable by the Trustee, as paying agent, to DTC. DTC will remit such principal and interest payments to its participants, which will be responsible for remittance to the Beneficial Owners of the Series 2012 Bonds. See Appendix F — “DTC AND THE BOOK-ENTRY ONLY SYSTEM” herein.

The Series 2012 Bonds are subject to optional and mandatory redemption prior to maturity as described herein.

The SFMTA is an enterprise department of the City and County of San Francisco (the “City”) responsible for the operations of the City’s public transportation system, proposing and implementing street and traffic changes and overseeing the City’s off-street parking operations. Under the Indenture, the SFMTA has irrevocably pledged the Pledged Revenues to the punctual payment of principal of, premium, if any and interest on the Bonds, which consist of all outstanding parity revenue bonds issued under the Indenture, including the Series 2012 Bonds, subject to the flow of funds contained in this Indenture.

THE SERIES 2012 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE SFMTA SECURED BY AND PAYABLE SOLELY FROM PLEDGED REVENUES (AS DEFINED HEREIN) OF THE SFMTA AND FROM MONEYS HELD IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED PURSUANT TO THE INDENTURE. THE SFMTA IS NOT OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2012 BONDS FROM ANY SOURCE OF FUNDS OTHER THAN PLEDGED REVENUES. THE SFMTA HAS NO TAXING POWER. THE GENERAL FUND OF THE CITY IS NOT LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2012 BONDS, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2012 BONDS. THE SERIES 2012 BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN, OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE CITY OR OF THE SFMTA OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT PLEDGED REVENUES. SEE “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” HEREIN.

MATURITY SCHEDULE

(See inside cover)

The Series 2012 Bonds are offered when, as, and if issued by the SFMTA and accepted by the purchasers, subject to approval of legality by Hawkins Delafield & Wood LLP, San Francisco, California, and Rosales Law Partners, LLP, San Francisco, California, Co-Bond Counsel. Certain legal matters will be passed upon for the SFMTA by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Disclosure Counsel to the SFMTA, and the City Attorney of the City and County of San Francisco, and for the Underwriters by their counsel, Kutak Rock LLP. It is expected that the Series 2012 Bonds will be available for delivery in book-entry form through the facilities of DTC in New York, New York, on or about April__, 2012.

J.P. Morgan
Morgan Stanley

RBC Capital Markets
Siebert Brandford Shank & Co., LLC

Date: March__, 2012

MATURITY SCHEDULE*

Series 2012A Bonds (Base CUSIP[†] Number: _____)

\$_____ Serial Bonds

<u>Maturity</u> ([_____] 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or Yield</u>	<u>CUSIP Suffix</u> [†]
\$_____	__% Term Bonds	Due [_____] 1, 20__	Price – ____%	CUSIP [†] ____
\$_____	__% Term Bonds	Due [_____] 1, 20__	Price – ____%	CUSIP [†] ____

Series 2012B Bonds (Base CUSIP[†] Number: _____)

\$_____ Serial Bonds

<u>Maturity</u> ([_____] 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or Yield</u>	<u>CUSIP Suffix</u> [†]
\$_____	__% Term Bonds	Due [_____] 1, 20__	Price – ____%	CUSIP [†] ____
\$_____	__% Term Bonds	Due [_____] 1, 20__	Price – ____%	CUSIP [†] ____

* Preliminary, subject to change.

† Copyright 2011, American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. Neither the SFMTA nor the Underwriters take any responsibility for the accuracy of such CUSIP numbers.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2012 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth herein has been obtained from the SFMTA, the City and other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the SFMTA or the City since the date hereof.

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, its responsibility 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.

The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information provided herein since the date hereof.

The City maintains a website at <http://www.sfgov.org> and the SFMTA maintains a website at <http://www.sfmta.com>. The information contained in such websites is not incorporated by reference herein and should not be relied upon in making an investment in the Series 2012 Bonds.

The issuance and sale of the Series 2012 Bonds have not been registered under the Securities Act of 1933 in reliance upon the exemption provided thereunder by Section 3(a)2 for the issuance and sale of municipal securities.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2012 BONDS AT LEVELS 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 2012 BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE FRONT COVER HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

This Official Statement is not to be construed as a contract with the purchaser or purchasers of the Series 2012 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.

FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND “FORWARD-LOOKING STATEMENTS.” ALL FORWARD-LOOKING STATEMENTS ARE PREDICTIONS AND ARE SUBJECT TO KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES. NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS “ESTIMATE”, “PROJECT”, “ANTICIPATE”, “EXPECT”, “INTEND”, “BELIEVE” AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. GIVEN THEIR UNCERTAINTY, INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON SUCH STATEMENTS.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

BOARD OF DIRECTORS

Tom Nolan, *Chairman*
Jerry Lee, *Vice-Chairman*
Leona Bridges, *Director*
Cheryl Brinkman, *Director*
Malcolm Heinicke, *Director*
Bruce Oka, *Director*
Joél Ramos, *Director*

SFMTA STAFF

Edward Reiskin, *Director of Transportation*
Sonali Bose, *Chief Financial Officer*
Shahnam Farhangi, *Acting Director, Capital Programs & Construction*
John H. Haley, *Director, Transit*
Debra A. Johnson, *Director, Administration*
Reginald Mason, *Director, Safety, Training, Security & Enforcement*
Bond Yee, *Director, Sustainable Streets*

CITY AND COUNTY OF SAN FRANCISCO

MAYOR

Edwin M. Lee

BOARD OF SUPERVISORS

David Chiu, <i>Board President, District 3</i>	
Eric Mar, <i>District 1</i>	Sean Elsbernd, <i>District 7</i>
Mark Farrell, <i>District 2</i>	Scott Wiener, <i>District 8</i>
Carmen Chu, <i>District 4</i>	David Campos, <i>District 9</i>
[Ross Mirkarimi], <i>District 5</i>	Malia Cohen, <i>District 10</i>
Jane Kim, <i>District 6</i>	John Avalos, <i>District 11</i>

CITY ATTORNEY

Dennis J. Herrera

CITY TREASURER

José Cisneros

CITY CONTROLLER

Benjamin Rosenfield, *Controller*

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San Francisco, California

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San Francisco, California

Co-Financial Advisors

Backstrom McCarley Berry & Co., LLC
San Francisco, California

Public Financial Management, Inc.
San Francisco, California

Robert Kuo Consulting, LLC
San Francisco, California

Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Trustee

_____, California

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OFFICIAL STATEMENT

\$[_____]*

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY REVENUE BONDS

\$[_____]*
Series 2012A

\$[_____]*
Series 2012B

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information in connection with the offering by the San Francisco Municipal Transportation Agency (the “SFMTA”) of \$[_____]* aggregate principal amount of its San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012A (the “Series 2012A Bonds”) and \$[_____]* aggregate principal amount of its San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012B (the “Series 2012B Bonds” and, together with the Series 2012A Bonds, the “Series 2012 Bonds”).

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, including the Appendices attached hereto. Unless otherwise defined below, all capitalized terms used in this Official Statement shall have the meanings ascribed thereto in the Indenture (as defined below) as summarized in “APPENDIX D—SUMMARY OF THE LEGAL DOCUMENTS--DEFINITIONS.”

The San Francisco Municipal Transportation Agency

The SFMTA is a department of the City and County of San Francisco (the “City”) and a multi-modal transportation agency responsible for planning, designing, constructing, managing, operating and maintaining public transit, paratransit, street and traffic management and improvements, bicycle and pedestrian safety and enhancement programs, on and off-street parking improvements and programs, and the regulation of taxis and commercial vehicles within the City (collectively, and as further defined in this Official Statement, the “Transportation System”). The SFMTA was established by voter approval of the addition of Article VIIIA to the Charter of the City (the “Charter”) in 1999 (Proposition E). The purpose of the Charter amendment was to consolidate all transportation functions within a single City department, and to provide the Transportation System with the resources, independence and focus necessary to improve transit service and the City’s transportation system. Among City departments, the SFMTA was given exceptional authority to control its operations, purchasing, contracting, and labor relations, as well as a guaranteed share of City General Fund resources. The voters approved additional Charter amendments in 2007 and 2010 (Proposition A and Proposition G, respectively) that further increased the autonomy of and revenues to the SFMTA.

* Preliminary, subject to change.

The SFMTA promotes the safe and efficient movement of people and goods throughout the City through many programs. It manages the City's public transportation system ("Muni"), including its motor buses, trolley buses, light rail vehicles, historic streetcars, and cable cars. The SFMTA also oversees the management and operation of 40 public off-street parking facilities owned by the SFMTA, the San Francisco Department of Recreation and Park ("Rec Park") and the Parking Authority of the City and County of San Francisco (the "Parking Authority"), a separate legal entity created under the laws of the State of California (the "State"). The SFMTA also manages traffic engineering functions within San Francisco, including the placement of signs, signals, traffic striping, curb markings, and parking meters. Finally, the SFMTA regulates the taxi industry within the City. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY."

Authority for Issuance

The Series 2012 Bonds are being issued pursuant to Section 8A.102(b)(13) of the Charter, an Indenture of Trust, dated as of March 1, 2012 (the "Master Indenture"), between the SFMTA and [TRUSTEE], as trustee (the "Trustee"), a First Supplement to Indenture of Trust dated as of March 1, 2012 between the SFMTA and the Trustee (the "First Supplemental Indenture" and, together with the Master Indenture, the "Indenture"), [Ordinance No. [_____] of the Board of Supervisors adopted on [_____, 201_], Resolution No. [_____] of the Board of Directors of the SFMTA (the "Board") adopted on [_____, 201_], [a Resolution of the Board of Supervisors concurring as to the issuance of the Series 2012 Bonds adopted on [_____, 201_], [and a Resolution of the Parking Authority authorizing the refunding of bonds issued by [the Parking Authority, the City of San Francisco Ellis-O'Farrell Parking Corporation, the City of San Francisco Downtown Parking Corporation and the City of San Francisco Uptown Parking Corporation (collectively, the "Parking Bonds")]]]. The Series 2012 Bonds together with any other bonds issued in the future pursuant to the Indenture are referred to collectively in this Official Statement as the "Bonds."

Purpose

The Series 2012A Bonds are being issued (i) to refund the Parking Bonds; (ii) to make a deposit to the 2012 Reserve Account of the Bond Reserve Fund established under the Indenture for the Series 2012 Bonds; and (iii) to pay a portion of the costs of issuance of the Series 2012 Bonds. The Series 2012B Bonds are being issued (i) to finance a portion of the costs of various capital projects for the SFMTA[, such as the projects] described herein; (ii) to make a deposit to the 2012 Reserve Account of the Bond Reserve Fund established under the Indenture for the Series 2012 Bonds; and (iii) to pay a portion of the costs of issuance of the Series 2012 Bonds. See "THE SERIES 2012B PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS" herein for a further description of the expected application of proceeds of the Series 2012B Bonds.

Security and Sources of Payment for the Bonds

The Series 2012 Bonds are issued and secured pursuant to the terms of the Indenture. Under the Indenture, the SFMTA has irrevocably pledged the Pledged Revenues (as defined herein) to the punctual payment of principal of, premium, if any and interest on the Bonds, which

consist of all outstanding parity revenue bonds issued under the Indenture, including the Series 2012 Bonds, subject to the flow of funds contained in the Indenture. The Series 2012 Bonds are special, limited obligations of the SFMTA payable solely from Pledged Revenues and from amounts on deposit in certain funds and accounts held under the Indenture. No funds of the SFMTA other than the Pledged Revenues are pledged to or available for payment of the principal of or interest on the Series 2012 Bonds. Section 8A.105 of the Charter requires the City to transfer certain moneys to the SFMTA to support the SFMTA's activities. The proceeds of transfers from the City's General Fund to support such activities do not constitute any portion of Pledged Revenues, and the principal of and redemption premium, if any, and interest on the Series 2012 Bonds is not payable from the proceeds of such transfers or from the City's General Fund. The SFMTA will not apply the proceeds of such transfers to the payment of debt service on the 2012 Bonds, and the City has no obligation to transfer any amounts from the City's General Fund to the SFMTA for the purpose of paying the principal of and redemption premium, if any, and interest on the Series 2012 Bonds. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—City General Fund Transfers."

The SFMTA is not obligated to pay the principal of, premium, if any, or interest on the Series 2012 Bonds from any source of funds other than Pledged Revenues. The SFMTA has no taxing power. The General Fund of the City is not liable for the payment of the principal of, premium, if any, or interest on the Series 2012 Bonds, and neither the credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the Series 2012 Bonds. The Series 2012 Bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any of the property of the City or of the SFMTA or any of its income or receipts, except Pledged Revenues.

Under the Indenture, the SFMTA covenants that it will adopt for each Fiscal Year or every two Fiscal Years a budget that is balanced in accordance with Section 8A.106 of the Charter and that provides for payment of Annual Debt Service in such Fiscal Year. The SFMTA has further covenanted to manage its operations and set charges (including fares, rates and fees) for the Transportation System (as defined herein) so that Pledged Revenues in each Fiscal Year (and available fund balances held by the SFMTA or the Trustee) will be at least equal to Annual Debt Service, payments due on Subordinate Bonds (as defined herein) and payment of all costs reasonably necessary to operate the Transportation System in such Fiscal Year (but not including costs that have been funded from other sources not constituting Pledged Revenues or that may reasonably be deferred).

Upon the issuance of the Series 2012 Bonds, the SFMTA will fund the Series 2012 Reserve Account relating to the Series 2012 Bonds in an amount equal to the Series 2012 Reserve Requirement (defined herein). Moneys on deposit in the Bond Reserve Fund will be used and withdrawn for the purpose of paying principal of and interest on the Series 2012 Bonds in the event Pledged Revenues deposited with the Trustee is insufficient therefor.

Pursuant to the Master Indenture, the SFMTA is permitted to issue additional Bonds and to enter into additional obligations secured by Pledged Revenues on a parity with the payment of principal of and interest on the Bonds, provided that certain conditions are satisfied as described herein. The Indenture also permits the SFMTA to incur subordinate obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Bonds and

Other Indebtedness” herein.

For more information regarding the security and sources of payment for the Bonds, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY” herein. Audited financial information concerning the SFMTA is set forth in Appendix A attached hereto. See “CERTAIN RISK FACTORS” for a discussion of certain risks related to an investment in the Series 2012 Bonds.

Continuing Disclosure and Additional Information

The SFMTA will covenant in a Continuing Disclosure Certificate, to be delivered concurrently with the issuance of the Series 2012 Bonds, to provide certain financial information and operating data relating to the SFMTA and notices of certain events, if material. Such information and notices will be filed by the SFMTA with the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system. For more information concerning the SFMTA’s continuing disclosure commitment and the form of the Continuing Disclosure Certificate, see “CONTINUING DISCLOSURE” herein and Appendix E—“FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Except as required by the Continuing Disclosure Certificate to be executed by the SFMTA, the SFMTA has no obligation to update the information in this Official Statement. See “CONTINUING DISCLOSURE” herein.

Brief descriptions of the Series 2012 Bonds, the Indenture, the security and sources of payment for the Series 2012 Bonds, the Pledged Revenues, the SFMTA, certain provisions of the Charter and related matters are included in this Official Statement, together with summaries of certain provisions of the Series 2012 Bonds, the Indenture and certain other documents. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture, the Series 2012 Bonds and other documents and instruments are qualified in their entirety by reference to such documents or instruments or the forms thereof, copies of which are available for inspection at the office of the SFMTA. The SFMTA regularly prepares a variety of reports, including audits, budgets and related documents, which may be obtained from the SFMTA. Additional information regarding such reports, the Indenture or other documents relating to the Bonds or this Official Statement may be obtained by from the SFMTA’s website at www.sfmta.com. The information contained on such website is not incorporated by reference herein. Copies of the Indenture are also available for inspection at the principal corporate trust office of the Trustee. Reference is made herein to various other documents, reports, websites, etc., which were either prepared by parties other than the SFMTA, or were not prepared, reviewed and approved by the SFMTA with a view towards making an offering of public securities, and such materials are therefore not incorporated herein by such references nor deemed a part of this Official Statement.

TERMS OF THE SERIES 2012 BONDS

General

The Series 2012A Bonds and the Series 2012B Bonds will be executed and delivered, respectively, only as one fully-registered Series 2012A Bond and one Series 2012B Bonds for each maturity shown on the inside cover hereof. The Series 2012 Bonds will be delivered only in denominations of \$5,000 or an integral multiple thereof and interest on the Series 2012 Bonds shall be payable on each [_____] 1 and [_____] 1, commencing [_____] 1, 2012, so long as any Series 2012 Bonds are outstanding (each an “Interest Payment Date”). Interest on the Series 2012 Bonds shall be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest on the Series 2012 Bonds will accrue from the date of delivery thereof at the rates per annum set forth on the inside cover of this Official Statement. The principal of the Series 2012 Bonds will be payable, subject to redemption, as described below, on the dates and in the principal amounts set forth on the inside cover of this Official Statement.

Form and Registration

The Series 2012 Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC,” together with any successor securities depository, the “Securities Depository”). DTC will act as initial Securities Depository for the Series 2012 Bonds so purchased. Individual purchases will be made in book-entry-only form. Purchasers will not receive a certificate representing their beneficial ownership interest in the Series 2012 Bonds. So long as Cede & Co. is the registered owner of the Series 2012 Bonds, as nominee of DTC, references herein to the Bondholders, holders or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the “Beneficial Owners” of the Series 2012 Bonds. In this Official Statement, the term “Beneficial Owner” shall mean the person for whom a Participant (as defined herein) acquires an interest in the Series 2012 Bonds.

So long as Cede & Co. is the registered owner of the Series 2012 Bonds, all payments of principal, premium (if any) and interest on the Series 2012 Bonds will be payable by wire transfer of same-day funds by the Trustee to Cede & Co., as nominee of DTC as the sole registered owner of the Series 2012 Bonds. DTC and its Participants are solely responsible for payments to the Beneficial Owners.

In the event the use of the book-entry-only system is discontinued, principal of the Series 2012 Bonds will be payable upon surrender thereof at the principal corporate trust office of the Trustee in _____, California. Interest payable on the Series 2012 Bonds will be paid by check mailed on the Interest Payment Date to the person in whose name each Series 2012 Bond is registered in the registration books maintained by the Trustee as of the applicable Record Date for such Interest Payment Date, in accordance with the provisions set forth in the Indenture.

A more detailed description of the Book-Entry Only System is contained in Appendix F — “DTC AND THE BOOK-ENTRY ONLY SYSTEM” attached hereto.

Redemption Provisions*

Optional Redemption. The Series 2012 Bonds maturing on or before [_____] 1, 20__ are not subject to optional redemption prior to maturity. The Series 2012 Bonds maturing on or after [_____] 1, 20__ are subject to optional redemption prior to maturity on or after [_____] 1, 20__ at the sole option of the SFMTA, as a whole or in part, on any date (from such maturities as are selected by the SFMTA and by lot within a maturity if less than all of the Series 2012 Bonds of such maturity are selected for redemption), from any source of available funds, at redemption prices equal to the principal amount thereof plus accrued but unpaid interest thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption of Series 2012A Bonds. The Series 2012A Bonds maturing on [_____] 1, 20__ are subject to redemption prior to their stated maturity date, in part, by lot, from mandatory sinking fund payments, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest thereof, on [_____] 1 in each of the years in the following amounts:

Mandatory Sinking Fund Payment Date [_____] 1	Sinking Fund <u>Payment</u>
*	
* Maturity	

The Series 2012A Bonds maturing on [_____] 1, 20__ are subject to redemption prior to their stated maturity date, in part, by lot, from mandatory sinking fund payments, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest thereof, on [_____] 1 in each of the years in the following amounts:

Mandatory Sinking Fund Payment Date [_____] 1	Sinking Fund <u>Payment</u>
*	
* Maturity	

Mandatory Sinking Fund Redemption of Series 2012B Bonds. The Series 2012B Bonds maturing on [_____] 1, 20__ are subject to redemption prior to their stated maturity date, in part, by lot, from mandatory sinking fund payments, at a redemption price equal to the

* Preliminary, subject to change.

principal amount thereof, without premium, plus accrued interest thereof, on [_____] 1 in each of the years in the following amounts:

Mandatory Sinking Fund Payment Date [_____] 1	Sinking Fund <u>Payment</u>
*	
* Maturity	

The Series 2012B Bonds maturing on [_____] 1, 20__ are subject to redemption prior to their stated maturity date, in part, by lot, from mandatory sinking fund payments, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest thereof, on [_____] 1 in each of the years in the following amounts:

Mandatory Sinking Fund Payment Date [_____] 1	Sinking Fund <u>Payment</u>
*	
* Maturity	

[Purchase of Bonds and credit against sinking fund payments?]

Notice of Redemption. The Trustee is required to send a Notice of redemption to the Owners of any Series of Series 2012 Bonds selected for redemption not less than 15 days prior to the date set for redemption by first class mail or electronic mail, as appropriate (i) with respect to each Series 2012 Bond to be redeemed, to the Holder of such Series 2012 Bond at his or her address as it appears on the records maintained by the Registrar, and (ii) to any information services of national recognition which disseminate redemption information with respect to municipal securities, as directed by the SFMTA. However, so long as any Series 2012 Bonds of such Series are in book-entry form through the facilities of DTC, notice of redemption will be provided to Cede & Co., as the registered owner of the Series 2012 Bonds, and not directly to the Owners.

Each notice of redemption will specify: (i) the date of such notice and the date fixed for redemption, (ii) the Principal Amount of 2012 Bonds or portions thereof to be redeemed; (iii) the place or places where the redemption will be made, including the name and address of the Trustee; (iv) the redemption price; and (v) the CUSIP numbers, if any, assigned to the Series 2012 Bonds to be redeemed.

Neither the failure to receive any redemption notice nor any defect in such redemption notice so given shall affect the sufficiency of the proceedings for such redemption of the Series 2012 Bonds.

Conditional Notice: Cancellation of Optional Redemption. Any notice of optional redemption may be conditional and may be modified or cancelled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Series 2012 Bonds then called for redemption or any other condition to the redemption has not been satisfied, and such modification or cancellation shall not constitute an Event of Default under the Indenture. The notice of redemption shall indicate whether it is conditional and a conditional redemption date may be extended with three (3) business days' notice.

Partial Redemption of Series 2012 Bonds. Whenever provision is made in the Indenture for the redemption of the Series 2012 Bonds (other than from the Sinking Fund Installments) and less than all of the Outstanding Series 2012 Bonds of a Series are to be redeemed, the SFMTA will designate the maturity or maturities to be redeemed and specify to the Trustee the principal amount in each maturity to be redeemed. Whenever less than all of the Outstanding Series 2012A Bonds of a Series maturing on any one date are called for redemption, the Trustee will select the portions to be redeemed by lot in a manner the Trustee deems fair and appropriate.

Effect of Notice of Redemption. When a notice of redemption has been duly given as provided in the Indenture and sufficient moneys for the redemption of the Series 2012 Bonds selected for redemption, together with accrued interest to such redemption date are held by the Trustee; then, from and after such redemption date, interest on the Series 2012A Bonds selected for redemption will cease to accrue, and all such Series 2012 Bonds will cease to be entitled to any benefit or security under the Indenture, except for the right of the Owners to receive payment of the redemption price thereof.

Purchase of Series 2012 Bonds. The SFMTA may at any time purchase Series 2012 Bonds and such Series 2012 Bonds shall be deemed cancelled or Outstanding as determined by the SFMTA in a writing of an Authorized SFMTA Representative delivered to the Trustee. Further, the SFMTA may purchase Series 2012 Bonds in lieu of redemption, including sinking fund redemption, and such purchase shall be a credit to any obligation to redeem such Series 2012 Bonds and in the case of Series 2012 Bonds subject to sinking fund installment redemption, the SFMTA may indicate in writing to the Trustee which sinking fund installments are to be credited. The remarketing or resale of any Series 2012 Bonds purchased by or on behalf of the SFMTA shall be conditioned upon delivery of an Opinion of Bond Counsel.

PLAN OF FINANCE

Refunding of Parking Garage Bonds

Pursuant to San Francisco Administrative Code section 17.8, the SFMTA has jurisdiction and control over parking garages owned by the City and the Parking Authority (other than garages owned by certain enterprise departments of the City, such as the Airport Commission of the City and County of San Francisco and the Port Commission of the City and County of San Francisco, and the Redevelopment Agency of the City and County of San Francisco). The

SFMTA manages a total of 19 parking garages, which include parking facilities owned by the SFMTA, the Parking Authority and the San Francisco Department of Recreation and Park (“Rec Park”). Rec Park has jurisdiction over the Union Square, Civic Center and Portsmouth Square Garages and shares jurisdiction over the St. Mary’s Square Garage with the SFMTA. Certain of the garages owned by the SFMTA, the Parking Authority and Rec Park are currently leased (the “Existing Leases”) by non-profit parking corporations which manage the operations of such garages and transmit revenues of the garages in excess of certain operating and administrative expenses to the SFMTA. In order to finance capital projects for the garages, the Parking Authority and three of the non-profit corporations have previously issued bonds payable from revenues generated by one or more of the garages. The SFMTA will apply a portion of the proceeds of the Series 2012A Bonds to refund bonds previously issued by the Parking Authority, the City of San Francisco Ellis-O’Farrell Parking Corporation, the City of San Francisco Downtown Parking Corporation and the City of San Francisco Uptown Parking Corporation (collectively, the “Parking Corporations”) and to finance capital improvements relating to the Union Square Garage owned by Rec Park (collectively, the “Parking Bonds”). [The final number of Rec Park garages participating in the new funding is TBD.] In connection with the refunding of the Parking Bonds, the Existing Leases will be terminated and new lease and operating agreements (collectively, the “New Lease Agreements”) entered into by the SFMTA[, Rec Park] and the respective Parking Corporations. [Description of specific flow to be added – direct refunding or refunding through lease prepayment.]

Series 2012B Projects

The SFMTA expects to apply a portion of the proceeds of the Series 2012B Bonds to finance a portion of the costs of improvements to parking garages operated by the SFMTA and improvements to Muni[, such as the projects] described below under the heading “SERIES 2012B PROJECTS.”

ESTIMATED SOURCES AND USES OF FUNDS

Proceeds of the Bonds, and other available amounts, are expected to be applied approximately as set forth below:

<i>Sources</i>	<i>Amount</i>
Bond Proceeds	\$_____
Net Original Issue Premium (Discount)	_____
<i>Total Sources of Funds</i>	\$_____

<i>Uses</i>	<i>Amount</i>
Deposit to Series 2012A Escrow Account	\$_____
Deposit to Series 2012B Project Costs Account	_____
Deposit to Series 2012 Reserve Account	_____
Costs of Issuance ⁽¹⁾	_____
Underwriter's Discount	_____
<i>Total Uses of Funds</i>	\$_____

⁽¹⁾ Including amounts for rating agency fees, fees for legal services, fees for financial advisors, Trustee's fees and expenses, printing costs, and other costs relating to the issuance of the Series 2012 Bonds.

DEBT SERVICE SCHEDULE

Set forth below are the annual principal, interest and total debt service requirements for the Series 2012 Bonds:

Fiscal Year Ending <u>June 30</u>	<u>Series 2012A</u> <u>Bonds</u> <u>Principal</u>	<u>Series 2012A</u> <u>Bonds Interest</u>	<u>Series 2012B</u> <u>Bonds</u> <u>Principal</u>	<u>Series 2012B</u> <u>Bonds Interest</u>	Total <u>Debt Service</u>
	\$	\$	\$	\$	\$
TOTAL	\$	\$			\$

[Fiscal Year or Bond Year?]

SERIES 2012B PROJECTS

The SFMTA expects to apply a portion of the proceeds of the Series 2012B Bonds to finance the planning, design, acquisition, construction, reconstruction, rehabilitation or improvement of the Series 2012B Projects. A brief description of the projects expected to be funded with the proceeds of the Series 2012B Bonds is set forth below (the “Series 2012B Projects”). These descriptions are not intended to and do not constitute a commitment by the SFMTA to finance or complete any particular project. The SFMTA may substitute other projects for some or all of the Series 2012B Projects.

Transit Projects

ANTICIPATED APPLICATION OF BOND PROCEEDS FOR SERIES 2012B PROJECTS (IN MILLIONS)

Projects	Bond Proceeds
Systemwide Transit Access and Reliability (Transit Signal Priority) Program	\$ 7.5
Muni Metro Sunset Tunnel Rail Rehabilitation	4.5
Muni Metro Turnback Rehabilitation	10.0
Muni Metro System Public Announcement and Public Display System Replacement	10.0
Muni System Radio Replacement	4.0
Muni Green Light Rail Facility Rehabilitation	12.0
<i>Total Uses of Funds</i>	<u>\$48.0</u>

Systemwide Transit Access and Reliability (Transit Signal Priority) Program. The Systemwide Transit Access and Reliability (Transit Signal Priority) Program is intended to increase transit ridership and improve the path of travel to transit stops and stations while minimizing delays associated with customer boarding and alighting from Muni vehicles and reducing delays associated with traffic signals. It includes projects supporting development of pedestrian and bicycle amenities which expand the ridership area and increase the utility of public transit access points. Projects also include small signal upgrades and modification of signal phases at intersections, adding bus or pedestrian bulbs, and street design changes to reduce delays for transit vehicles at busy intersections. As of [January 1, 2012], the estimated budget for this program is \$8.8 million, which the SFMTA expects to fund primarily from proceeds of [the Series 2012B Bonds] and local sales taxes.

Muni Metro Sunset Tunnel Rail Rehabilitation. The goal of the Muni Metro Sunset Tunnel Rail Rehabilitation is to improve the safety, reliability and quality of the ride on the system’s busiest rail line. The project will upgrade the rail track, ties and ballast in the Sunset Tunnel, which was originally constructed in October 1928 and lies directly beneath Buena Vista Park between Cole Valley and the Duboce Triangle neighborhood. The Muni Metro N-Judah line uses the tunnel for approximately 70,000 trips per year. The SFMTA expects to schedule the project concurrently with other projects which require the N-Judah line to be temporarily shut

down, resulting in cost savings for this project. As of [January 1, 2012], the estimated budget for this project is \$4.5 million, which the SFMTA expects to fund primarily from proceeds of [the Series 2012B Bonds].

Muni Metro Turnback Rehabilitation. The Muni Metro Turnback (“MMT”) extends the Muni Metro Light Rail Transit Line underground approximately one mile from Embarcadero Station to a tunnel portal connecting to the Mission Bay surface line. The MMT includes 800 feet of bored tunnel, cut-and-cover structure, and an extensive underground turnback complex with two pocket tracks. The MMT was designed to improve turnback operations, reduce headways, and provide underground train storage to increase system capacity. The turnback and pocket track just east of Embarcadero Station have been damaged over time by water intrusion from the San Francisco Bay. The worn track has in the past caused service delays. The MMT Rehabilitation is designed to improve service reliability by reducing train and control failures and to improve safety. It is also expected to reduce on-going maintenance costs. As of [January 1, 2012], the estimated budget for planning, design and construction costs is \$25 million, which the SFMTA expects to fund from proceeds of [the Series 2012B Bonds] and federal funds.

Muni Metro System Public Announcement and Public Display System Replacement. The Muni Metro System Public Announcement and Public Display System Replacement project would improve customer experience within the Muni Metro system by replacing existing 28-year-old subway Public Address System & Platform Display systems with new devices. Specific improvements include the installation of LED passenger information displays at nine stations, for a total of 108 signs. Station improvements will also include speakers, microphones, ambient noise sensors and a digital voice announcement system. As of [January 1, 2012], the estimated budget for the project is \$25 million, which the SFMTA expects to fund from proceeds of [the Series 2012B Bonds], federal funds and local sales taxes.

Muni System Radio Replacement Project. The Muni System Radio Replacement Project will modernize the Muni transit fleet’s communication system and assist the SFMTA in meeting certain requirements of the Americans with Disabilities Act, Federal Communication Commission regulations and regional Intelligent Transportation Standard and Project 25 standards. As of [January 1, 2012], the estimated budget for the project is \$116 million, which the SFMTA expects to fund from proceeds of [the Series 2012B Bonds], federal funds and local sales taxes.

Muni Green Light Rail Facility Rehabilitation. The Muni Green Light Rail Facility Rehabilitation project will enhance system reliability while reducing the need for excess maintenance. The project calls for the replacement of approximately 11,200 track-feet of worn rails and track switches at the SFMTA’s Green Light Rail Facility, where in excess of 89 Breda LRVs are regularly stored, and possibly improvements to the facility. As of [January 1, 2012], the estimated budget for the project is \$38 million, which the SFMTA expects to fund from proceeds of [the Series 2012B Bonds], federal funds and local sales taxes.

Parking Garage Projects

Proceeds of the Series 2012B Bonds will be used to finance major rehabilitation, preservation, and improvement of existing parking facilities in order to enhance parking

infrastructure and improve parking management. Projects may include: (i) remediation of foundations, floors walls, ceilings, doors, waterproofing and fireproofing, and other structural and seismic upgrades; (ii) repairs, refurbishment and upgrades to HVAC systems, elevators, life safety systems and the SFMTA's Parking and Revenue Control System; and (iii) electrical and fire protection system upgrades. [List of garages and amounts to be spent to be included.]

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special, Limited Obligations

THE SERIES 2012 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE SFMTA SECURED BY AND PAYABLE SOLELY FROM PLEDGED REVENUES OF THE SFMTA AND FROM MONEYS HELD IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED PURSUANT TO THE INDENTURE. THE SFMTA IS NOT OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2012 BONDS FROM ANY SOURCE OF FUNDS OTHER THAN PLEDGED REVENUES. THE SFMTA HAS NO TAXING POWER. THE GENERAL FUND OF THE CITY IS NOT LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2012 BONDS, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2012 BONDS. THE SERIES 2012 BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN, OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE CITY OR OF THE SFMTA OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT PLEDGED REVENUES.

Pledge of Pledged Revenues Under the Indenture

The Indenture provides that the Bonds shall be payable as to principal, premium, if any, and interest exclusively from, and shall be secured by a pledge of, first lien on and security interest in Pledged Revenues. Under the Indenture, for the benefit of the Bondholders and the holders of any other Parity Obligations, the SFMTA also grants a first lien on and security interest in, amounts on deposit from time to time in the Funds and Accounts created pursuant to the Indenture, subject to the provisions of the Indenture and any Supplemental Indenture permitting the application of such amounts for the purposes and on the terms and conditions set forth in the Indenture.

The term "Pledged Revenues" is defined under the Indenture to mean all revenue of the SFMTA from or with respect to its management, supervision, operation and control of the Transportation System of the City, as determined in accordance with generally accepted accounting principles. Pledged Revenues include but are not limited to (a) grants or transfers funded pursuant to the Transportation Development Act (codified at Sections 99200 et seq. of the California Public Utilities Code) (the "TDA") and AB 1107 (codified at Sections 29140 et seq. of the Public Utilities Code) ("AB 1107"), and (b) SFMTA parking meter revenues (but only to the extent Bonds or other Parity Obligations have financed traffic regulation and control functions), and do not include: (c) Special Facility Revenue and any interest income or profit realized from the investment thereof, unless such receipts or a portion thereof are designated as

Pledged Revenues by the SFMTA, (d) grants or contributions, which by their terms would be restricted to uses inconsistent with the payment of the Bonds, (e) any state or federal grant (except for grants or transfers funded pursuant to the TDA or AB 1107) unless such grant by its terms may be used to pay debt service and is designated as Pledged Revenues in a Supplemental Indenture or certificate of an Authorized SFMTA Representative, (f) any amounts transferred to the SFMTA from the City's General Fund and any amounts in the SFMTA General Fund Transfer Account, or (g) SFMTA parking meter revenues allocable to all or a portion of any Bonds or Parity Obligations that have not financed traffic regulation and control functions. Although the Charter requires the City to make significant fund transfers from the City's General Fund to the SFMTA to support the SFMTA's activities, the Indenture provides that funds will be expended on operation and maintenance expenses and other SFMTA purposes, but are not to be used to pay debt service on the Series 2012 Bonds. The City has no obligation to transfer any amounts from the City's General Fund to the SFMTA for the purpose of repaying the principal of and redemption premium, if any, and interest on the Series 2012 Bonds or for the purpose of paying any additional expenses, including operation and maintenance expenses, of the SFMTA. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—City General Fund Transfers" herein. The SFMTA currently does not derive revenue from any facility classifiable as "Special Facility Revenue" under the Indenture and does not have any "Special Facility Bonds" outstanding.

"Transportation System" is defined to mean the transportation system of the City over which the SFMTA has jurisdiction pursuant to the Charter and includes the City's public transit, paratransit, street and traffic management and improvements, including parking meters and fines, bicycle and pedestrian safety and enhancement programs, on and off-street parking improvements and programs, including the parking garages owned or overseen by the SFMTA, the regulation of taxis and commercial vehicles within the City and any other revenue producing activities of the SFMTA.

The Series 2012 Bonds will not be secured by either the revenues of, or any moneys held in funds and accounts by, Rec Park or the Parking Corporations. [Describe the status of any agreements with Rec Park and Parking Corporations following the refinancing of existing obligations.]

Application of Pledged Revenues and Enterprise Account

Section 8A.105 of the Charter establishes the "Municipal Transportation Fund." The Municipal Transportation Fund receives moneys from: a) the City's General Fund (pursuant to a formula described under the heading "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—City General Fund Transfers"); b) the revenues generated by Muni, the operations of the Sustainable Streets Division and the Parking Authority; and c) all other funds received by the City from any source, including state and federal sources, for the support of the SFMTA. The Municipal Transportation Fund is maintained separate and apart from all other City funds. Moneys therein are appropriated, expended, or used by the SFMTA solely and exclusively for the operation including, without limitation, capital improvements, management, supervision, maintenance, extension and day-to-day operation of the SFMTA, including any division subsequently created or incorporated into the SFMTA and performing transportation-related functions.

Enterprise Account. All Pledged Revenues as received shall be set aside and deposited by the SFMTA in the Enterprise Account established, pursuant to the Indenture, within the Municipal Transportation Fund, and any successor to such account (the "Enterprise Account"). Moneys in the Enterprise Account shall be applied by the SFMTA for the following purposes in the following amounts and order of priority, each priority to be fully satisfied before the next priority:

(a) Moneys in the Enterprise Account shall be transferred to the Trustee for deposit in the Debt Service Fund in amounts sufficient to pay principal and purchase price of and interest and redemption premium on the Bonds. Moneys in the Debt Service Fund may also be applied to pay or reimburse a Credit Provider for Repayment Obligations or other Parity Obligations to the extent provided in the Indenture. If and to the extent provided for in any Supplemental Indenture authorizing the issuance of a Series of Bonds, Swap Payments may be paid directly out of moneys in the Debt Service Fund. Moneys shall be transferred from the Enterprise Account to the Trustee for deposit in the Debt Service Fund at the following times and amounts:

(i) for any Bond payment that is due monthly or more frequently than a monthly basis, the amount due shall be transferred to the Trustee for deposit in the Debt Service Fund at least five Business Days prior to the Payment Date. Reasonable estimates may be made by the SFMTA in the case of Bonds with variable rates of interest;

(ii) for any Bond payment that is due annually, semi-annually, quarterly or less frequently than a monthly basis, the amount due shall be transferred to the Trustee for deposit in the Debt Service Fund in approximately equal monthly installments prior to the Payment Date. The monthly installments for any such Payment Date shall begin the month after the prior related Payment Date and have the final installment at least five Business Days prior to such Payment Date. Reasonable estimates may be made by the SFMTA in the case of Bonds with variable rates of interest. The SFMTA may choose to transfer the monthly amounts due for Bond payments in advance; and

(b) On or before each Payment Date, moneys in the Enterprise Account shall be transferred to the Trustee for deposit in the appropriate account within the Reserve Fund in the amount that is needed to satisfy any deficiency in the funding of the Reserve Requirement for a Series of Bonds (provided that replenishment of the Reserve Fund (or any account therein) after any draw from the Reserve Fund to pay debt service on Bonds shall be funded in approximately equal monthly installments over eighteen (18) months).

(c) Any amounts remaining after the applications pursuant to paragraph (a) or (b) above shall be used for any lawful purpose of the SFMTA and in accordance with all relevant provisions of the Charter, including but not limited to operation and maintenance expenses and payment of Subordinate Bonds.

Series 2012A Debt Service Account; Series 2012B Debt Service Account. Moneys held by the Trustee in the Debt Service Fund are to be transferred to the Series 2012A Debt Service Account and Series 2012B Debt Service Account, each established and maintained by the Trustee within the Debt Service Fund pursuant to the Indenture, as follows:

On or before the Business Day prior to each Series 2012 Payment Date, the Trustee is required to transfer from the Debt Service Fund to the Series 2012A Debt Service Account and Series 2012B Debt Service Account, each established and maintained by the Trustee within the Debt Service Fund pursuant to the Indenture, the interest and principal amount to become due on such Series 2012 Bonds on such Series 2012 Payment Date; provided that the SFMTA need not transfer any moneys at such time as the balance in the Series 2012A Debt Service Account and the Series 2012B Debt Service Account is equal to the aggregate amount of interest and principal amount becoming due and payable on the then Outstanding Series 2012A Bonds and Series 2012B Bonds, respectively, on such Series 2012 Payment Date. The obligation to make such transfers shall be on a parity with the obligation to fund any interest accounts created in the future under the Indenture with respect to any additional Series of Bonds issued pursuant to the Indenture, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference.

[General Fund Transfer Account. All proceeds of transfers from the City's General Fund as received shall be set aside and deposited by the SFMTA in the General Fund Transfer Account established by the Indenture within the Municipal Transportation Fund. Amounts in the General Fund Transfer Account may not be transferred to the Enterprise Account and are not pledged to the payment of principal of, premium, if any and interest on the Bonds. The SFMTA has covenanted in the Indenture to apply amounts on deposit in the General Fund Transfer Account solely to pay operation and maintenance expenses or other costs of the SFMTA. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Pledge of Pledged Revenues Under the Indenture."]

Bond Reserve Accounts

The Supplemental Indenture establishes a Series 2012 Reserve Account for the Series 2012 Bonds within the Bond Reserve Fund.

Series 2012 Reserve Account. Upon delivery of the Series 2012 Bonds, the Series 2012 Reserve Account within the Bond Reserve Fund will be funded in an amount equal to \$[_____], which is equal to the initial Series 2012 Reserve Requirement for the Series 2012 Bonds. The Series 2012 Reserve Requirement is defined under the Indenture. See "SUMMARY OF THE LEGAL DOCUMENTS—DEFINITIONS", "SUMMARY OF THE LEGAL DOCUMENTS—THE MASTER INDENTURE—Funds—Bond Reserve Fund" and "SUMMARY OF THE LEGAL DOCUMENTS—FIRST SUPPLEMENT TO INDENTURE OF TRUST—Bond Reserve Fund" in Appendix D herein.

Moneys in the Series 2012 Reserve Account will be held in trust for the benefit and security of the Holders of the Series 2012 Bonds. As provided in a Supplemental Indenture, the Series 2012 Reserve Account may support additional Series of Bonds issued in the future to the extent provided in a Supplemental Indenture, and the definition of Series 2012 Reserve Requirement will be applicable to such Series of Bonds but will be revised to take into account such Series of Bonds and the requirements of the Code.

The Series 2012 Reserve Requirement (or any portion thereof) may be provided by one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer

or by a letter of credit issued by a bank under the terms and conditions set forth in the Indenture. See Appendix D— “SUMMARY OF THE LEGAL DOCUMENTS—THE MASTER INDENTURE—Funds—Bond Reserve Fund” set forth herein.

Permitted Investments

The Indenture provides that moneys in all funds and accounts held by the Trustee under the Indenture shall be invested upon receipt in Permitted Investments as directed by the SFMTA. For a summary of the definition of Permitted Investments and information regarding the investment of moneys held in the various funds and accounts relating to the Bonds, see Appendix D— “SUMMARY OF THE LEGAL DOCUMENTS—THE MASTER INDENTURE—Funds—Investment of Moneys” attached hereto. For information regarding the investment of moneys held in the various funds and accounts of the SFMTA, see “THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Investment of SFMTA Funds” herein.

Covenant to Adopt a Balanced Budget and Maintain Adequate Pledged Revenues

Under the Indenture, the SFMTA covenants that it will adopt for each Fiscal Year or every two Fiscal Years a budget that is balanced in accordance with Section 8A.106 of the Charter and that provides for payment of Annual Debt Service in such Fiscal Year. The SFMTA has further covenanted to manage its operations and set charges (including but not limited to fares, rates and fees) for the Transportation System so that Pledged Revenues in each Fiscal Year (and available fund balances held by the SFMTA or the Trustee) will be at least equal to Annual Debt Service, payments due on Subordinate Bonds (as defined below) and payment of all costs reasonably necessary to operate the Transportation System in such Fiscal Year (but not including costs that have been funded from other sources not constituting Pledged Revenues or that may be reasonably deferred).

The SFMTA further covenants in the Indenture that if it is unable to comply with the covenant described in the previous paragraph, the SFMTA will review the SFMTA’s operations and its schedule of fares, rates, fees and charges and prepare a plan with reasonable measures to comply with such covenant. The SFMTA shall take such plan into account for future budgets and management.

See “CERTAIN RISK FACTORS” herein for a description of certain risk factors that could adversely affect the ability of the SFMTA to maintain Pledged Revenues as required by the Indenture.

Additional Bonds and Other Indebtedness

Pursuant to the Indenture, the SFMTA is permitted to issue additional bonds pursuant to a Supplemental Indenture and to enter into additional obligations secured by Pledged Revenues on parity with the payment of principal of and interest on the Bonds, provided that the conditions described below are satisfied. The SFMTA currently has no obligations outstanding on a parity with the Bonds. The SFMTA anticipates incurring future parity debt, however.

[Sentence describing additional debt requirements of the Charter; e.g., Controller's Affordability Certificate.]

Additional Bonds. The SFMTA may not issue any additional Series of Bonds or other Parity Obligations (other than refunding Bonds as described below) unless the Trustee has been provided with, among other things, a report of the SFMTA demonstrating that either:

(i) for the most recently ended Fiscal Year prior to the issuance of such additional Series of Bonds or other Parity Obligations, the SFMTA: (A) complied with the covenant described under the heading “—Covenant to Adopt a Balanced Budget and Maintain Adequate Pledged Revenues,” and (B) Pledged Revenues in such prior Fiscal Year were at least equal to 300% of Maximum Annual Debt Service, calculated assuming such additional Series of Bonds or other Parity Obligations were Outstanding during such prior Fiscal Year; or

(ii) based on projections for the period from and including the first full Fiscal Year following the issuance of such Bonds or other Parity Obligations through and including the later of (A) the fifth full Fiscal Year following the issuance of such Bonds or other Parity Obligations or (B) the third full Fiscal Year during which no interest on such Bonds or other Parity Obligations is expected to be paid from the proceeds thereof, projected Pledged Revenues in each such Fiscal Year will be at least equal to 300% of Maximum Annual Debt Service and be sufficient to allow the SFMTA to be able to comply with the covenant described under the heading “—Covenant to Adopt a Balanced Budget and Maintain Adequate Pledged Revenues.”

In determining projected Pledged Revenues for purposes of the report of the SFMTA described in the paragraph above, the SFMTA may take into account any reasonably anticipated changes in Pledged Revenues over such period, which assumed changes and the basis therefor shall be described in the calculations provided by the SFMTA. In determining Annual Debt Service for such purposes, (i) Bonds that will be paid or discharged immediately after the issuance of the Series of Bonds proposed to be issued from the proceeds thereof or other moneys shall be disregarded, and (ii) Variable Rate Bonds and variable rate Interest Rate Swaps shall generally be deemed to bear interest during any period after the date of calculation at a fixed annual rate equal to the lower of one hundred twenty-five percent of the average Index Rate (i.e., generally defined under the Indenture as the SIFMA Municipal Swap Index) during the twelve calendar months immediately preceding the date on which such calculation is made or the maximum rate of interest payable under such Variable Rate Bonds, Amortized Bonds or Interest Rate Swaps.

The SFMTA may also issue Bonds for the purpose of refunding any Bonds or other Parity Obligations on or prior to maturity.

Repayment Obligations as Bonds. If so provided in the applicable Supplemental Indenture and in the written agreement between the SFMTA and a Credit Provider, a Repayment Obligation (other than a Repayment Obligation with respect to a Credit Facility credited to the Bond Reserve Fund) may be accorded the status of an obligation payable on a parity from Pledged Revenues with the Bonds for purposes of securing such Repayment Obligation under the Indenture. The foregoing rights of a Credit Provider are in addition to any rights of subrogation which the Credit Provider may otherwise have or be granted under law or pursuant

to any Supplemental Indenture.

Interest Rate Swaps as Bonds. If so provided in the applicable Supplemental Indenture and in the written agreement establishing an Interest Rate Swap between the SFMTA and a Swap Counter Party, a Swap Payment may be accorded the status of an obligation payable on a parity from Pledged Revenues with the Bonds for purposes of securing such obligation to make Swap Payments under the Indenture.

Special Facilities and Special Facility Bonds. The SFMTA from time to time, subject to the terms and conditions of the Indenture and all applicable laws, may (a) designate an existing or planned facility, structure, equipment or other property, real or personal, which is under its jurisdiction, as a “Special Facility,” (b) provide that revenues earned by the SFMTA from or with respect to such Special Facility shall constitute “Special Facility Revenue” and shall not be included as Pledged Revenues, and (c) issue Special Facility Bonds primarily for the purpose of acquiring, constructing, renovating or improving, or providing financing to a third party to acquire, construct, renovate or improve, such Special Facility. The Special Facility Bonds shall be payable as to principal, purchase price, if any, redemption premium, if any, and interest from and secured by the Special Facility Revenue with respect thereto, and not from or by Pledged Revenues. The SFMTA from time to time may refinance any such Special Facility Bonds with other Special Facility Bonds.

No Special Facility Bonds may be issued by the SFMTA unless there shall have been filed with the Trustee (i) a certificate of the SFMTA to the effect that no Event of Default then exists under the Indenture, (ii) an opinion of Bond Counsel to the effect that such Special Facility Bonds may lawfully be issued in accordance with the Charter and all other applicable laws and (iii) a report of the SFMTA providing the following projections:

(a) the estimated Special Facility Revenue with respect to the proposed Special Facility are at least sufficient to pay the principal (either at maturity or by mandatory sinking fund redemptions) or purchase price of and interest on such Special Facility Bonds as and when the same shall become due, all costs of operating and maintaining such Special Facility to be paid by the SFMTA, and all sinking fund, reserve fund and other payments required with respect to such Special Facility Bonds as and when the same will become due; and,

(b) the estimated Pledged Revenues calculated without including the Special Facility Revenue and without including any operation and maintenance expenses of the Special Facility will be sufficient so that the SFMTA is able to be in compliance with its covenants under the Indenture (see “Covenant to Maintain Pledged Revenues” above) during each of the five full Fiscal Years immediately following the issuance of such Special Facility Bonds.

At such time as the Special Facility Bonds issued for a Special Facility, including Special Facility Bonds issued to refinance such Special Facility Bonds, are fully paid or otherwise discharged and no longer outstanding, the Special Facility Revenue with respect to such Special Facility shall be included as Pledged Revenues.

Subordinate Bonds. Under the Indenture, the SFMTA may issue at any time Subordinate Bonds with a pledge of, lien on, and security interest in Pledged Revenues which are

junior and subordinate to those of the Bonds and other Parity Obligations. The principal and purchase price of and interest, redemption premium and reserve requirements on such Subordinate Bonds are payable from time to time out of Pledged Revenues only if all amounts then required to have been paid or deposited under the Indenture from Pledged Revenues with respect to principal, purchase price, redemption premium, interest and reserve requirements on the Bonds then Outstanding shall have been paid or deposited as required in the Indenture.

THE CITY AND COUNTY OF SAN FRANCISCO

The City is the economic and cultural center of the San Francisco Bay Area and northern California. The corporate limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the “Bay”). The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the Bay to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the wine country is about an hour’s drive to the north. The City’s most recently completed Comprehensive Annual Financial Report (the “CAFR”) for its fiscal year 2009-10 estimated the City’s 2010 population at 821,790.

The San Francisco Bay Area consists of the nine counties contiguous to the Bay: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties (collectively, the “Bay Area”). The economy of the Bay Area includes a wide range of industries, supplying local needs as well as the needs of national and international markets. Major business sectors in the Bay Area include retail, entertainment and the arts, conventions and tourism, service businesses, banking, professional and financial services, corporate headquarters, international and wholesale trade, multimedia and advertising, biotechnology and higher education.

The City is a major convention and tourist destination. According to the San Francisco Convention & Visitors Bureau, a nonprofit membership organization, during the calendar year [2009], approximately 15.4 million people visited the City and spent an estimated \$7.8 billion. The City is also a leading center for financial activity in California and is the headquarters of the Twelfth Federal Reserve District, the Eleventh District Federal Home Loan Bank, and the San Francisco regional Office of Thrift Supervision.

The City benefits from a highly skilled, educated and professional labor force. The Controller of the City (the “Controller”) estimates that per-capita personal income of the City for 2010 was \$71,519. The San Francisco Unified School District operates 67 elementary school sites, 14 middle schools, 19 senior high schools, two adult education programs, and 42 state-funded preschool sites, and sponsors nine independent charter schools. Higher education institutions located in the City include the University of San Francisco, California State University-San Francisco, University of California-San Francisco (a medical school and health science campus), the University of California Hastings College of the Law, the University of the Pacific’s School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the Art Institute of California – San Francisco, the San Francisco Conservatory of Music, the California Culinary Academy and the Academy of Art University.

San Francisco International Airport (“SFO”) is located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County. SFO is owned and operated by the City and is the principal commercial service airport for the Bay Area and one of the nation’s principal gateways for trans-Pacific traffic. In fiscal year 2009-10, SFO serviced approximately 38.2 million passengers and handled 431,990 metric tons of cargo. The City is also served by the Bay Area Rapid Transit District (electric rail commuter service linking the City with the East Bay and the San Francisco Peninsula), Caltrain (a conventional commuter rail line linking the City with the Peninsula), and bus and ferry services between the City and residential areas to the north, east and south of the SFMTA service area. Muni, operated by the SFMTA, provides bus and streetcar service within the City. The Port of San Francisco (the “Port”), which administers 7.5 miles of Bay waterfront held in “public trust” by the Port on behalf of the people of California, promotes a balance of maritime-related commerce, fishing, recreational, industrial and commercial activities and natural resource protection.

The City is governed by a Board of Supervisors elected from eleven districts to serve four-year terms, and a Mayor who serves as chief executive officer, elected citywide to a four-year term. Edwin M. Lee has served as the Mayor of the City since January 2011. The City’s fiscal year [2010-11] adopted budget includes \$6.6 billion of expenditures and reserves, of which \$3.0 billion was allocated to the General Fund of the City and \$3.6 billion was allocated to all other funds, including enterprise departments, such as the San Francisco International Airport, SFMTA and the San Francisco Public Utilities Commission (the “SFPUC”). The CAFR estimates that the City employed approximately 28,600 full-time-equivalent employees at the end of fiscal year 2009-10. Fiscal year [2010-11] total assessed valuation of taxable property in the City is approximately \$163.4 billion.

The information contained in APPENDIX B: “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES” was prepared by the City for inclusion in official statements relating to publicly offered securities of the City and updated as of _____, 2011. The following information supplements and amends the information set forth in APPENDIX B as of the date of this Official Statement. Investors are advised to carefully consider the information presented below, together with other information presented in this Official Statement, in order to make an informed investment decision.

[This paragraph to be updated or removed prior to printing, based on date and contents of Appendix B.]

THE GENERAL FUND OF THE CITY IS NOT LIABLE FOR THE PAYMENT OF DEBT SERVICE ON THE BONDS AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT THEREOF.

THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Organization and Purpose

The SFMTA is a department of the City and a multi-modal transportation agency responsible for planning, designing, constructing, managing, operating and maintaining public transit, paratransit, street and traffic management and improvements, bicycle and pedestrian

safety and enhancement programs, on and off-street parking improvements and programs, and the regulation of taxis and commercial vehicles within the City (collectively referred to in this Official Statement as the “Transportation System”). The SFMTA was established by voter approval of the addition of Article VIIIA to the Charter in 1999 (Proposition E). The purpose of the Charter amendment was to consolidate all transportation functions within a single City department, and to provide the Transportation System with the resources, independence and focus necessary to improve transit service and the City’s transportation system. Among City departments, the SFMTA was given exceptional authority to control its operations, purchasing, contracting, and labor relations, as well as a guaranteed share of City General Fund resources. The voters approved additional Charter amendments in 2007 and 2010 (Proposition A and Proposition G respectively) that further increased the autonomy of and revenues to the SFMTA.

The SFMTA promotes the safe and efficient movement of people and goods throughout the City through many programs. It manages Muni, which is the seventh largest provider of public transit service in the United States and carries over 700,000 passengers a day on its motor buses, trolley buses, light rail vehicles, historic streetcars, and cable cars. The SFMTA also oversees the management and operation of 40 public off-street parking facilities owned by the SFMTA, Rec Park and the Parking Authority, a separate legal entity created under the laws of the State. Members of the Board serve *ex officio* as members of the governing body for the Parking Authority. The SFMTA also manages traffic engineering functions within San Francisco, including the placement of signs, signals, traffic striping, curb markings, and parking meters. Finally, the SFMTA regulates the taxi industry within the City.

The Charter states that SFMTA is to adhere to a “Transit First Policy” in its management of the City’s Transportation System and that SFMTA’s goal is to “manage San Francisco’s transportation system – which includes automobile, freight, transit, bicycle, and pedestrian networks” to help the City achieve “an effective, efficient and safe transportation system...” to support “its goals for quality of life, environmental sustainability, public health, social justice, and economic growth.” This “Transit First Policy,” further requires that “public transit, [and travel] by bicycle and on foot must be an attractive alternative to travel by private automobile.”

SFMTA Divisions. The SFMTA is organized in six divisions. Among the six divisions, the Transit Division is primarily responsible for transit operations, the Sustainable Streets Division is primarily responsible for parking operations, and the SFMTA has centralized certain capital planning, financial, administrative safety and enforcement functions in the SFMTA’s other divisions. The SFMTA’s six divisions are as follows:

Transit Division. The Transit Division is responsible for delivering multi-modal public transit service within the City, including Muni operations. The Division’s more than 3,800 staff operate motor coaches, light rail vehicles, electric trolleys, historic trolley vehicles and cable cars; maintain Muni’s revenue and non-revenue vehicles, transit facilities and infrastructure (e.g. rail track and signals, rail stations, garages and maintenance shops); and are responsible for short-term and long-term service planning.

Sustainable Streets Division. The Sustainable Streets Division manages non-transit modes of transportation, including bicycles, pedestrians, and vehicles other than taxis. The Division’s mission is to provide multi-modal transportation planning, engineering and

operational improvements to the City's transportation system to support sustainable community and economic development. The Division is comprised of five subdivisions, which include: Field Operations (responsible for the installation, modification and maintenance of the City's traffic signs, and pavement markings); Livable Streets (responsible for pedestrian, traffic calming, bicycle, and school area safety programs); Off-Street Parking (responsible for management of the parking garages within SFMTA's jurisdiction, including those the SFMTA manages on behalf of the Parking Authority), Long-Range Planning and Policy (responsible for Policy Coordination and Analysis, Capital Systems Planning, and various modal plans including pedestrian, bicycle and street design plans, and Station and Neighborhood Area Planning); and Traffic Engineering.

Safety, Training, Security and Enforcement Division. The Safety, Training, Security and Enforcement Division is responsible for the System Safety, Operations Training, Safety Administration, Emergency Preparedness, and the Security and Enforcement Units ensuring agency compliance with the System Safety Program Plan, System Security Plan, all applicable regulatory agency policies, and ensuring the safety and security of employees, customers and the public. This Division is also responsible for overseeing enforcement activities related to street sweeping, residential permit parking, meters, improperly used disabled placards, booting and towing vehicles and removing abandoned vehicles.

Capital Programs and Construction Division. The Capital Programs and Construction Division is responsible for the planning, design and construction of SFMTA capital projects, and for monitoring and assessing the condition of SFMTA infrastructure and vehicle fleet.

Administration Division. The Administration Division is responsible for oversight of the SFMTA's contracted paratransit services and accessibility services, and for the SFMTA's contracts and procurement, contract compliance, materials management, communications and marketing, human resources, labor relations, equal opportunity and diversity, workers' compensation, organizational development and training, and payroll functions.

Finance and Information Technology Division. The Finance and Information Technology Division is responsible for budgets and grants, revenue collection and sales, financial services and revenue contracts, real estate, accounting, parking pricing policy and information technology and performance, and the regulation of the taxi industry in San Francisco.

Board of Directors

The SFMTA is governed by a seven-member Board of Directors (the "Board"), which is appointed by the City's Mayor and confirmed by the City's Board of Supervisors. The Board has the authority to appoint the Director of Transportation, approve the budget, and set agency policy. The Directors serve staggered four-year terms. No person may serve more than three terms as a director. At least four of the directors must be regular riders of the Municipal Railway, and must continue to be regular riders during their terms. The directors must possess significant knowledge of, or professional experience in, one or more of the fields of government, finance or labor relations. At least two of the directors must possess significant knowledge of, or professional experience in, the field of public transportation.

The current members of the Board and their appointment and expiration dates of their terms are:

<u>Name and Title:</u>	<u>Originally Appointed</u>	<u>Term Expires</u>
Tom Nolan, Chairman	May 10, 2006	February 28, 2014
Jerry Lee, Vice Chairman	February 15, 2008	February 29, 2012
Leona Bridges	January 6, 2011	February 28, 2015
Cheryl Brinkman	September 1, 2010	February 28, 2014
Malcolm Heinicke	February 22, 2008	February 29, 2012
Bruce Oka	February 15, 2008	February 29, 2012
Joél Ramos	May 23, 2011	February 28, 2015

Management

The SFMTA's management team is led by the Director of Transportation. The Director of Transportation is appointed by the Board and serves at the pleasure of the Board. Brief biographies of the Director of Transportation and the principal members of the SFMTA senior management team are set forth below.

Edward Reiskin. Ed Reiskin is Director of Transportation of the SFMTA. Mr. Reiskin was appointed by the Board of Directors on August 2, 2011, and began work on August 15, 2011. Mr. Reiskin has more than 20 years of experience in the private, academic, nonprofit and public sectors. Most recently, he led the City and County of San Francisco's Department of Public Works, managing more than 1,100 employees, whose responsibilities range from engineering, construction management and project delivery to graffiti removal, street cleaning and public engagement programs and an annual \$165 million operating budget and a \$2 billion capital budget. Previously, Mr. Reiskin served as the first Director of the City's 311 Customer Service Center. Prior to joining the City, he served as the Interim City Administrator and as Deputy Mayor for the Government of the District of Columbia. Prior to joining the District government, Reiskin worked for three years for the City of Oakland, California as an assistant to the city manager. Mr. Reiskin has also performed business and community environmental work for a nonprofit research and consulting organization, conducted academic research on sustainable development at a business school and worked as an engineer and manager in the private sector. Mr. Reiskin holds a Master of Public Administration degree from Harvard University's Kennedy School of Government, a Master of Business Administration degree from New York University's Stern School of Business and a Bachelor of Science degree from the Massachusetts Institute of Technology.

Sonali Bose. Sonali Bose is Chief Financial Officer. Ms. Bose has held senior level finance positions in the public and private sectors over the last 25 years. The public sector positions include Chief Financial Officer for the Metro Gold Rail Line in Los Angeles, Chief Financial Officer for the Port of Oakland, Director of Finance for the City of Berkeley and Treasurer for the City of Oakland. Her private sector positions include Chief Financial Officer/Administrative Officer for a third party administrator for pension, health and welfare funds, Managing Director and Finance Manager for international consulting firms focusing on infrastructure projects and Vice President of Finance for a merchant bank. Ms. Bose has

business administration and public policy graduate degrees from Harvard University and the University of California, Berkeley. Her undergraduate degree is from the University of California, Berkeley.

Shahnam Farhanghi. Shahnam Farhanghi is the Acting Director of Capital Programs and Construction. Mr. Farhanghi has more than thirty years of professional experience in engineering, project management, contract administration and management of complex transit programs. Mr. Farhanghi joined the City in 1992 and has held the positions of Acting Deputy General Manager for Construction and Acting Deputy Director for Transportation Planning and Development. For the past twelve years, Mr. Farhanghi has managed the contract administration section and has been responsible for all procurement activities within the Capital Programs and Construction Division. Mr. Farhanghi earned his Bachelor of Science and Master of Science degrees from UCLA and an MBA from the UCLA Graduate School of Management. He holds a Professional Engineering license from the State of California.

John Haley. John Haley is Director of Transit. Mr. Haley is a nationally recognized leader in the transportation industry with over 30 years of public and private sector experience. He joined the SFMTA from the Metropolitan Transit Authority of Harris County (“METRO”) in Houston, where he was the Vice-President of Infrastructure and Service Development. At METRO, Mr. Haley implemented new bus rapid transit and commuter rail services, which significantly contributed to improved service reliability and ridership gains. He also directed internal accountability initiatives to improve operational efficiency and advanced Authority-wide plans to improve system safety. Prior to his work in Houston, Mr. Haley served as Deputy Executive Director of the Port Authority of New York and New Jersey, General Manager of the Massachusetts Bay Transportation Authority (MBTA), Deputy General Manager of the San Francisco Bay Area Rapid Transit District (“BART”) and as a strategic advisor to major transportation agencies nationwide. He has a Master of Public Administration from Syracuse University and a Bachelor of Science in Government from Northeastern University.

Debra Johnson. Debra Johnson is Director of Administration. Ms. Johnson has 20 years of progressively responsible management experience including policy and strategic communications development and implementation, advocacy and community outreach and government and media relations. Ms. Johnson began her career working in the private sector for an engineering-based consulting firm whereby she had a pivotal role in the public awareness campaign for the I-80 Reconstruction Project in Contra Costa and Alameda counties. She later transitioned into public transit and has held varying positions with BART including, but not limited to, a Senior Government/Community Relations Specialist, the Community Outreach Department Manager at the Santa Clara Valley Transportation Authority (VTA) and Director of Project Communications and later the Board Secretary at the Washington Metropolitan Area Transit Authority (WMATA) in Washington, D.C. Ms. Johnson earned her Master’s Degree in Public Administration from the California State University, East Bay (formerly Hayward) and a Bachelor of Arts in International Relations from the University of California, Davis. Ms. Johnson is an alumna of the 2000 Class of Leadership San Francisco, the 2008 Eno Center for Transit Leadership’s Executive Development Program, is President of the Northern California Chapter of the Conference of Minority Transportation Officials (COMTO), active with the Women’s Transportation Seminar (WTS) and serves on the California Transit Association’s Executive Committee.

Reginald Mason. Reginald Mason is Director of Safety, Training, Security and Enforcement. In this position, Mr. Mason is responsible for the System Safety, Operations Training, Safety Administration, Emergency Preparedness and the Security and Enforcement Units ensuring agency compliance with the System Safety Program Plan (SSPP), System Security Plan (SSP), all applicable regulatory agency policies, and ensuring the safety and security of employees, customers and the public. Mr. Mason is a transit professional with diverse experience in transportation, which included managing Safety and Training for Houston's Metro Light Rail Start-Up where he developed and trained all Rail Supervisors, Rail Controllers and Train Operators for the light rail system. Prior to working for Metro, Mr. Mason worked for the Chicago Transit Authority, Valley Metro Rail and Ryder/ATE in the area of Safety. Mr. Mason has a Bachelor of Science Degree and a Masters Degree in degree in Occupational Safety and Health Management from Indiana State University, Terre Haute, Indiana. Mr. Mason is also an Associate Staff Instructor for the Transit Safety Institute, a part-time Instructor for the National Transit Institute, and Chairs the American Public Transportation (APTA) Bus Safety Committee and the APTA Security Standards Emergency Management Working Group.

Bond Yee. Bond Yee is the Director of Sustainable Streets. Mr. Yee has worked for the City since 1982, starting with the Department of Public Works' Traffic Engineering Bureau, and then joining the Department of Parking and Traffic at its inception in 1990. Mr. Yee served as Director of the Department of Traffic and Parking until the agency was formally merged into the SFMTA in July 2002 under Proposition E. Mr. Yee has been practicing professionally for 37 years, initially working in the private sector as a transportation engineer with the firm of Parsons, Brinckerhoff, Quade and Douglas (PBQ&D), where he worked on various transportation and transit projects such as the San Francisco Bay Area Rapid Transit District, Metropolitan Atlanta Rapid Transit Authority, Portland's starter light rail line, Kansas City Transit Master Plan and Fullerton's Multimodal Transportation Center facility. Mr. Yee earned his Bachelor of Science Degree in Civil Engineering from the University of California at Berkeley and a Master's Degree in Transportation from the University of California at Berkeley's Institute of Transportation Studies. He holds licenses in civil and traffic engineering from the State of California and is a Professional Traffic Operations Engineer licensed by the Transportation Professional Certification Board. He also is a Fellow of the Institute of Transportation Engineers.

Transit

Background and History. The San Francisco Municipal Railway (the "Municipal Railway") began service in 1912 as one of the first publicly owned and operated transit systems in the United States, competing with privately operated systems, and initiating service to areas of the City not served by those systems. In 1944, the Municipal Railway absorbed the much larger, privately owned Market Street Railway Company, creating a combined system that was about three times as large as the prior Municipal Railway system. The City's acquisition of the California Street Railroad in 1952 conveyed to public control all transit services within San Francisco. From 1932 until 1994, the SFPUC governed the Municipal Railway. In 1993, the City's voters passed Proposition M, which created the Public Transportation Commission and the Public Transportation Department, and removed the Municipal Railway from the authority of the PUC. Governance of Muni changed again in 1999 with the passage of Proposition E, which created the SFMTA and consolidated the management of Muni with the parking and traffic

related functions performed by the previous Department of Parking and Traffic.

Transit Operations. SFMTA operates Muni, which is the City's public transportation system. Muni operates 365 days a year, and connects with regional transportation services, such as those provided by the Bay Area Rapid Transit District ("BART"), the Peninsula Corridor Joint Powers Board ("PCJPB"), the San Mateo County Transit District ("SamTrans"), and the Alameda-Contra Costa Transit District ("AC Transit"). Based on ridership, Muni is the seventh largest system in the United States and the Bay Area's largest and most heavily used public transit system, transporting close to 43 percent of all transit passengers in the region and carrying more than 700,000 trips every weekday (approximately 216 million trips per year). By way of comparison, BART carries 350,000 daily passengers and is the region's second largest operator. Between January 1, 2011 and March 31, 2011, SFMTA maintained average daily boardings of 671,000. This compares to BART's, AC Transit's and SamTrans' average daily boardings of 357,800, 236,000 and 68,410, respectively.

Muni's fixed route network consists of [54] motor bus lines, [17] electric trolley bus lines (i.e. rubber-tired vehicles that operate on electricity provided from overhead wires), [7] light rail lines that operate above ground and in the City's Market Street subway tunnel, 3 cable car lines and a historic streetcar line. Muni also provides paratransit service for passengers who are unable to use fixed route service. The table below summarizes the composition of Muni's transit revenue vehicle fleet and major infrastructure.

TABLE 1
SUMMARY OF MUNI’S REVENUE VEHICLE FLEET AND RELATED
INFRASTRUCTURE
AS OF [DECEMBER 31, 2011]

Motor Buses	507 vehicles
Trolley Buses	313 vehicles
Light Rail Vehicles	151 vehicles
Historic Streetcars	40 vehicles
Cable Cars	40 vehicles
Miles of Light Rail track for revenue service	71.1 miles
Miles of Subway track	13.4 miles
Miles of Cable Car track for revenue service	10.2 miles
Miles of overhead power supply wires for light rail and trolley bus revenue service operations	209.5 miles
Number of Light Rail Stations	9 Subway and] [23] Surface Stations
Number of Light Rail Boarding Platforms	[168]
Number of substations for electrical power distribution	26

Source : SFMTA.

Of Muni’s four fixed route modes of service, motorbuses serve the highest number of passengers, followed by trolley buses, light rail and cable car. During the five-year period from Fiscal Year 2005-06 through Fiscal Year 2009-10, annual Muni ridership varied between approximately 206 million passengers and approximately 226 million boardings.

SFMTA’s transit fleet is currently the greenest and most diverse in the nation and among the greenest and most sustainable multi-modal transit agencies in the world. The SFMTA operates the largest zero emission bus fleet in North America and the largest municipal biodiesel fleet in the country, with advanced hybrid-electric buses fueled with the City’s recycled restaurant oils. This “liquid solar” biodiesel is made from San Francisco restaurant grease collected and produced locally through the City’s “fryer to fuel tank” energy sustainability program, saving the SFMTA millions of dollars per year in fuel costs while avoiding emissions from “upstream” fuel transportation. The SFMTA is on schedule to achieve its stretch goal of zero fleet emissions by 2020.

The SFMTA’s fleet features 40 cable cars, 24 historic streetcars, 151 light rail vehicles, 459 biodiesel and hybrid buses and 313 electric trolley buses on more than 80 routes. Today, over 50 percent of its fleet of buses and rail vehicles are already zero emission, powered by City-owned zero emission hydroelectric, and as a whole its fleet of buses and rail vehicles produces the lowest per-passenger emissions of any multi-model transit fleet in [California].

[Include discussion regarding amount of diesel fuel and electricity use.] See “—Operating and Maintenance Expenses—Fuel Costs.”

SFMTA also maintains numerous operations, maintenance and administrative facilities. The majority of the SFMTA's facilities are dedicated to the storage, maintenance and dispatch of Muni's fleet of vehicles. Three facilities house motor coaches: Woods Division, Flynn Divisions and Kirkland Divisions. Two house trolley coaches: Potrero Division and Presidio Division. Four facilities support Muni's rail operations: Green Division (including temporary facilities at 6th and King), the Geneva Yard, the Cable Car Barn and the Duboce Yard. And seven other facilities, including the Central Control Center, Scott Division, Marin Street and the Burke Avenue Facility, provide support to all transit modes. Finally, the SFMTA's administrative offices are distributed among six different sites in the City.

The current condition of the SFMTA's transit facilities varies broadly. Certain transit facilities are new, while others have no serious defects noted, and still others require significant renovation or seismic improvement, are outmoded or are inadequately sized for the current operational requirements of the SFMTA. See "—State of Good Repair Analysis." The SFMTA Facilities Program develops, manages and maintains space for the operating, maintenance, administration and storage needs required to support SFMTA's transit activities.

TABLE 2
HISTORIC FIXED ROUTE RIDERSHIP BY MODE
(ANNUAL BOARDINGS IN THOUSANDS)
(FISCAL YEARS ENDED JUNE 30)

Mode	2006	2007	2008	2009	2010	2011
Motor Bus	90,630	90,303	89,913	95,190	91,609	89,451
Trolley Bus	69,065	67,297	72,394	72,142	66,968	66,234
Light Rail	43,679	41,737	50,303	50,745	49,397	51,022
Cable Car	7,475	7,122	7,425	7,913	8,008	7,042
Total Ridership	210,849	206,459	220,035	225,990	215,982	213,749

Source : SFMTA

Regulatory Issues. The SFMTA is regulated by various Federal, state and local agencies, including the Federal Transit Administration and California Public Utilities Commission ("CPUC"). The SFMTA meets with the Federal Transit Administration and the CPUC on a regular basis to ensure that both agencies are aware of the SFMTA's transit operations. In addition, the Federal Transit Administration performs a triennial review, as well as fiscal, procurement and other periodic audits, to determine whether the SFMTA is administering its Federal-Transit-Administration-funded programs in accordance with statutory and Federal Transit Administration requirements and is meeting program objectives. The CPUC conducts a triennial audit for rail operations. A determination that the SFMTA is not in compliance with regulatory requirements could lead to a loss of funding and changes in regulatory requirements could impact the SFMTA's operations or increase operating costs or capital requirements. See "RISK FACTORS—Statutory and Regulatory Compliance."

Parking and Traffic Functions.

Background and History. The Department of Traffic was originally established as a separate City Department in 1992 and, as a result of Proposition E, was merged into SFMTA in 2002. SFMTA currently manages 19 public garages and 21 surface parking lots in the City, which account for nearly 15,000 parking spaces; manages on-street parking through the use of approximately 24,000 parking meters, color curbs, various permits; and sells parking meter cards. SFMTA's traffic responsibilities include managing nearly 200,000 traffic signs, 1,184 signalized traffic intersections, approximately 900 miles of striped streets, pavement messages, and special curb zones throughout the City. In addition, SFMTA also enforces parking regulations through its Safety, Training, Security and Enforcement Division through the issuance of parking citations by SFMTA parking control officers, San Francisco Police, and other agencies.

Parking Garages. The 19 parking garages that the SFMTA currently manages include parking facilities owned by the SFMTA, the Parking Authority and Rec Park. Certain of the garages owned by the SFMTA, the Parking Authority and Rec Park are currently leased by non-profit parking corporations which manage the operations of such garages and transmit revenues of the garages in excess of certain operating and administrative expenses to the SFMTA. The following table lists the public parking garages managed by the SFMTA:

TABLE 3
SFMTA-MANAGED PARKING GARAGES
AS OF [DECEMBER 31, 2011]

<u>Facility Name</u>	<u>Number of Spaces</u>	<u>Year Opened</u>
16th & Hoff	98	1996
Civic Center ¹	843	1958
Ellis-O'Farrell	950	1964
Fifth & Mission	2,585	1957
Golden Gateway	1,095	1965
Japan Center	920	1965
Lombard Street	205	1988
Mission-Bartlett	350	1983
Moscone Center	732	1984
North Beach	203	2002
Performing Arts	598	1983
Pierce Street	116	[Not Available]
Polk-Bush	129	1993
Portsmouth ¹ Square	504	1960
St. Mary's Square ²	414	1952
SF General Hospital	1,657	1996
Sutter-Stockton	1,865	1959

Facility Name	Number of Spaces	Year Opened
Union Square ¹	985	1941
Vallejo Street	163	1969

(1) Owned by Rec Park.

(2) Rec Park and SFMTA each own 50%.

Source: SFMTA

The age of the garages ranges from 9 years to 70 years. Other than with respect to the Rec Park Garages (defined below), all revenues from the operations of each parking facility operated by SFMTA, less amounts applied to pay for operating costs (including routine maintenance), are used to fund other SFMTA operations, including public transit. While routine repairs, including repairs of concrete failures, drainage issues, lighting, out-of-service elevator, revenue control equipment and signage, are regularly funded and completed, significant repair and rehabilitation projects have been deferred. As a result, substantial maintenance and repair backlogs exist with respect to such repairs and rehabilitation projects at certain facilities and the condition of most garages has declined over the years. These facilities require extensive rehabilitation and equipment upgrades to bring them in line with current standards and to make them more environmentally friendly. Ongoing repairs and [Are these “ongoing” or “significant”?] modifications currently include projects related to compliance with ADA regulations as well as addressing planning, building and fire code issues.

The non-profit corporations will enter into a lease with the SFMTA for daily operational oversight of the garages. The lease requires that the non-profit corporations contract with a professional parking company to operate the facility in accordance with the lease and SFMTA operating procedures. During the term of the lease, 100% of net income will be transferred to the SFMTA on a monthly basis. Debt amounts related to the Rec Park Garages are to be identified as a line item operating expense and transferred to the SFMTA monthly. SFMTA administrative support and operational oversight is billed monthly to Rec and Park on an actual basis in arrears and is identified as a budgeted line item.

All gross revenues and parking taxes collected or received by a non-profit corporation operating a parking garage are to be deposited in a revenue account upon receipt on the same day such amounts are collected. Revenues are to be transferred to the SFMTA on the first day of each month or at such other more frequent periodic intervals as specified by the SFMTA. Periodically, but at least once each month, the SFMTA will authorize the withdrawal and transfer of funds from the revenue account for the purpose of paying operating expenses and purpose of paying the corporate employee salaries and payroll expense. Each corporation will be required to transfer all net income to the SFMTA on a monthly basis.

The SFMTA undertakes parking operations at the following garages owned by Rec Park: Civic Center, Portsmouth Square and Union Square, and at St. Mary’s Square Garage, half of which is owned by SFMTA and half of which is owned by Rec Park (collectively, including the half of St. Mary’s Square Garage owned by Rec Park, the “Rec Park Garages”). From revenues of the Rec Park Garages, Rec Park is obligated to pay to the SFMTA an administrative fee that

includes all costs of operating the Rec Park Garages and a proportional share of debt service on bonds and other obligations the proceeds of which funded capital improvements at the Rec Park Garages. Upon issuance of the Series 2012 Bonds, such administrative fees will include a portion of the debt service on the Series 2012 Bonds equal to the ratio of proceeds of the Series 2012 Bonds applied to finance or refinance capital improvements at the Rec Park Garages to net proceeds of the Series 2012 Bonds after paying costs of issuance. The SFMTA expects to withhold a portion of gross revenues from operation of the Rec Park Garages equal to such fee and transfer all remaining monies to Rec Park. [To be confirmed.]

The Series 2012 Bonds will not be secured by either the revenues of, or any moneys held in funds and accounts by, Rec Park or the Parking Corporations. [Describe the status of any agreements with Rec Park and Parking Corporations following the refinancing of existing obligations.]

Surface Parking Lots, Parking Meters and Parking Enforcement. The SFMTA also manages 21 surface, metered lots. The following table lists the public parking garages owned by the City and managed by the SFMTA:

TABLE 4
SFMTA-MANAGED METERED SURFACE LOTS
AS OF [DECEMBER 31, 2011]

Facility Name	Number of Spaces
Pierce-Lombard	116
Cal-Steiner	48
Castro & 18th	20
18th & Collingwood	20
8th & Clement	26
9th & Clement	21
18th & Geary	34
Geary & 21st	21
7th & Irving	36
9th & Irving	41
20th & Irving	24
Ocean & Junipero Serra	20
19th & Ocean	20
Ulloa & Claremont	23
West Portal & 14th	19
24th & Noe	16
Lilac & 24th	18
Norton & Mission	28
Felton & San Bruno	10
Phelan Loop & Ocean	21

Facility Name	Number of Spaces
7th & Harrison	101

Source : SFMTA

All revenues from the operations of each surface lot, less amounts applied to pay for operating costs (including routine maintenance), are used to fund other SFMTA operations, including public transit.

The SFMTA currently has approximately 24,992 single space on-street parking meters and 447 multi-space pay stations covering 3,340 spaces (28,332 total metered spaces) in four designated areas throughout the City. Metered areas are Downtown (1), Downtown Periphery (2), Fisherman's Wharf (4) and Neighborhood-All other Areas (3). These meters accept nickels, dimes, quarters, the small dollar coin and prepaid smart cards as payment. Payment by credit card is now available at approximately 6,000 smart meters and payment by phone will be implemented in 2012. Costs for metered parking in these areas vary between \$2 - \$3.50/hour; meters are in operation from 7 a.m. or 9 a.m. to 6 p.m. Monday through Saturday. Meters in Areas 1-3 are also in operation for all holidays except Thanksgiving, Christmas Day and New Year's Day. Fisherman's Wharf meters are in operation from 7 a.m. to 11 p.m. and are in Port of San Francisco jurisdiction. Approximately 100 Parking Control Officers are deployed for general and meter enforcement to ensure compliance with time limits and payment. The SFMTA receives revenue from citations issued to vehicles on any City street or surface metered parking lot.

SFpark. *SFpark* is the brand designation for the SFMTA's new approach to parking management. As part of this new approach, the SFMTA has established a pilot demonstration of a series of planned improvements to the SFMTA's management of paid parking. The goal of the *SFpark* approach is to apply a transparent, data-driven methodology to parking management in order to manage parking demand towards certain availability goals. As a result, the SFMTA believes drivers will find parking more quickly and easily, thus reducing the level of costly negative externalities associated with traffic in the City (e.g., double parking or circling). As a result, the SFMTA expects not only to improve driver convenience, but also to accomplish a host of other goals, such as improving the speed and reliability of Muni service on surface streets, reducing traffic congestion, reduce accidents, improve economic vitality and reducing transportation-related greenhouse gas emissions.

Elements of the demonstration pilot project include: demand-responsive rate adjustments at 25% of SFMTA's metered on-street parking, as well as 14 of the SFMTA's 19 parking garages; real-time information about parking availability; new parking meters that make it easy to pay; improved parking garage wayfinding and branding to improve utilization; and tests of new enforcement strategies to improve efficiency. Another critical element of the project is a data warehouse and business intelligence system that enables processing of parking occupancy data to make rate change recommendations as well as to assist with evaluation [of the effectiveness of the program] and to improve transportation management.

While several cities have implemented programs with elements similar to *SFpark*, the

SFMTA is the first to put in place a full package of smart parking management technology and policies throughout such an extensive area. Funding for SFpark project comes primarily from a \$19.8 million grant from the U.S. Department of Transportation's Urban Partnership Program.

Other Programs

In December of 2008, the Board of Supervisors transferred the functions, powers and duties of the Taxi Commission to the SFMTA. On March 1, 2009, the SFMTA assumed responsibility for regulating the San Francisco taxi industry. More than 7,000 taxi drivers operate approximately 1,500 taxis in the city, including 100 wheelchair accessible vehicles. Taxi vehicles average 95,000 miles per year, up to ten times as much as private vehicles, thus pushing the need to green this highly used fleet. Approximately 77 percent of the vehicles in the taxicab fleet are hybrid or compressed natural gas (CNG) vehicles. Some drivers holding taxi medallions are independent operators, while others work for the 31 taxi companies that own medallions. SFMTA derives a small portion of its operating revenues from a taxi medallion purchase and sale pilot program it operates.

In addition, the SFMTA is responsible for designing, directing and managing all traffic engineering functions within San Francisco, including placement of signs, signals, traffic striping, and curb markings to promote the safe and efficient movement of people and goods throughout the City and to assist Muni's efficient operation and the SFMTA also administers a San Francisco Bicycle Program, dedicated to improving and enhancing bicycling as a safe, viable transportation option through planning, engineering and implementing bicycle facilities, and educating the community and agencies about bicycle transportation. The SFMTA is currently implementing 45 approved bike improvement projects which, taken together, will create 34 miles of new bike lanes, bringing the total available in the City to 79 miles.

Financial Operations

General. The SFMTA is an enterprise department of the City. As a result, its financial operations are included in the Comprehensive Annual Financial Report of the City and shown as an enterprise fund. [SFMTA also has independent financial statements included as Appendix A].

Municipal Transportation Fund. The Charter establishes the "Municipal Transportation Fund." The Municipal Transportation Fund receives moneys from: a) the City's General Fund (pursuant to a formula described under the heading "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—City General Fund Transfers"); b) the revenues generated by Muni and SFMTA's Parking and Traffic functions; and c) all other funds received by the City from any source, including state and federal sources, for the support of the SFMTA. The Municipal Transportation Fund is maintained separate and apart from all other City funds. Moneys therein are appropriated, expended, or used by the SFMTA solely and exclusively for the operation including, without limitation, capital improvements, management, supervision, maintenance, extension, and day-to-day operation of the SFMTA, including any division subsequently created or incorporated into the SFMTA and performing transportation-related functions. The Enterprise Account established pursuant to the Indenture is an account within the

Municipal Transportation Fund.

Basis of Accounting. The accounts of the SFMTA are organized on the basis of a proprietary fund, specifically an enterprise fund. The financial activities of the SFMTA are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and liabilities associated with its operations are included on the net statement of assets; revenues are recorded when earned and expenses are recorded when the liabilities are incurred. The SFMTA applies all applicable GASB pronouncements, as well as statements and interpretations of FASB, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issues before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Budget Process. The SFMTA develops a two-year operating budget. In accordance with the Charter, the SFMTA's two-year budget must be presented to the SFMTA Citizen's Advisory Council and the public for review and comment. No later than May 1st of each even-numbered year, the proposed budget for each of the next two years must be submitted to the Mayor and the Board of Supervisors. To the extent that the proposed budget does not seek additional General Fund financial support beyond that required by the Charter, and does not request additional General Fund resources or support, the Board of Supervisors may allow the SFMTA's budget to take effect without any action on its part, or it may reject the budget in its entirety by a seven-eleventh's vote. If the Board of Supervisors rejects the SFMTA budget, it must make appropriations to sustain the SFMTA operations at the previously approved level until a budget is approved. Finally, the SFMTA may move funds within its budget and hire personnel, so long as SFMTA remains within its budget as deemed by the City Controller.

Establishment of Rates, Charges, Fares, Fines and Penalties. Under Section 8A.102(b)(6) of the Charter, the Board has exclusive authority to set Muni fares, rates for off-street and on-street parking, and all other rates, fees, fines, penalties and charges for services provided for functions performed by the SFMTA; provided that Muni fare increases must be submitted to the Board of Supervisors in accordance with the Charter as part of the SFMTA budget process described above or in a budget amendment and may be rejected in their entirety, but not modified, by the Board of Supervisors by a seven-eleventh's vote as described above.

Operating Revenues

The SFMTA's financial operations are supported from each of the following sources: 1) passenger fares, 2) City General Fund Transfer No. 1 (defined below), 3) federal, state and regional grants, and 4) local parking revenues. This diversity of sources gives the SFMTA a relatively stable base of operating revenues.

TABLE 5

SFMTA HISTORICAL OPERATING REVENUES AND EXPENSES

	FY 2007 Actual	FY 2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Budget *
Operating Revenues						
Passenger Fares (fixed route & paratransit)	\$143,077,744	\$151,454,691	\$153,011,068	\$187,628,510	\$191,626,285	\$182,312,299
Traffic Fines, Fees, Permits & Taxi	104,592,708	108,872,125	110,445,114	106,626,573	123,326,527	132,024,084
Parking Meters	30,516,410	31,625,512	32,468,579	38,868,351	40,530,598	48,527,410
Parking Garage	34,847,847	34,516,382	30,534,468	32,079,597	46,025,396	38,449,629
General Fund Transfer No. 2 ⁽¹⁾	25,955,007	27,061,488	51,774,048	53,190,000	58,190,000	57,578,400
Other (includes rent, advertising & interest)	13,824,073	23,161,625	22,479,687	22,565,222	25,897,807	24,032,380
<i>Operating Grants:</i>						
Regional Grants (AB 1107, TDA, Bridge Tolls)	\$ 71,108,481	\$ 71,581,473	\$ 66,735,979	\$ 60,102,028	\$ 64,854,252	\$ 57,901,663
State Transit Assistance (STA)	15,837,084	17,961,810	16,297,571	381,640	37,448,494	31,400,000
Gas Tax Adjustment	10,400,558	9,409,373	6,704,668	3,353,616	3,173,568	2,949,378
Restricted Paratransit Grants (5307, Prop K)	<u>14,681,520</u>	<u>14,860,858</u>	<u>17,822,716</u>	<u>13,647,100</u>	<u>8,874,896</u>	<u>14,641,868</u>
<i>Subtotal Operating Grants</i>	\$112,027,643	\$113,813,514	\$107,560,934	\$ 77,484,384	\$114,351,210	\$106,892,909
General Fund Transfer No. 1 ⁽¹⁾	171,108,808	176,609,303	177,880,000	183,730,000	196,700,000	190,750,000
Appropriated Fund Balance	34,984,529	27,734,195	30,220,854	41,840,121	-	-
Total Operating Revenues	\$670,934,769	\$694,848,835	\$716,374,752	\$744,012,758	\$796,647,823	\$780,567,111
Operating Expenses						
Salaries	\$327,308,466	\$352,275,810	\$368,007,109	\$366,686,250	\$360,199,083	\$312,530,601
Less: Overhead/Recoveries	<u>(18,881,748)</u>	<u>(18,606,844)</u>	<u>(23,503,227)</u>	<u>(39,603,384)</u>	<u>(31,895,364)</u>	<u>(10,546,842)</u>
Net Salaries	\$308,426,718	\$333,668,966	\$344,503,882	\$327,082,866	\$328,303,719	\$301,983,759
Fringe Benefits:						
Pension	\$ 28,911,235	\$ 29,619,313	\$ 28,723,827	\$ 42,161,528	\$ 50,572,435	\$ 55,421,673
Medical	54,317,463	59,181,777	63,348,746	67,871,784	72,150,750	79,322,097
Less: Overhead/Recoveries	<u>(5,640,003)</u>	<u>(5,557,888)</u>	<u>(7,020,445)</u>	<u>(11,829,582)</u>	<u>(9,527,187)</u>	<u>(3,150,355)</u>
Net Pension & Medical	\$ 77,588,695	\$ 83,243,202	\$ 85,052,128	\$ 98,203,730	\$113,195,998	\$131,593,415

	FY 2007 Actual	FY 2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Budget *
All Other Fringe Benefits	\$ 31,424,963	\$ 38,392,725	\$ 34,881,466	\$ 31,441,484	\$ 29,342,159	\$ 31,529,443
Fuel & Lubricants	12,419,104	14,209,722	15,851,837	13,015,737	16,109,183	11,368,692
All Other Materials and Supplies	39,735,004	41,192,365	49,888,338	47,602,192	48,887,647	86,654,114
Paratransit Service Contract	18,700,137	19,151,752	20,083,243	18,580,657	16,993,086	19,825,716
All Other Professional Services	22,739,724	23,787,066	22,338,671	21,659,345	31,530,326	49,132,897
Service of Other City Departments ⁽²⁾	35,348,633	37,134,316	49,773,810	49,317,582	45,287,150	54,160,491
Rent and Buildings	13,786,253	13,974,546	13,587,328	14,683,304	16,449,535	12,895,684
Insurance and Claims	32,158,113	33,685,031	39,922,731	43,299,618	39,006,208	58,378,589
Payments to Other Governmental Entities	18,881,724	19,639,691	20,344,022	17,945,920	19,206,675	20,353,651
Debt Service	9,764,913	9,747,315	7,465,181	3,741,819	2,690,890	2,690,660
SFMTA Net Transfers to Capital Projects	3,447,084	2,179,970	149,037	22,769,830	17,742,000	-
SFMTA Operating Fund Transfers to Equity	5,927,726	12,747,908	9,778,398	32,331,800	49,261,264	-
TOTAL OPERATING EXPENSES	\$630,348,791	\$682,754,575	\$713,620,072	\$741,675,884	\$774,005,840	\$780,567,111

⁽¹⁾ General Fund Transfer No. 1 is reported in SFMTA's audited financial statements as "General Fund Baseline Transfer (by City Charter)." General Fund Transfer No. 1 is reported in SFMTA's audited financial statements as "General Fund - in lieu of Parking Tax."

⁽²⁾ Service of Other City Departments includes amounts paid to the SFPUC for electricity. See "—Operating and Maintenance Expenses—Fuel Costs." Source: SFMTA

TABLE 6
PLEDGED REVENUES

	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Budget *
Passenger Fares (fixed route & paratransit)	153,011,068	187,628,510	191,626,285	182,312,299
Traffic Fines, Fees, Permits & Taxi	110,445,114	106,626,573	123,326,527	132,024,084
Parking Meters	32,468,579	38,868,351	40,530,598	48,527,410
Parking Garages	30,534,468	32,079,597	46,025,396	38,449,629
Other (includes rent, advertising & interest)	22,479,687	22,565,222	25,897,807	24,032,380
AB 1107				
TDA				
Total Pledged Revenues:				

Source: SFMTA

Automatic Indexing Policy Applicable to Fares, Fees and Charges. In April 2009, the Board adopted an “Automatic Indexing Implementation Plan” applicable to Muni fares, SFMTA parking citations and SFMTA garage parking rates, among other charges. Under this Plan, which took effect in Fiscal Year 2010-11, charges that are not otherwise governed by law will be increased on a periodic basis based upon a preset formula as part of SFMTA’s two-year operating budget process. The formula adjusts such charges by a rate equal to one-half of the Bay Area Consumer Price Index, as determined by the California Department of Finance’s Bay Area CPI-U forecast, plus one-half of the annual percentage increase in SFMTA labor costs included in the SFMTA’s two-year operating budget. Any resulting increase in fares or fees will be rounded up to the nearest \$0.25, \$0.50 or \$1.00, depending upon the base charge, so long as the rounding impact does not result in more than a 10 percent increase in the applicable charge. The Board may also act to increase (or decrease) fares by more or less than the amount determined in accordance with the formula. Such increases (or decreases) would be determined as part of the budget process or in a budget amendment as described in the section “—Financial Operations—Establishment of Rates, Charges, Fares, Fines and Penalties.” [Clarify whether formulaic increases must also be submitted to the Board of Supervisors and are also subject to rejection.]

Passenger Fares. Muni’s passenger fare revenues include fares paid by transit riders and paratransit users, as well as proof of payment citations. The basic adult cash fare is \$2.00 for regular service, which includes fixed route service on motorbuses, trolley buses, light rail and historic streetcars, but excludes cable cars. Transfers are issued for each cash fare paid for regular Muni service, and are valid for 90 minutes in any direction. Frequent riders may purchase a monthly pass, which is good for unlimited rides on all regular service and cable cars. Senior citizens over age 65, persons with disabilities, and youth between the ages of 5 and 17 qualify for discounted cash and pass fares. A discounted Lifeline Monthly Pass is available for adults who meet income eligibility requirements, and is administered by the City’s Human Services Agency. Many other fare instruments also are available. As of September 1, 2011, Muni monthly passes are only available on the Clipper Card fare instrument, a contactless smart

card (the “Clipper Card”), which is also accepted on many other transit systems in the Bay Area.

The following table presents Muni’s basic adult cash fares and adult monthly passes in force since Fiscal Year 2002-03:

TABLE 7
BASIC ADULT FARES
(FISCAL YEARS ENDING JUNE 30)

Year	Adult Cash Fare	Adult Monthly Pass
Current	\$2.00	\$72 or \$62*
2009	\$2.00	\$55
2005	\$1.50	\$45
2003	\$1.25	\$45

* Beginning in 2010, the adult “A” monthly pass allows pass holders to ride Muni, as well as BART within the City of San Francisco (between BART’s Embarcadero and Balboa Park stations), while the adult “M” monthly pass covers only travel on Muni. Prior to 2010, all adult monthly passes entitled the holder to the use of BART within San Francisco.

Source : SFMTA

Since Fiscal Year 2002-03, Muni’s adult cash fare, the cost of an adult monthly pass and Muni’s average fare per passenger have increased significantly, but annual ridership has remained relatively stable.

TABLE 8
FARE REVENUE, RIDERSHIP AND AVERAGE FARES PER PASSENGER

Fiscal Year	Total Fare Revenue (In Thousands)	Total Annual B (Boardings in Thousands)	Percentage Change in Boardings	Average Fare Per Passenger	Percentage Change in Average Fare
2010	\$187,629	215,982	-4.4%	\$0.87	28.3%
2009	\$153,011	225,990	2.7%	\$0.68	-1.6%
2008	\$151,455	220,046	6.6%	\$0.69	0.7%
2007	\$143,078	206,459	-2.1%	\$0.69	7.2%
2006	\$136,329	210,848	-2.8%	\$0.65	16.8%
2005	\$120,072	216,918	0.6%	\$0.55	3.4%
2004	\$115,467	215,744	0.1%	\$0.54	18.6%
2003	\$97,291	215,594		\$0.45	

Source : SFMTA

[% change numbers don’t correspond to columns. Do they relate to unrounded numbers?]

Parking and Citation Revenues. In accordance with the Charter, SFMTA receives dedicated revenues from 19 parking garages and 21 surface parking lots. Additionally, the SFMTA receives revenues from all on-street parking meters in the City. SFMTA also receives all revenues from parking citations, except for citations issued on Rec Park and Port of San Francisco properties. Finally, SFMTA receives revenue from residential parking permits, special traffic permits, boot removal fees and fees for violations captured by the City's red light photo enforcement program.

TABLE 9
PARKING AND CITATION REVENUE
(IN MILLIONS)
(FISCAL YEARS ENDING JUNE 30)

	2007	2008	2009	2010	2011	2012⁽¹⁾
Off-Street Parking (Garage, Surface Lot) and Parking Meter Revenues	65.4	66.2	63.0	70.9	86.6	87.0
Citation Revenues	92.9	96.0	96.6	87.0	89.5	99.3
Other Parking & Traffic Revenues	11.7	12.8	13.8	17.5	19.9	19.6
Total Parking and Traffic Revenues	170.0	175.0	173.4	175.4	196.0	205.9

⁽¹⁾ Budget.

Source: SFMTA

Other Operating Revenues. The SFMTA receives a portion of its advertising revenue from a Transit Shelter Advertising Agreement with Clear Channel Outdoor and an Agreement for Advertising on SFMTA Vehicles and Other Property with Titan Outdoor. SFMTA derives another portion of its advertising revenues from an agreement between BART and Titan Outdoor. The SFMTA receives interest earnings on cash balances it maintains on deposit in the City Treasurer's pooled funds. The SFMTA also receives certain rents, including rental revenues from properties, space rentals for antenna installation and rentals from kiosks, equipment and facilities.

TABLE 10
OTHER OPERATING REVENUE
(IN MILLIONS)
(FISCAL YEARS ENDING JUNE 30)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012⁽¹⁾</u>
Rents and Concessions	2.3	2.7	3.6	2.9	3.1	2.1
Advertising	5.5	12.6	13.0	13.5	14.9	14.3
Charges for Services & Other	2.6	2.8	2.5	4.4	5.6	4.8
Taxi Revenues (medallions, permits)				2.1	13.8	13.1

⁽¹⁾ Budget.

Source: SFMTA

Interest Income

Reflects interest earned from the City Treasurer's pooled funds on SFMTA's operating cash balances.

TABLE 11
INTEREST INCOME
(IN MILLIONS)
(FISCAL YEARS ENDING JUNE 30)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012⁽¹⁾</u>
Interest Income	3.5	5.0	3.4	1.8	2.3	2.8

⁽¹⁾ Budget.

Source: SFMTA

State and Federal Grants

The operating grants the SFMTA receives from AB 1107 and the TDA grants (as each described below) will constitute Pledged Revenues. Remaining grants will be applied to other lawful purposes of the SFMTA, including as restricted by the terms of any such grant. [Describe ability, under the Indenture, to designate proceeds of other grants as "Pledged Revenues."]

Operating Grants. SFMTA receives grants and funding to support its operations from a variety of federal, State, regional and local sources. The Federal Transit Administration's

Urbanized Area Formula Funding program (49 U.S.C. 5307) (“Section 5307”) makes federal grant funds available to urbanized areas for transit capital and operating assistance and for transportation related planning. In the Bay Area, the Metropolitan Transportation Commission (“MTC”), a public agency created in 1970 by the State Legislature to provide regional transportation planning and organization in the Bay Area, allocates Section 5307 funds to transit agencies. Although this funding source is primarily used for capital purposes, it also may be used to fund preventive maintenance costs, which are an operating expense. The SFMTA and other transit agencies throughout the country have made significant use of Section 5307 to fund preventive maintenance expenses in recent years. [Confirm grants used for preventative maintenance and not paratransit operating expenses.]

AB 1107, passed in 1977, made permanent a previously temporary half-cent sales tax imposed to provide funding for BART. Pursuant to AB 1107, the half-cent sales tax is imposed within Alameda County, Contra Costa County and the City. MTC allocates proceeds of the sales tax to BART, AC Transit and the SFMTA. The allocation to SFMTA is based on MTC estimates of AB 1107 sales tax receipts within the three counties.

Pursuant to the State Transportation Development Act of 1971 (“TDA”), [a portion of] certain sales taxes collected within the City (1/4 of 1 percent of the total 8.5 percent County Sales Tax, effective on January 1, 2002) are allocated to provide funding for SFMTA operations. Sales tax revenues apportioned to the City on the basis of the amount of sales tax revenues collected by the State Board of Equalization within the City (the “LTF Funds”). LTF Funds are apportioned, allocated and paid by [designated local or regional transportation planning entities to individual transportation service entities]. MTC is the agency responsible for approving allocations of LTF Funds from the City’s Transportation Fund. [Add descriptions, based on reference materials on MTC’s website, of amount of LTF Funds available to SFMTA, procedure to release funds and supplemental claims.]

The SFMTA also receives proceeds of a half-cent sales tax imposed in the City pursuant to Proposition K, approved in the City in 2003 (“Proposition K”). The proceeds of the Proposition K sales tax are reserved primarily for funding capital projects, but \$9.6 million is allocated annually to support Muni’s paratransit operations and Muni receives funds up to that amount to the extent it incurs expenses for such operations in a particular year.

In addition, the SFMTA receives funding for operations associated with local mass transportation programs the funds for which are derived from proceeds of a statewide sales tax on diesel fuel. [Expand description of STA and recent history of program, delayed payments and proposed cut.] [However, the former Governor’s proposal to eliminate STA grants was never enacted and the SFMTA believes that Proposition 22, adopted by State voters on November 2, 2010, would likely impose restrictions on the State’s ability to delay the transfer of approved STA grant funds to SFMTA in the future should it attempt to do so.]

In March 2004, voters in the Bay Area region passed Regional Measure 2 (RM2), which raised the toll by \$1.00 on seven State-owned toll bridges in the Bay Area. Proceeds of this additional toll fund are allocated to various transportation projects within the Bay Area that have been determined to reduce congestion or to make improvements to travel in the toll bridge corridors, as identified in State Senate Bill 916, enacted in 2004 (“SB 916”). Specifically, RM2

establishes the Regional Traffic Relief Plan and identifies specific transit operating assistance and capital projects and programs eligible to receive RM2 funding, including operating assistance that the SFMTA receives annually for its Third Street Rail line operations and for the Owl Bus Service on the BART corridor.

Sales tax revenues received pursuant to Proposition K, STA grant proceeds and RM2 grants are not included in Pledged Revenues.

Other Operating Grants. This category includes: 1) BART reimbursement to SFMTA for Paratransit services that SFMTA provides in the BART corridor. As determined under the American with Disabilities Act (“ADA”), BART’s reimbursement to SFMTA is calculated at 8.8% of actual Paratransit contract expenditures less Paratransit fare revenues and state funding; and 2) Federal funds for Paratransit services under Federal Transit Act (“FTA”) Section 5307.

TABLE 12
OPERATING GRANTS
(IN MILLIONS)
(FISCAL YEARS ENDING JUNE 30)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012⁽¹⁾</u>
AB 1107	33.2	33.8	30.8	27.8	30.1	25.3
County Transportation Authority - Proposition K	9.7	9.7	12.7	8.5	7.8	9.7
State Transit Assistance (STA)	15.8	18.0	16.3	0.4	37.5	31.4
Transportation Development Act (TDA)	37.7	35.1	33.3	29.6	32.0	29.9
MTC Bridge Tolls	0.2	2.7	2.7	2.7	2.7	0.9
Transit Operating Assistance	3.8	3.9	3.8	4.0	0.0	3.7
Gas Tax Adjustment/Revenue	10.4	9.4	6.7	3.3	3.2	2.9
Other Operating Grants	1.2	1.2	1.3	1.2	1.1	3.1
<i>Subtotal Operating Grants</i>	112.0	113.8	107.6	77.5	114.4	106.9

⁽¹⁾ Budget.

Source: SFMTA

Capital Grants and Other Restricted Grants. [SFMTA receives a variety of capital grants and other restricted grants. Capital grants are an essential source of funds for the maintenance and improvement of the Transportation System. See “—Capital Program—Current Projects—Central Subway Project” and “—Capital Program—Financing of Capital Improvements.”]

Grant Recovery and Relinquishment. Grants the SFMTA receives generally provide for monitoring of compliance with restrictions and termination suspension of payments or recovery of disbursed funds in the event of a serious violation of their terms or misapplication of grant funds. Except for the occasional release of cost savings back to funding agencies, SFMTA has not previously relinquished grant funding. With respect to the recovery of grant funds by the

entities which administer them, SFMTA is not subject to any unique rules, requirements or auditing procedures as compared with other recipients. The compliance conditions which the Federal Transit Administration, the California Department of Transportation, MTC, the San Francisco County Transportation Authority (the "County Transportation Authority") and other agencies apply to recipients of grants are uniform across such recipients. For example, in connection with Federal Transit Authority grants, recipients, including the SFMTA, agree to comply with all applicable federal statutes and regulations in carrying out any project supported by such grants, along with the terms and conditions of the [standard] Federal Transit Authority grant agreements which include restrictions relating to, among other issues, lobbying, procurement compliance, acquisition of rolling stock and bus testing, drug and alcohol use, and the payment of interest and other financing costs.

The County Transportation Authority grants sales tax funds to support certain programs which include an identified number of projects authorized by the voters in the County. The SFMTA has occasionally released grant funds back to the County Transportation Authority when the SFMTA has completed, under budget, a project funded by County Transportation Authority grants. The applicable project savings are then returned to the County Transportation Authority to provide additional funding for other projects within the same grouping. The availability of the SFMTA project savings to the SFMTA is determined by the number of eligible sponsors within each respective grouping. In many cases, however, the SFMTA is the only eligible project sponsor within such grouping.

City General Fund Transfers

Annual General Fund Transfer No. 1. In accordance with Section 8A.105(b) of the Charter, the SFMTA receives annual non-discretionary transfers ("General Fund Transfer No. 1") from the City's General Fund to the Municipal Transportation Fund according to a formula established when the SFMTA was created in 1999. The required "Base Amount" was determined by the Controller based on the amount of General Fund revenue appropriated to Muni and to other City departments that provided services to Muni in Fiscal Year 1999-2000 (the "Base Year"). When the former Department of Parking and Traffic was incorporated into the SFMTA as of July 1, 2002, the Base Amount was increased by the Controller to reflect the General Fund revenue that had been appropriated to the Department of Parking and Traffic, as well as other City departments which provided services to the Department of Parking and Traffic as of Fiscal Year 2001-02. The Base Amount was similarly adjusted to reflect incorporation into the SFMTA of responsibility for the work of the Parking Authority and the former Taxi Commission. The Base Amount is adjusted each year by the Controller by the percentage increase or decrease in aggregate City discretionary revenues that can be appropriated by the Mayor and Board of Supervisors for any lawful purpose. Adjustments are also made for any increases in General Fund appropriations to SFMTA in subsequent years to provide ongoing services that were not provided in the Base Year.

Annual General Fund Transfer No. 2. The City imposes a tax on the occupancy of all commercial off-street parking spaces throughout the City. The overall tax rate is 25 percent of total parking charges. Pursuant to Section 8A.105(f) of the Charter, the SFMTA receives an additional guaranteed annual deposit into the Transportation Fund from the City's General Fund equivalent to 80 per cent of the revenues from the City's tax on the occupancy of commercial

off-street parking spaces (“General Fund Transfer No. 2”) .

TABLE 13
GENERAL FUND TRANSFERS
(IN MILLIONS)
(FISCAL YEARS ENDING JUNE 30)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012⁽¹⁾</u>
General Fund Transfer No. 1 ⁽²⁾	171.1	176.6	177.9	183.7	196.7	190.8
General Fund Transfer No. 2 ⁽²⁾	26.0	27.1	51.8	53.2	58.2	57.6

⁽¹⁾ Budget.

⁽²⁾ General Fund Transfer No. 1 is reported in SFMTA’s audited financial statements as “General Fund Baseline Transfer (by City Charter).” General Fund Transfer No. 1 is reported in SFMTA’s audited financial statements as “General Fund - in lieu of Parking Tax.”

Source: SFMTA

Appropriated Prior Year Fund Balance

This category accounts for revenue derived from funds available at the end of prior Fiscal Years. Historically the SFMTA has used unspent funds remaining from prior appropriations to roll over into subsequent years for use.

Operating and Maintenance Expenses

General. SFMTA’s operating and maintenance expenses are comprised of: personnel expenses (salaries and fringe benefits), contracted services, financial contributions to the Peninsula Corridor Joint Powers Board (the “PCJPB”) to subsidize the operation of commuter rail service between the City and San Jose, materials and supplies, equipment and maintenance expenses, insurance and claims costs, and the cost of services provided by other City Departments. Any repair or maintenance activity that does not extend the useful life and/or expand the productive capacity of a capital asset is accounted for as an operating expense, and is included in the Operating and Maintenance Expenses described herein. See “SFMTA Capital Improvement Program” for a description of the SFMTA’s capital plan and major capital projects. A summary of SFMTA’s historical operating and maintenance expenses is presented in Table 5. Between Fiscal Year 2006-07 and Fiscal Year 2010-11, SFMTA’s total operating and maintenance expenses increased by \$143.4 million or 22.7 percent, from \$630.6 million to \$774.0 million.

Wages, Salaries and Benefits. A significant portion of SFMTA’s operating costs consist of wages and salaries for employees. See “—Labor Relations.” [Text will be added to describe the overall percentage increase in O&M costs and will include additional discussion of personnel costs and fuel-gas and electricity prices. Describe what is included in “All Other Materials and Supplies” and “All Other Professional Services.”]

Fuel Costs. The two primary sources of energy for Muni’s operations are diesel fuel and electricity. Approximately [__]% of Muni’s buses operate on diesel, while the remaining [__]% of Muni’s buses, along with all trolley buses, light rail vehicles and cable cars, operate on electricity. See “—Transit—Transit Operations.” The table below sets forth the SFMTA’s expenses for fuels and lubricants, primarily comprised of expenses relating to the purchase of diesel fuel, and its expenses for electricity over the most recent five Fiscal Years.

TABLE 14
FUEL AND ELECTRICITY COSTS
(IN MILLIONS)
(FISCAL YEARS ENDING JUNE 30)

	2007	2008	2009	2010	2011
Fuels & Lubricants ⁽¹⁾	12.4	14.2	15.9	13.0	16.1
Electricity	4.7	5.0	4.9	4.9	4.7

⁽¹⁾ Includes purchases of natural gas. In Fiscal Year 2010-11, such purchases amounted to approximately \$379,000.

Source: SFMTA

During Fiscal Years 2006-07 through 2010-11, SFMTA purchased an average of [__]% of its electricity from the SFPUC, and the remaining amounts from Pacific Gas & Electric Company (“PG&E”). [Does reporting this average make sense, or do annual purchase amounts vary significantly based on the availability of hydro resources?] Power sold by the SFPUC consists primarily of hydroelectric power generated by dams the SFPUC operates (including O’Shaughnessy Dam) as part of its Hetch Hetchy Project, supplemented by certain solar and other generation resources owned by the SFPUC and purchased power. Power purchased by the SFMTA, whether from the SFPUC or PG&E, is delivered through a municipal distribution system within the City owned and operated by PG&E. The SFPUC prices power supplied to the SFMTA and certain other departments of the City at a rate that is lower than the SFPUC’s average cost and significantly lower than prevailing PG&E commercial power rates in the Bay Area. As of [January 1, 2012], the SFMTA paid approximately \$0.038/kWh for power purchased from the SFPUC and \$0.157/kWh for power purchased from PG&E. [Describe potential or forecast rate increases.]

[Describe City’s volume purchases of diesel fuel, to control costs without resorting to hedging.]

Peninsula Corridor Joint Power Board. The City is a participant in the PCJPB, along with Santa Clara Valley Transportation Authority and SamTrans. The PCJPB is governed by a separate board composed of nine members, three from each participant. The PCJPB was formed in October 1991 to plan, administer, and operate the Peninsula CalTrain rail service. The PCJPB began operating the Peninsula CalTrain rail service on July 1, 1992. Prior to that time, such rail service was operated by the California Department of Transportation. The agreement establishing the PCJPB expired in 2001, since which it has continued on a year-to-year basis.

Withdrawal by any participant would require one year notice. The SFMTA contributes to the net operating costs and administrative expenses of the PCJPB. The SFMTA contributed \$7.3 million for operating needs in [each of] fiscal years 2009-10 and 2008-09. The PCJPB's annual financial statements are publicly available, however, they are not incorporated by reference into this Official Statement.

Recent Operating Cost Control Measures. In 2010, while preparing its two-year operating budget proposal for Fiscal Years 2010-11 and 2011-12, SFMTA confronted projected budget shortfalls of \$56 million in Fiscal Year 2010-11 and \$45 million in Fiscal Year 2011-12. Proposed funding solutions to bridge these shortfalls included transit service modifications, and fee and fine increases. Also proposed were transit fare increases as determined by the Automatic Indexing Policies of the SFMTA, described above under the heading “—Operating Revenues—Automatic Indexing Policy Applicable to MTA Fares, Fees and Charges.”

In May 2010, the Board approved the following service adjustments: For Fiscal Year 2010-11, a 10 percent service reduction approved in February 2010, which was to take effect in May 2010, and result in a savings of \$24.8 million compared to the Fiscal Year 2009-10 budget, along with a fare increase effective July 1, 2011, and parking and traffic fine and fee increases (including increased fees for Residential Parking Permits, color curb services and disabled parking citation penalties). The fare and fee increases were approved as part of the Fiscal Year 2010-11 through Fiscal Year 2011-12 two-year budget. However, following the restoration of State Transit Assistance funding by the State, the Board restored 61 percent of the 10 percent in service reductions (or 6.1 percent of the 10 percent total). The Fiscal Year 2011-12 budget continued funding of the 6.1% service restoration.

The SFMTA expects [describe impact of TEP on operating expenses] as a result of the implementation of its Transit Effectiveness Project. See “—Capital Program—Current Projects—Transit Effectiveness Project.”

Fiscal Year 2011-12 Budget and Fiscal Year 2013-14 Projections. As of September 2011, SFMTA is projecting a possible \$23 million operating deficit for Fiscal Year 2011-12. This deficit is the result of a projected \$7.5 million shortfall in operating revenues, primarily from an expected reduction in parking citation revenues, and a \$15.5 million increase in operating expenses, driven primarily by an increase in personnel costs in Fiscal Year 2011-12. These types of deficits in relation to the SFMTA's approved operating budgets arise frequently and are managed such that each Fiscal Year ends balanced. SFMTA has indicated that additional Fiscal Year 2011-12 fare increases are not expected to be implemented as part of the agency's strategy to balance the Fiscal Year 2011-12 budget. Instead, the SFMTA expects to address the projected \$23 million deficit by managing expenditures (*e.g.*, not hiring, not entering into contracts, not purchasing non-service critical materials) to ensure that overall expenditures do not exceed available revenues.

The SFMTA also currently projects a \$[] million operating deficit for Fiscal Year 2012-13 and a \$[] million operating deficit for Fiscal Year 2013-14. In addition to managing expenditures, the SFMTA is considering several revenue options to address these projected operating deficits, including extending the hours and the days during which metering is in force, increasing parking citation fees, reducing the number of garages that provide discounted parking

rates, increasing cash fares above those charged to Clipper Card holders. The SFMTA has also considered several revenue solutions which would require approval from the City's voters, including charging fees to private parking lots not subject to the City's parking tax, increasing the portion of the sales tax imposed in the City for transportation purposes to ½%, increasing vehicle license fees, instituting a parcel tax and raising the parking tax. [However, Muni fare increases are not expected to be implemented as part of the agency's strategy to address these projected shortfalls.] [To be confirmed prior to printing.]

Payments to City for Services of Other City Departments. City Departments contract with one another for services in much the same way that City Departments contract with private vendors. The SFMTA reimburses the City for the services provided to SFMTA by other City Departments. These services include, but are not limited to, the provision of electric power by the SFPUC, police services, legal services provided by the City Attorney, telecommunications and information technology services provided by the Department of Technology and various services provided by the City's General Services Agency. The cost to SFMTA of work orders increased from approximately \$30 million in Fiscal Year 2002-03 to \$49.3 million in Fiscal Year 2009-10. Such amounts include payments made by the SFMTA to the SFPUC for electricity. See "—Fuel Costs."

Charter Amendment Affecting Transit Operator Wages and Benefits. In November 2010, the voters of San Francisco adopted Proposition G, a Charter Amendment that changed how SFMTA and its transit operators (i.e., the employees who operate the SFMTA's motor buses, trolley buses, light rail vehicles and cable cars) negotiate wages and benefits. Prior to the adoption of Proposition G, the Charter required that transit operators receive an hourly pay rate equal to the average of the two highest paid, comparable transit agencies in the United States. Proposition G eliminated this wage floor and subjects transit operator collective bargaining to the same impasse resolution procedure – binding arbitration – applicable to most other City employees.

Historical Operating Results

A summary of SFMTA's historical revenues, expenses and changes in net assets, as reported in SFMTA's audited financial statements, is presented in the following table:

Table 15

HISTORICAL REVENUES, EXPENSES AND CHANGES IN NET ASSETS

(IN THOUSANDS)

(FISCAL YEARS ENDING JUNE 30)

	2007	2008	2009	2010	2011
Operating revenues:					
Passenger fares	141,518	149,886	150,437	185,953	190,181
Rents and concessions	32,134	49,532	6,231	5,737	6,060
Parking and transportation	40,470	42,468	84,395	92,352	103,475
Charges for services	2,106	2,331	2,701	2,935	2,688
Advertising	5,530	12,603	13,002	13,489	14,941
Other	357	521	317	2,651	16,795
Total operating revenues	<u>222,115</u>	<u>257,341</u>	<u>257,083</u>	<u>303,117</u>	<u>334,140</u>
Operating expenses:					
Personnel services	466,359	535,458	560,012	564,161	566,951
Contractual services	44,465	49,361	53,487	56,052	63,727
Materials and supplies	41,957	50,437	47,726	55,014	73,254
Depreciation and amortization	92,942	102,038	104,486	117,512	116,587
Services from other City departments	41,640	44,055	56,983	55,585	51,306
General and administrative	34,042	41,460	36,242	43,275	36,523
Other operating expenses	1,005	4,374	1,535	3,332	(5,677)
Total operating expenses	<u>722,410</u>	<u>827,183</u>	<u>860,471</u>	<u>894,931</u>	<u>902,671</u>
Operating loss	<u>(500,295)</u>	<u>(569,842)</u>	<u>(603,388)</u>	<u>(591,814)</u>	<u>(568,531)</u>
Nonoperating revenues (expenses and losses):					
Operating assistance:					
Federal	6,008	6,446	13,277	38,393	17,436
State and other grants	109,331	112,076	104,490	73,990	111,730
Interest income	6,609	7,080	6,833	4,927	3,080
Interest expense	(3,641)	(3,228)	(2,747)	(2,569)	(2,547)
Licenses, permits and franchises	6,145	6,501	7,545	8,242	9,514
Fines, forfeitures and penalties	92,923	96,044	99,355	89,290	89,620
Other, net	25,645	10,735	10,752	11,705	14,559
Total nonoperating revenues, net	<u>243,020</u>	<u>235,654</u>	<u>239,505</u>	<u>223,978</u>	<u>243,392</u>
Loss before capital contributions and transfers	<u>(257,275)</u>	<u>(334,188)</u>	<u>(363,883)</u>	<u>(367,836)</u>	<u>(325,139)</u>
Capital contributions:					
Federal	73,511	59,099	37,435	88,038	134,310
State and others	71,456	78,296	25,170	44,883	64,671
Total capital contributions	<u>144,967</u>	<u>137,395</u>	<u>62,605</u>	<u>132,921</u>	<u>198,981</u>
Transfers in:					
City and County of San Francisco – General Fund	197,064	204,086	229,691	236,920	254,890
San Francisco County Transportation Authority	15,119	14,747	13,230	15,466	9,217
City and County of San Francisco – Other City departments	---	106	—	518	---
Total transfers in	<u>212,183</u>	<u>218,939</u>	<u>242,921</u>	<u>252,904</u>	<u>264,107</u>
Transfers out:					
City and County of San Francisco – Other City departments	---	(831)	(4,675)	(4,858)	(5,052)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
City and County of San Francisco – Street Improvement Fund	(8,283)	(11,250)	(10,987)	(8,988)	(5,458)
Net transfers	203,900	206,858	227,259	239,058	253,597
Change in net assets	91,592	10,065	(74,019)	4,143	127,439

Labor Relations

Employee Relations. [As of [August 1, 2011], the SFMTA employed [4,918] employees. [4,901] of these employees are represented by one of [nineteen] employee bargaining units. The SFMTA is authorized by the Charter to negotiate directly with employee bargaining units for positions the SFMTA designates as “Service Critical.” The Charter prohibits SFMTA and other City employees from striking.

As described in the Charter, “service critical” functions are: (1) operating a transit vehicle, whether or not in revenue service; (2) controlling dispatch of, or movement of, or access to, a transit vehicle; (3) maintaining a transit vehicle or equipment used in transit service, including both preventative maintenance and overhaul of equipment and systems, including system-related infrastructure; (4) regularly providing information services to the public or handling complaints; and (5) supervising or managing employees performing functions enumerated above. The following table summarizes the number of employees covered by, and the expiration date of, each of the Service Critical collective bargaining agreements as of [August 1, 2011].

TABLE 16

**SUMMARY OF SFMTA SERVICE CRITICAL LABOR AGREEMENTS
(AS OF [AUGUST 1, 2011])**

Employee Bargaining Unit	Full-Time Equivalent Employment	Agreement Expiration Date
International Association of Machinists, Local 1414,	222	June 30, 2012
International Brotherhood of Electrical Workers, Local 6	423	June 30, 2012
Transport Workers Union, Local 200	242	June 30, 2014
Transport Workers Union, Local 250-A, Automotive Service Workers	140	June 30, 2014
Transport Workers Union, Local 250-A, Transit Fare Inspectors	80	June 30, 2014
Transport Workers Union, Local 250-A, Transit Operators	2197	June 30, 2014
Service Employees International Union, Local 1021,	573	June 30, 2012
MEA, Municipal Executives Association	98	June 30, 2012
Total Critical Service Employee Count	3975	

Source : SFMTA

The following table summarizes the number of City employees allocated to the SFMTA under the City’s collective bargaining agreements, and the expiration date of each such collective

bargaining agreement, as of [August 1, 2011].

TABLE 17
SUMMARY OF FULL-TIME EQUIVALENT CITY EMPLOYEES ASSIGNED TO
SFMTA
(AS OF [AUGUST 1, 2011])

Employee Bargaining Unit	Full-Time Equivalent Employment	Agreement Expiration Date
Carpenters, Local 22	13	June 30, 2012
Glaziers, Local 718	3	June 30, 2012
International Federation of Professional And Technical Engineers, Local 21	378	June 30, 2012
Laborers, Local 261	68	June 30, 2012
Operating Engineers, Local 3	3	June 30, 2012
Painters, Local 1176	31	June 30, 2012
Plumbers, Local 38	3	June 30, 2012
Service Employees International Union, Local 1021,	369	June 30, 2012
Sheet Metal Workers, Local 104	3	June 30, 2012
Stationary Engineers, Local 39	31	June 30, 2012
Teamsters, Local 853	9	June 30, 2012
Teamsters, Local 856	20	June 30, 2012
[Unrepresented Employees (Misc)]	17	N/A
Total Employee Count	948	

Source : SFMTA

Employee Benefit Plans. SFMTA employees are covered by benefit plans offered through the City. See “APPENDIX B—CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—[____].”

Retirement System Plan Description. The SFMTA participates in the City’s single-employer defined benefit retirement plan (the “Plan”), which is administered by the San Francisco City and County Employee’s Retirement System (the “Retirement System”). The Plan covers substantially all full-time employees of the SFMTA along with substantially all other employees of the City. The Plan provides basic service retirement, disability, and death benefits based on specific percentages of final average salary and provides cost of living adjustments after retirement. The Plan also provides pension continuation benefits for qualified survivors. The Charter and the Administrative Code of the City are the authority that established and amended the benefit provisions and employer obligations of the Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the San Francisco City and County Employee’s Retirement System, 30 Van Ness Avenue, Suite 3000, San Francisco, CA, 94102, or by calling (415) 487-7020. Such report is not incorporated by

reference herein.

Retirement System Funding Policy. Contributions are made to the basic plan by both the SFMTA and its participating employees. Employee contributions are mandatory with the exception of transit operators, for whom SFMTA pays all or part of the employee contribution portion. Employee contribution rates for Fiscal Year 2010-11 varied from 7 percent to 8 percent as a percentage of covered payroll. For Fiscal Year 2010-11, the actuarially determined rate as a percentage of covered payroll was 13.6 percent. The SFMTA's required contribution was approximately \$41.7 million in Fiscal Year 2010-11.

Health Care Benefits. Health care benefits for SFMTA employees, retired employees and their surviving spouses are financed by beneficiaries and by the City through the City and County of San Francisco Health Services System (the "Health Service System"). The SFMTA's annual contribution, which amounted to \$72.8 million in Fiscal Year 2010-11, is determined by a Charter provision based on similar contributions made by the ten most populous counties in the State.

Included in these amounts is \$24.9 million for Fiscal Year 2010-11 to provide post-retirement benefits for retired employees on a pay as you go basis. [No additional City allocations were made to SFMTA's contribution allocation for payments made by the Health Service System for post-retirement benefits in Fiscal Year 2010-11.] [Describe Retiree Health Care Trust Fund Contributions.]

The City has determined a City-wide Annual Required Contribution ("ARC"), interest on net Other Post-Employment Benefits ("OPEB") obligation, ARC adjustment and OPEB cost based on an actuarial valuation performed in accordance with GASB 45, by the City's actuaries. The City's allocation of OPEB costs to the SFMTA for the year ended June 30, 2011 based on a percentage of Citywide payroll is presented below. See "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—Employment Costs; Post-Retirement Obligations." The following table shows the components of the City's annual OPEB allocations for SFMTA for the Fiscal Years ended June 30, 2010 and June 30, 2011, the amounts contributed to the plan and changes in the net OPEB obligations.

TABLE 18
SFMTA OPEB ALLOCATIONS AND CONTRIBUTIONS
(IN THOUSANDS)
(FISCAL YEARS ENDING JUNE 30)

	2010⁽¹⁾	2011⁽²⁾
Annual Required Contribution	47,192	50,338
Interest on net OPEB Obligation	3,294	4,747
Adjustment to ARC	(2,583)	(3,721)
Annual Net OPEB Cost	47,903	51,364
Contribution Made	(21,695)	(24,898)
Increase in net OPEB Obligation	26,208	26,466

	2010 ⁽¹⁾	2011 ⁽²⁾
Net OPEB Obligation at beginning of Fiscal Year	73,785	99,993
Net OPEB Obligation at end of Fiscal Year	99,993	126,459

⁽¹⁾ In Fiscal Year 2009-10, the City had 28,649 funded positions and the SFMTA had 4,358 funded positions. See “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—Employment Costs; Post-Retirement Obligations.” The total number of active employees during any fiscal year may vary from the number of authorized funded positions.

⁽²⁾ In Fiscal Year 2010-11, the City had 29,321 funded positions and the SFMTA had 4,528 funded positions. See “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—Employment Costs; Post-Retirement Obligations.” The total number of active employees during any fiscal year may vary from the number of authorized funded positions.

Source : SFMTA

Capital Program

Capital Planning Process. As part of its capital planning process, SFMTA develops several different capital plans that cover different time periods, and use different assumptions regarding funding. It develops 20-year and 10-year Capital Plans that represent the prioritized list of “unconstrained needs,” i.e., that represents projected capital needs over the time period without regard to how much capital funding or other resources might be available to meet those needs. In contrast, SFMTA’s 5-year Capital Improvement Plan (“CIP”) presents prioritized capital needs that are constrained by projected capital resources. Finally, SFMTA develops a 2-year Capital Budget, which is constrained by “likely available funding levels.” Every two years, staff submits the 2-year Capital Budget for approval by the Board consistent with the CIP. The 2-year Capital Budget lays out the expected expenditures for projects to rehabilitate, replace, enhance, or expand SFMTA capital assets for the next two Fiscal Years, and covers all SFMTA modes, including public transit, paratransit/taxis, streets, bicycles, and pedestrian projects, as well as all phases of capital project development, including planning, design, construction, and procurement efforts for fleet, facilities, infrastructure, and equipment. The objectives of the SFMTA’s capital planning process are to develop a detailed program of projects for the 2-year Capital Budget that is realistic and achievable, to fund project phases completely so that projects remain within scope and on schedule, and to prevent funding accessibility from being a barrier to project delivery.

Fiscal Year 2010-11 to Fiscal Year 2011-12 Capital Program. The most recently approved Five-Year CIP, covering the period from Fiscal Year 2008-09 to Fiscal Year 2012-13, was adopted by the Board in June 2008. In June 2010, the Board adopted the 2-year Capital Program, covering the period from Fiscal Year 2010-11 to Fiscal Year 2011-12. The Fiscal Year 2010-11 to Fiscal Year 2011-12 Capital Program included \$433 million for Fiscal Year 2010-11 and \$405 million for Fiscal Year 2011-12. The table below breaks down the annual capital expenditure limits between spending on State of Good Repair projects and Enhancement/Expansion projects.

TABLE 19

**TWO-YEAR CAPITAL PROGRAM, FISCAL YEAR 2010-11 TO FISCAL YEAR
2011-12
BREAKDOWN OF CAPITAL BUDGET BETWEEN
STATE OF GOOD REPAIR AND ENHANCEMENT/EXPANSION
(IN MILLIONS)
(FISCAL YEARS ENDING JUNE 30)**

	2011	2012	Year Total
State of Good Repair Projects	\$278.4	\$206.4	\$484.8
Enhancement/Expansion Projects	\$154.2	\$198.3	\$352.5
Total	\$432.6	\$404.7	\$837.3

Source : SFMTA (June 2010)

The previously adopted Capital Program for the period from Fiscal Year 2008-09 to Fiscal Year 2009-10 had originally projected total capital funding of \$1.1 billion for the two-year period and set expenditure limits based on this expected funding level. However, there were shortfalls in major funding categories that constrained actual capital spending during this period. In particular, State Proposition 1B infrastructure bond funds were not available due to the State budget crisis, and sales tax revenues were lower than expected. The Fiscal Year 2008-09 to Fiscal Year 2009-10 capital budget also assumed over \$200 million in transfers from the operating budget that did not occur.

State of Good Repair Analysis. In accordance with Federal Transit Administration guidance, a “State of Good Repair” analysis evaluates the level of investment required to maintain a transit system in a state of good repair. Begun in 2006 as part of a regional effort, SFMTA completed the first phase of an analysis of its State of Good Repair needs in August 2010. This was SFMTA’s first comprehensive inventory of its capital assets, and included revenue and non-revenue vehicles, infrastructure such as track, overhead electrical wires and signals, communications and fare collection systems, and operating facilities (e.g., maintenance yards) and passenger facilities (e.g., rail stations). From this inventory, SFMTA has analyzed asset lifecycles and costs, and has produced a preliminary assessment of its state of good repair needs. SFMTA’s current asset replacement value is approximately \$13.4 billion (in 2010 dollars). The table below summarizes the breakdown of SFMTA’s current asset replacement costs by asset category.

TABLE 20

**\$13.4 BILLION TOTAL CAPITAL ASSET REPLACEMENT VALUE
BY ASSET CATEGORY**

Asset Category	Percent
Overhead Wires	30%
Stations	15%
Facilities	12%
Parking and Traffic	9%
Light Rail Vehicles	8%

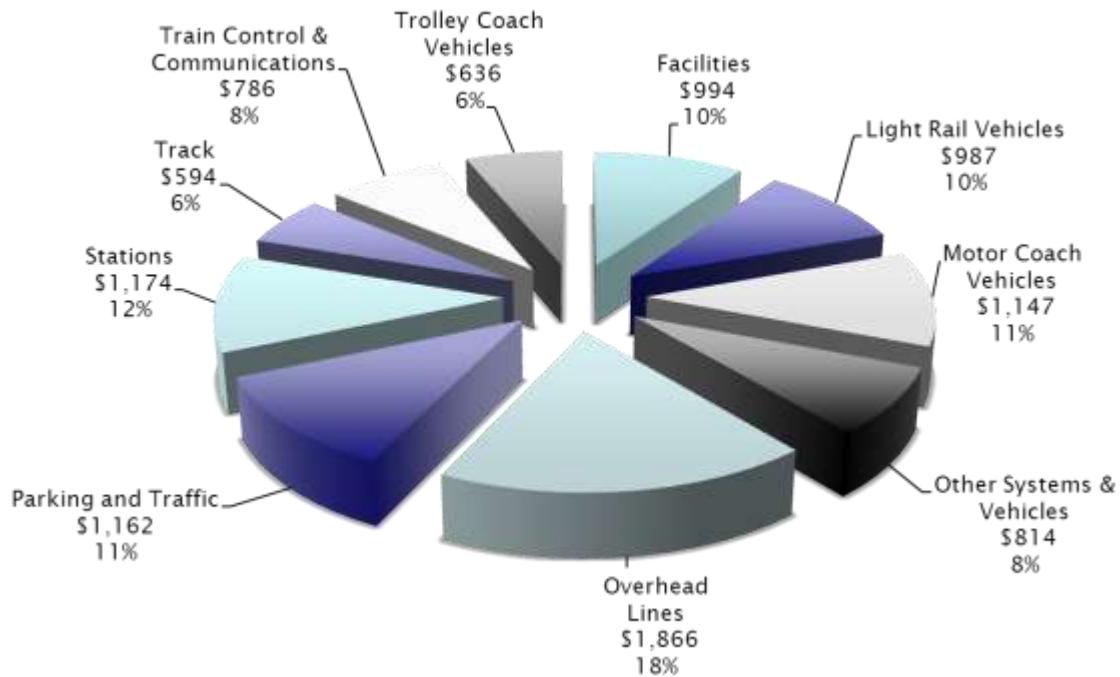
Asset Category	Percent
Other Systems and Vehicles	6%
Track	6%
Train Control and Communications	5%
Motor Coach Vehicles	5%
Trolley Coach Vehicles	4%

Source : SFMTA

[Most of the SFMTA's capital assets are currently within their design life, although there is approximately a \$2.2 billion backlog of deferred investment. This categorization of deferred investment is based solely on the age of the assets, rather than on physical inspections or engineering assessments.] Actual average useful life varies greatly among SFMTA's various capital assets and many conditions, including weather, operating conditions and time in service can affect the lifespan of such assets. The SFMTA determines, in part, the priority for repair, refurbishment and replacement of its capital assets by reference to whether an asset has a longer or shorter design life and the extent to which the asset has exceed its design life as a proportion of such design life. As a result, capital assets with shorter design lives which have exceeded those design lives by longer than average times would receive relatively higher priority for repair, refurbishment or replacement. Over the next 20 years it is estimated that the SFMTA would need to invest \$10.2 billion to maintain an ideal state of good repair, based solely on a standard replacement cycle. During the past five years, the SFMTA has expended an average of \$_____ per year state of good repair projects. The breakdown of this 20 year estimate by asset category is shown in the following table.

TABLE 21

**20 YEAR ESTIMATE OF CAPITAL EXPENDITURES NECESSARY
TO MAINTAIN AN IDEAL STATE IF GOOD REPAIR
BY ASSET CATEGORY
(IN MILLIONS)**



Source : SFMTA, 2010 State of Good Repair Report (August 2010)

Projects	Amount	Percentage
Trolley Coach Vehicles	\$636	6%
Facilities	\$994	10%
Light Rail Vehicles	\$987	10%
Motor Coach Vehicles	\$1,147	11%
Other Systems & Vehicles	\$814	8%
Overhead Lines	\$1,866	18%
Parking and Traffic	\$1,162	11%
Stations	\$1,174	12%
Track	\$594	6%
Train Control & Communication	\$786	8%

[To the extent that SFMTA is unable to finance as much of its state of good repair needs as has been assumed in its financial plans, it is likely that more of SFMTA's asset base will age beyond its design life. Although many types of assets can continue to operate beyond their design life, this development could impair SFMTA's ability to operate and maintain some portion of its vehicle fleets, infrastructure and facilities, possibly resulting in limitations on

SFMTA's ability to deliver service, an increase in SFMTA's operating and maintenance expenses, and/or a reduction in SFMTA's operating revenues below the levels that otherwise would have been realized. [Efforts are being made to reduce the backlog of deferred investment through [grant applications etc.], with the objective of ultimately achieving [_____]].

[Additional details re financing assumptions from 2010 Central Subway Financial Plan and/or SGR Report?]

Current Projects

Central Subway Project. The Central Subway project is an extension of the Third Street light rail transit (LRT) line from its current terminus at Fourth and King Streets. From a portal south of Market Street, the alignment would descend below grade and extend northward under Fourth Street and Stockton Street into Chinatown in the City's central business district. One surface station and three underground stations would be constructed along the project alignment. Four light rail vehicles would be purchased to augment the existing light rail fleet. When completed, the combined Third Street LRT / Central Subway project would provide a continuous seven-mile light rail route connecting the heavily transit-dependent communities of Bayshore in the southern portion of San Francisco with Chinatown in the north. The project is expected to cost approximately \$1.5783 billion in future year of expenditure dollars. The project financial plan calls for funding from the following sources:

TABLE 22

CENTRAL SUBWAY PROJECT: ANTICIPATED PRINCIPAL FUNDING SOURCES (IN MILLIONS)

Source	Projected Funding Amount
FTA Section 5309 New Starts Program	\$ 942.2
State RTIP Grant ⁽¹⁾	68.3
Congestion Mitigation and Air Quality Program ⁽¹⁾	41.0
State TCRP Grant ⁽¹⁾	14.0
State - Proposition 1B, PTMISEA ⁽¹⁾⁽²⁾	307.8
State – Proposition 1B, SLPP ⁽³⁾	19.7
Proposition K Sales Tax ⁽¹⁾	124.0
High Speed Rail Funds ⁽¹⁾	61.3
Total:	\$1,578.3

⁽¹⁾ Committed Funds.

⁽²⁾ Public Transportation Modernization, Improvement and Service Enhancement Account.

⁽³⁾ State Local Partnership Program.

Source : SFMTA

A principal source of funding for the Central Subway Project is expected to be Section

5309 New Starts Program grants from the Federal Transit Administration. The FTA established a ratings scale for candidate New Starts and Small Starts projects: High, Medium-High, Medium, Medium-Low, and Low. Only those projects rated Medium or higher may be advanced through the New Starts and Small Starts project development process. As they progress through development, projects that continue to be rated Medium or higher will be eligible for consideration for multi-year funding recommendations embodied in Full Funding Grant Agreements (“FFGAs”) in the President’s budget if funding is available, the proposed project scope, cost estimate, and budget are considered firm and reliable, and local funding commitments are in place or expected to be in place at the time of a grant agreement. Firm funding commitments set forth in FFGAs will not be made until a project’s development and design has progressed to the point where its scope, costs, benefits, and impacts are considered firm and final.

The Federal Transit Administration originally approved the Central Subway Project’s entry into preliminary engineering in July 2002. Since then, SFMTA has modified the project alignment. A Draft Environmental Impact Statement (“EIS”) was issued in September 2007, and a Final EIS in September 2008. The Federal Transit Administration issued the Record of Decision for the project in November 2008, and approved commencement of its final design in January 2010. SFMTA is completing final design and working with local stakeholders to commit all of the non-Federal funding needed for the project. In the Federal Transit Administration’s rating process for projects that are competing for the Federal Transit Administration “New Starts” discretionary funding, the Project has received a “Medium High” project rating from the Federal Transit Administration, a “Medium-High” rating for project justification, and a “Medium” rating for “local financial commitment.” SFMTA submitted a Section 5309 New Starts Program Full Funding Grant Agreement Application to the Federal Transit Administration in September 2011.

The Central Subway Project is a major capital project requiring tunneling under downtown San Francisco. A construction approach called “deep tunneling” will be used to construct the Central Subway. Deep tunneling allows most of the work to be done below ground, reducing disruption on the surface. The tunneling will be accomplished with a Tunnel Boring Machine (TBM), a technology that has been used extensively throughout the world. Deep tunneling has great potential for controlling project costs by minimizing surface construction staging, reducing utility relocations and shortening construction time. However, given the magnitude of the Central Subway project and the complexity of its construction, as well as ordinary risks for large capital projects including, but not limited to, project or funding delays, litigation, unanticipated soil or other project site conditions and other natural hazards or seismic events during construction, unanticipated environmental or archaeological issues and adverse conditions in the credit and capital markets that increase the SFMTA’s borrowing costs, there remains a risk that the final cost of the project will exceed the current estimate, and therefore could exceed current estimates of available funding. In addition, to the extent that the Federal Transit Administration does not provide a full funding grant agreement, approves funding in a lesser amount than has been requested by SFMTA, or is unable to fulfill its funding obligations under a full funding grant agreement, the project could face a significant funding shortfall. This could result in material changes to the project’s current scope and implementation schedule, and would impact SFMTA’s long-term capital improvement plan and service plans. See “RISK FACTORS.”

[More discussion needed re what could cause delay or cost increase and what happens if costs increase or available funds are insufficient? What if project does not get done? Discuss responsibility for cost overruns. Describe portion to be covered by third parties. Discuss any project-specific risk management techniques or tools being employed. Insurance?]. [Add one or two sentences regarding possible bridge financing.]

The City Controller has indicated that he would work with the SFMTA to address any timing discrepancies with respect to payment of approved grants by the federal government should such discrepancies threaten the timing of the delivery of Central Subway Project, though any potential solutions might require approval of the Board of Supervisors. Similarly, MTC has indicated that it would work with the State and the SFMTA to mitigate delays, if any, in the receipt by the SFMTA from the State of Proposition 1B funds for the Central Subway Project. Finally, the County Transportation Authority, has committed up to \$150 million dollars of additional funds for the Central Subway Project, subject to certain conditions, in order to mitigate increases in costs, if any, above the expected \$1.5783 billion in future year of expenditure dollars.

Transit Effectiveness Project. The Transit Effectiveness Project (“TEP”) is the first comprehensive effort in over 25 years to review Muni and recommend ways to transform it into a faster, more reliable and more efficient public transit system for San Francisco. The TEP data collection phase included an unprecedented level of ridership data collection and best practice research from other transit systems. Extensive public outreach to community stakeholders, policy makers and SFMTA employees helped shape the recommendations for improvements in key routes and identified needed investments to ensure cost-effective customer service.

Informed by these efforts, the SFMTA developed a set of preliminary proposals designed to improve reliability, reduce travel delay and update routes to better meet current and projected travel patterns throughout the City. A key outcome of the planning phase is a proposed service policy framework that clarified where and how investments should be made to the system. This framework organized Muni services into four transit categories: the Rapid Network – heaviest ridership lines with the most frequent service (every five to 10 minutes); the Local Network – which combines with the Rapid Network to create a core network (with service every 10 to 15 minutes); Community Connectors – route that fill gaps in coverage and connect to the core network (service every 15 to 30 minutes); and Specialized Services – routes that augment all day service and address focused needs (such as express routes). The TEP proposals include service improvements and complementary capital investments, as well as travel time reduction proposals on the Rapid Network. In combination, these projects would improve service reliability, reduce travel time and support customer safety and comfort.

Since the data collection and planning phases of the TEP concluded in 2008, recommendations from the TEP have informed a range of SFMTA activities. SFMTA’s capital program was repositioned to prioritize state of good repair work to improve service reliability. In addition, when budgetary constraints required SFMTA to reduce operating expenses through service reductions, TEP principles were used to reallocate service where it was most needed during the December 2009 service restructuring and subsequent service changes in May and September 2010.

Future work on the TEP proposal will be guided by the TEP Implementation Strategy, which outlines project priorities, funding needs and an implementation schedule. Key work already underway includes the environmental review process for many of the TEP proposals, which began in the fall of 2011. In addition, SFMTA has begun the conceptual engineering of project level initiatives identified in the Implementation Strategy, with community outreach [expected to commence in late 2011]. The improvements include transit travel time improvement projects and route restructuring/frequency improvements. The travel time projects are expected to be implemented over an approximately 5 year period, beginning in Fiscal Year 2013-14. The route restructuring is expected to be implemented in two phases, the first in Fiscal Year 2013-14 and the second in Fiscal Year 2015-16, subject to resource availability. Collectively, these changes are designed to transform Muni service by directing resources where they are most needed, reducing travel times, improving reliability, and making the service more cost effective.

Transportation Management Center. The Transportation Management Center project is part of SFMTA's larger program to upgrade its central control and communications capabilities. Currently, the agency's real-time command and control functions reside in various sites located throughout the City in facilities that are undersized and which include outmoded systems. The Transportation Management Center project will integrate and consolidate multi-modal, real-time command and control functions into one secure location in downtown San Francisco incorporating updated systems. The \$11.6 million project, which is funded entirely from Proposition K local sales tax funds allocated by the County Transportation Authority, will provide SFMTA with a service delivery-focused operations center for command, control of, and communications among, all of SFMTA diverse functions, including transit operations, traffic signaling monitoring and control, parking enforcement dispatch, taxi medallion management, bicyclists, pedestrians and off-street parking. The Transportation Management Center will be housed in leased space. The necessary tenant improvements are expected to be completed in mid-2012, and existing command and control functions are expected to move into the Transportation Management Center during the second half of 2012 and first half of 2013.

Van Ness Avenue Bus Rapid Transit. SFMTA and the County Transportation Authority are collaborating on the proposed Van Ness Avenue Bus Rapid Transit project, which covers approximately 2 miles, from Mission St. to Lombard St. on Van Ness Avenue. The project includes improvements that would provide for rapid, reliable transit, including dedicated bus lanes separated from regular traffic to improve transit performance, transit signal priority recognizing an approaching bus rapid transit ("BRT") vehicle and extending the green light when it is safe to do so, proof of payment and all-door boarding to allow buses to pick up and drop off passengers more quickly, high-quality stations, pedestrian safety enhancements including reduced crossing distances on streets where BRT stations are located, and large platforms for waiting passengers. The project is expected to improve transit speeds by up to 30 percent, significantly improve reliability, improve rider and pedestrian comfort, amenities and safety, and fill a key gap in San Francisco's Rapid Transit Network. The project is estimated to cost between \$96 million and \$139 million (in 2014 dollars).

The County Transportation Authority adopted a Project Feasibility Study in 2006. The Environmental Impact Report/Statement (DEIR/S) [was] made available for public review and comment in [November 2011]. After reviewing the public comments and holding public

hearings, the Board of the SFMTA and the Board of the County Transportation Authority may recommend a locally preferred alternative in the spring of 2012. If the project is approved, the Final Environmental Impact Report/Statement will be released in September 2012. Final design will be complete in 2014, with construction expected to occur from 2014-2016, and revenue service beginning in 2016.

Future Projects. [List to be added.]

Financing of Capital Improvements. SFMTA's capital program is financed from a variety of funding sources. In addition to the SFMTA's outstanding debt, and the debt to be issued in this financing, SFMTA relies primarily on capital grant funds from Federal, State and local sources to finance its capital improvements. During the 20-year period from Fiscal Year 2009-10 to Fiscal Year 2029-30, SFMTA projects that it will undertake approximately \$13 billion in capital improvement projects. The Federal capital funding sources, and estimated available funding amounts by source for this 20-year period from Fiscal Year 2009-10 to Fiscal Year 2029-30 are presented in the table below:

TABLE 23

**ESTIMATED SFMTA 20-YEAR CAPITAL FUNDING BY FUNDING SOURCE
(FOR THE FISCAL YEARS 2009-10 THROUGH 2029-30)**

Source	Projected Funding Amount
Federal Funding Sources	
FTA Section 5307, Urbanized Area Formula Program	\$1.7 Billion
FTA Section 5309, Fixed Guideway Modernization Program	\$1.2 Billion
FTA Section 5309 New Starts Program ⁽¹⁾	\$875 Million
Other Federal Funds ⁽²⁾	\$1.6 Billion
State Funding Sources	
State Regional Transportation Improvement Program	\$88 Million
Traffic Congestion Relief Program	\$9 Million
State Infrastructure Bond Funds (Proposition 1B)	\$350 Million
State High-Speed Rail Funds (Proposition 1A)	\$60 Million
Other State Grant Funds	\$600 Million
Local Funding Sources	
Proposition K Sales Tax Proceeds	\$1.2 Billion
AB 664-Bridge Tolls	\$90 Million
AB434 – Transportation Fund for Clean Air Program	\$10 Million
New Local Tax (yet to be defined and implemented)	\$50 Million
Capital Fund Transfer from Operating Revenues	\$3.6 Billion
Capital Fund Transfer for Central Subway Project	\$136 Million
Debt Financing Proceeds⁽³⁾	
SFMTA Bond Proceeds	\$35 Million
Other financing proceeds	\$82 Million

- (1) Annual grant reimbursements are expected to be capped at \$150 million per year from Fiscal Year 2012-13 through Fiscal Year 2015-16.
- (2) Includes FTA Section 5309 Bus/Alternative Fuels, Section 5303 Planning, Congestion Mitigation and Air Quality Improvement Program, Federal Transportation Enhancement Activities, American Recovery and Reinvestment Act revenue (Fiscal Year 2009-10), and TIGR II (Fiscal Year 2010-11), Federal Transit Administration Small Starts/Very Small Starts programs, State of Good Repair Grant Program.
- (3) At the time these estimates were developed in 2010, SFMTA anticipated issuing \$35 million in long-term debt and \$82 million in short-term debt as part of its 20-year financial plan. The current financing is expected to provide [\$108] million of proceeds to be applied toward capital projects.

Source : SFMTA

[This section to be further clarified based on 5-year plan. Descriptions of any uncertainties with respect to these funding sources, SFMTA responses if costs are greater or funding sources less than anticipated and, to the extent not described in the Central Subway Project section, descriptions of various capital grant sources to be added.]

Outstanding Debt

The SFMTA, Parking Authority, and related non-profit garage corporations have issued debt with an aggregate principal amount of approximately \$45.7 million. The following is a summary of the SFMTA's outstanding long-term debt obligations of the SFMTA, Parking Authority and related non-profit garage corporations, all of which will be refunded following the issuance of the Series 2012A Bonds from a portion of the proceeds thereof:

TABLE 24
SFMTA OUTSTANDING DEBT⁽¹⁾

	Final Maturity Date	Par Amount Outstanding (In Thousands)
Issued by Parking Authority		
Series 1999-1 Parking Meter Revenue Refunding Bonds	2020	\$14,385
Lease Revenue Bonds Series 2000A (North Beach)	2022	\$5,455
Issued by Non-Profit Garage Corporations		
Ellis-O'Farrell Parking Corporation– parking revenue refunding bonds	2017	\$2,980
Downtown Parking Corporation – parking revenue refunding bonds	2018	\$6,955
Uptown Parking Corporation – revenue bonds	2031	\$15,905
Total Par Outstanding		\$45,680

⁽¹⁾ Amounts represent the outstanding aggregate principal balance of Parking Bonds. The SFMTA will apply a portion of the proceeds of the Series 2012A Bonds to refund all [or a portion] of the Parking Bonds. See "PLAN OF FINANCE."

Source : SFMTA

Future Debt Issuance

[Projected future borrowing?]

Lease/Leaseback Transactions

In April 2002 and September 2003, following approval by the Federal Transit Administration, the City, with approval from the Board of Supervisors, entered into a leveraged lease-leaseback transaction in two tranches, the first for 118 Breda light rail vehicles (the “Tranche 1 Equipment”), and the second for an additional 21 Breda light rail vehicles (the “Tranche 2 Equipment” and, together with the Tranche 1 Equipment, the “Equipment”). The transactions were structured as a head lease of the Equipment to separate special purpose trusts and a sublease of the Equipment back from the trusts. During the term of the subleases, Muni maintains custody of the Tranche 1 and 2 Equipment and is obligated to insure and maintain the Equipment throughout the life of the sublease.

As a result of the Tranche 1 and Tranche 2 transactions, Muni recorded deferred revenue in Fiscal Year 2001-02 of \$35.5 million and \$4.4 million in Fiscal Year 2002-03. The deferred revenue amount is being amortized over the term of the subleases.

Under the respective subleases, Muni is required to make periodic rental payments to the special purpose trusts. In addition, Muni has an option to purchase the Tranche 1 Equipment on specified dates between November 2026 and January 2030, and the Tranche 2 Equipment in January 2030, following the scheduled expiration of the subleases. The funding for those rental payments derives from payments made by a payment undertaker and guaranteed by Assured Guaranty Municipal Corporation (“AGM”), as successor to Financial Security Assurance, Inc., a bond insurance company that is currently rated [AA+] by Standard and Poor’s (“S&P”) and [Aa3] by Moody’s Investor Services (“Moody’s”). The funding for the purchase options, if exercised, derives from U.S. Agency securities purchased at the outset of each lease transaction. In addition, early termination payments, if any, under the subleases are guaranteed by surety policies issued by AGM.

The SFMTA is required to replace the payment undertaker if the rating of its guarantor, AGM, falls below BBB+/Baa1 by S&P and Moody’s, respectively. Muni is also required to replace AGM, as surety provider, if AGM’s rating falls below AA-/Aa3 by Standard & Poor’s and Moody’s, respectively. Failure to replace such undertaker or surety provider within specified timeframes following a downgrade below the applicable rating thresholds could trigger a technical default which, if uncured, could cause an early termination of the transactions at a substantial penalty to the SFMTA. The scheduled termination costs as of September 30, 2011, after accounting for the market value of the securities in the escrow accounts, was approximately \$68.3 million.

The ratings of AGM currently satisfy these threshold rating requirements. The SFMTA cannot predict whether AGM will continue to satisfy these requirements throughout the sublease terms. Because it may not be possible to replace the payment undertaker or AGM in either its role as payment undertaker guarantor or its role as surety provider in the event AGM’s rating are

in the future downgraded below the applicable thresholds, Muni could become liable to pay the early termination costs, which are in the nature of liquidated damages.

The Board of Supervisors has authorized the SFMTA to enter into consensual terminations of the leveraged lease transactions provided that, among other conditions, such terminations do not involve a cost to the SFMTA. The SFMTA has not terminated any of its leveraged lease transactions to date and cannot predict whether any of the other participants to these lease transactions will agree to a consensual termination on terms consistent with the Board of Supervisors' resolution.

Risk Management and Insurance

The SFMTA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The SFMTA's risk management program includes both self-insured and insured coverage. With certain exceptions, the City and the SFMTA's general policy is to first evaluate self-insurance for the risk of loss to which it is exposed. Based on this analysis, the SFMTA has determined that in certain areas of risk, mitigating risk through a wholly or partially self-insured program is more economical as it manages risks internally, and administers, adjusts, settles defends and pays claims from annually-budgeted resources. When it is economically more advantageous, or when required by financial covenants, the SFMTA obtains commercial insurance for the risks of specific loss, not including earthquake.

Since Fiscal Year 2009-10, the SFMTA has obtained one-year insurance policies that provide excess transit and general liability (catastrophic loss coverage) and excess general liability coverage, with \$25 million excess liability limits with \$5 million self-insurance retentions. The SFMTA participates in the city master property program for fixed asset protection, including scheduled Breda light rail vehicles. [SFMTA also maintains insurance on SFMTA- controlled parking garages]

The following is a summary of SFMTA's coverage approach to risk:

TABLE 25

RISK MANAGEMENT AND INSURANCE

Primary Risk	Coverage Approach
General Liability	Purchase insurance and self-insure
Property (including Breda light rail vehicles and parking garages)	Insure (with certain minor exceptions)
Workers' Compensation	Self-insure
Public Official Liability	Currently self-insured, expect to purchase insurance

Source : SFMTA

[Highlight what is not covered. Environmental pollution? Earthquake? Construction period

insurance?]

Investment of SFMTA Funds

Pursuant to the Charter, the SFMTA maintains its deposits and investments and a portion of its restricted asset deposits as part of the City's pool of investments and deposits. The City investment pool is invested in an unrated pool pursuant to investment policy guidelines established by the City Treasurer. The objectives of the policy are, in order of priority, preservation of capital, liquidity and yield. The policy addresses soundness of the financial institutions in which the City will deposit funds, types of investment instruments as permitted by California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity. The current City and County of San Francisco Office of the Treasurer Investment Policy is attached hereto as Appendix C. The City's Comprehensive Annual Financial Report categorizes the level of common deposits and investment risks associated with the City's pooled deposits and investments. As of June 30, 2011, the SFMTA's unrestricted deposits and investments held by the City Treasurer were \$286,640,000.

CERTAIN RISK FACTORS

The following risk factors should be considered by potential investors, along with all other information in this Official Statement, in evaluating the risks inherent in the purchase of the Series 2012 Bonds. The following discussion is not meant to be a comprehensive or definitive list of the risks associated with an investment in the Series 2012 Bonds. The order in which this information is presented does not necessarily reflect the relative importance of the various issues. Any one or more of the risk factors discussed below, among others, could adversely affect the ability of the SFMTA to pay principal of or interest on the Series 2012 Bonds or lead to a decrease in the market value and/or in the liquidity of the Series 2012 Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Series 2012 Bonds Limited Obligations

The Series 2012 Bonds are special, limited obligations of the SFMTA secured by and payable solely from Pledged Revenues (as defined herein) of the SFMTA and from moneys held in certain funds and accounts established pursuant to the Indenture. The SFMTA is not obligated to pay the principal of, premium, if any, or interest on the Series 2012 Bonds from any source of funds other than Pledged Revenues. The General Fund of the City is not liable for the payment of the principal of, premium, if any, or interest on the series 2012 Bonds, and neither the credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the Series 2012 Bonds. The Series 2012 Bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any of the property of the City or of the SFMTA or any of its income or receipts, except Pledged Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." The SFMTA has no taxing power. In case of default by the SFMTA in the payment of principal of and interest on the Bonds, the remedies of the Bondholders may be limited.

Limitation on Remedies

The Indenture provides only limited remedies to Bondholders in the event of a default by the SFMTA. The enforceability of the rights and remedies of the owners of the Bonds and the Trustee under the Indenture in the event of a default by the SFMTA may be subject to the following: limitations on legal remedies available against public agencies in California; the federal bankruptcy code and other bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; principles of equity which may limit the specific enforcement under State law of certain remedies; and the delay and uncertainty inherent in legal proceedings. The enforceability opinion of Co-Bond Counsel will be made subject to such limitations on remedies. See Appendix G— "PROPOSED FORMS OF LEGAL OPINION OF CO-BOND COUNSEL" herein.

Reliance Upon Grants and City General Fund Transfers

[Disclosure respecting need for grants and transfers from the General Fund to cover operating expenses and other amounts payable from the MTA Fund and need for grants to cover capital needs. Status of federal funding for transit. Discuss any risks relating to loss of grants or circumstances under which SFMTA could be obligated to return or repay grant money and consequences.]

Physical Condition of SFMTA Assets

[Discussion of age and condition of major SFMTA assets, including age of fleet, truck, overhead wiring and tunnel condition]

Seismic Risks

The City and the Transportation System are located in a seismically active region. Active earthquake faults underlie both the City and the surrounding Bay Area, including the San Andreas Fault, which passes about three miles to the southeast of the border of the SFMTA's service area, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away. Significant recent seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and environs. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed.

In April 2008, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Society, and the Southern California Earthquake Center) reported that there is a 63% chance that one or more quakes of about magnitude 6.7 or larger will occur in the Bay Area before the year 2038. Such earthquakes may be very destructive. For example, the U.S.G.S. predicts a magnitude 7 earthquake occurring today on the Hayward Fault would likely cause hundreds of deaths and

almost \$100 billion of damage. In addition to the potential damage to SFMTA-owned buildings, facilities, fixtures, rail lines and equipment (on which the SFMTA does not generally carry earthquake insurance), a major earthquake anywhere in the Bay Area may cause significant temporary and possibly longer-term harm to the City's economy, tax receipts, and residential and business real property values, with uncertain but potentially significant corresponding negative impacts on the operations and revenues of the SFMTA, by harming San Francisco's status as a tourist destination and regional hub of commercial, retail and entertainment activity.

[Information on insurance reserves to be added.]

Construction Risk

The Central Subway project is a major undertaking involving complex engineering and coordination with surface activities. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Capital Program—Current Projects—Central Subject Project." Construction of SFMTA facilities is also subject to ordinary construction risks and delays applicable to projects of their kind, such as (i) inclement weather affecting contractor performance and timeliness of completion, which could affect the costs and availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors; (ii) contractor claims or nonperformance; (iii) failure of contractors to execute within contract price; (iv) work stoppages or slowdowns; (v) failure of contractors to meet schedule terms; or (vi) unanticipated project site conditions, including the discovery of hazardous materials on the site or other issues regarding compliance with applicable environmental standards, and other natural hazards or seismic events encountered during construction. Increased construction costs or delays could impact the SFMTA's financial condition in general and the implementation of its capital programs in particular.

Increased Operation and Maintenance Expenses

In addition to paying Debt Service on the Series 2012 Bonds, the SFMTA uses amounts in the MTA Fund for the payment of the operation and maintenance expenses of the SFMTA. There can be no assurance that the operation and maintenance expenses of the SFMTA, such as wages and salaries, pension and other benefits, or diesel fuel and electricity costs, will not increase substantially. The SFMTA has a limited ability to increase its rates and charges, and in all cases such increases are subject to prevailing market conditions which could reduce the market demand for the SFMTA's services. See "SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY - Operation and Maintenance Expenses" herein.

Labor Actions

Work stoppages may limit the SFMTA's ability to operate Muni or the parking garages, and have a significant adverse impact on Pledged Revenues. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Labor Relations—Employee Relations."

Statutory and Regulatory Compliance

The SFMTA is subject to a variety of State and Federal statutory and regulatory

requirements. The SFMTA's failure to comply with applicable laws and regulations could result in significant fines and penalties and, changes in the scope and standards for the activities undertaken by the SFMTA may also lead to administrative orders issued by Federal or State regulators. Changes in statutory or regulatory requirements or the issuance of new administrative orders could impact the SFMTA's operation of the Transportation System and compliance with such charges or orders could impose substantial additional costs or operations or require significant capital expenditures.

Safety and Security

The safety of the facilities of the SFMTA is maintained via a combination of regular inspections by SFMTA employees, electronic monitoring, and analysis of unusual incident reports. All above-ground facilities operated and maintained by the SFMTA, are controlled access facilities with fencing, gates, closed circuit television systems and security officers at certain points. Smaller facilities operated and maintained by the SFMTA are locked with padlocks or internal locking mechanisms, and most are monitored via access/intrusion alarms. Security improvements are evaluated on an ongoing basis. The electronic operations and controls have been evaluated and exposure reduced through a series of technology systems enhancements and integration. [Review]

Military conflicts and terrorist activities may adversely impact the operations of the SFMTA's systems or the finances of the SFMTA. Mass transit facilities and vehicles have in the past been the target of terrorist attacks. The SFMTA continually plans and prepares for emergency situations and immediately responds to ensure services are maintained. However, there can be no assurance that any existing or additional safety and security measures will prove adequate in the event that hostile or terrorist activities are directed against the assets of the SFMTA or that costs of security measures will not be greater than presently anticipated.

Casualty Losses

The SFMTA's facilities and its ability to generate Pledged Revenue from its properties are also at risk from events of force majeure, such as extreme weather events and other natural occurrences, fires and explosions, spills of hazardous substances, strikes and lockouts, sabotage, wars, blockades and riots. While the SFMTA has attempted to address the risk of a loss from many of these sorts of occurrences through its risk management program, which includes both self-insured and insured coverages, the program does not provide for every conceivable risk of loss. [Damage attributable to seismic events and environmental pollution, for example, are excluded.] In situations where the SFMTA has not purchased commercial coverage, SFMTA has a 'self-retention' program that is administered and retains budgeted resources internally to provide coverage for loss liabilities. See also "SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – Risk Management and Insurance." The SFMTA is not required to either insure against or self-insure against every potential risk of loss and there is a risk that damage or destruction of its property and equipment could occur for which no insurance or self-insurance funds will be available. There can be no assurance that insurance providers will pay claims under any policies promptly or at all, should a claim be made under such policies in connection with property loss or damage. It is possible that an insurance provider will refuse to pay a claim, especially if it is substantial, and force the SFMTA to sue to collect on or settle the

insurance claim. Further, there can be no assurances that any insurance proceeds will be sufficient to rebuild or replace any damaged property. [Review]

Notwithstanding that the SFMTA may seek recovery under its insurance policies in the event of the occurrence of an insured loss, there exists the possibility that an insurer may deny coverage and refuse to pay a claim and there is an attendant risk of litigation and delay in receipt of any loss claim payment. In the event of damage to the SFMTA's facilities, the collection of fees and charges for the use of the Transportation System and other amounts comprising the Pledged Revenues could be impaired for an undetermined period.

State Law Limitations on Appropriations

Article XIII B of the State Constitution limits the amount that local governments can appropriate annually. The ability of the SFMTA to pay principal of or premium, if any, and interest on the Series 2012 Bonds may be affected if the City should exceed its appropriations limit. The City does not anticipate exceeding its appropriations limit in the foreseeable future. See APPENDIX B: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES—Article XIII B of the California Constitution."

Constitutional and Statutory Restrictions

[Discussion of Prop. 218 and Prop. 26 as applicable to the SFMTA's activities. Fare freeze or reduction by initiative?]

Change in Law; Local Initiatives

The SFMTA is subject to various laws, rules and regulations adopted by local, State and federal governments and their departments and agencies. The SFMTA is unable to predict the adoption or amendment of any such laws, notes or regulations, or their effect on the operations or financial condition of the SFMTA.

As described in "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Organization and Purpose," the SFMTA has been the subject of three specific charter amendments since 1999. These initiatives have had a variety of impacts on the jurisdiction, funding management and operations of the SFMTA. For example, both Proposition E, adopted in 1999, and Proposition A, adopted in 2007, made significant changes in the funding available to support the activities of the SFMTA and the Agency's authority to control transit and other charges that generate revenue for the SFMTA. In addition, Charter Amendments that make citywide changes affecting, for example, employee benefits, as well as ordinances of general application may affect the budget and operations of the SFMTA.

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives, or that the State Legislature or the City's Board of Supervisors will not enact legislation that amends the laws of the State Constitution or the Charter, respectively, in a manner that could result in a reduction of amounts constituting Pledged Revenues or a reduction to the City's General Fund revenues, or an increase in Operation and Maintenance and other

expenses of the SFMTA, or otherwise impact the ability of the Board to effectively manage the SFMTA, potentially hindering the SFMTA's ability to pay principal of, premium, if any, and interest on the Series 2012 Bonds. See, for example, APPENDIX B: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES—Articles XIII C and XIII D of the California Constitution."

Potential Impact of a City Bankruptcy

In addition to the limitations on remedies contained in the Indenture, the rights and remedies in the Indenture may be limited and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

The City is authorized under California law to file for bankruptcy protection under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code"). However, third parties cannot bring involuntary bankruptcy proceedings against the City. The SFMTA, being an enterprise department of the City, cannot itself file for bankruptcy protection. Should the City become a debtor in a bankruptcy proceeding, the owners of the 2012 Bonds would continue to have a lien on Pledged Revenues after the commencement of the bankruptcy case so long as the Pledged Revenues constitute "special revenues" within the meaning of the Bankruptcy Code. "Special revenues" are defined under the Bankruptcy Code to include, among other things, receipts by local governments from the ownership, operation or disposition of projects or systems that are primarily used to provide transportation services. While the SFMTA believes that Pledged Revenues may constitute "special revenues," no assurance can be given that a court would not determine otherwise. If Pledged Revenues do not constitute "special revenues," there could be reductions in payments by the SFMTA with respect to the 2012 Bonds. Further, even if a court were to determine that the Pledged Revenues were "special revenues," operating expenses may be required to be paid before payments to Owners.

In addition to any specific determinations by a court in a City bankruptcy proceeding that may be adverse to the SFMTA or the Owners, the mere filing by the City for bankruptcy protection likely would have a material adverse effect on the marketability and the market price of the 2012 Bonds.

Loss of Tax Exemption/Risk of Tax Audit of Municipal Issuers

As discussed under "TAX MATTERS", interest with respect to the 2012 Bonds could fail to be excluded from the gross income of the owners thereof for purposes of federal income taxation retroactive to the date of the execution and delivery of the 2012 Bonds as a result of future acts or omissions of the SFMTA in violation of its covenants to comply with requirements of the Internal Revenue Code of 1986, as amended. Should such an event of taxability occur, the 2012 Bonds are not subject to prepayment or any increase in interest rate.

In December 1999, as a part of a larger reorganization of the Internal Revenue Service ("IRS"), the IRS commenced operation of its Tax Exempt and Government Entities Division (the "TE/GE Division"), as the successor to its Employee Plans and Exempt Organizations division.

The TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. Public statements by IRS officials indicate that the number of tax-exempt bond examinations is expected to increase significantly under the new TE/GE Division. There is no assurance that, if an IRS examination of the Series 2012 Bonds were undertaken, it would not adversely affect the secondary market value of the Series 2012 Bonds.

Failure to Maintain Credit Ratings

The SFMTA undertakes no responsibility to maintain its current credit ratings on the Series 2012 Bonds or to oppose any such downward revision, suspension or withdrawal. See “RATINGS” herein. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies. Any such downward revision or withdrawal of such ratings could be expected to have an adverse effect on the market price of the Series 2012 Bonds.

Secondary Market

There can be no guarantee that there will be a secondary market for the 2012 Bonds or, if a secondary market exists, that the Certificates can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Uncertainties of Projections, Forecasts and Assumptions

Compliance with certain of the covenants contained in the Indenture is based upon assumptions and projections. Projections and assumptions are inherently subject to significant uncertainties. Inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur and actual results are likely to differ, perhaps materially, from those projected. Accordingly, such projections are not necessarily indicative of future performance, and the SFMTA assumes no responsibility for the accuracy of such projections.

Other

There may be other risk factors inherent in ownership of the 2012 Bonds in addition to those described in this section.

AUDITED FINANCIAL STATEMENTS

Audited Financial Statements of the SFMTA (the “Financial Statements”) for the Fiscal Year ended June 30, 2011 are attached as Appendix A. See Appendix A — “SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY, FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS’ REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2011”. Such financial statements have been audited by _____, independent certified public accountants. The SFMTA prepares financial statements that are audited annually.

The SFMTA has not requested nor did the SFMTA obtain permission from _____ to include its report on the audited financial statements in Appendix A to this Official Statement. _____ has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. _____ also has not performed any procedures relating to this Official Statement.

CONTINUING DISCLOSURE

The SFMTA has covenanted for the benefit of the Owners of the Series 2012 Bonds to provide certain financial information and operating data relating to the SFMTA not later than 270 days after the end of the SFMTA's Fiscal Year (which currently ends on June 30), commencing with the report for Fiscal Year 2010-11 (the "Annual Report") and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the SFMTA with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access website.

The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in Appendix E — "FORM OF CONTINUING DISCLOSURE CERTIFICATE". These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The SFMTA is not in default with respect to any previous undertaking made with regard to said Rule.

The SFMTA has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual financial information or notices of material events.

TAX MATTERS

Opinion of Co-Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP and Rosales Law Partners LLP, Co-Bond Counsel to the SFMTA, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2012 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering their opinion, Co-Bond Counsel have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the SFMTA in connection with the Series 2012 Bonds, and Co-Bond Counsel have assumed compliance by the SFMTA with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2012 Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Co-Bond Counsel to the SFMTA, under existing statutes,

interest with respect to the Series 2012 Bonds is exempt from personal income taxes imposed by the State of California.

Co-Bond Counsel express no opinion regarding any other federal or state tax consequences with respect to the Series 2012 Bonds. Co-Bond Counsel render their opinion under existing statutes and court decisions as of the delivery date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Co-Bond Counsel express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series 2012 Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2012 Bonds in order that interest on the Series 2012 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2012 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2012 Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The SFMTA has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2012 Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2012 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series 2012 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2012 Bonds.

Prospective owners of the Series 2012 Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Series 2012 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Series 2012 Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Series 2012 Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Series 2012 Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Co-Bond Counsel further is of the opinion that, for any Series 2012 Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2012 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Series 2012 Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Series 2012 Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2012 Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Series 2012 Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain

circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2012 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2012 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2012 Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Proposed Legislation and Other Matters

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2012 Bonds under Federal or state law or otherwise prevent beneficial owners of the Series 2012 Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2012 Bonds. For example, on September 12, 2011, President Obama sent to Congress draft legislation entitled the "American Jobs Act of 2011" (the "Proposed Act"). On September 13, 2011, Senate Majority Leader Reid introduced the Proposed Act in the Senate (S.1549). The Proposed Act included a provision that, if enacted as proposed, would have limited the amount of exclusions (including tax-exempt interest, such as interest on the Series 2012 Bonds) and deductions certain high income taxpayers could use to reduce their income tax liability for taxable years after 2012. On October 11, 2011, a procedural vote in the Senate to end debate and thus allow a vote on the Proposed Act, as amended, did not pass. This or other legislative proposals may be considered or introduced that could affect the market price or marketability of tax-exempt bonds, such as the Series 2012 Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Credit Services, a Standard & Poor's Financial Services LLC business ("S&P"), have assigned their municipal bond ratings of "[]" and "[]", respectively, to the Series 2012 Bonds. The ratings issued reflect only the views of such rating agencies and are not a recommendation to buy, sell or hold the Series 2012 Bonds. Any explanation of the significance of these ratings should be obtained from the respective rating agencies. There is no assurance that such ratings will be retained for any given period or that the same will not be revised downward or withdrawn entirely by such rating agencies if, in the respective judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any rating obtained may have an adverse effect on the marketability or the market price of the Series 2012 Bonds.

UNDERWRITING

The Series 2012 Bonds are being purchased by J.P. Morgan Securities LLC, RBC Capital Markets, LLC, Morgan Stanley & Co., LLC and Siebert Brandford Shank & Co., LLC (collectively, the "Underwriters"). The Underwriters have agreed to purchase the Series 2012 Bonds at a purchase price of \$_____ (comprised of the principal amount of the Series 2012 Bonds, less/plus a net reoffering discount/premium on the Series 2012 Bonds of \$_____, less an underwriter's discount in the amount of \$_____).

The purchase contract pursuant to which the Series 2012 Bonds are being sold provides that the Underwriters will purchase all of the Series 2012 Bonds if any Series 2012 Bonds are purchased, and the obligation to make such purchase is subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Series 2012 Bonds to certain dealers and others at a price lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriters.

The Underwriters provided the information contained in this paragraph and the following paragraph for inclusion in this Official Statement and the SFMTA does not take any responsibility for or make any representation as to its accuracy or completeness. The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the SFMTA, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their

customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the SFMTA.

J.P. Morgan Securities LLC ("JPMS") provided the information contained in this paragraph for inclusion in this Official Statement and the SFMTA does not take any responsibility for or make any representation as to its accuracy or completeness. JPMS, one of the underwriters of the Series 2012 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Series 2012 Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase Series 2012 Bonds from JPMS at the original issue prices less a negotiated portion of the selling concession applicable to any Series 2012 Bonds that such firm sells.

Morgan Stanley & Co. LLC provided the information contained in this paragraph for inclusion in this Official Statement and the SFMTA does not take any responsibility for or make any representation as to its accuracy or completeness. Morgan Stanley, the parent company of Morgan Stanley & Co. LLC, one of the underwriters of the Series 2012 Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2012 Bonds.

ABSENCE OF LITIGATION

The SFMTA is not aware of any litigation pending or threatened questioning the political existence of the City or the SFMTA or contesting the SFMTA's power to fix passenger rates and charges, or in any way questioning or affecting:

- (i) the proceedings under which the Series 2012 Bonds are to be issued,
- (ii) the validity of any provision of the Series 2012 Bonds or the Indenture,
- (iii) the pledge of Pledged Revenues by the SFMTA under the Indenture, or
- (iv) the titles to office of the present members of the Board of Supervisors and the Board.

Suits and claims against the City and the SFMTA, which may include personal injury, wrongful death and other suits and claims against which the City [and the SFMTA] may self-insure, arise in the ordinary course of business. There is no litigation pending, with service of process having been accomplished, against the City or the SFMTA which, if determined adversely to the City or the SFMTA, would in the opinion of the City Attorney materially impair the ability of the SFMTA to pay principal of and interest on the Series 2012 Bonds as they become due.

CERTAIN LEGAL MATTERS

The validity of the Series 2012 Bonds and certain other legal matters are subject to the approving opinions of Hawkins Delafield & Wood LLP, San Francisco, California, and Rosales Law Partners LLP, San Francisco, California, Co-Bond Counsel. Complete copies of the proposed forms of Co-Bond Counsel opinions are contained in APPENDIX G hereto, and will be made available to the Underwriters of the Series 2012 Bonds at the time of the original delivery of the Series 2012 Bonds. None of Co-Bond Counsel, Disclosure Counsel or Underwriters' Counsel undertakes any responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the SFMTA by the City Attorney and by Orrick, Herrington & Sutcliffe LLP, Disclosure Counsel to the SFMTA. Certain legal matters will be passed upon for the Underwriters by Kutak Rock LLP.

Orrick, Herrington & Sutcliffe LLP has served as disclosure counsel to the SFMTA and in such capacity has advised the SFMTA with respect to applicable securities laws and participated with responsible SFMTA officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and has not undertaken to independently verify any of such statements or information. Rather, the SFMTA is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon the issuance of the Series 2012 Bonds, Disclosure Counsel will deliver a letter to the SFMTA which advises the SFMTA, subject to the assumptions, exclusions, qualifications and limitations set forth therein, that no facts came to attention of the attorneys at such firm rendering legal services in connection with such firm's role as disclosure counsel which caused them to believe that this Official Statement as of its date and as of the date of issuance of the Series 2012 Bonds contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. No purchaser or holder of the Series 2012 Bonds, or other person or party other than the SFMTA, will be entitled to or may rely on such letter or Orrick, Herrington & Sutcliffe LLP's having acted in the role of disclosure counsel to the SFMTA.

ROLE OF THE FINANCIAL ADVISORS

Backstrom McCarley Berry & Co., LLC, San Francisco, California, Public Financial Management, Inc., San Francisco, California, and Robert Kuo Consulting, San Francisco, California, are acting as co-financial advisors to the SFMTA with respect to the Series 2012 Bonds (collectively, the "Financial Advisors"). The Financial Advisors have assisted the SFMTA in the preparation of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the Series 2012 Bonds. The Financial Advisors have not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the SFMTA to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisors assume no responsibility for the accuracy or completeness of any of the information contained herein. The Financial Advisors will not purchase or make a market in any of the Series 2012 Bonds.

A portion of the compensation to be received by the Financial Advisors from the SFMTA

for services provided in connection with the planning, structuring, execution and delivery of the Series 2012 Bonds is contingent upon the sale and delivery of the Series 2012 Bonds.

MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof that do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof.

The appendices to this Official Statement are integral parts of this Official Statement. Investors must read the entire Official Statement, including the appendices, to obtain information essential to making an informed investment decision.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the SFMTA and the purchasers or owners of any of the Bonds. The preparation and distribution of this Official Statement has been authorized by the SFMTA.

Approval And Execution

The execution and delivery of this Official Statement has been authorized by the Board of Directors of the SFMTA.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

By: _____
Director of Transportation

APPENDIX A

SFMTA AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

APPENDIX B

CITY AND COUNTY OF SAN FRANCISCO
ORGANIZATION AND FINANCES

APPENDIX C

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE TREASURER INVESTMENT POLICY
[TO COME]

APPENDIX D

SUMMARY OF THE LEGAL DOCUMENTS

The following is a summary of certain of the definitions and terms of the Indenture of Trust and First Supplement to Indenture of Trust. The summary is not intended to be comprehensive and investors are advised to refer to the actual executed documents for the complete terms of the documents summarized below. Following delivery of the Series 2012 Bonds, the Indenture of Trust and First Supplement to Indenture of Trust will be on file with the Trustee.

[TO COME]

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE
[TO COME]

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of The Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Series 2012 Bonds, payment of principal, interest and other payments on the Series 2012 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Series 2012 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be. Neither the SFMTA nor the Trustee take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2012 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2012 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2012 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. 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 Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Bonds”). The Series 2012 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 the Series 2012 Bonds, in the aggregate principal amount of such issue, 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 Bonds 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 rating from Standard & Poor's 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 and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012 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 Bonds, except in the event that use of the book-entry system for the Series 2012 Bonds is discontinued.

To facilitate subsequent transfers, all 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 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 2012 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2012 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 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to SFMTA 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 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 2012 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 SFMTA or 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, Trustee, or SFMTA, 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 SFMTA or 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 2012 Bonds at any time by giving reasonable notice to SFMTA or Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

SFMTA 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.

APPENDIX G

PROPOSED FORMS OF LEGAL OPINION OF CO-BOND COUNSEL
[TO COME]

ENCLOSURE 4

INDENTURE OF TRUST

INDENTURE OF TRUST

by and between the

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

and

_____,
as Trustee

Dated as of _____ 1, 2012

relating to

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
REVENUE BONDS

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INDENTURE OF TRUST

This INDENTURE OF TRUST, dated as of _____ 1, 2012 (the "Indenture"), by and between the SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY (the "SFMTA"), duly constituted and established under Article VIIIA of the Charter of the City and County of San Francisco and _____, [a national trust company duly organized under the laws of the United States], as trustee (the "Trustee");

WITNESSETH:

WHEREAS, the SFMTA is an agency of the City and County of San Francisco (the "City") and is governed by its Board of Directors (the "SFMTA Board"); and

WHEREAS, under Sections 8A.100, 8A.101 and 8A.102 of the Charter of the City and County of San Francisco (the "Charter"), the SFMTA is charged with managing the City's transportation system (the "Transportation System"), which includes the Municipal Railway, the former Department of Parking and Traffic and other transportation functions;

WHEREAS, under Section 8A.102 of the Charter and Ordinance No. _____ adopted by the Board of Supervisors of the City (the "Board") on _____, 2011 and signed by Mayor Edwin M. Lee on _____, 2011, and codified as Chapter 43, Article ____ of the San Francisco Administrative Code (the "Act"), the SFMTA has the authority to issue transportation revenue bonds for the purpose of acquiring, constructing, improving or developing facilities and equipment under its jurisdiction (the "Project") and transportation revenue refunding bonds under such terms and conditions as the SFMTA may authorize by resolution, with the concurrence of the Board of Supervisors of the City; and

WHEREAS, the SFMTA has authorized and issued the Bonds pursuant to Resolution No. ____ of the SFMTA, adopted on _____, 2011 (the "SFMTA Board Resolution") and the Board of the City has approved the Series 2012 Bonds pursuant to Resolution No. _____, adopted on _____, 2011 and signed by Mayor Edwin M. Lee on _____, 2011 (the "City Resolution"); and

WHEREAS, the Bonds will be special, limited obligations of the SFMTA payable solely from Pledged Revenues and from amounts on deposit in certain funds and accounts held under this Indenture. No funds of the SFMTA other than the Pledged Revenues are pledged to or available for payment of the principal of or interest on the Bonds. Section 8A.105 of the Charter requires the City to transfer certain monies to the SFMTA to support the SFMTA's activities. The proceeds of transfers from the City's General Fund to support such activities do not constitute any portion of Pledged Revenues, and the principal of and redemption premium, if any, and interest on the Bonds is not payable from the proceeds of such transfers or from the City's General Fund. The SFMTA has covenanted to hold the proceeds of such transfers separate and apart from the Enterprise Account and to deposit the proceeds of such transfers into the SFMTA General Fund Transfer Account. Amounts in the SFMTA General Fund Transfer

Account will not be used to pay debt service on the Bonds, and the City has no obligation to transfer any amounts from the City's General Fund to the SFMTA for the purpose of paying the principal of and redemption premium, if any, and interest on the Bonds;

WHEREAS, the SFMTA deems it necessary and desirable and in the public interest to authorize the issuance of one or more series of transportation revenue bonds (the "Bonds") under and in accordance with the Charter and the Act and pursuant to the terms and conditions set forth herein, for the purpose of financing the Project, refunding outstanding Bonds and other SFMTA obligations and for any other purpose authorized by law as it may determine from time to time; and

NOW, THEREFORE, THIS INDENTURE WITNESSETH that in order to secure the payment of the Principal Amount of, premium, if any, and the interest on all Bonds at any time issued, authenticated and delivered hereunder and to secure the performance of the terms, conditions, covenants, agreements, trusts, uses and purposes hereinafter expressed, and in consideration of the premises and covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the SFMTA does hereby agree and covenant with the Trustee for the benefit of the respective Owners, from time to time, of the Bonds, or any part thereof, as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01. Definitions. The following terms, for all purposes of this Indenture and any Supplemental Indenture shall have the following meanings unless a different meaning clearly applies from the context.

"Accreted Value" shall mean, as of any date of calculation, with respect to any Capital Appreciation Bond, the initial principal amount thereof plus the interest accumulated, compounded and unpaid thereon as of such date of calculation if a compounding date, or if such calculation date is other than a compounding date, the most recently past compounding date.

"Act" shall mean the Charter of the City and County of San Francisco, as supplemented and amended, and all enactments of the Board adopted pursuant thereto, including Ordinance No. _____ adopted by the Board of the City on _____, 2011 and signed by Mayor Edwin M. Lee on _____, 2011, and codified as Chapter 43, Article ____ of the San Francisco Administrative Code.

"Amortized Bonds" shall mean a Series of Bonds (i) subject, pursuant to their terms, to optional or mandatory tender for purchase prior to maturity by or on behalf of the SFMTA or a Credit Provider or (ii) that have a Principal Amount equal to or greater than 25% of the total Principal Amount of such Series of Bonds due on a Principal Payment Date.

“Annual Debt Service” shall mean in any Fiscal Year (i) the amount scheduled to become due and payable on the Outstanding Bonds or any one or more Series thereof in any Fiscal Year as (a) interest, plus (b) Principal Amount at maturity, plus (c) mandatory sinking fund redemptions, (ii) Swap Payments scheduled to be paid under an Interest Rate Swap and (iii) other Parity Obligations and Repayment Obligations. For purposes of calculating Annual Debt Service, the following assumptions shall be used:

(i) All Principal Amount payments and mandatory sinking fund redemptions shall be made as and when the same shall become due;

(ii) Outstanding Variable Rate Bonds shall be deemed to bear interest during any period after the date of calculation at a fixed annual rate equal to the average of the actual rates on such Variable Rate Bonds for each day during the 365 consecutive days (or any lesser period such Bonds have been outstanding) ending on the last day of the month next preceding the date of computation, or at the effective fixed annual rate thereon as a result of an Interest Rate Swap payable on a parity to the Variable Rate Bonds to which it relates (in which case, the scheduled amount due under such Variable Rate Bonds and the related Interest Rate Swap shall be deemed to be the fixed annual rate under the Interest Rate Swap);

(iii) Variable Rate Bonds proposed to be issued shall be deemed to bear interest at a fixed annual rate equal to the estimated initial rate or rates thereon, as set forth in a certificate of the Authorized SFMTA Representative prior to the date of delivery of such Bonds, or at the effective fixed annual rate thereon as a result of an Interest Rate Swap payable on a parity to the Variable Rate Bonds to which it relates (in which case, the scheduled amount due under such variable rate Bonds and the related Interest Rate Swap shall be deemed to be the fixed annual rate under the Interest Rate Swap);

(iv) If any Interest Rate Swap is in effect pursuant to which the SFMTA pays Swap Payments at a variable rate, and such Interest Rate Swap is payable on a parity with the fixed rate Bonds to which it relates, amounts payable under such Interest Rate Swap shall be included in the calculation of Annual Debt Service and calculated by the same method as variable rate interest pursuant to paragraphs (ii) and (iii) above, and the Annual Debt Service on such Bonds shall be adjusted to reflect the fixed rate to be received under such Interest Rate Swap;

(v) If any Bonds are Paired Obligations, the interest rate on such Bonds shall be the resulting fixed interest rate to be paid by the SFMTA with respect to such Paired Obligations;

(vi) Amortized Bonds shall be deemed to be amortized on a level debt service basis over twenty (20) years from the date of issuance or remarketing of such Series of Bonds at the then current Index Rate;

(vii) Capitalized interest on any Bonds and accrued interest paid on the date of initial delivery of any Series of Bonds shall be excluded from the calculation of Annual Debt Service if cash and/or Permitted Investments have been irrevocably deposited with and

are held by the Trustee or other fiduciary for the Owners of such Bonds sufficient to pay such interest;

(viii) Repayment Obligations proposed to be entered into which are secured by Pledged Revenues on a parity with the Bonds as provided in Section 2.13(a) hereof shall be deemed payable to the extent such Repayment Obligations are drawn upon and remain outstanding, and in such event, the amounts scheduled to be due under the Repayment Obligation shall be taken into account as Annual Debt Service;

(ix) the interest rate on Tax Credit Bonds shall be deemed to be reduced by the expected amount of Refundable Credit;

(x) other Parity Obligations shall be treated as Bonds for the purpose of this definition as appropriate.

“Authenticating Agent” shall mean, with respect to any Series of Bonds, each person or entity, if any, designated as such by the SFMTA herein or in the Supplemental Indenture authorizing the issuance of such Bonds, and its successors and assigns and any other person or entity which may at any time be substituted for it pursuant thereto.

“Authorized SFMTA Representative” shall mean the Director of Transportation or the Chief Financial Officer of the SFMTA, or the respective successors to the powers and duties thereof, or such other person as may be designated to act on behalf of the SFMTA by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the SFMTA by the Director of Transportation or Chief Financial Officer and of the SFMTA, or their respective successors.

“Board of Supervisors” shall mean the Board of Supervisors of the City and County of San Francisco, as duly elected, appointed and qualified from time to time in accordance with the provisions of the Charter.

“Bond Counsel” shall mean an attorney or firm of attorneys of national recognition selected or employed by the SFMTA with knowledge and experience in the field of municipal finance.

“Bonds” shall mean the revenue bonds issued from time to time pursuant to this Indenture.

“Business Day” shall mean, unless otherwise specified by Supplemental Indenture, any day of the week other than Saturday, Sunday or a day which shall be, in the State of California, the State of New York or in the jurisdiction in which the Corporate Trust Office of the Trustee or the principal office of the Registrar is located, a legal holiday or a day on which banking institutions are authorized or obligated by law or executive order to close.

“Capital Appreciation Bonds” shall mean Bonds the interest on which is compounded and accumulated at the rate or rates and on the date or dates set forth in the

Supplemental Indenture authorizing the issuance thereof and which is payable only upon redemption and/or on the maturity date thereof.

“Charter” shall mean the Charter of the City and County of San Francisco, as supplemented and amended, and any new or successor Charter.

“City” shall mean the City and County of San Francisco, a chartered city and county and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations, rulings and procedures proposed or promulgated thereunder or under the Internal Revenue Code of 1954, as amended.

“Corporate Trust Office” shall mean the office of the Trustee at which its corporate trust business is conducted designated in writing to the SFMTA, which initially is located in San Francisco, California.

“Credit Facility” shall mean a letter of credit, line of credit, standby purchase agreement, municipal bond insurance policy, surety bond or other financial instrument which obligates a third party to pay or provide funds for the payment of the Principal Amount or purchase price of and/or interest on any Bonds and which is designated as a Credit Facility in a Supplemental Indenture.

“Credit Provider” shall mean the person or entity obligated to make a payment or payments with respect to any Bonds under a Credit Facility.

“Debt Service Fund” shall mean the Debt Service Fund established pursuant to Section 5.02 hereof.

“Delivery Costs” shall mean all items of expense directly or indirectly payable by or reimbursable to the SFMTA relating to the authorization, issuance, sale and delivery of the Bonds, including, but not limited to, printing expenses, filing and recording fees, fees and charges of the Trustee and its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds, bond insurance premiums or other fees in connection with credit enhancement or other credit facilities obtained in connection with Bonds, rating agency fees and any other cost, charge or fee in connection with the original issuance of Bonds.

“Delivery Costs Accounts” shall mean, collectively, the Delivery Costs Accounts established pursuant to Section 4.01 hereof.

“Enterprise Account” shall mean the Enterprise Account established pursuant to Section 5.02 hereof. The Enterprise Account may be held as an account within the Municipal Transportation Fund created pursuant to Section 8A.105 of the Charter and any successor to such fund; provided that all transfers to the Transportation Fund from the City’s General Fund

shall not be deposited or held in the Enterprise Account and shall be deposited and held in the SFMTA General Fund Transfer Account and any other moneys in the Transportation Fund that do not constitute Pledged Revenues shall not be deposited or held in the Enterprise Account and shall be held separate and apart from the Enterprise Account in a separate account or accounts. The Enterprise Account may include and/or consist of one or more accounts of the SFMTA then in existence or created from time to time as necessary or desirable for accounting and operational purposes.

“Event of Default” shall mean any one or more of those events set forth in Section 7.01 hereof.

“First Supplemental Indenture” shall mean that certain First Supplement to Indenture of Trust, dated as of _____ 1, 2012, by and between the SFMTA and the Trustee.

“Fiscal Year” shall mean the one-year period beginning on July 1 of each year and ending on June 30 of the succeeding calendar year, or such other one-year period as the SFMTA shall designate as its Fiscal Year.

“Fitch” shall mean Fitch Ratings, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for any reason, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by an Authorized SFMTA Representative.

“Fund” or “Account” shall mean any fund or account established pursuant to this Indenture.

“Government Certificates” shall mean evidences of ownership of proportionate interests in future principal or interest payments of Government Obligations, including depository receipts thereof. Investments in such proportionate interests must be limited to circumstances wherein (i) a bank or trust company acts as custodian and holds the underlying Government Obligations; (ii) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (iii) the underlying Government Obligations are held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, or any person claiming through the custodian, or any person to whom the custodian may be obligated.

“Government Obligations” shall mean direct and general obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America.

“Holder,” “Bondholder,” “Owner” and “Bondowner” shall mean the person or persons in whose name any Bond or Bonds are registered on the records maintained by the Registrar.

“Indenture” shall mean this Indenture of Trust, dated as of _____ 1, 2012, by and between the SFMTA and the Trustee, as the same may be amended or supplemented pursuant to the terms hereof.

“Independent Auditor” shall mean a firm or firms of independent certified public accountants with knowledge and experience in the field of governmental accounting and auditing selected or employed by the SFMTA.

“Index Rate” shall mean the rate equal to the SIFMA Municipal Swap Index, or if such index ceases to be published, a comparable index published by the SIFMA or its successor or, if no comparable index then exists, eighty percent (80%) of the interest rate on actively traded ten (10) year United States Treasury Obligations.

“Insolvent” shall be used to describe the Trustee, any Paying Agent, Authenticating Agent, Registrar, other agent appointed under the Indenture or any Credit Provider, if (a) such person shall have instituted proceedings to be adjudicated a bankrupt or insolvent, shall have consented to the institution of bankruptcy or insolvency proceedings against it, shall have filed a petition or answer or consent seeking reorganization or relief under the federal Bankruptcy Code or any other similar applicable federal or state law, or shall have consented to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator or other similar official of itself or of any substantial part of its property, or shall fail to timely controvert an involuntary petition filed against it under the federal Bankruptcy Code, or shall consent to the entry of an order for relief under the federal Bankruptcy Code or shall make an assignment for the benefit of creditors or shall admit in writing its inability to pay its debts generally as they become due; or (b) a decree or order by a court having jurisdiction in the premises adjudging such person as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such person under the federal Bankruptcy Code or any other similar applicable federal or state law or for relief under the federal Bankruptcy Code after an involuntary petition has been filed against such person, or appointing a receiver, liquidator, assignee, trustee or sequestrator or other similar official of such person or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, shall have been entered and shall have continued unstayed and in effect for a period of 90 consecutive days.

“Interest Payment Date” shall mean, with respect to any Series of Bonds, each date specified herein or in the Supplemental Indenture authorizing the issuance thereof for the payment of interest on such Bonds.

“Interest Rate Swap” shall mean an agreement between the SFMTA and a Swap Counter Party related to Bonds of one or more Series whereby a variable rate cash flow (which may be subject to an interest rate cap) on a principal or notional amount is exchanged for a fixed rate of return on an equal principal or notional amount.

“Maximum Annual Debt Service” shall mean the maximum amount of Annual Debt Service in any Fiscal Year during the period from the date of calculation to the final scheduled maturity of the Bonds.

“Moody’s” shall mean Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, 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 for any reason, the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by an Authorized SFMTA Representative.

“Opinion of Bond Counsel” shall mean a written opinion of Bond Counsel.

“Opinion of Counsel” shall mean a written opinion of an attorney or firm of attorneys acceptable to the Trustee and the SFMTA, and who (except as otherwise expressly provided herein) may be either counsel for the SFMTA or for the Trustee.

“Outstanding” when used with reference to a Series of Bonds shall mean, as of any date of determination, all Bonds of such Series which have been executed and delivered under this Indenture except: (a) Bonds cancelled by the Trustee or delivered to the Trustee for cancellation; (b) Bonds which are deemed paid and no longer Outstanding as provided in Section 10.01 hereof or in any Supplemental Indenture authorizing the issuance thereof; (c) Bonds in lieu of which other Bonds have been issued pursuant to the provisions hereof or of any Supplemental Indenture authorizing the issuance thereof; and (d) for purposes of any consent or other action to be taken under the Indenture by the Holders of a specified percentage of Principal Amount of Bonds of a Series or all Series, Bonds held by or for the account of the SFMTA.

“Paired Obligations” shall mean any one or more Series (or portion thereof) of Bonds, designated as Paired Obligations in a Supplemental Indenture or a certificate executed by an Authorized SFMTA Representative, which are simultaneously issued, executed or delivered and (i) the principal or notional amount of which, as applicable, is of equal amount and (ii) the interest rates on which, taken together, result in an irrevocably fixed rate obligation of the SFMTA for the term of such Bonds.

“Parity Obligations” shall mean the Bonds and any evidences of indebtedness for borrowed money issued from time to time by the SFMTA hereunder or under a Supplemental Indenture pursuant to Article II hereof, including but not limited to bonds, notes, bond anticipation notes, commercial paper, lease or installment purchase agreements or certificates of participation therein or loans from financial institutions or governmental agencies. Bonds may also include, for the purposes of any particular provision of this Indenture as provided in a Supplemental Indenture, any other obligation, including but not limited to Repayment Obligations and other contractual obligations, entered into by the SFMTA pursuant to the terms hereof with a lien on Pledged Revenues on a parity with other Outstanding Bonds.

“Paying Agent” shall mean, with respect to any Series of Bonds, each person or entity, if any, designated as such by the SFMTA herein or in the Supplemental Indenture authorizing the issuance of such Bonds, and its successors and assigns and any other person or entity which may at any time be substituted for it pursuant thereto.

“Payment Date” shall mean, with respect to any Series of Bonds, each Interest Payment Date and Principal Payment Date.

“Permitted Investments” shall mean and include any of the following, if and to the extent the same are at the time legal for the investment of the SFMTA’s money:

- (a) Government Obligations and Government Certificates.
- (b) Obligations issued or guaranteed by any of the following:
 - (i) Export-Import Bank of the United States;
 - (ii) Farmers Home Administration;
 - (iii) Federal Farm Credit System;
 - (iv) Federal Financing Bank;
 - (v) Federal Home Loan Bank System;
 - (vi) Federal Home Loan Mortgage Corporation;
 - (vii) Federal Housing Administration;
 - (viii) Federal National Mortgage Association;
 - (ix) Government National Mortgage Association;
 - (x) Private Export Funding Corporation
 - (xi) Resolution Funding Corporation;
 - (xii) Student Loan Marketing Association; and
 - (xiii) any other instrumentality or agency of the United States.
- (c) Prerefunded municipal obligations rated at the time of purchase of such investment in the highest rating category by the Rating Agencies then rating the Bonds and meeting the following conditions:
 - (i) such obligations are: (A) not subject to redemption prior to maturity or the Trustee has been given irrevocable instructions concerning their calling and redemption, and (B) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;
 - (ii) such obligations are secured by Government Obligations or Government Certificates that may be applied only to interest, principal and premium payments of such obligations;

(iii) the principal of and interest on such Government Obligations or Government Certificates (plus any cash in the escrow fund with respect to such prerefunded obligations) are sufficient to meet the liabilities of the obligations;

(iv) the Government Obligations or Government Certificates serving as security for the obligations have been irrevocably deposited with and are held by an escrow agent or trustee; and

(v) such Government Obligations or Government Certificates are not available to satisfy any other claims, including those against the trustee or escrow agent.

(d) Direct and general long-term obligations of any State of the United States of America or the District of Columbia (a "State") to the payment of which the full faith and credit of such State is pledged and that are rated at the time of purchase of the investment in either of the two highest rating categories by the Rating Agencies then rating the Bonds.

(e) Direct and general short-term obligations of any State to the payment of which the full faith and credit of such State is pledged and that are rated at the time of purchase of the investment in the highest rating category by the Rating Agencies then rating the Bonds.

(f) Interest-bearing demand or time deposits with, or banker's acceptances from, state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation ("FDIC"). Such deposits must be at least one of the following: (i) continuously and fully insured by FDIC; (ii) if they have a maturity of one year or less, with or issued by banks that are rated in one of the two highest short term rating categories by the Rating Agencies then rating the Bonds; (iii) if they have a maturity longer than one year, with or issued by banks that are rated at the time of purchase of the investment in one of the two highest rating categories by the Rating Agencies then rating the Bonds; or (iv) fully secured by Government Obligations and Government Certificates. Such Government Obligations and Government Certificates must have a market value at all times at least equal to the principal amount of the deposits or interests. The Government Obligations and Government Certificates must be held by a third party (who shall not be the provider of the collateral), or by any Federal Reserve Bank or depository, as custodian for the institution issuing the deposits or interests. Such third party must have a perfected first lien in the Government Obligations and Government Certificates serving as collateral, and such collateral must be free from all other third party liens.

(g) Long-term or medium-term corporate debt guaranteed by any corporation that is rated at the time of purchase of the investment in one of the two highest rating categories by the Rating Agencies then rating the Bonds.

(h) Repurchase agreements longer than one year with financial institutions such as banks or trust companies organized under State or federal law, insurance companies, or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and a member of the Security Investors Protection

Corporation, or with a dealer or parent holding company that is rated at the time of purchase of the investment “AA” or better by the Rating Agencies then rating the Bonds. The repurchase agreement must be in respect of Government Obligations and Government Certificates or obligations described in paragraph (b) of this definition.

(i) Prime commercial paper of a corporation, finance company or banking institution rated at the time of purchase of the investment in the highest short-term rating category by the Rating Agencies then rating the Bonds.

(j) State or public agency or municipality obligations rated at the time of purchase of the investment in the highest credit rating category by the Rating Agencies then rating the Bonds.

(k) Shares of a diversified open-end management investment company, as defined in the Investment Company Act of 1940, as amended, or shares in a regulated investment company, as defined in Section 851(a) of the Code, that is a money market fund that has been rated in the highest rating category by the Rating Agencies then rating the Bonds.

(l) Money market accounts of any state or federal bank, or bank whose holding parent company is, rated in the top two short-term or long-term rating categories by the Rating Agencies then rating the Bonds.

(m) Investment agreements the issuer of which is rated at the time of purchase of the investment “AA” or better by the Rating Agencies then rating the Bonds.

(n) The City and County of San Francisco Treasurer's Investment Pool.

(o) Any other debt or fixed income security specified by an Authorized SFMTA Representative and rated at the time of purchase of the investment in the highest short-term rating category or one of the three highest long-term rating categories by the Rating Agencies then rating the Bonds.

“Pledged Revenues” shall mean all revenue of the SFMTA from or with respect to its management, supervision, operation and control of the Transportation System of the City, as determined in accordance with generally accepted accounting principles. Pledged Revenues shall include, but not be limited to, (i) grants or transfers funded pursuant to the Transportation Development Act (Sections 99200 et seq. of the California Public Utilities Code) and AB 1107 (Sections 29140 et seq. of the Public Utilities Code) and (ii) SFMTA parking meter revenues (but only to the extent Bonds or other Parity Obligations have financed traffic regulation and control functions). Pledged Revenues shall not include: (a) Special Facility Revenue and any interest income or profit realized from the investment thereof, unless such receipts or a portion thereof are designated as Pledged Revenues by the SFMTA, (b) grants or contributions, which by their terms would be restricted to uses inconsistent with the payment of the Bonds, (c) any state or federal grant (except for grants or transfers funded pursuant to the Transportation Development Act or AB 1107) unless such grant by its terms may be used to pay debt service and is designated as Pledged Revenues in a Supplemental Indenture or certificate of an

Authorized SFMTA Representative, (d) any amounts transferred to the SFMTA from the City's General Fund and any amounts in the SFMTA General Fund Transfer Account or (e) SFMTA parking meter revenues allocable to all or a portion of any Bonds or Parity Obligations that have not financed traffic regulation and control functions.

"Principal Amount" shall mean, as of any date of calculation, (a) with respect to any Capital Appreciation Bond, the Accreted Value thereof, and (b) with respect to any other Bonds, the stated principal amount thereof.

"Principal Payment Date" shall mean, with respect to any Series of Bonds, each date specified herein or in the Supplemental Indenture authorizing the issuance thereof for the payment of the Principal Amount of such Bonds either at maturity or upon prior redemption from mandatory sinking fund payments.

"Project Accounts" shall mean, collectively, the Project Accounts established pursuant to Section 4.01 hereof and any Supplemental Indenture.

"Project Costs" shall mean costs and expenses incurred or to be incurred by the SFMTA in connection with the SFMTA's projects, or otherwise permitted under the Code.

"Qualified Self-Insurance" shall mean either (a) a program of self-insurance, or (b) insurance maintained with a fund, company or association in which the SFMTA shall have a material interest and of which the SFMTA shall have control, either singly or with others, and in each case which meets the requirements of Section 6.05 hereof.

"Rating Agency" shall mean Moody's, Standard & Poor's and/or Fitch and any other rating agency designated by the SFMTA.

"Record Date" shall mean, with respect to any Series of Bonds, each date, if any, specified herein or in the Supplemental Indenture authorizing the issuance thereof as a Record Date.

"Refundable Credit" shall mean, with respect to a Series of Bonds that are Tax Credit Bonds, the amounts which are payable by the Federal government to the SFMTA.

"Registrar" shall mean, with respect to any Series of Bonds, each person or entity, if any, designated as such by the SFMTA herein or in the Supplemental Indenture authorizing the issuance of such Bonds, and its successors and assigns and any other person or entity which may at any time be substituted for it pursuant thereto.

"Repayment Obligation" shall mean an obligation under a written agreement between the SFMTA and a Credit Provider to reimburse the Credit Provider for amounts paid under or pursuant to a Credit Facility for the payment of the Principal Amount or purchase price of and/or interest on any Bonds.

"Reserve Fund" shall mean the Reserve Fund established pursuant to Section 5.04 hereof.

“Reserve Requirement” means, as to each Series of Bonds and as of any calculation date, the amount provided in the Supplemental Indenture providing for the issuance of such Series of Bonds.

“Responsible Officer” when used with respect to the Trustee shall mean any corporate trust officer to whom such matter is referred because of his or her knowledge of and familiarity with the particular subject.

“Series of Bonds” or “Bonds of a Series” or “Series” shall mean a series of Bonds issued pursuant to this Indenture.

“Series 2012A Bonds” shall mean the San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012A issued pursuant to the terms hereof and the First Supplemental Indenture.

“Series 2012B Bonds” shall mean the San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012B issued pursuant to the terms hereof and the First Supplemental Indenture.

“SFMTA” shall mean the San Francisco Municipal Transportation Agency as duly constituted from time to time under the Charter, and all commissions, agencies or public bodies which shall succeed to the powers, duties and obligations of the SFMTA.

“SFMTA General Fund Transfer Account” shall mean the SFMTA General Fund Transfer Account required to be created pursuant to Section 5.01 hereof. The SFMTA General Fund Transfer Account may be held as an account within the Municipal Transportation Fund created pursuant to Section 8A.105 of the Charter and any successor to such fund; provided that such Account shall be held separate and apart from the Enterprise Account.

“Special Facility” shall mean any existing or planned facility, structure, equipment or other property, real or personal, which is under the jurisdiction of the SFMTA or a part of any facility or structure which is under the jurisdiction of the SFMTA and which is designated as a Special Facility pursuant to Section 2.14 hereof.

“Special Facility Bonds” shall mean any revenue bonds, notes, bond anticipation notes, commercial paper or other evidences of indebtedness for borrowed money issued by, or certificates of participation executed on behalf of, the SFMTA to finance a Special Facility, the principal, premium, if any, and interest with respect to which are payable from and secured by the Special Facility Revenue derived from such Special Facility, and not from or by Pledged Revenues.

“Special Facility Revenue” shall mean the revenue earned by the SFMTA from or with respect to a Special Facility and which is designated as such by the SFMTA, including but not limited to contractual payments to the SFMTA under a loan agreement, lease agreement or other written agreement with respect to the Special Facility by and between the SFMTA and the

person, firm, corporation or other entity, either public or private, as shall operate, occupy or otherwise use the Special Facility.

“Standard & Poor’s” shall mean Standard & Poor’s Rating Services, a corporation organized and existing under the laws of the State of New York, 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 for any reason, the term “Standard & Poor’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by an Authorized SFMTA Representative.

“Subordinate Bonds” shall mean any evidences of indebtedness for borrowed money issued from time to time by the SFMTA pursuant to Section 2.10 hereof, including but not limited to, bonds, notes, bond anticipation notes, commercial paper, lease or installment purchase agreements or certificates of participation therein.

“Supplemental Indenture” shall mean an indenture supplementing or amending the provisions of the Indenture which is adopted by the SFMTA pursuant to Article IX hereof.

“Swap Counter Party” shall mean a member of the International Swap Dealers Association rated (either directly or by means of guaranty or credit enhancement) in one of the three top rating categories by both Rating Agencies.

“Swap Payments” shall mean as of each payment date specified in an Interest Rate Swap, the amount, if any, payable to the Swap Counter Party by the Trustee, on behalf of the SFMTA.

“Swap Receipts” shall mean as of each payment date specified in an Interest Rate Swap, the amount, if any, payable to the Trustee for the account of the SFMTA by the Swap Counter Party.

“Tax Certificate” shall mean a certificate executed by an Authorized SFMTA Representative on behalf of the SFMTA with respect to any Series of Bonds relating to the federal tax aspects of the use of the proceeds of such Bonds and other related matters.

“Tax Credit Bonds” shall mean a Series of Bonds that are subject to Section 54AA of the Code pursuant to an irrevocable election of the SFMTA or similar tax credit bonds.

“Transportation System” means the transportation system of the City over which the SFMTA has jurisdiction pursuant to the Charter and includes the City’s public transit, paratransit, street and traffic management and improvements, including parking meters and fines, bicycle and pedestrian safety and enhancement programs, on and off-street parking improvements and programs, including the parking garages owned or overseen by the SFMTA, the regulation of taxis and commercial vehicles within the City and any other revenue producing activities of the SFMTA.

“Treasurer” shall mean the Treasurer of the City, and any successor to his or her duties hereunder.

“Trustee” shall mean _____, and any successor to its duties hereunder.

“Variable Rate Bonds” shall mean any Bonds the interest rate on which is not fixed to maturity as of the date of calculation.

Section 1.02. Rules of Construction. Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Indenture:

(a) Any reference herein to the SFMTA or any officer thereof shall include any persons or entities succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

(b) The use of the neuter, masculine or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine and feminine gender.

(c) Words importing the singular number shall include the plural number and vice versa.

(d) All references herein to particular articles, sections or other subdivisions are references to articles, sections or other subdivisions of this Indenture.

(e) The headings and Table of Contents herein are solely for convenience of reference and shall not constitute a part of this Indenture nor shall they affect its meaning, construction or effect.

(f) All terms such as herein, hereunder and hereto shall refer to this Indenture, as amended or supplemented.

(g) All references herein to the time of day shall mean San Francisco, California time.

Section 1.03. Due Authorization. The SFMTA has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and does hereby find and determine, that the SFMTA has duly and regularly complied with all applicable provisions of law and is duly authorized by law to issue the Bonds in the manner and upon the terms provided in this Indenture and that all acts, conditions and things required by law to exist, happen and be performed precedent to and in connection with the issuance of the Bonds exist, have happened and have been performed in regular and due time, form and manner as required by law, and the SFMTA is now duly empowered to issue the Bonds.

ARTICLE II

TERMS OF BONDS

Section 2.01. Issuance. Bonds may be issued in one or more Series under and subject to the terms of this Indenture from time to time as the issuance thereof is authorized by

the SFMTA and by Supplemental Indenture for any purposes of the SFMTA now or hereafter permitted by law. The maximum principal amount of Bonds which may be issued hereunder is not limited by this Indenture. Notwithstanding any provision to the contrary herein, the issuance of the Series 2012A Bonds and the execution and delivery of the First Supplemental Indenture is hereby authorized and permitted under this Indenture without regard to compliance with Sections 2.09, 9.01 or 9.02.

Section 2.02. Terms. The Bonds of each Series shall be authorized by a Supplemental Indenture which shall provide, among other things: (a) the authorized Principal Amount or Authorized Amount of such Bonds and the Series designation therefor; (b) the general purpose or purposes for which such Bonds are being issued, and the deposit and disbursement of the proceeds thereof, (c) the dated date or dates of and Principal Payment Dates for such Bonds, and the Principal Amounts maturing or subject to redemption on each Principal Payment Date or the means of determining such amounts; (d) the interest rate or rates on such Bonds and the Interest Payment Dates therefor, and whether such interest rate or rates shall be fixed or variable, or a combination thereof, and, if necessary, the manner of determining such rate or rates; (e) the currency or currencies in which such Bonds shall be payable; (f) the authorized denominations of and manner of dating and numbering such Bonds; (g) the Record Date or Dates and the place or places of payment of the Principal Amount, redemption price, if any, purchase price, if any, of and interest on such Bonds; (h) the form or forms of such Bonds, which may include but shall not be limited to registered form and book-entry form, and the methods, if necessary, for the registration, transfer and exchange thereof, (i) the terms and conditions, if any, for the optional or mandatory redemption of such Bonds prior to maturity, including but not limited to the redemption date or dates, the redemption price or prices and any mandatory sinking fund payments with respect thereto; (j) the terms and conditions, if any, for the optional or mandatory tender of such Bonds for purchase prior to maturity, including but not limited to the tender date or dates and the purchase price or prices; (k) the authorization of and terms and conditions with respect to any Credit Facility for such Bonds; (l) the Authenticating Agent or Agents for such Bonds, if any, and the duties and obligations thereof, (m) the Paying Agent or Agents for such Bonds, if any, and the duties and obligations thereof, (n) the tender agent or agents for such Bonds, if any, and the duties and obligations thereof, (o) the remarketing agent or agents for such Bonds, if any, and the duties and obligations thereof; (p) the Registrar or Registrars for such Bonds, if any, and the duties and obligations thereof; and (q) any other provisions which the SFMTA deems necessary or desirable with respect to the authorization and issuance of such Bonds.

Section 2.03. Limited Obligation; Recitals on Bonds. (a) The Bonds shall be special, limited obligations of the SFMTA, and shall be payable as to Principal Amount, purchase price, if any, redemption premium, if any, and interest, out of the Pledged Revenues, and not out of any other funds or moneys of the SFMTA not pledged thereto, as further provided in Section 5.01 hereof.

(b) Each Bond shall bear a recital substantially as follows: “The Bonds (as defined under the Indenture) are special, limited obligations of the SFMTA payable solely from Pledged Revenues of the SFMTA and from moneys held in certain funds and accounts

established pursuant to the Indenture. The SFMTA is not obligated to pay the principal of, premium, if any, or interest on the Bonds from any source of funds other than Pledged Revenues. The General Fund of the City is not liable for the payment of the principal of, premium, if any, or interest on the Bonds, and neither the credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any of the property of the City or of the SFMTA or any of its income or receipts, except Pledged Revenues, as provided by the Indenture”.

(c) Each of the Bonds shall bear a certification and recital that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by that Bond, and in the issuing of said Bond, do exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State of California and the Charter, and that said Bond is within every debt and other limit prescribed by the Constitution and statutes of the State of California and said Charter. From and after the issuance of the Bonds of any Series, the findings and determinations of the SFMTA respecting that Series shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of such Bonds is at issue.

Section 2.04. Execution and Authentication of Bonds. All of the Bonds shall be executed in the name and on behalf of the SFMTA, with the signature of its Director of Transportation, Chairman or Vice Chairman. Such signature may be printed, lithographed, engraved or otherwise reproduced.

In case any such officer whose signature appears on the Bonds shall cease to be such officer before the Bonds so signed shall have been authenticated or delivered, such signature shall nevertheless be valid and sufficient for all purposes the same as if he or she had remained in office until the delivery of the Bonds, and such Bonds shall be issued and Outstanding hereunder and shall be as binding upon the SFMTA as though the person who signed such Bonds had been such official on the date borne by the Bonds and on the date of delivery.

Such Bonds shall bear a certificate of authentication executed by the Authenticating Agent. There shall be included in the text of such Bonds a statement to the following effect: “This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication endorsed hereon shall have been manually signed by the Authenticating Agent.” Only such Bonds as shall bear thereon a certificate of authentication in the form provided, executed by the Authenticating Agent, shall be or become valid or obligatory for any purpose or entitled to the benefits of this Indenture. Such certificate of the Authenticating Agent shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.05. Exchange of Bonds. Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same Series, interest rate and maturity date in

authorized denominations upon presentation and surrender thereof to the Trustee or the Registrar, as the case may be, together with written instructions satisfactory to the Trustee or the Registrar, and duly executed, in the case of registered Bonds, by the Holder or the Holder's attorney duly authorized in writing.

Section 2.06. Transfer of Bonds. (a) The SFMTA shall appoint a Registrar or Registrars with respect to each Series of Bonds to act as Registrar of the Bonds. Each Registrar will keep or cause to be kept sufficient records for the registration, transfer and exchange of the Bonds of such Series, which shall at all times be open to inspection by the SFMTA; and, upon presentation for such purpose, each Registrar shall, under such reasonable regulations as it may prescribe, register, transfer or exchange, or cause to be registered, transferred or exchanged, on said records, the Bonds of such Series as herein provided.

(b) Any Bond may, in accordance with its terms, be transferred, upon the records required to be kept by the Registrar, by the person in whose name it is registered, in person or by the Holder's attorney duly authorized in writing, upon surrender of such Bond for cancellation, accompanied by a written instrument of transfer in a form approved by the Registrar, duly executed. Whenever any Bond or Bonds shall be surrendered for transfer, an Authorized SFMTA Representative shall execute and the Authenticating Agent shall authenticate and deliver in the name of the transferee a new fully registered Bond or Bonds in authorized denominations of the same Series, interest rate and maturity date and for a like aggregate principal amount.

(c) As to any Bond, the person in whose name such Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of Principal Amount of, premium, if any, and interest on any Bond shall be made, as provided herein or in the applicable Supplemental Indenture, only to or upon the written order of the Holder thereof. Such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the amount so paid.

Section 2.07. Provisions with Respect to Transfers and Exchanges. (a) All Bonds surrendered for exchange or transfer shall forthwith be cancelled by the Registrar.

(b) In connection with any such exchange or transfer of Bonds, the Holder requesting such exchange or transfer shall, as a condition precedent to the exercise of the privilege of making such exchange or transfer, remit to the Registrar an amount sufficient to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer.

(c) The Supplemental Indenture authorizing the issuance of a Series of Bonds may provide such additional provisions or limitations on the exchange or transfer of such Bonds prior to an Interest Payment Date, redemption date or otherwise as the SFMTA shall deem appropriate.

Section 2.08. Mutilated, Destroyed, Lost and Stolen Bonds. If (a) any mutilated Bond is surrendered to the Trustee or if the SFMTA, the Registrar, if any, and the Trustee receive

evidence to their satisfaction of the destruction, loss or theft of any Bond, and (b) there is delivered to the Trustee such security or indemnity as may be required by them to hold the SFMTA, the Registrar, if any, and the Trustee harmless, then, in the absence of notice to the SFMTA, the Registrar, if any, or the Trustee that such Bond has been acquired by a bona fide purchaser and upon the Holder paying the reasonable expenses of the SFMTA, the Registrar, if any, and the Trustee, then the SFMTA, the Registrar, if any, and the Trustee shall cause to be executed and the Authenticating Agent shall authenticate and deliver, in exchange for such mutilated Bond or in lieu of and substitution for such destroyed, lost or stolen Bond, a new Bond of the same Series, interest rate and maturity date. If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, then the Trustee and any Paying Agent may, in its discretion, pay such Bond when due instead of delivering a new Bond. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it and redelivered to, or upon the order of, the SFMTA. Any Bond issued under the provisions of this Section 2.08 in lieu of any Bond alleged to be destroyed, lost or stolen shall be equally and proportionately entitled to the benefits of this Indenture and any Supplemental Indenture authorizing the issuance thereof with all other Bonds of the same Series secured thereby. Neither the SFMTA nor the Trustee shall be required to treat both the original Bond and any substitute Bond as being Outstanding for the purpose of determining the Principal Amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and substitute Bond shall be treated as one and the same.

Section 2.09. Conditions for Delivery of Bonds; Additional Bonds.

(a) Whenever the SFMTA determines to issue any additional Series of Bonds under the terms of this Indenture, the SFMTA shall adopt a Supplemental Indenture providing for the issuance thereof.

Before the delivery of any Series of Bonds to the purchaser or purchasers thereof, the SFMTA shall deliver the following to the Trustee:

(i) A certified copy of the resolution or resolutions of the SFMTA Board authorizing the issuance of such Series of Bonds and the execution and delivery of a Supplemental Indenture in connection therewith.

(ii) A certified copy of the resolution of the Board of Supervisors of the City concurring as to the issuance of such Series of Bonds.

(iii) Original, executed copies of this Indenture and any Supplemental Indenture providing for the issuance of such Series of Bonds and containing the terms and provisions thereof, including but not limited to, the items described in Section 2.02 hereof.

(iv) A certificate of an Authorized SFMTA Representative to the effect that the SFMTA is not then in default under the terms and provisions of this Indenture or any Supplemental Indenture.

(v) The amounts to be deposited into the respective Funds and Accounts created hereunder or under the Supplemental Indenture providing for such Series of Bonds; which amounts may include a deposit to the Reserve Fund or an account therein satisfying a Reserve Requirement as calculated upon issuance of such Series of Bonds.

(vi) An Opinion of Bond Counsel to the effect that such Series of Bonds has been duly authorized in conformity with law, and such Bonds constitute valid and binding obligations of the SFMTA.

(vii) Written instructions executed by an Authorized SFMTA Representative directing the Trustee (or any other Person designated to act as Authenticating Agent) to authenticate the Bonds and/or to deliver the Bonds to one or more designated persons.

(viii) Such other documents as are required hereby or by the Supplemental Indenture.

(b) Except as set forth in paragraph (c) below and Sections 2.10 and 2.14, the SFMTA shall not issue any additional Series of Bonds or other Parity Obligations unless the Trustee has also been provided with:

(i) a report of the SFMTA demonstrating, for the most recently ended Fiscal Year prior to the issuance of such additional Series of Bonds or other Parity Obligations, (1) compliance with the covenant set forth in subsection (a) of Section 6.02 hereof and (2) that Pledged Revenues in such prior Fiscal Year were at least equal to 300% of Maximum Annual Debt Service, calculated assuming such additional Series of Bonds or other Parity Obligations were Outstanding during such prior Fiscal Year; or

(ii) (1) a report of the SFMTA that provides projections that for the period from and including the first full Fiscal Year following the issuance of such Bonds or other Parity Obligations through and including the later of (A) the fifth full Fiscal Year following the issuance of such Bonds or other Parity Obligations or (B) the third full Fiscal Year during which no interest on such Bonds or other Parity Obligations is expected to be paid from the proceeds thereof, projected Pledged Revenues in each such Fiscal Year will be at least equal to 300% of Maximum Annual Debt Service and be sufficient to be able to comply with the covenant set forth in subsection (a) of Section 6.02 hereof; and

(2) In determining projected Pledged Revenues for purposes of paragraph (1) above, the SFMTA may take into account any reasonably anticipated changes in Pledged Revenues over such period, which assumed changes and the basis therefor shall be described in the calculations provided by the SFMTA. In determining Annual Debt Service for purposes of paragraph (1) above, (A) Bonds that will be paid or discharged immediately after the issuance of the Series of Bonds proposed to be issued from the proceeds thereof or other moneys shall be disregarded, and (B) Variable Rate Bonds, Amortized Bonds and Interest Rate Swaps (which are secured by Pledged

Revenues on a parity with the Bonds and under which the SFMTA pays a variable rate of interest) shall be deemed to bear interest or to be payable during any period after the date of calculation at a fixed annual rate equal to the lower of: (i) of one hundred twenty-five percent (125%) of the average Index Rate during the twelve (12) calendar months immediately preceding the date on which such calculation is made or (ii) the maximum rate of interest payable under such Variable Rate Bonds, Amortized Bonds or Interest Rate Swap.

In the event that the SFMTA proposes to assume any indebtedness for borrowed money in connection with assuming the management, supervision and control of any transportation facilities or other revenue-producing facilities, such indebtedness may constitute additional Bonds or other Parity Obligations under this Indenture entitled to an equal pledge of and lien on Pledged Revenues as the Bonds provided that the requirements of this subsection (b) are satisfied with respect to the assumption of such indebtedness (with a credit for any revenue of the facilities to be assumed) and an Opinion of Bond Counsel is delivered to the Trustee to the effect that such transaction complies with the terms of this Indenture.

(c) The SFMTA may also issue Bonds for the purpose of refunding any Bonds or other Parity Obligations on or prior to their maturity.

Section 2.10. Subordinate Bonds. Nothing in this Indenture shall prevent the SFMTA from issuing at any time while any of the Bonds issued hereunder are Outstanding Subordinate Bonds with a pledge of, lien on, and security interest in Pledged Revenues which are junior and subordinate to those of the Bonds, whether then issued or thereafter to be issued. The principal and purchase price of and interest, redemption premium and reserve fund requirements on such Subordinate Bonds shall be payable from time to time out of Pledged Revenues only if all amounts then required to have been paid or deposited hereunder from Pledged Revenues with respect to Principal Amount, purchase price, redemption premium, interest and reserve fund requirements on the Bonds then Outstanding or thereafter to be Outstanding shall have been paid or deposited as required in this Indenture and any Supplemental Indenture.

Section 2.11. Temporary Bonds. (a) Until definitive Bonds are prepared, the SFMTA may execute and deliver, or, in the case of registered Bonds, upon request by the SFMTA, the Authenticating Agent shall authenticate and deliver, temporary Bonds which may be typewritten, printed or otherwise reproduced in lieu of definitive Bonds subject to the same provisions, limitations and conditions as definitive Bonds. The temporary Bonds shall be dated as provided herein or in the applicable Supplemental Indenture, shall be in such denomination or denominations and shall be numbered as the SFMTA shall determine, and shall be of substantially the same tenor as the definitive Bonds of such Series, but with such omissions, insertions and variations as the officers of the SFMTA executing the same may determine. The temporary Bonds shall only be issued in fully registered form, and may be issued in the form of a single Bond.

(b) Without unreasonable delay after the issuance of any temporary Bonds, the SFMTA shall cause the definitive Bonds to be prepared, executed and delivered. Any temporary Bonds issued shall be exchangeable for definitive Bonds of such Series upon

surrender to the Registrar of any such temporary Bond or Bonds, and, upon such surrender, the SFMTA shall execute, and the Authenticating Agent shall authenticate and deliver, to the Holder of the temporary Bond or Bonds, in exchange therefor, a like principal amount of definitive Bonds of such Series in authorized denominations of the same interest rate and maturity date. Until so exchanged the temporary Bonds shall in all respects be entitled to the same benefits as definitive Bonds of such Series executed and delivered pursuant hereto.

(c) All temporary Bonds surrendered in exchange for a definitive Bond or Bonds shall forthwith be cancelled by the Trustee or the Registrar.

Section 2.12. Non-Presentment of Bonds. (a) If any Bond is not presented for payment when the Principal Amount thereof becomes due (whether at maturity or call for redemption or otherwise), all liability of the SFMTA to the Holder thereof for the payment of such Bond shall be completely discharged if funds sufficient to pay such Bond and the interest due thereon shall be held by the Trustee for the benefit of such Holder, and thereupon it shall be the duty of the Trustee to hold such funds subject to subsection (b) below, without liability for interest thereon, for the benefit of such Holder, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature under this Indenture or on, or with respect to, such Bond.

(b) Notwithstanding any provisions of this Indenture to the contrary, any moneys deposited with the Trustee or any Paying Agent in trust for the payment of the Principal Amount of, or interest or premium on, any Bonds and remaining unclaimed for one (1) year after the same has become due and payable (whether at maturity or upon call for redemption or otherwise), shall then be repaid to the SFMTA, and the Holders of such Bonds shall thereafter be entitled to look only to the SFMTA for repayment thereof, and all liability of the Trustee or any Paying Agent with respect to such moneys shall thereupon cease. Before the repayment of such moneys to the SFMTA, the Trustee or Paying Agent, as the case may be, shall send a written notice to the Holders of such Bonds at their last known addresses as shown on the records maintained by the Registrar. In the event of the repayment of any such moneys to the SFMTA, the Holders of the Bonds in respect of which such moneys were deposited shall thereafter be deemed to be unsecured creditors of the SFMTA for amounts equivalent to the respective amounts deposited for the payment of such Bonds and so repaid to the SFMTA (without interest thereon).

Section 2.13. Repayment Obligations and Interest Rate Swaps as Bonds. (a) If so provided in the applicable Supplemental Indenture and in the written agreement between the SFMTA and the Credit Provider, a Repayment Obligation (other than a Repayment Obligation with respect to a Credit Facility on deposit in the Reserve Fund) may be accorded the status of an obligation payable on a parity from Pledged Revenues with the Bonds solely for purposes of securing such Repayment Obligation under this Indenture. The rights of a Credit Provider under this Section 2.13(a) shall be in addition to any rights of subrogation which the Credit Provider may otherwise have or be granted under law or pursuant to any Supplemental Indenture.

(b) If so provided in the applicable Supplemental Indenture and in the written agreement memorializing an Interest Rate Swap between the SFMTA and a Swap

Counter Party, a Swap Payment may be accorded the status of an obligation payable on a parity from Pledged Revenues with the Bonds solely for purposes of securing such obligation to make Swap Payments under this Indenture.

Section 2.14. Special Facilities and Special Facility Bonds. The SFMTA from time to time, subject to the terms and conditions of this Section 2.14 and all applicable laws, may (a) designate an existing or planned facility, structure, equipment or other property, real or personal, which is under its jurisdiction as a “Special Facility,” (b) provide that revenue earned by the SFMTA from or with respect to such Special Facility shall constitute “Special Facility Revenue” and shall not be included as Pledged Revenues, and (c) issue Special Facility Bonds primarily for the purpose of acquiring, constructing, renovating or improving, or providing financing to a third party to acquire, construct, renovate or improve, such Special Facility. The Special Facility Bonds shall be payable as to principal, purchase price, if any, redemption premium, if any, and interest from and secured by the Special Facility Revenue with respect thereto, and not from or by Pledged Revenues. The SFMTA from time to time may refinance any such Special Facility Bonds with other Special Facility Bonds.

No Special Facility Bonds shall be issued by the SFMTA unless there shall have been filed with the Trustee (i) a certificate of the SFMTA to the effect that no Event of Default then exists under Article VII of this Indenture, (ii) an opinion of Bond Counsel to the effect that such Special Facility Bonds may lawfully be issued in accordance with the Charter and all other applicable laws and (iii) a report of the SFMTA providing the following projections:

(a) The estimated Special Facility Revenue with respect to the proposed Special Facility will be at least sufficient to pay the principal (either at maturity or by mandatory sinking fund redemptions) or purchase price of and interest on such Special Facility Bonds as and when the same shall become due, all costs of operating and maintaining such Special Facility not paid by a party other than the SFMTA, and all sinking fund, reserve fund and other payments required with respect to such Special Facility Bonds as and when the same shall become due; and

(b) The estimated Pledged Revenues calculated without including the Special Facility Revenue and without including any operation and maintenance expenses of the Special Facility will be sufficient so that the SFMTA is able to be in compliance with Section 6.02(a) of this Indenture during each of the five full Fiscal Years immediately following the issuance of such Special Facility Bonds.

At such time as the Special Facility Bonds issued for a Special Facility, including Special Facility Bonds issued to refinance such Special Facility Bonds, are fully paid or otherwise discharged and no longer outstanding, the Special Facility Revenue with respect to such Special Facility may be included as Pledged Revenues as determined by the SFMTA in a Supplemental Indenture or certificate of an Authorized SFMTA Representative delivered to the Trustee.

ARTICLE III

REDEMPTION OF BONDS

Section 3.01. Right to Redeem. Bonds of a Series may be subject to redemption prior to maturity at such times, to the extent and in the manner provided herein and in any Supplemental Indenture authorizing the issuance thereof.

Section 3.02. Sinking Fund Redemption. Bonds of a Series may be subject to mandatory sinking fund redemption and shall be redeemed at such times, to the extent and in the manner provided herein and in any Supplemental Indenture authorizing the issuance thereof.

Section 3.03. Notice of Redemption. (a) If less than all Bonds of a Series are to be redeemed, and subject to the provisions of subsection (b) hereof, the Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, serial numbers and maturity dates. Each notice of redemption shall specify: (i) the date of such notice and the date fixed for redemption, (ii) the Principal Amount of Bonds or portions thereof to be redeemed, (iii) the applicable redemption price, (iv) the place or places of payment, (v) that payment of the Principal Amount and premium, if any, shall be made upon presentation and surrender to the Trustee or Paying Agent, as applicable, of the Bonds to be redeemed, unless provided otherwise herein or in the applicable Supplemental Indenture, (vi) that interest accrued to the date fixed for redemption shall be paid as specified in such notice, (vii) that on and after said date interest on Bonds called for redemption shall cease to accrue, and (viii) the designation, including Series, and the CUSIP and serial numbers, if any, of the Bonds to be redeemed and, if less than the face amount of any such Bond is to be redeemed, the Principal Amount to be redeemed. Notice of redemption of any Bonds shall be mailed at the times and in the manner set forth in subsection of this Section 3.03.

(b) Except as may otherwise be provided herein or in any Supplemental Indenture authorizing the issuance of the Bonds to be redeemed, any notice of redemption shall be sent by the Trustee not less than 15 days prior to the date set for redemption by first class mail or electronic mail, as appropriate (i) with respect to each Bond to be redeemed, to the Holder of such Bond at his or her address as it appears on the records maintained by the Registrar and (ii) to any information services of national recognition which disseminate redemption information with respect to municipal securities, as directed by the SFMTA. In preparing such notice, the Trustee shall take into account, to the extent applicable, the prevailing municipal securities industry standards and any regulatory statement of any federal or state administrative body having jurisdiction over the SFMTA or the municipal securities industry. Failure to give any notice specified in this paragraph or any defect therein, shall not affect the validity of any proceedings for the redemption of any of the Bonds.

(c) Notice of redemption shall be given by the Trustee for and on behalf of the SFMTA, at the written request of the SFMTA (which request shall be given to the Trustee at least 20 days prior to the date fixed for redemption, unless a shorter period of notice is consented to by the Trustee). The SFMTA shall deposit with, or otherwise make available to, the Trustee the moneys required for payment of the redemption price of all Bonds then to be

called for redemption at least one Business Day before the date fixed for such redemption. Any notice of redemption may be conditional and may be modified or cancelled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption or any other condition to the redemption has not been satisfied, and such modification or cancellation shall not constitute an Event of Default hereunder. The notice of redemption shall indicate whether it is conditional and a conditional redemption date may be extended with three (3) business days' notice.

Section 3.04. Selection of Bonds to be Redeemed. Except as otherwise provided herein or in any Supplemental Indenture authorizing the issuance thereof: (a) if less than all Bonds of a Series are to be redeemed, the maturities to be redeemed or the method of their selection shall be determined by the SFMTA, and (b) if less than all such Bonds of a single maturity are to be redeemed, such Bonds to be redeemed shall be selected by lot in such manner as the Trustee shall determine.

Section 3.05. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the SFMTA shall execute, the Authenticating Agent shall authenticate and the Trustee shall deliver to the Holder thereof, at the expense of the SFMTA, a new Bond or Bonds, of the same Series, interest rate and maturity date, of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered.

Section 3.06. Effect of Redemption. Notice of redemption having been duly given as provided herein and moneys for payment of the redemption price being held by the Trustee, the Bonds to be redeemed shall, on the date designated in such notice, become due and payable at the redemption price specified in such notice, and from and after the date designated interest on the Bonds to be redeemed shall cease to accrue, and the Holders of such Bonds shall have no rights in respect thereto, except to receive payment of the redemption price thereof. Upon surrender for payment of any Bonds to be redeemed, such Bonds shall be paid by the Trustee or the Paying Agent, as the case may be, at the applicable redemption price.

Section 3.07. Disposition of Redeemed Bonds. All Bonds redeemed pursuant to the provisions of this Article III shall be delivered to and cancelled and destroyed by the Trustee, which shall thereafter deliver to the SFMTA a certificate stating that such Bonds have been cancelled and destroyed, and no Bonds shall be issued in place thereof.

Section 3.08. Purchase of Bonds. The SFMTA may at any time purchase Bonds and such Bonds shall be deemed cancelled or Outstanding as determined by the SFMTA in a writing of an Authorized SFMTA Representative delivered to the Trustee. Further, the SFMTA may purchase Bonds in lieu of redemption, including sinking fund redemption, and such purchase shall be a credit to any obligation to redeem such Bonds and in the case of Bonds subject to sinking fund installment redemption, the SFMTA may indicate in writing to the Trustee which sinking fund installments are to be credited. The remarketing or resale of any Bonds purchased by or on behalf of the SFMTA shall be conditioned upon delivery of an Opinion of Bond Counsel.

ARTICLE IV

PROJECT FUNDS AND DELIVERY COSTS FUND

Section 4.01. Project Accounts and Delivery Costs Accounts. The SFMTA is hereby authorized to create a Project Account and/or Delivery Costs Account with respect to each Series of Bonds. Such Accounts shall be held as separate accounts and shall be maintained and accounted for by the Trustee or the SFMTA, and the moneys in each of said Accounts shall be used for the purposes for which the Series of Bonds to which it relates are authorized to be issued, including but not limited to Delivery Costs therefor.

ARTICLE V

REVENUE AND FUNDS

Section 5.01. Revenue, Pledge of Pledged Revenues; Trust Estate. The Bonds shall be payable as to Principal Amount, purchase price, if any, premium, if any, and interest exclusively from, and shall be secured by a pledge of, first lien on and security interest in the Pledged Revenues. The Pledged Revenues shall be deposited in the Enterprise Account which shall constitute a trust fund for the security and payment of the Principal Amount of, purchase price, if any, premium, if any, and interest on, the Bonds. The SFMTA hereby grants a first lien on and security interest in, assigns, transfers, pledges and grants and conveys to the Trustee and its successors and assigns forever, for the benefit of the Bondholders and the holders of any other Parity Obligations, the following property:

(a) amounts on deposit from time to time in the Funds and Accounts created pursuant to this Indenture, including the earnings thereon, subject to the provisions of this Indenture and any Supplemental Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein.

(b) amounts constituting Pledged Revenues and amounts in the Enterprise Account; and

(c) any and all other property of any kind from time to time conveyed, pledged, assigned or transferred, as and for additional security hereunder for the Bonds, in favor of the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

The pledge of the Pledged Revenues and other moneys and property herein shall be irrevocable until all of the Bonds have been paid and retired. Such pledge shall be valid and binding from and after the date hereof and all Pledged Revenues shall immediately be subject to the lien of such pledge as and when received by the SFMTA, without any physical delivery thereof or further act, and the lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the SFMTA.

All Bonds issued hereunder and at any time Outstanding shall be equally and ratably secured with all other Outstanding Bonds, with the same right, lien, preference and priority with respect to Pledged Revenues, without preference, priority or distinction on account of the date or dates or the actual time or times of the issuance or maturity of the Bonds or otherwise. All Bonds of a particular Series shall in all respects be equally and ratably secured and shall have the same right, lien and preference hereunder established for the benefit of such Series of Bonds as provided in a Supplemental Indenture, including, without limitation, rights in any related Project Account and/or Delivery Costs Account, the Debt Service Fund or the Reserve Fund or account related to such Bonds. Notwithstanding the foregoing, amounts drawn under a Credit Facility with respect to particular Bonds and all other amounts held in Funds or Accounts established with respect to particular Bonds pursuant to the provisions hereof and of any Supplemental Indenture shall be applied solely to make payments on such particular Series of Bonds.

The Bonds are special, limited obligations of the SFMTA payable solely from Pledged Revenues of the SFMTA and from moneys held in certain funds and accounts established hereunder. The SFMTA is not obligated to pay the Principal Amount of, premium, if any, or interest on the Bonds from any source of funds other than Pledged Revenues. The General Fund of the City is not liable for the payment of the principal of, premium, if any, or interest on the Bonds, and neither the credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any of the property of the City or of the SFMTA or any of its income or receipts, except Pledged Revenues as provided herein.

The SFMTA or the Treasurer on its behalf shall create and maintain the SFMTA General Fund Transfer Account within the Transportation Fund. The SFMTA or the Treasurer on its behalf shall deposit all amounts received by the SFMTA from the City's General Fund in the SFMTA General Fund Transfer Account. Such Account shall be help separate and apart from the Enterprise Account and the amounts in the SFMTA General Fund Transfer Account shall not be transferred to the Enterprise Account and are not pledged to the Bonds. Amounts in the SFMTA General Fund Transfer Account shall be expended on operation and maintenance expenses and other SFMTA purposes and shall not be used to pay debt service on the Bonds.

Section 5.02. Creation of Funds and Accounts.

(a) The Enterprise Account is hereby created and shall be held by the SFMTA or the Treasurer on behalf of the SFMTA.

(b) There is hereby created a Debt Service Fund and a Reserve Fund to be held by the Trustee in trust for the benefit of the Bondholders.

The SFMTA may create such other Funds or Accounts for the allocation and application of Pledged Revenues or other moneys as it shall deem necessary or desirable. Any Fund or Account held by the SFMTA pursuant to the terms hereof may include and/or consist of

one or more accounts of the SFMTA then in existence or created from time to time as necessary or desirable for accounting and operational purposes.

Section 5.03. Debt Service Fund. The SFMTA shall establish with the Trustee a separate account or accounts in the Debt Service Fund with respect to any or all of the Bonds of one or more Series. Moneys in the Debt Service Fund and the accounts therein shall be held in trust by the Trustee and applied to pay Principal Amount and purchase price of and interest and redemption premium on such Bonds, in the amounts, at the times and in the manner set forth herein and in the Supplemental Indentures with respect thereto; provided, however, that each Supplemental Indenture shall require to the extent practicable that amounts be accumulated in the applicable accounts in the Debt Service Fund so that moneys sufficient to make any regularly scheduled payment of Principal Amount of or interest on the Bonds are on deposit therein at least one (1) Business Day prior thereto. Moneys in the accounts in the Debt Service Fund may also be applied to pay or reimburse a Credit Provider for Repayment Obligations to the extent provided herein or in the Supplemental Indentures with respect thereto.

If and to the extent provided for in any Supplemental Indenture authorizing the issuance of a Series of Bonds, Swap Payments may be paid directly out of, and Swap Receipts paid directly into, the account or accounts in the Debt Service Fund established with respect to such Series of Bonds.

Section 5.04. Reserve Fund. The Reserve Fund or an account therein shall be funded in an amount at least equal to the Reserve Requirement established for each Series of Bonds (provided that a Series of Bonds may be issued that is not supported by the Reserve Fund and that has no Reserve Requirement). The SFMTA may by Supplemental Indenture establish a separate account or accounts in the Reserve Fund with respect to any or all of the Bonds of one or more Series. Moneys in the Reserve Fund and the accounts therein shall be held in trust by the Trustee for the benefit and security of the Holders of the Bonds to which such accounts are pledged, and shall not be available to pay or secure the payment of any other Bonds. Each account in the Reserve Fund shall be funded and replenished in the amounts, at the times and in the manner provided herein or in the Supplemental Indentures with respect thereto. Moneys in the respective accounts in the Reserve Fund shall be applied to pay and secure the payment of such Bonds as provided herein or in the Supplemental Indenture with respect thereto. Moneys in an account in the Reserve Fund may also be applied to pay or reimburse a Credit Provider for Repayment Obligations to the extent provided herein or in the Supplemental Indenture with respect thereto.

The Reserve Requirement (or any portion thereof) may be provided by one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank if the obligations insured by such insurer or issued by such bank, as the case may be, initially have ratings at the time of issuance of such policy or surety bond or letter of credit in one of the two highest rating categories of the Rating Agencies then rating the Bonds.

Section 5.05. Application of Pledged Revenues and Enterprise Account. All Pledged Revenues as received shall be set aside and deposited by the SFMTA or the Treasurer on

its behalf in the Enterprise Account. Moneys in the Enterprise Account shall be applied by the SFMTA for the following purposes in the following amounts and order of priority, each priority to be fully satisfied before the next priority:

(a) Debt Service Fund Transfer. Moneys in the Enterprise Account shall be transferred to the Trustee for deposit in the Debt Service Fund in amounts sufficient to pay Principal Amount and purchase price of and interest and redemption premium on Bonds. Moneys in the Debt Service Fund may also be applied to pay or reimburse a Credit Provider for Repayment Obligations or other Parity Obligations to the extent provided herein or in the Supplemental Indentures with respect thereto. If and to the extent provided for in any Supplemental Indenture authorizing the issuance of a Series of Bonds, Swap Payments may be paid directly out of moneys in the Debt Service Fund. Moneys shall be transferred from the Enterprise Account to the Trustee for deposit in the Debt Service Fund at the following times and amounts:

(i) for any Bond payment that is due monthly or more frequently than a monthly basis, the amount due shall be transferred to the Trustee for deposit in the Debt Service Fund at least five Business Days prior to the Payment Date. Reasonable estimates may be made by the SFMTA in the case of Bonds with variable rates of interest and proceeds of refinancing obligations that are expected to refinance Amortized Bonds or other Bonds may be taken into account in lieu of transfers in advance from the Enterprise Account;

(ii) for any Bond payment that is due annually, semi-annually, quarterly or less frequently than a monthly basis, the amount due shall be transferred to the Trustee for deposit in the Debt Service Fund in approximately equal monthly installments prior to the Payment Date. The monthly installments for any such Payment Date shall begin the month after the prior related Payment Date and have the final installment at least five Business Days prior to such Payment Date. Reasonable estimates may be made by the SFMTA in the case of Bonds with variable rates of interest and proceeds of refinancing obligations that are expected to refinance Amortized Bonds or other Bonds may be taken into account in lieu of transfers in advance from the Enterprise Account. The SFMTA may choose to transfer the monthly amounts due for Bond payments in advance.

(b) Reserve Fund Transfer. On or before each Payment Date, moneys in the Enterprise Account shall be transferred to the Trustee for deposit in the appropriate account within the Reserve Fund in the amount that is needed to satisfy any deficiency in the funding of the Reserve Requirement for a Series of Bonds (provided that replenishment of the Reserve Fund (or any account therein) after any draw from the Reserve Fund to pay debt service on Bonds shall be funded in approximately equal monthly installments over eighteen (18) months).

(c) General Purposes. Any amounts remaining after the applications pursuant to paragraph (a) and (b) above shall be used for any lawful purpose of the SFMTA and in accordance with all relevant provisions of the Charter, including but not limited to operation and maintenance expenses and payment of Subordinate Bonds.

(d) Deficiencies in Funds and Accounts. In the event that Pledged Revenues in the Enterprise Account together with other available moneys are insufficient to make the required payments and deposits pursuant to paragraph (a) and (b) of Section 5.05 hereof or an Event of Default has been declared and is continuing, the SMTA or the Treasurer on its behalf shall allocate all available Pledged Revenues and amounts in the Enterprise Account on a first priority basis to make the payments or deposits then required, first, with respect to interest on Bonds; second, with respect to Principal Amount, redemption price or purchase price of Bonds; and third, with respect to funding any Reserve Requirements for Bonds. Available Pledged Revenues shall be allocated within each order of priority, to the extent necessary, on a pro rata basis in proportion to the respective amounts of payments or deposits required to be made with respect to Principal Amount or purchase price of, interest on or reserve requirements for Bonds, as the case may be.

Section 5.06. [Reserved]

Section 5.07. Investment of Moneys. (a) Moneys in all Funds and Accounts held by the Trustee shall be invested as soon as practicable upon receipt in Permitted Investments as directed in writing by an Authorized SFMTA Representative; provided, that (i) pursuant to such written direction, the maturity date or the date on which such Permitted Investments may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event shall be later than) the date or dates on which moneys in the Funds or Accounts for which the investments were made will be required for the purposes thereof, and (ii) in the absence of direction from an Authorized SFMTA Representative, the Trustee shall invest moneys in the Permitted Investments described in clause (I) of the definition thereof or such other Permitted Investment identified in writing by an Authorized SFMTA Representative. Anything herein to the contrary notwithstanding, moneys in all Funds and Accounts held by the Treasurer shall be invested in Permitted Investments in accordance with the policies and procedures of the Treasurer in effect from time to time.

(b) Investment of amounts in any Fund or Account shall be made in the name of such Fund or Account.

(c) Amounts credited to a Fund or Account may be invested, together with amounts credited to one or more other Funds or Accounts, in the same Permitted Investment; provided, however, that (i) each such investment complies in all respects with the provisions of subsection (a) of this Section 5.06 as they apply to each Fund or Account for which the joint investment is made, and (ii) separate records are maintained for each Fund and Account and such investments are accurately reflected therein.

(d) The Trustee may make any investment permitted by this Section 5.06 through or with its own commercial banking or investment departments, unless otherwise directed by the SFMTA, provided, however, that the details of such transactions and relationships and all fees charged or received by the Trustee in such transactions shall be disclosed to the SFMTA.

(e) Except as otherwise specifically provided herein, in computing the amount in any Fund or Account, Permitted Investments purchased as an investment of moneys therein shall be valued at the current market value thereof or at the redemption price thereof, if then redeemable at the option of the holder, in either event inclusive of accrued interest.

(f) Any transfer to or deposit in any Fund or Account required by this Indenture may be satisfied by transferring or depositing an investment with a market value equal to the required transfer or deposit in lieu of transferring or depositing cash.

(g) Earnings in any Fund or Account shall remain on deposit in such Fund or Account unless otherwise provided herein or in a written direction of an Authorized SFMTA Representative.

(h) Except as otherwise specifically set forth herein, upon request of an Authorized SFMTA Representative, the Trustee shall deliver any investment earnings on any Funds or Accounts held by the Trustee to the SFMTA.

Section 5.08. Limited Liability of Trustee for Investments. The Trustee shall not be liable for making any investment at the direction of the SFMTA or authorized by the provisions of this Article V in the manner provided in this Article V, or for any loss resulting from any such investment so made, except for its own negligence, willful misconduct or self-dealing constituting a breach of trust under applicable law.

The Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment, and the Trustee shall not be liable or responsible for any loss, fee, tax or other charge resulting from any investment, reinvestment or liquidation hereunder, unless such loss, fee, tax or other charge resulted from the negligence or willful misconduct of the Trustee.

The SFMTA acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the SFMTA the right to receive brokerage confirmations of security transactions as they occur, the SFMTA specifically waive receipt of such confirmations to the extent permitted by law; provided that descriptions of such transactions shall appear in the monthly reports provided by the Trustee pursuant to Section 8.11(b).

Section 5.09. Purchase of Bonds. (a) The SFMTA, or the Trustee upon the written direction of the SFMTA, from surplus Pledged Revenues or other available funds, may purchase Bonds of any Series at public or private sale (including but not limited to purchase in-lieu of redemption, as and when and at such prices as the SFMTA may in its discretion determine to be prudent).

(b) If authorized hereby or by the relevant Supplemental Indenture, the Trustee shall apply any or all amounts deposited in an account in the Debt Service Fund with respect to mandatory sinking fund payments to the purchase of term Bonds, at such prices and in accordance with such terms as may be prescribed hereby or by said Supplemental Indenture.

(c) Absent written directions to the contrary from an Authorized SFMTA Representative, all Bonds so purchased shall be delivered to and cancelled and destroyed by the Trustee, which shall thereafter deliver to the SFMTA a certificate stating that such Bonds have been cancelled and destroyed, and no Bonds shall be issued in place thereof.

ARTICLE VI

GENERAL COVENANTS OF THE SFMTA

Section 6.01. Payment of Principal and Interest; Negative Pledge. (a) The SFMTA covenants and agrees that it promptly will pay or cause to be paid the Principal Amount and purchase price of, premium, if any, and interest on each Bond issued hereunder at the place, on the dates and in the manner provided herein, in any applicable Supplemental Indenture and in said Bond according to the terms thereof but solely from the sources pledged to such payment or from such other sources or revenue as may lawfully be used for such payment.

(b) The SFMTA covenants and agrees that it will not create any pledge of, lien on, security interest in or encumbrance upon, or permit the creation of any pledge of, lien on, security interest in or encumbrance upon, Pledged Revenues except as provided herein for the benefit of the Bonds and other Parity Obligations or except for a pledge, lien, security interest or encumbrance subordinate to the pledge, lien and security interest provided herein for the benefit of the Bonds.

(c) The SFMTA covenants that it shall not issue, or cooperate with the issuance of, any bonds or other obligations secured by Pledged Revenues prior to the Bonds so long as any Bonds remain Outstanding hereunder.

Section 6.02. Covenant to Adopt Balanced Budget and Maintain Adequate Pledged Revenues. (a) The SFMTA covenants and agrees that it will (i) adopt for each Fiscal Year or every two Fiscal Years a budget that is balanced in accordance with Section 8A.106 of the Charter and that provides for payment of Annual Debt Service in such Fiscal Year and (ii) manage its operations and set charges (including but not limited to fares, rates and fees) for the Transportation System so that Pledged Revenues in each Fiscal Year (and available fund balances held by the SFMTA or the Trustee) will be at least equal to Annual Debt Service, payments due on Subordinate Bonds and payment of all costs reasonably necessary to operate the Transportation System in such Fiscal Year (but not including costs that have been funded from other sources not constituting Pledged Revenues or that may reasonably be deferred).

(b) The SFMTA covenants that if it is unable to comply with subsection (a) of this Section 6.02, the SFMTA will review the SFMTA's operations and its schedule of fares, rates, fees and charges and prepare a plan with reasonable measures to comply with subsection (a). The SFMTA shall take such plan into account for future budgets and management.

Section 6.03. Operation and Maintenance of Transportation Operations. The SFMTA covenants that it will operate and maintain its operations and the Transportation System as a revenue producing enterprise in accordance with law, including but not limited to the Act.

The SFMTA will make such repairs to its facilities and equipment as shall be required to enable it to perform its covenants contained herein.

The SFMTA will, from time to time, duly pay and discharge, or cause to be paid and discharged, any taxes, assessments or other governmental charges lawfully imposed upon its facilities or equipment or upon any part thereof, or upon the revenue from the operation thereof, when the same shall become due, as well as any lawful claim for labor, materials or supplies which, if unpaid, might by law become a lien or charge upon its facilities or equipment or such revenue, or which might materially impair the security of the Bonds. Notwithstanding the foregoing, the SFMTA need not pay or discharge any tax, assessment or other governmental charge, or claim for labor, materials or supplies, if and so long as the SFMTA shall contest the validity or application thereof in good faith.

The SFMTA will continuously operate its facilities and equipment and the Transportation System so that all lawful orders of any governmental agency or authority having jurisdiction in the premises shall be complied with, but the SFMTA shall not be required to comply with any such orders so long as the validity or application thereof shall be contested in good faith.

Section 6.04. Maintenance of Powers; Retention of Assets. (a) The SFMTA covenants that it will use its reasonable efforts to maintain the powers, functions, duties and obligations now reposed in it pursuant to law, and will not at any time voluntarily do, suffer or permit any act or thing the effect of which would be to materially, adversely impact the payment of the Bonds or any other obligation secured hereby or the performance or observance of any of the covenants herein contained.

(b) The SFMTA covenants that it will not dispose of assets necessary to operate the Transportation System in the manner and at the levels of activity required to enable it to perform its covenants contained herein.

(c) The SFMTA covenants that it shall not apply Pledged Revenues or any other revenue of the SFMTA for other than SFMTA purposes as provided in the Charter.

Section 6.05. Insurance. Subject in each case to the condition that insurance is obtainable at reasonable rates from responsible insurers and upon reasonable terms and conditions:

(a) The SFMTA shall procure or provide and maintain, at all times while any of the Bonds shall be outstanding, insurance or Qualified Self-Insurance on its facilities and equipment and with respect to its operations and the Transportation System against such risks as are usually insured by other transportation agencies which are similar in their operations to the SFMTA. Such insurance or Qualified Self-Insurance shall be in an adequate amount as to the risk insured against as determined by the SFMTA. The SFMTA need not carry insurance or Qualified Self-Insurance against losses caused by land movement, including but not limited to seismic activity.

(b) Any Qualified Self-Insurance shall be established in accordance with applicable law; shall include reserves or reinsurance in amounts which the SFMTA determines to be adequate to protect against risks assumed under such Qualified Self-Insurance, including without limitation any potential retained liability in the event of the termination of such Qualified Self-Insurance.

(c) The proceeds of any material claim on insurance shall be applied solely for SFMTA purposes. Further, the proceeds of any casualty insurance shall, within a reasonable period of time, be applied to (1) replace the SFMTA facilities which were damaged or destroyed, (2) provide additional revenue-producing SFMTA facilities, (3) redeem Bonds and other Parity Obligations or (4) create an escrow fund pledged to pay specified Bonds (and other Parity Obligations) and thereby cause such Bonds to be deemed to be paid as provided in Article X hereof.

Section 6.06. Financial Records and Statements. The SFMTA shall maintain proper books and records in which full and correct entries shall be made in accordance with generally accepted accounting principles, of all its business and affairs. The SFMTA shall have an annual audit made by an Independent Auditor and shall on or before 270 days after the end of each of its Fiscal Years furnish to the Trustee copies of the audited financial statements of the SFMTA for such Fiscal Year.

All such books and records pertaining to the SFMTA shall be open and available for inspection upon reasonable notice during regular business hours to the Trustee or the representatives thereof duly authorized in writing.

Section 6.07. Tax Covenants. Notwithstanding any other provision of this Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds will not be adversely affected for federal income tax purposes, the SFMTA covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The SFMTA will not take or omit to take any action or make any use of the proceeds of the Bonds or of any other moneys or property which would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code.

(b) Arbitrage. The SFMTA will make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(c) Federal Guarantee. The SFMTA will make no use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(d) Information Reporting. The SFMTA will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code.

(e) Miscellaneous. The SFMTA will take no action inconsistent with its expectations stated in any Tax Certificate executed with respect to the Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

(f) Taxable Bonds and Tax Credit Bonds. Notwithstanding the foregoing, the SFMTA may issue a Series of Bonds that are intentionally not exempt from taxation and may issue Series of Bonds that are Tax Credit Bonds.

Section 6.08. Eminent Domain. If SFMTA facilities or equipment are taken by eminent domain proceedings or conveyance in lieu thereof, the SFMTA shall create within the Enterprise Account a special account and credit the net proceeds received as a result of such taking or conveyance to such account and shall within a reasonable period of time, not to exceed three years after the receipt of such amounts, use such proceeds to (1) replace the SFMTA facilities which were taken or conveyed, (2) provide additional revenue-producing SFMTA facilities, (3) redeem Bonds and other Parity Obligations or (4) create an escrow fund pledged to pay specified Bonds (and other Parity Obligations) and thereby cause such Bonds to be deemed to be paid as provided in Article X hereof.

ARTICLE VII

DEFAULT AND REMEDIES

Section 7.01. Events of Default. Each of the following is hereby declared an "Event of Default" hereunder:

(a) if payment of any installment of interest on any Bond shall not be made in full when the same becomes due and payable;

(b) if payment of the Principal Amount of any Bond shall not be made in full when the same becomes due and payable, whether at maturity or by proceedings for redemption or otherwise;

(c) if payment of the purchase price of any Bond tendered for optional or mandatory purchase in accordance with the provisions of the Supplemental Indenture providing for the issuance of such Bond shall not be made in full when due;

(d) if the SFMTA shall fail to observe or perform any other covenant or agreement on its part under this Indenture for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the SFMTA by the Trustee, or to the SFMTA and the Trustee by the Owners of at least 25% in aggregate Principal Amount of Bonds then Outstanding; provided, however, that if the breach of covenant or agreement is one which cannot be completely remedied within the 60 days after written notice has been given, it shall not be an Event of Default as long as the SFMTA has

taken active steps within the 60 days after written notice has been given to remedy the failure and is diligently pursuing such remedy (in the case of a failure to comply with Section 6.02(a), active steps by the SFMTA to remedy the failure include steps to comply with Section 6.02(b) and diligent pursuit of such remedy include compliance with Section 6.02(a) in the next Fiscal Year);

(e) if either the SFMTA or the City shall institute proceedings to be adjudicated a bankrupt or insolvent, or shall consent to the institution of bankruptcy or insolvency proceedings against it, or shall file a petition or answer or consent seeking reorganization or relief under the federal Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the SFMTA or of any substantial part of its property, or shall fail to timely controvert an involuntary petition filed against it under the federal Bankruptcy Code, or shall consent to entry of an order for relief under the federal Bankruptcy Code, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due;

(f) The occurrence of any other Event of Default with respect to other Parity Obligations as provided in a Supplemental Indenture.

Section 7.02. Acceleration. (a) In each and every such case of the continuance of an Event of Default under Section 7.01 hereof, the Trustee may, and upon the written request of the Credit Provider or Providers as provided in any Supplemental Indenture or the Holders of not less than fifty-one percent (51%) in aggregate Principal Amount of the Bonds then Outstanding shall, by notice in writing to the SFMTA, declare the Principal Amount of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon such declaration of the same, payment of the Principal Amount of all of the Bonds then Outstanding, and the interest accrued thereon, shall be and shall become immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

(b) Promptly after any acceleration of the Bonds, the Trustee shall cause a notice thereof to be mailed, first class, postage prepaid, to all Holders of Bonds and, if provided by a Supplemental Indenture, to one or more Credit Providers. Failure to mail any such notice, or any defect in any notice so mailed, shall not affect such acceleration.

(c) Notwithstanding subsection (a) of this Section 7.02, if at any time after the Principal Amount of the Bonds shall have become due and payable pursuant to an acceleration thereof, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Indenture, (i) sufficient moneys (other than moneys drawn by the Trustee under any Credit Facility) shall have accumulated in the Debt Service Fund to pay the Principal Amount of all matured Bonds of each Series and all arrears of interest, if any, upon all such Bonds then Outstanding (except the Principal Amount of any such Bonds not then due and payable by their terms and the interest accrued on such Bonds since the last Interest Payment Date), (ii) the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and all other amounts then payable by the SFMTA hereunder shall have

been paid or moneys sufficient to pay the same shall have been deposited with the Trustee, and (iii) every other default known to the Trustee in the observance or performance of any covenant, condition, agreement or provision contained in the Bonds of each Series or in the Indenture (other than a default in the payment of the Principal Amount of such Bonds then due and payable only because of a declaration under this Section 7.02) shall have been remedied to the satisfaction of the Trustee, then and in every such case the Trustee shall, by a notice in writing to the SFMTA, rescind and annul such acceleration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

Section 7.03. Remedies and Enforcement of Remedies. Subject to the provisions of Section 7.13 hereof, upon the occurrence and continuance of an Event of Default, the Trustee may, or upon the written request of the Holders of not less than fifty-one percent (51%) in aggregate Principal Amount of the Bonds together with indemnification of the Trustee to its satisfaction therefor shall, proceed forthwith to protect and enforce its rights and the rights of the Bondholders hereunder and under the Act and such Bonds by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to:

- (i) Actions to recover money or damages due and owing;
- (ii) Actions to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of such Bonds; and
- (iii) Enforcement of any other right of such Bondholders conferred by law, including the Act, or hereby, including without limitation by suit, action, injunction, mandamus or other proceedings to enforce and compel the performance by the SFMTA of actions required by the Act or the Indenture, including the fixing, charging and collection of fees or other charges and the application of Pledged Revenues and amounts in the Enterprise Account to the payment of Bonds.

Section 7.04. Application of Moneys After Default. During the continuance of an Event of Default, all moneys held and received by the Trustee with respect to the Bonds pursuant to any right given or action taken under the provisions of this Article VII shall, after payment of the costs and expenses of the proceedings which result in the collection of such moneys and of the fees, expenses and advances incurred or made by the Trustee with respect to such Event of Default, be applied as follows; provided, however, that any proceeds of a Credit Facility, if any, and amounts held in the Debt Service Fund and the Reserve Fund pledged to a particular Series of Bonds shall be applied solely to pay Principal Amount, premium, if any, purchase price, if any, of or interest, as applicable, on the related Series of Bonds:

First: To the payment to the persons entitled thereto of all installments of interest then due on such Bonds in the order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid Principal Amounts and premium, if any, of any such Bonds which shall have become due (other than Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions hereof), whether at maturity, upon tender or purchase or acceleration or by proceedings for redemption or otherwise, in the order of their due dates as provided herein and in the Supplemental Indenture under which they were issued, and if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the Principal Amounts due on such date, to the persons entitled thereto, without any discrimination or preference.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section 7.04, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine in accordance with this Indenture, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The Trustee shall give such notice as it may deem appropriate in accordance with this Indenture of the deposit with it of any such moneys, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever the Principal Amount, premium, if any, purchase price, if any, and interest thereon of all Bonds of a Series have been paid under the provisions of this Section 7.04 and all expenses and charges of the Trustee have been paid, and each Credit Provider, if any, has been reimbursed for all amounts drawn under the applicable Credit Facility, if any, and used to pay Principal Amount, premium, if any, purchase price, if any, and interest on the Bonds and no Repayment Obligation shall be outstanding, any balance remaining shall be paid first to such Credit Provider to the extent any other amounts are then owing to such Credit Provider under the applicable agreement, and then to the SFMTA or as a court of competent jurisdiction may direct.

Section 7.05. Remedies Not Exclusive. No remedy by the terms hereof conferred upon or reserved to the Trustee or the Bondholders or any Credit Provider is intended to be exclusive of any other remedy but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or existing at law or in equity or by statute, including the Act, on or after the date hereof.

Section 7.06. Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) hereunder or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Trustee may be brought in its name as the Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds. Subject to the provisions of Sections 7.03 and 7.04 hereof, any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding Bonds.

Section 7.07. Control of Proceedings. (a) If an Event of Default shall have occurred and be continuing, the Holders of at least fifty-one percent (51%) in aggregate Principal

Amount of the Bonds of one or more Series then Outstanding shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceeding to be taken with respect to funds or assets solely securing such one or more Series in connection with the enforcement of the terms and conditions hereof; provided, that such direction is in accordance with law and the provisions hereof (including indemnity to the Trustee as provided herein) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of Bondholders of such Series of Bonds not joining in such direction; and provided further, that nothing in this Section 7.07 shall impair the right of the Trustee in its discretion to take any other action hereunder which it may deem proper and in accordance with the Indenture and which is not inconsistent with such direction by Bondholders.

(b) If an Event of Default with respect to shall have occurred and be continuing, the Holders of at least fifty-one percent (51%) in aggregate Principal Amount of all Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee to direct the method and place of conducting any proceeding to be taken with respect to Pledged Revenues or other assets securing all Bonds in connection with the enforcement of the terms and conditions hereof, provided, that such direction is in accordance with law and the provisions hereof (including indemnity to the Trustee as provided herein) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of Bondholders not joining in such direction; and provided further, that nothing in this Section 7.07 shall impair the right of the Trustee in its discretion to take any other action hereunder which it may deem proper in accordance with this Indenture and which is not inconsistent with such direction by Bondholders.

Section 7.08. Individual Bondholder Action Restricted. (a) No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement hereof or for the execution of any trust hereunder or for any remedy hereunder unless:

(i) an Event of Default has occurred with respect to such Series (A) under subsection (a), (b) or (c) of Section 7.01 of which the Trustee is deemed to have notice, or (B) under subsection (d), (e), (f) or (g) of Section 7.01 as to which the Trustee has actual knowledge, or (C) as to which the Trustee has been notified in writing by the SFMTA, or (D) as to which the SFMTA and the Trustee have been notified in writing by the Holders of at least twenty-five percent (25%) in aggregate Principal Amount of the Bonds then Outstanding;

(ii) the Holders of at least fifty-one percent (51%) in aggregate Principal Amount of Bonds then Outstanding have made written request to the Trustee to proceed to exercise the powers granted herein or to institute such action, suit or proceeding in its own name; and

(iii) such Bondholders shall have offered the Trustee indemnity as provided in Section 8.02 hereof; and

(iv) the Trustee shall have failed or refused to exercise the powers herein granted or to institute such action, suit or proceedings in its own name for a period of 60 days after receipt by it of such request and offer of indemnity.

(b) No one or more Holders of Bonds of any Series shall have any right in any manner whatsoever to affect, disturb or prejudice the security hereof or to enforce any right hereunder except in the manner herein provided and for the equal benefit of the Holders of all Bonds then Outstanding.

(c) Nothing contained herein shall affect or impair, or be construed to affect or impair, the right of the Holder of any Bond (i) to receive payment of the Principal Amount of, premium, if any, purchase price, if any, or interest on such Bond on or after the due date thereof, or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any Bond may institute or prosecute any such suit or enter judgment therein if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien hereof on the moneys, funds and properties pledged hereunder for the equal and ratable benefit of all Holders of Bonds.

Section 7.09. Termination of Proceedings. In case any proceeding taken by the Trustee on account of an Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or to the Bondholders, then the SFMTA, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee and the Bondholders shall continue as if no such proceeding had been taken.

Section 7.10. Waiver of Event of Default. (a) No delay or omission of the Trustee, of any Holder of the Bonds or, if provided hereby or by Supplemental Indenture, any Credit Provider, to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or, an acquiescence therein. Every power and remedy given by this Article VII to the Trustee, the Holders of the Bonds and, if provided hereby or by Supplemental Indenture, any Credit Provider, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Trustee, with the consent of any Credit Provider if required by Supplemental Indenture (provided, however, that such Credit Provider's consent may be required only in connection with an Event of Default on a Series of Bonds with respect to which such Credit Provider is providing a Credit Facility), may waive any Event of Default with respect to the Bonds that, in its opinion, shall have been remedied at any time, regardless of whether any suit, action or proceeding has been instituted, before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions hereof, or before the completion of the enforcement of any other remedy hereunder.

(c) Notwithstanding anything contained herein to the contrary, the Trustee, upon the written request of (i) the Credit Provider, if any, if required by Supplemental

Indenture, or (ii) Holders of at least fifty-one percent (51%) of the aggregate Principal Amount of Bonds then Outstanding, with the consent of the applicable Credit Provider, if any, if provided for hereby or by Supplemental Indenture, shall waive any such Event of Default hereunder and its consequences; provided, however, that a default in the payment of the Principal Amount of, premium, if any, purchase price, if any, or interest on any such Bond, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Bonds then Outstanding of such Series to which such Event of Default applies and any consent of the applicable Credit Provider, if any, if provided for hereby or by Supplemental Indenture.

(d) In case of any waiver by the Trustee of an Event of Default hereunder, the SFMTA, the Trustee, the Bondholders and, if required by Supplemental Indenture, the Credit Provider, if any, shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon. The Trustee shall not be responsible to anyone for waiving or refraining from waiving any Event of Default in accordance with this Section 7.10.

Section 7.11. Notice of Default. (a) Promptly, but in any event within 30 days after the occurrence of an Event of Default of which the Trustee is deemed to have notice pursuant to Section 8.10 of this Indenture, the Trustee shall, unless such Event of Default shall have theretofore been cured, give written notice thereof by first class mail to each Holder of registered Bonds then Outstanding, provided that, except in the case of a default in the payment of Principal Amounts, sinking fund installments, purchase price or the redemption price of or interest on any of the Bonds, the Trustee may withhold such notice to such Holders if, in its sole judgment in accordance with the Indenture, it determines that the withholding of such notice is in the best interests of the Holders of the Bonds.

(b) The Trustee shall promptly notify the SFMTA, the Treasurer, the Registrar and any Credit Provider, if required to hereby or by a Supplemental Indenture, of the occurrence of an Event of Default of which the Trustee is deemed to have notice pursuant to Section 8.10 of this Indenture.

Section 7.12. Limitations on Remedies. It is the purpose and intention of this Article VII to provide rights and remedies to the Trustee and Bondholders which lawfully may be granted under the provisions of the Act, but should any right or remedy herein granted be held to be unlawful, the Trustee and the Bondholders shall be entitled as above set forth to every other right and remedy provided in this Indenture and by law.

Section 7.13. Credit Providers to Control Remedies. While a Credit Facility (other than a Credit Facility on deposit in the Reserve Fund) with respect to any Bonds is in effect, notwithstanding anything else herein to the contrary, a Supplemental Indenture may provide that so long as the Credit Provider is not Insolvent and is not in default under its Credit Facility, no right, power or remedy hereunder with respect to such Bonds may be pursued without the prior written consent of such Credit Provider. The Supplemental Indenture may further provide that the Credit Provider shall have the right to direct the Trustee to pursue any right, power or

remedy available hereunder with respect to any assets available hereunder which secure no Bonds other than the Bonds secured by such Credit Facility.

Section 7.14. Limitation on SFMTA's Obligation. The Owners of the Bonds issued hereunder expressly understand and agree by their acceptance of the Bonds, that nothing herein contained shall be deemed to require the SFMTA to advance any moneys derived from the levy or collection of taxes by the City for the payment of the Principal Amount of, purchase price, if any, premium, if any, or interest on the Bonds. Neither the credit nor the taxing power of the City is pledged for the payment of the Principal Amount of, premium, if any, purchase price, if any, or interest on the Bonds, and the general fund of the City is not liable for the payment of the Bonds or the interest thereon. The Owners of the Bonds cannot compel the exercise of the taxing power by the City or the SFMTA or the forfeiture of its property or the property of the SFMTA.

The principal of and interest on the Bonds and any premiums upon the redemption of any thereof are not a debt of the SFMTA nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or on any of its income, receipts or revenue except the Pledged Revenues and other funds that may be legally applied, pledged or otherwise made available to their payment as in this Indenture provided.

Neither the SFMTA nor any officer thereof shall be liable or obligated for the payment of the Principal Amount, premium, if any, purchase price, if any, of or interest on the Bonds or for any payment agreed to be made or contemplated to be made pursuant to any of the terms of this Indenture, save and except solely and exclusively from Pledged Revenues and the other moneys pledged thereto pursuant to this Indenture or any Supplemental Indenture authorizing the issuance thereof. Nothing herein contained shall prevent the SFMTA from making advances of its funds howsoever derived to any of the uses and purposes in this Indenture mentioned, provided such funds are derived from any source legally available for such purpose and may be used by the SFMTA for such purpose without incurring indebtedness.

ARTICLE VIII

THE TRUSTEE

Section 8.01. Acceptance of Trust; General. The Trustee by execution of this Indenture evidences its acceptance of the powers, duties and obligations of the Trustee as are set forth herein. The Trustee shall have no duty, responsibility or obligation for the payment of Bonds except for payment in accordance with the terms and provisions hereof from, and to the extent of, funds which are held in trust by the Trustee for the purpose of such payment.

Prior to an Event of Default and after the curing or waiving of all Events of Default which may have occurred, the Trustee shall not be liable except for the performance of such duties as are specifically set forth herein. The Trustee shall have no liability for any act or omission to act hereunder, or under any other instrument or document executed pursuant hereto except for the Trustee's own negligent action, its own negligent failure to act or its own willful misconduct. The duties and obligations of the Trustee shall be determined solely by the

express provisions hereof, and no implied powers, duties or obligations of the Trustee shall be read into this Indenture.

During an Event of Default, the Trustee shall exercise such of the rights and powers vested in it hereby, and shall use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Trustee shall not be required to expend or risk its own funds or otherwise incur individual liability in the performance of any of its duties or in the exercise of any of its rights or powers as the Trustee, except as may result from its own negligent action, its own negligent failure to act or its own willful misconduct.

The Trustee shall not be considered in breach of or in default in its obligations hereunder in the event of enforced delay ("unavoidable delay") in the performance of its obligations hereunder due to causes beyond its control, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Indenture; *provided, however*, that: (a) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions; (b) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions; and (c) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

Section 8.02. Trustee Not Required to Take Action Unless Indemnified. The Trustee neither shall be required to institute any suit or action or other proceeding in which it may be a defendant, nor to take any steps to enforce its rights and expose it to liability, nor shall the Trustee be deemed liable for failure to take any such action, unless and until it shall have been indemnified, to its satisfaction, against any and all reasonable costs, expenses, outlays, counsel and other fees, other disbursements including its own reasonable fees and against all liability and damages. The Trustee, nevertheless, may begin suit, or appear in and defend suit, or do anything else which in its judgment is proper to be done by it as the Trustee, without prior assurance of indemnity, and in such case the SFMTA shall reimburse the Trustee for all reasonable costs, expenses, outlays, counsel and other fees, and other reasonable disbursements including its own fees, and for all liability and damages suffered by the Trustee in connection therewith, except for the Trustee's own negligent action, its own negligent failure to act, its own

willful misconduct or self-dealing constituting a breach of trust under applicable law. If the Trustee begins, appears in or defends such a suit, the Trustee shall give prompt notice of such action to the SFMTA and shall give such notice prior to taking such action if possible. If the SFMTA shall fail to make such reimbursement, the Trustee may reimburse itself for any costs and expenses in accordance with Section 7.04 hereof.

Section 8.03. Employment of Experts. The Trustee is hereby authorized to employ as its agents such attorneys at law, and other qualified independent consultants (who are not employees of the Trustee), as it may deem necessary to carry out any of its obligations hereunder, and shall be reimbursed by the SFMTA for all reasonable expenses and charges in so doing. The Trustee shall not be responsible for any misconduct or negligence of any such agent appointed with due care by the Trustee.

Section 8.04. Enforcement of Performance by Others. It shall not be the duty of the Trustee, except as herein specifically provided, to seek the enforcement of any duties and obligations herein imposed upon the SFMTA or the Treasurer.

Section 8.05. Right to Deal in Bonds and Take Other Actions. The Trustee may in good faith buy, sell or hold and deal in any Bonds with like effect as if it were not such Trustee and may commence or join in any action which a Holder is entitled to take with like effect as if the Trustee were not the Trustee. It is understood and agreed that the Trustee engages in a general banking business and no provision hereof is to be construed to limit or restrict the right of the Trustee to engage in such business with the SFMTA or any Holder. So engaging in such business shall not, in and of itself, and so long as the Trustee duly performs all of its duties as required hereby, constitute a breach of trust on the part of the Trustee.

Section 8.06. Removal and Resignation of Trustee. The Trustee may resign at any time. Written notice of such resignation shall be given to the SFMTA and such resignation shall take effect upon the later of the date 90 days after receipt of such notice by the SFMTA or the date of the appointment and qualification of a successor Trustee. In the event a successor Trustee has not been appointed and qualified within 60 days after the date notice of resignation is given, the Trustee or the SFMTA may apply to any court of competent jurisdiction for the appointment of a successor Trustee to act until such time as a successor is appointed as provided in this Section 8.06.

In addition, the Trustee may be removed at any time by the SFMTA so long as (a) no Event of Default shall have occurred and be continuing and (b) the SFMTA determines, that the removal of the Trustee shall not have an adverse effect upon the rights or interests of the Bondholders. Subject to clause (b) of the preceding sentence, in the event the Trustee becomes Insolvent, the SFMTA may remove the Trustee by written notice effective immediately upon the appointment and qualification of a successor Trustee.

In the event of the resignation or removal of the Trustee or in the event the Trustee is dissolved, becomes Insolvent or otherwise becomes incapable to act as the Trustee, the SFMTA shall be entitled to appoint a successor Trustee. In such event, the successor Trustee shall cause notice to be mailed to the Holders of all Bonds then Outstanding in such

manner deemed appropriate by the SFMTA. If the Trustee resigns, the resigning Trustee shall pay for such notice. If the Trustee is removed, is dissolved, or becomes insolvent or otherwise becomes incapable of acting as Trustee, the SFMTA shall pay for such notice.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Trustee shall be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust business within the State of California and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least \$50,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Every successor Trustee howsoever appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the SFMTA an instrument in writing, accepting such appointment hereunder, and thereupon such successor Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of such predecessor. The predecessor Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Trustee. The predecessor Trustee promptly shall deliver all records relating to the trust or copies thereof and communicate all material information it may have obtained concerning the trust to the successor Trustee.

Each successor Trustee, not later than 10 days after its assumption of the duties hereunder, shall mail a notice of such assumption to each Holder of a registered Bond and to the Rating Agencies.

Section 8.07. Proof of Claim. The Trustee shall have the right and power to act in its name or in the name and place of the SFMTA or Holders to make proof of claim in any proceeding, bankruptcy, reorganization or otherwise where proof of claim may be required, including proofs of claim against Credit Providers. Any amount recovered by the Trustee as a result of any such claim, after payment of all fees (including reasonable attorneys' fees), costs, expenses and advances paid or incurred by the Trustee or its agents in pursuing such claim, shall be for the equal benefit of all holders of Outstanding Bonds.

Section 8.08. Trustee's Fees and Expenses. The SFMTA hereby agrees to pay fees to and expenses of the Trustee for its services hereunder as agreed to by the SFMTA and the Trustee pursuant to the terms of a separate agreement.

Upon the occurrence and continuance of an Event of Default hereunder, the Trustee shall have a right to payment prior to the Bonds as to all property and funds held by it (other than the Rebate Fund) for any reasonable amount owing to it or any predecessor Trustee pursuant to the Indenture and the rights of the Trustee to reasonable compensation for its services and to payment or reimbursement for its reasonable costs or expenses shall have priority over the Bonds in respect of all property or funds held or collected by the Trustee as such and other funds held in trust by the Trustee for the benefit of the Holders of particular Bonds; provided, however, that neither the Trustee nor any predecessor Trustee shall have any

lien or claim for payment of any such compensation, reimbursement or other amounts against moneys paid under any Credit Facility or proceeds of a remarketing.

Section 8.09. Reliance Upon Documents. In the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely upon and shall be protected in acting or refraining from acting in reliance upon any document, including but not limited to any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper officials of the SFMTA, the Treasurer, the City, a Financial Consultant, an Independent Auditor, the Holders or agents or attorneys of the Holders; provided, in the case of any such document specifically required to be furnished to the Trustee hereby, the Trustee shall be under a duty to examine the same to determine whether it conforms to the requirements hereof. The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond or other paper or document submitted to the Trustee; provided, however, the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may deem prudent. Whenever in the administration hereof, the Trustee shall deem it desirable that a matter be proved or established prior to taking or not taking any action hereunder, the Trustee (unless other evidence be specifically prescribed herein) may rely upon any document provided for in this Indenture.

Except where other evidence is required hereby, any request or direction of the SFMTA mentioned herein shall be sufficiently evidenced by a certified copy of such request executed by a Authorized SFMTA Representative.

Section 8.10. Recitals and Representations. The recitals, statements and representations contained herein or in any Bond shall be taken and construed as made by and on the part of the SFMTA and not by the Trustee, and the Trustee neither assumes nor shall be under any responsibility for the correctness of the same other than the Trustee's certification of authentication of any Bonds as to which it is Authenticating Agent.

The Trustee makes no representation as to, and is not responsible for, the validity or sufficiency hereof or, except as herein required, the filing or recording or registering of any document. The Trustee shall be deemed not to have made representations as to the security afforded hereby or hereunder or as to the validity or sufficiency of such document. The Trustee shall not be concerned with or accountable to anyone for the use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof. The Trustee shall not be responsible or liable for any loss suffered in connection with the investment of any funds made by it in accordance with the provisions hereof.

Except with respect to Events of Default described in Section 7.01(a), (b) and (c) hereof, the Trustee shall have no duty of inquiry with respect to any default which constitutes or with notice or lapse of time or both would constitute an Event of Default without actual knowledge of the Trustee or receipt by the Trustee of written notice of a default which constitutes or with notice or lapse of time or both would constitute an Event of Default from the SFMTA or any Holder.

The Trustee shall be deemed to have knowledge of the existence of an Event of Default only in the following circumstances: (i) in the case of an Event of Default referred to in paragraphs (a), (b) and (c) of Section 7.01 hereof, upon the occurrence of such Event of Default, and (ii) in the case of an Event of Default referred to in paragraph (d), (e), (f) and (g) of Section 7.01 of this Indenture, when the Trustee receives written notice thereof from the SFMTA or from any Holder.

The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds. The Trustee shall not be responsible for the validity, sufficiency or effectiveness of any collateral given or held by it. The immunities extended to the Trustee also extend to its directors, officers, employees and agents

Section 8.11. Reports and Records. (a) The Trustee shall at all times keep or cause to be kept proper records in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds and all Funds and Accounts established and maintained by the Trustee pursuant to this Indenture. Such records shall be available for inspection by the SFMTA on each Business Day during reasonable business hours and by any Owner or its agent or representative duly authorized in writing at reasonable hours upon reasonable notice and under reasonable circumstances. All such records shall be retained by the Trustee in its possession until four years after no Bonds are Outstanding (or such longer period as may be required by the Indenture, the Trustee's policies and procedures, or by applicable law). The Trustee shall not be required to maintain records with respect to transactions made by the Treasurer or the SFMTA or with respect to Funds and Accounts established and maintained by the Treasurer.

(b) The Trustee shall provide to the SFMTA each month a report of the amounts deposited in each Fund and Account held by it under this Indenture and the amount disbursed from such Funds and Accounts, the earnings thereon, the ending balance in each of such Funds and Accounts, the investments in each such Fund and Account and the yield on each investment calculated in accordance with the directions of an Authorized SFMTA Representative.

(c) The Trustee shall annually, within a reasonable period after the end of the Fiscal Year, provide to the SFMTA and to each owner who shall have filed its name and address with the Trustee for such purpose (at such Owner's cost) a statement, which need not be audited, covering receipts, disbursements, allocation and application of Bond proceeds, Pledged Revenues and any of the moneys in any of the Funds and Accounts established pursuant to this Indenture for the proceeding year.

Section 8.12. Paying Agent, Authenticating Agent and Registrar. The SFMTA may appoint a Paying Agent, an Authenticating Agent and a Registrar with respect to a Series of Bonds in the Supplemental Indenture pursuant to which such Series is issued. The Paying Agent, Authenticating Agent and Registrar shall be the Trustee, unless the SFMTA appoints another person to act in such capacities for one or more Series of Bonds. Each Paying Agent, Authenticating Agent and Registrar shall (i) designate to the Trustee its principal office and (ii)

signify its acceptance of the duties and obligations imposed upon it hereunder and under such Supplemental Indenture by written instrument of acceptance delivered to the SFMTA and the Trustee.

Each Paying Agent, Authenticating Agent or Registrar shall exercise its duties in accordance with the terms of and shall have the protection provided to the Trustee in this Indenture.

If any Paying Agent, Authenticating Agent or Registrar shall resign or be removed, the SFMTA shall designate a successor. If the SFMTA shall designate a successor, then, upon the Trustee's receipt of the written designation and the written acceptance of such designated successor, such entity shall thereupon, without further action by the SFMTA, be appointed as successor Paying Agent, Authenticating Agent or Registrar, as the case may be.

In the event that any Paying Agent, Authenticating Agent or Registrar shall resign or be removed, or be dissolved, or if the property or affairs of any Paying Agent, Authenticating Agent or Registrar shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and no successor shall have been appointed, the Trustee shall, ipso facto be deemed to be Paying Agent, Authenticating Agent or Registrar, until the appointment of a successor. In each case in which the Trustee is acting as Paying Agent, Authenticating Agent or Registrar for any Series of Bonds, the Trustee in such capacities shall be entitled to all of the immunities and protections from liability that are provided in this Article VIII.

Any corporation into which any Paying Agent, Authenticating Agent or Registrar may be merged or converted or with which it may be consolidated, or any corporation resulting from any such merger, consolidation or conversion, or succeeding to the corporate trust business of Paying Agent, Authenticating Agent or Registrar, shall be the successor of the Paying Agent, the Authenticating Agent and the Registrar if such successor corporation is otherwise eligible under this Section 8.12, without the execution or filing of any further act on the part of the Trustee or the entity serving as Paying Agent, Authenticating Agent or Registrar or such successor corporation.

Section 8.13. Merger, Conversion, Consolidation or Succession to Business. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article VIII, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

Section 8.14. Other Agents. The SFMTA or the Trustee with the consent of the SFMTA may from time to time appoint other agents as may be appropriate at the time to perform duties and obligations under this Indenture or under a Supplemental Indenture all as provided by Supplemental Indenture or resolution of the SFMTA.

ARTICLE IX

SUPPLEMENTAL INDENTURES

Section 9.01. Supplemental Indentures Not Requiring Consent of Bondholders.

The SFMTA may adopt, without the consent of or notice to any of the Holders, one or more Supplemental Indentures for one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission herein;
- (b) to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising hereunder that shall not have a material adverse effect on the interests of the Holders;
- (c) to grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;
- (d) to secure additional revenue or provide additional security or reserves for payment of any Bonds;
- (e) to preserve the excludability of interest on any Bonds from gross income for purposes of federal income taxes, or to change the tax covenants set forth in Section 6.07 hereof, pursuant to an Opinion of Bond Counsel that such action will not affect adversely such excludability;
- (f) to provide for the issuance of, and to set the terms and conditions of, each additional Series of Bonds hereunder or other Parity Obligations, including covenants and provisions with respect thereto which do not violate the terms of this Indenture;
- (g) to add requirements the compliance with which is required by a Rating Agency in connection with issuing a rating with respect to any Series of Bonds;
- (h) to confirm, as further assurance, any interest of the Trustee in and to the Pledged Revenues or in and to the Funds and Accounts held by the Trustee or in and to any other moneys, securities or funds of the SFMTA provided pursuant to this Indenture;
- (i) to comply with the requirements of the Trust Indenture Act of 1939, as amended, to the extent applicable;
- (j) to provide for uncertificated Bonds or for the issuance of coupon or bearer Bonds;
- (k) to accommodate the use of a Credit Facility for specific Bonds or a Series of Bonds; and

(l) to make any other change or addition hereto which, in the Opinion of Bond Counsel, shall not have a material adverse effect on the interests of the Holders.

Section 9.02. Supplemental Indentures Requiring Consent of Bondholders.

(a) Other than Supplemental Indentures referred to in Section 9.01 hereof and subject to the terms, provisions and limitations contained in this Article IX, the Holders of at least fifty-one percent (51%) in aggregate Principal Amount of the Outstanding Bonds of all Series affected by such amendment may consent to or approve, which consent to or approval shall be in writing, the execution by the SFMTA of such Supplemental Indentures as shall be deemed necessary and desirable by the SFMTA for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions with respect to such Series contained in the Indenture; provided, however, nothing in this Section 9.02 shall permit or be construed as permitting a Supplemental Indenture which would:

(i) extend the stated maturity of or time or change the currency for paying the Principal Amount or purchase price of, premium, if any, or interest on any Bond or reduce the Principal Amount or purchase price of or the redemption premium or rate of interest payable on any Bond without the consent of the Holder of such Bond;

(ii) except as expressly permitted by this Indenture, prefer or give a priority to any Bond over any other Bond without the consent of the Holder of each Bond then Outstanding not receiving such preference or priority; or

(iii) permit the creation of a lien not expressly permitted by this Indenture upon or pledge of the Pledged Revenues ranking prior to or on a parity with the lien of this Indenture or reduce the aggregate Principal Amount of Bonds then Outstanding the consent of the Holders of which is required to authorize such Supplemental Indenture, without the consent of the Holders of all Bonds then Outstanding.

(b) If at any time the SFMTA shall propose the adoption of a Supplemental Indenture pursuant to this Section 9.02, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed adoption of such Supplemental Indenture to be mailed by first class mail, postage prepaid, to all Holders of Bonds of any affected Series then outstanding at their addresses as they appear on the registration books herein provided for. The Trustee, however, shall not be subject to any liability to any Bondholder by reason of its failure to mail, or the failure of such Bondholder to receive, the notice required by this Section 9.02, and any such failure shall not affect the validity of such Supplemental Indenture when consented to and approved as provided in this Section 9.02. Such notice shall set forth briefly the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the office of the Trustee for inspection by all Bondholders.

(c) If within such period, not exceeding one year, as shall be prescribed by the SFMTA, following the first giving of a notice as provided in subsection (b) above, the Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less

than the aggregate Principal Amount of Bonds specified in subsection (a) above for the Supplemental Indenture in question which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice as on file with the Trustee, thereupon, but not otherwise, the Trustee may accept such Supplemental Indenture in substantially such form, without liability or responsibility to any Holder of any Bond, regardless of whether such Holder shall have consented thereto.

(d) Any such consent shall be binding upon the Holder of the Bond giving such consent and upon any subsequent Holder of such Bond and of any Bond issued in exchange therefor (regardless of whether such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bond giving such consent or by a subsequent Holder thereof by filing with the Trustee, prior to the acceptance by the Trustee of such Supplemental Indenture, such revocation. At any time after the Holders of the required Principal Amount of Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the SFMTA a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(e) If the Holders of the required Principal Amount of the Bonds Outstanding shall have consented to and approved the adoption by the SFMTA of such Supplemental Indenture as herein provided, no Holder of any Bond shall have any right to object to the adoption thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof or to enjoin or restrain the Trustee or the SFMTA from adopting the same or taking any action pursuant to the provisions thereof.

Section 9.03. Execution and Effect of Supplemental Indentures. (a) The Trustee may but shall not be obligated to accept any such Supplemental Indenture which affects the Trustee's own rights, duties or immunities. The Trustee shall not be obligated to accept any such Supplemental Indenture unless the Trustee has received an Opinion of Bond Counsel stating that such Supplemental Indenture or Amendment is: (i) authorized or permitted by the Indenture, the Act and other applicable law; (ii) will, upon the execution and delivery thereof, be a valid and binding agreement of the SFMTA in accordance with its terms; and (iii) will not adversely affect the tax-exempt status of interest on any tax-exempt Bonds.

(b) Upon the adoption of any Supplemental Indenture in accordance with this Article IX, the provisions hereof shall be modified in accordance therewith and such Supplemental Indenture shall form a part hereof for all purposes and every Holder of a Bond theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

(c) Any Bond authenticated and delivered after the adoption of any Supplemental Indenture in accordance with this Article IX may, and if required by the SFMTA or the Trustee shall, bear a notation in form approved by the SFMTA and Trustee as to any matter provided for in such Supplemental Indenture. If the SFMTA shall so determine, new Bonds so modified as to conform in the opinion of the Trustee and the SFMTA to any such Supplemental Indenture may be prepared and executed by the SFMTA and authenticated and delivered by

the Trustee and the Registrar in exchange for and upon surrender of the Bonds then outstanding.

ARTICLE X

SATISFACTION, DISCHARGE AND DEFEASANCE

Section 10.01. Discharge. If payment of all Principal Amount of, premium, if any, and interest on a Series of Bonds in accordance with their terms and as provided herein is made, or is provided for in accordance with this Article X, and if all other sums payable by the SFMTA hereunder with respect to such Series of Bonds shall be paid or provided for, then the pledge, lien, and security interests granted hereby shall cease with respect to such Series; provided, however, that the rebate provisions, if any, hereof or of the related Supplemental Indenture shall survive so long as there is any amount due to the federal government pursuant to the provisions hereof or of such Supplemental Indenture. Thereupon, upon the request of the SFMTA, and upon receipt by the Trustee of an Opinion of Counsel stating that all conditions precedent to the satisfaction and discharge as provided above of the lien hereof have been satisfied with respect to such Series of Bonds, the Trustee shall execute and deliver proper instruments acknowledging such satisfaction and discharging the lien hereof with respect to such Series of Bonds. If the lien hereof has been discharged with respect to all Series of Bonds, the Trustee shall transfer all property held by it hereunder, other than moneys or obligations held by the Trustee for payment of amounts due or to become due on the Bonds, to the SFMTA or such other person as may be entitled thereto as their respective interests may appear. Such satisfaction and discharge shall be without prejudice to the rights of the Trustee thereafter to charge and be compensated or reimbursed for services rendered and expenditures incurred in connection herewith.

The SFMTA may at any time surrender to the Trustee for cancellation any Bonds previously authenticated and delivered which the SFMTA at its option may have acquired in any manner whatsoever and such Bond upon such surrender and cancellation shall be deemed to be paid and retired.

Section 10.02. Defeasance. Payment of any Bonds may be provided for by the deposit with the Trustee of moneys, noncallable Governmental Obligations, noncallable Government Certificates or prerefunded municipal obligations described in paragraph (c) of the definition of Permitted Investments in Section 1.01 hereof, or any combination thereof. The moneys and the maturing principal and interest income on such Government Obligations, Government Certificates or prerefunded municipal obligations, if any, must be sufficient and available without reinvestment to pay when due the Principal Amount, whether at maturity or upon fixed redemption dates, or purchase price of and premium, if any, and interest on such Bonds. The moneys, Government Obligations, Government Certificates and prerefunded municipal obligations shall be held by the Trustee irrevocably in trust for the Holders of such Bonds solely for the purpose of paying the Principal Amount or purchase price or redemption price of, including premium, if any, and interest on such Bonds as the same shall mature or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Trustee to give notice of redemption and to notify all Owners of affected Bonds that the deposit required by this Section 10.02 has been made and that such

Bonds are deemed to be paid in accordance with the Indenture and stating the applicable maturity date or redemption date and redemption price.

The Trustee shall receive a verification report from an Independent Auditor as to the sufficiency of moneys and investments to provide for payment of any Bonds in the case of a defeasance thereof.

Bonds the payment of which has been provided for in accordance with this Section 10.02 shall no longer be deemed Outstanding hereunder. The obligation of the SFMTA in respect of such Bonds shall nevertheless continue but the Holders thereof shall thereafter be entitled to payment only from the moneys, Government Obligations, Government Certificates and prerefunded municipal obligations deposited with the Trustee to provide for the payment of such Bonds.

No Bond may be so provided for if, as a result thereof or of any other action in connection with which the provision for payment of such Bond is made, the interest payable on any Bond with respect to which an Opinion of Bond Counsel has been rendered that such interest is excluded from gross income for federal income tax purposes is made subject to federal income taxes. The Trustee shall receive and may rely upon an Opinion of Bond Counsel to the effect that the provisions of this paragraph will not be breached by so providing for the payment of any Bonds.

Section 10.03. Payment of Bonds After Discharge. Notwithstanding the discharge of the lien hereof as in this Article X provided, the Trustee nevertheless shall retain such rights, powers and duties hereunder as may be necessary and convenient for the payment of amounts due or to become due on the Bonds, including without limitation pursuant to any mandatory sinking fund redemptions, and the registration, transfer, exchange and replacement of Bonds as provided herein. Nevertheless, any moneys held by the Trustee or any Paying Agent for the payment of the Principal Amount of, premium, if any, or interest on any Bond remaining unclaimed for one (1) years after such payment has become due and payable, or such other period provided by law, whether at maturity or upon proceedings for redemption, shall be disposed of pursuant to the provisions of Section 2.14 hereof. After discharge of the lien hereof, but prior to payment of such amounts to Holders or as provided pursuant to Section 2.14 hereof, the Trustee shall invest such amounts in Government Obligations or prerefunded municipal obligations described in paragraph of the definition of Permitted Investments in Section 1.01 hereof for the benefit of the SFMTA.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Evidence of Acts of Bondholders. Any request, direction, consent or other instrument provided hereby to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by an agent appointed in writing. Proof of the execution of any such request, direction or other instrument or of the writing appointing any such agent and of the

ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes hereof and shall be conclusive in favor of the Trustee and the SFMTA with regard to any action taken by them, or either of them, under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the person signing such writing acknowledged before him or her the execution thereof, or by the affidavit of a witness of such execution; and

(b) The ownership of all registered Bonds shall be proved by the records maintained by the Registrar. Except as otherwise herein expressly provided, the amount of Bonds transferable by delivery held by any person executing such request, declaration or other instrument or writing as a Bondholder, and the numbers thereof, and the date of its holding such Bonds, may be proved by a certificate, which need not be acknowledged or verified, satisfactory to the Trustee, executed by a trust company, bank or other depository wherever situated, showing that at the date therein mentioned such person had on deposit with, or exhibited to, such depository the Bonds described in such certificate. Continued ownership after the date of deposit stated in such certificate may be proved by the presentation of such certificate if the certificate contains a statement by the depository that the Bonds therein referred to will not be surrendered without the surrender of the certificate to the depository, except with the consent of the Trustee. The Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable.

Nothing in this Section 11.01 shall be construed as limiting the Trustee to the proof herein specified, it being intended that the Trustee may accept any other evidence of the matters herein stated which it may deem sufficient.

Any action taken or suffered by the Trustee pursuant to any provision hereof, upon the request or with the assent of any person who at the time is the Holder of any Bond or Bonds shall be conclusive and binding upon all future Holders of the same Bond or Bonds.

Section 11.02. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any person other than the SFMTA, the Trustee, the Holders of the Bonds and any Paying Agents, Registrars, Authenticating Agents and Credit Providers, if any, any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained. This Indenture and all of the covenants, conditions and provisions hereof are intended to be and are for the sole and exclusive benefit of the SFMTA, the Trustee, the Holders of the Bonds and any Paying Agents, Registrars, Authenticating Agents and Credit Providers, if any, as herein provided.

Section 11.03. Credit Provider Defaults. Upon the failure of any Credit Provider to pay Principal Amount of, premium, if any, interest on or the purchase price of the Bonds required to be paid by the Credit Provider pursuant to its Credit Facility, such Credit Provider shall be deemed to be in default for purposes of this Indenture and shall forfeit any rights hereunder.

Section 11.04. Notices to Rating Agencies. The Trustee hereby agrees that if at any time the Bondholders shall consent to any amendment to this Indenture or shall waive any provision of this Indenture then, in each case, the Trustee promptly will give notice of the occurrence of such event to each Rating Agency rating the Bonds, which notice in the case of an event referred to in clause (c) hereof shall include a copy of such amendment or waiver.

Section 11.05. Partial Invalidity. If any one or more of the covenants or agreements, or portions thereof, provided in this Indenture on the part of the SFMTA (or the Trustee or of any Paying Agent, Registrar, Authenticating Agent or other agent pursuant to this Indenture) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of the Indenture or of the Bonds; but the Owners shall retain all the rights and benefits accorded to them under the Act or under any other applicable provision of law.

Section 11.06. Holidays. When the date on which Principal Amount of or interest or premium on any Bond is due and payable is a day which is not a Business Day, payment may be made on Bonds on the next Business Day with the same effect as though payment were made on the due date, and, if such payment is made, no interest shall accrue from and after such due date. When any other action is provided herein to be done on a day named or within a time period named, and the day or the last day of the period falls on a day other than a Business Day, it may be performed on the next Business Day with the same effect as though performed on the appointed day or within the specified period.

Section 11.07. Governing Law. This Indenture and the Bonds shall be governed and construed under and in accordance with the laws of the State of California.

Section 11.08. Notices. (a) Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be deemed sufficiently given or served if given in writing, mailed by first class mail, postage prepaid and addressed as follows:

(i) If to the SFMTA, addressed to:

San Francisco Municipal Transportation Agency
1 South Van Ness Avenue, 7th Floor
San Francisco, CA 94103

Attention: _____

(ii) If to the Trustee, addressed to:

(iii) If to the Treasurer, addressed to:

Office of the Treasurer & Tax Collector
City Hall, Room 140
1 Dr. Carlton B. Goodlett Pl.
San Francisco, CA 94102

(iv) If to the Holder of a Bond, addressed to such Holder at the address shown on the books of the Registrar kept pursuant hereto.

(b) The SFMTA and the Trustee may from time to time by notice in writing designate a different address or addresses for notice hereunder.

Section 11.09. Waiver of Notice. Whenever in this Indenture the giving of notice by mail or as otherwise is required, the giving of such notice may be waived by notice in writing by the person entitled to receive such notice. In any such case the giving or receipt of such notice shall not be a condition precedent for the validity of any action taken in reliance upon such waiver.

Section 11.10. No Personal Liability. No member of the SFMTA and no officer, agent or employee of the SFMTA or of the City shall be individually or personally liable for the payment of the Principal Amount or purchase price of, premium if any, or interest on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 11.11. Effective Date of Indenture. This Indenture shall take effect upon its execution and delivery.

Section 11.12. Conflict of Interest. Through its execution of this Indenture, the Trustee acknowledges that it is familiar with the provision of Section 15.103 of the City's Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitutes a violation of said provisions and agrees that it will promptly notify the City if it becomes aware of any such fact during the term of this Indenture.

Section 11.13. Proprietary or Confidential Information of City. The Trustee understands and agrees that, in the performance of the work or services under this Indenture or in contemplation thereof, the Trustee may have access to private or confidential information which may be owned or controlled by City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to City. The Trustee

agrees that all information disclosed by the City to the Trustee shall be held in confidence and used only in performance of the Indenture. The Trustee shall exercise the same standard of care to protect such information as a reasonably prudent Trustee would use to protect its own proprietary data.

Section 11.14. Ownership of Results. Any interest of Trustee in drawings, plans, specifications, blueprints, studies, reports, memoranda, computation sheets, computer files and media or other documents prepared by the Trustee or its Subcontractors in connection with services to be performed under this Indenture, shall become the property of and will be transmitted to the City. However, the Trustee may retain and use copies for reference and as documentation of its experience and capabilities.

Section 11.15. Works for Hire. If, in connection with services performed under this Indenture, the Trustee create artwork, copy, posters, billboards, photographs, videotapes, audiotapes, systems designs, software, reports, diagrams, surveys, blueprints, source codes or any other original works of authorship, such works of authorship shall be works for hire as defined under Title 17 of the United States Code, and all copyrights in such works are the property of the City. If it is ever determined that any works created by the Trustee under this Indenture are not works for hire under U.S. law, the Trustee hereby assigns all copyrights to such works to the City, and agrees to provide any material and execute any documents necessary to effectuate such assignment. With the approval of the City, the Trustee may retain and use copies of such works for reference and as documentation of its experience and capabilities.

Section 11.16. Audit and Inspection of Records. The Trustee agrees to maintain and make available to the City, during regular business hours and upon reasonable notice, accurate books and accounting records relating to its work under this Indenture. The Trustee will permit the City upon reasonable notice to audit, examine and make excerpts and transcripts from such books and records, and to make audits of all invoices, materials, payrolls, records or personnel and other data related to all other matters covered by this Indenture, whether funded in whole or in part under this Indenture. The Trustee shall maintain such data and records in an accessible location and condition for a period of not less than six years after final payment under this Indenture or until after final audit has been resolved, whichever is later. The State of California or any federal agency having an interest in the subject matter of this Indenture shall have the same rights conferred upon City by this Section.

Section 11.17. Subcontracting. The Trustee is prohibited from subcontracting this Indenture or any part of it unless such subcontracting is first approved by the City in writing. Neither party shall, on the basis of this Indenture, contract on behalf of or in the name of the other party. An agreement made in violation of this provision shall confer no rights on any party and shall be null and void.

Section 11.18. Assignment. The services to be performed by Trustee are personal in character and neither this Indenture nor any duties or obligations hereunder may be assigned or delegated by the Trustee unless first approved by the City by an executed and approved written instrument.

Section 11.19. Non-Waiver of Rights. The omission by either party at any time to enforce any default or right reserved to it, or to require performance of any of the terms, covenants, or provisions hereof by the other party at the time designated, shall not be a waiver of any such default or right to which the party is entitled, nor shall it in any way affect the right of the party to enforce such provisions thereafter.

Section 11.20. Earned Income Credit (EIC) Forms. Administrative Code section 120 requires that employers provide their employees with IRS Form W-5 (The Earned Income Credit Advance Payment Certificate) and the IRS EIC Schedule, as set forth below. Employers can locate these forms at the IRS Office, on the Internet, or anywhere that Federal Tax Forms can be found. The Trustee shall provide EIC Forms to each Eligible Employee at each of the following times: (i) within thirty days following the date on which this Indenture becomes effective (unless Trustee has already provided such EIC Forms at least once during the calendar year in which such effective date falls); (ii) promptly after any Eligible Employee is hired by Trustee; and (iii) annually between January 1 and January 31 of each calendar year during the term of this Indenture. Failure to comply with any requirement contained in this Section shall constitute a material breach by Trustee of the terms of this Indenture. If, within thirty days after Trustee receives written notice of such a breach, Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty days, the Trustee fails to commence efforts to cure within such period or thereafter fails to diligently pursue such cure to completion, the City may pursue any rights or remedies available under this Indenture or under applicable law. Any Subcontract entered into by Trustee shall require the Subcontractor to comply, as to the Subcontractor's Eligible Employees, with each of the terms of this section. Capitalized terms used in this Section and not defined in this Indenture shall have the meanings assigned to such terms in Section 120 of the San Francisco Administrative Code.

Section 11.21. Local Business Enterprise Utilization; Liquidated Damages.

(i) The LBE Ordinance. The Trustee, shall comply with all the requirements of the Local Business Enterprise and Non-Discrimination in Contracting Ordinance set forth in Chapter 14B of the San Francisco Administrative Code as it now exists or as it may be amended in the future (collectively the "LBE Ordinance"), provided such amendments do not materially increase the Trustee's obligations or liabilities, or materially diminish the Trustee's rights, under this Indenture. Such provisions of the LBE Ordinance are incorporated by reference and made a part of this Indenture as though fully set forth in this section. The Trustee's willful failure to comply with any applicable provisions of the LBE Ordinance is a material breach of the Trustee's obligations under this Indenture and shall entitle the City, subject to any applicable notice and cure provisions set forth in this Indenture, to exercise any of the remedies provided for under this Indenture, under the LBE Ordinance or otherwise available at law or in equity, which remedies shall be cumulative unless this Indenture expressly provides that any remedy is exclusive. In addition, the Trustee shall comply fully with all other applicable local, state and federal laws prohibiting discrimination and requiring equal opportunity in contracting, including subcontracting.

(ii) Compliance and Enforcement. If the Trustee willfully fails to comply with any of the provisions of the LBE Ordinance, the rules and regulations implementing the LBE Ordinance, or the provisions of this Indenture pertaining to LBE participation, the Trustee shall be liable for liquidated damages in an amount equal to Trustee's net profit on this Indenture, or 10% of the total amount of Trustee's compensation under this Indenture, or \$1,000, whichever is greatest. The Director of the City's Human Rights Commission or any other public official authorized to enforce the LBE Ordinance (separately and collectively, the "Director of HRC") may also impose other sanctions against Trustee authorized in the LBE Ordinance, including declaring the Trustee to be irresponsible and ineligible to contract with the City for a period of up to five years or revocation of the Trustee's LBE certification. The Director of HRC will determine the sanctions to be imposed, including the amount of liquidated damages, after investigation pursuant to Administrative Code §14B.17. By entering into this Indenture, Trustee acknowledges and agrees that any liquidated damages assessed by the Director of the HRC shall be payable to City upon demand. The Trustee further acknowledges and agrees that any liquidated damages assessed may be withheld from any monies due to Trustee on any contract with City. The Trustee agrees to maintain records necessary for monitoring its compliance with the LBE Ordinance for a period of three years following termination or expiration of this Indenture, and shall make such records available for audit and inspection by the Director of HRC or the Controller upon request.

Section 11.22. Nondiscrimination; Penalties.

(i) Trustee Shall Not Discriminate. In the performance of this Indenture, the Trustee agrees not to discriminate against any employee, City and County or SFMTA employee working with such Trustee, applicant for employment with such Trustee, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(ii) Subcontracts. The Trustee shall incorporate by reference in all subcontracts related to this Indenture the provisions of §§12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from Purchasing) and shall require all subcontractors related to this Indenture to comply with such provisions. The Trustee's failure to comply with the obligations in this subsection shall constitute a material breach of this Indenture.

(iii) Nondiscrimination in Benefits. The Trustee does not as of the date of this Indenture and will not during the term of this Indenture, in any of its operations in San Francisco, on real property owned by San Francisco, or where work is being performed for the City elsewhere in the United States, discriminate in the provision

of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in §12B.2(b) of the San Francisco Administrative Code.

(iv) Condition to Contract. As a condition to this Indenture, the Trustee shall execute the “Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits” form (form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

(v) Incorporation of Administrative Code Provisions by Reference. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Indenture as though fully set forth herein. The Trustee shall comply fully with and be bound by all of the provisions that apply to this Indenture under such Chapters, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, the Trustee understands that pursuant to §§12B.2(h) and 12C.3(g) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Indenture may be assessed against the Trustee and/or deducted from any payments due Trustee.

Section 11.23. MacBride Principles—Northern Ireland. Pursuant to San Francisco Administrative Code §12F.5, the City urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing below, the person executing this agreement on behalf of Trustee acknowledges and agrees that he or she has read and understood this section.

Section 11.24. Tropical Hardwood and Virgin Redwood Ban. Pursuant to §804(b) of the San Francisco Environment Code, the City urges the Trustee not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

Section 11.25. Drug-Free Workplace Policy. The Trustee acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City premises. The Trustee agrees that any violation of this prohibition by the Trustee, its employees, agents or assigns will be deemed a material breach of this Indenture.

Section 11.26. Resource Conservation. Chapter 5 of the San Francisco Environment Code (“Resource Conservation”) is incorporated herein by reference. Failure by

Trustee to comply with any of the applicable requirements of Chapter 5 will be deemed a material breach of contract.

Section 11.27. Compliance with Americans with Disabilities Act. The Trustee acknowledges that, pursuant to the Americans with Disabilities Act (ADA), programs, services and other activities provided by a public entity to the public, whether directly or through the Trustee, must be accessible to the disabled public. The Trustee shall provide the services specified in this Indenture in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. The Trustee agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Indenture and further agrees that any violation of this prohibition on the part of the Trustee, its employees, agents or assigns will constitute a material breach of this Indenture.

Section 11.28. Sunshine Ordinance. In accordance with San Francisco Administrative Code §67.24(e), contracts, Trustees' bids, responses to solicitations and all other records of communications between City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

Section 11.29. Public Access to Meetings and Records. If the Trustee receives a cumulative total per year of at least \$250,000 in City funds or City-administered funds and is a non-profit organization as defined in Chapter 12L of the San Francisco Administrative Code, Trustee shall comply with and be bound by all the applicable provisions of that Chapter. By executing this Indenture, the Trustee agrees to open its meetings and records to the public in the manner set forth in §§12L.4 and 12L.5 of the Administrative Code. The Trustee further agrees to make-good faith efforts to promote community membership on its Board of Directors in the manner set forth in §12L.6 of the Administrative Code. The Trustee acknowledges that its material failure to comply with any of the provisions of this paragraph shall constitute a material breach of this Indenture. The Trustee further acknowledges that such material breach of the Indenture shall be grounds for the SFMTA to terminate and/or not renew the Indenture, partially or in its entirety.

Section 11.30. Limitations on Contributions. Through execution of this Indenture, the Trustee acknowledges that it is familiar with section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or the board of a state agency on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such

contract or six months after the date the contract is approved. Trustee acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual compensation of \$50,000 or more. The Trustee further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of Trustee's board of directors; the Trustee's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in the Trustee; any Subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by the Trustee. Additionally, the Trustee acknowledges that the Trustee must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. The Trustee further agrees to provide to City the names of each person, entity or committee described above.

Section 11.31. Requiring Minimum Compensation for Covered Employees.

(i) The Trustee agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 12P are incorporated herein by reference and made a part of this Indenture as though fully set forth. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of Trustee's obligations under the MCO is set forth in this Section. The Trustee is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section.

(ii) The MCO requires the Trustee to pay the Trustee's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and The Trustee is obligated to keep informed of the then-current requirements. Any subcontract entered into by the Trustee shall require the Subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. It is the Trustee's obligation to ensure that any Subcontractors of any tier under this Indenture comply with the requirements of the MCO. If any Subcontractor under this Indenture fails to comply, the City may pursue any of the remedies set forth in this Section against Trustee.

(iii) The Trustee shall not take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

(iv) The Trustee shall maintain employee and payroll records as required by the MCO. If the Trustee fails to do so, it shall be presumed that the Trustee paid no more than the minimum wage required under State law.

(v) The Trustee's commitment to provide the Minimum Compensation is a material element of the City's consideration for this Indenture. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if the Trustee fails to comply with these requirements. Trustee agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the loss that the City and the public will incur for Trustee's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

(vi) The Trustee understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within 30 days after receiving written notice of a breach of this Indenture for violating the MCO, Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, Trustee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(vii) The Trustee represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

(viii) If the Trustee is exempt from the MCO when this Indenture is executed because the cumulative amount of Trustee's compensation under agreements with this department for the fiscal year is less than \$25,000, but Trustee later enters into an agreement or agreements that cause Trustee to exceed that amount in a fiscal year, Trustee shall thereafter be required to comply with the MCO under this Indenture. This obligation arises on the effective date of the agreement that causes the cumulative amount of Trustee's compensation under agreements between the Trustee and this department to exceed \$25,000 in the fiscal year.

Section 11.32. Requiring Health Benefits for Covered Employees.

The Trustee agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated by reference and made a part of this Indenture as though fully set forth herein. The text of the HCAO is available on the web at www.sfgov.org/olse. Capitalized terms used in this Section and not defined in this Indenture shall have the meanings assigned to such terms in Chapter 12Q.

(i) For each Covered Employee, Trustee shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If Trustee chooses to offer the

health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(ii) Notwithstanding the above, if the Trustee is a small business as defined in Section 12Q.3(e) of the HCAO, it shall have no obligation to comply with part (a) above.

(iii) Trustee's failure to comply with the HCAO shall constitute a material breach of this agreement. City shall notify Trustee if such a breach has occurred. If, within 30 days after receiving City's written notice of a breach of this Indenture for violating the HCAO, Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, Trustee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, City shall have the right to pursue the remedies set forth in 12Q.5.1 and 12Q.5(f)(1-6). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to City.

(iv) Any Subcontract entered into by Trustee shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. Trustee shall notify City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. Each Trustee shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against Trustee based on the Subcontractor's failure to comply, provided that City has first provided Trustee with notice and an opportunity to obtain a cure of the violation.

(v) Trustee shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying City with regard to Trustee's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(vi) Trustee represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(vii) Trustee shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the City Contract.

(viii) Trustee shall keep itself informed of the current requirements of the HCAO.

(ix) Trustee shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(x) Trustee shall provide City with access to records pertaining to compliance with HCAO after receiving a written request from City to do so and being provided at least ten business days to respond.

(xi) Trustee shall allow City to inspect Trustee's job sites upon reasonable notice and during regular business hours and have access to Trustee's employees in order to monitor and determine compliance with HCAO.

(xii) City may conduct random audits of Trustee to ascertain its compliance with HCAO. Trustee agrees to cooperate with City when it conducts such audits.

(xiii) If Trustee is exempt from the HCAO when this Indenture is executed because the amount of Trustee's compensation hereunder is less than \$25,000 (\$50,000 for nonprofits), but Trustee later enters into an agreement or agreements that cause Trustee's aggregate compensation amount under all agreements with City to reach \$75,000 in the fiscal year, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount Trustee compensation under agreements between Trustee and the City to be equal to or greater than \$75,000 in the fiscal year.

Section 11.33. Prohibition on Political Activity with City Funds. In accordance with San Francisco Administrative Code Chapter 12.G, Trustee may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Indenture. Trustee agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event Trustee violates the provisions of this section, the City may, in addition to any other rights or remedies available hereunder, (i) remove the Trustee without compliance with notice provisions in Section 8.06, and (ii) prohibit Trustee from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider Trustee's use of compensation or profit as a violation of this section.

Section 11.34. Preservative-treated Wood Containing Arsenic. Trustee may not knowingly purchase preservative-treated wood products containing arsenic in the performance of this Indenture unless an exemption from the requirements of Chapter 13 of the San Francisco Environment Code is obtained from the Department of the Environment under Section 1304 of the Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniacal copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Trustee may purchase preservative-treated wood products on the list of environmentally preferable alternatives

prepared and adopted by the Department of the Environment. This provision does not preclude Trustee from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

Section 11.35. Compliance with Laws. Trustee shall keep itself fully informed of the City's Charter, codes, ordinances and regulations of the City and of all state, and federal laws in any manner affecting the performance of this Indenture, and must at all times comply with such local codes, ordinances, and regulations and all applicable laws as they may be amended from time to time.

Section 11.36. Protection of Private Information. Trustee has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. Trustee agrees that any failure of Contactor to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of the Contract. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate the Contract, bring a false claim action against the Trustee pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Trustee.

Section 11.37. Graffiti Removal. Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and County and its residents, and to prevent the further spread of graffiti. Trustee shall remove all graffiti from any real property owned or leased by Trustee in the City and County of San Francisco within forty eight (48) hours of the earlier of Trustee's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This section is not intended to require a Trustee to breach any lease or other agreement that it may have concerning its use of the real property. The term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art

Preservation Act (California Civil Code Sections 987 et seq.) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 et seq.).

Any failure of the Trustee to comply with this section of this Indenture shall constitute a breach under this Indenture.

Section 11.38. Food Service Waste Reduction Requirements. Effective June 1, 2007, the Trustee agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Indenture as though fully set forth. This provision is a material term of this Indenture. By entering into this Indenture, Trustee agrees that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine; further, Trustee agrees that the sum of one hundred dollars (\$100) liquidated damages for the first breach, two hundred dollars (\$200) liquidated damages for the second breach in the same year, and five hundred dollars (\$500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that City will incur based on the violation, established in light of the circumstances existing at the time this Indenture was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by City because of Trustee's failure to comply with this provision.

Section 11.39. Cooperative Drafting. This Indenture has been drafted through a cooperative effort of both parties, and both parties have had an opportunity to have the Indenture reviewed and revised by legal counsel. No party shall be considered the drafter of this Indenture, and no presumption or rule that an ambiguity shall be construed against the party drafting the clause shall apply to the interpretation or enforcement of this Indenture.

Section 11.40. Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Indenture by their officers thereunto duly authorized as of the day and year first written above.

	SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
ATTEST:	_____ [Title]
_____ [SFMTA Board Secretary]	_____, as Trustee
	_____ Authorized Officer
APPROVED AS TO FORM BY:	_____ Authorized Officer
DENNIS J. HERRERA, CITY ATTORNEY	
By: _____ Deputy City Attorney	

ENCLOSURE 5

First Supplement to Indenture of Trust

FIRST SUPPLEMENT TO
INDENTURE OF TRUST

BY AND BETWEEN THE

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

AND

AS TRUSTEE

DATED AS OF _____ 1, 2012

RELATING TO

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
REVENUE BONDS,
SERIES 2012A

AND

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
REVENUE BONDS,
SERIES 2012B

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FIRST SUPPLEMENT TO INDENTURE OF TRUST

This FIRST SUPPLEMENT TO INDENTURE OF TRUST, dated as of _____1, 2012 (the "First Supplemental Indenture"), by and between the SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY (the "SFMTA"), duly constituted and established under Sections 8A.100 et seq. of the Charter of the City and County of San Francisco and _____ [a national trust company duly organized under the laws of the United States of America], as trustee (the "Trustee");

W I T N E S S E T H:

WHEREAS, the SFMTA is an agency of the City and County of San Francisco (the "City") and is governed by its Board of Directors (the "SFMTA Board"); and

WHEREAS, under Sections 8A.100, 8A.101 and 8A.102 of the Charter of the City and County of San Francisco (the "Charter"), the SFMTA is charged with managing the City's transportation system (the "Transportation System"), which includes the Municipal Railway, the former Department of Parking and Traffic and other transportation functions;

WHEREAS, under Section 8A.102 of the Charter and Ordinance No. _____ adopted by the Board of Supervisors of the City (the "Board") on _____, 2011 and signed by Mayor Edwin M. Lee on _____, 2011, and codified as Chapter 43, Article ____ of the San Francisco Administrative Code (the "Act"), the SFMTA has the authority to issue transportation revenue bonds for the purpose of acquiring, constructing, improving or developing facilities and equipment under its jurisdiction (the "Project") and transportation revenue refunding bonds under such terms and conditions as the SFMTA may authorize by resolution, with the concurrence of the Board of Supervisors of the City; and

WHEREAS, the SFMTA has authorized and issued the Series 2012 Bonds pursuant to Resolution No. _____ of the SFMTA Board, adopted on _____, 2011 (the "SFMTA Board Resolution") and the Board of Supervisors of the City has approved the Series 2012 Bonds pursuant to Resolution No. _____, adopted on _____, 2011 and signed by Edwin M. Lee on _____, 2011 (the "City Resolution").

WHEREAS, the SFMTA has entered into an Indenture of Trust, dated as of the date hereof (the "Master Indenture"), by and between the SFMTA and the Trustee, which provides for the security and issuance of one or more series of transportation revenue bonds (the "Bonds"); and

WHEREAS, the SFMTA is entering into this First Supplemental Indenture in order to provide for the terms of a series of Bonds to be designated as "Revenue Bonds, Series 2012A" (the "Series 2012A Bonds") and a series of Bonds to be designated as "Revenue Bonds, Series 2012B" (the "Series 2012B Bonds") (collectively, the "Series 2012 Bonds") which will be issued under and in accordance with the Charter and the Act and pursuant to the terms and

conditions set forth in the Master Indenture and herein, and for the purpose of financing the Series 2012B Projects and refunding the Prior Obligations.

NOW, THEREFORE, THIS FIRST SUPPLEMENTAL INDENTURE WITNESSETH that in order to secure the payment of the Principal Amount of, premium, if any, and the interest on the Series 2012 Bonds delivered under the Master Indenture and hereunder and to secure the performance of the terms, conditions, covenants, agreements, trusts, uses and purposes hereinafter expressed, and in consideration of the premises and covenants herein contained and of the purchase and acceptance of the Series 2012 Bonds by the Owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the SFMTA does hereby agree and covenant with the Trustee for the benefit of the respective Owners, from time to time, of the Series 2012 Bonds, as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. The capitalized terms used in this First Supplemental Indenture shall have the meanings assigned to such terms in the Master Indenture, unless otherwise defined below or elsewhere in this First Supplemental Indenture or unless a different meaning clearly applies from the context in which such term is used herein:

“Depository” shall mean (a) initially, DTC, and (b) any other securities depository acting as Depository pursuant to Section 2.05 hereof.

“Depository System Participant” shall mean any participant in the Depository’s book-entry system.

“DTC” shall mean The Depository Trust Company, New York, New York, and its successors and assigns.

“Escrow Agent” shall mean _____.

“First Supplemental Indenture” shall mean this First Supplement to Indenture of Trust, dated as of _____ 1, 2012, by and between the SFMTA and the Trustee.

“Master Indenture” shall mean the Indenture of Trust, dated as of _____ 1, 2012, by and between the SFMTA and the Trustee.

“Nominee” shall mean “CEDE & CO.” or any successor nominee designated by the Depository pursuant to the terms of the Indenture.

“Prior Obligations” shall mean _____.

“Series 2012 Bonds” shall mean the San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012A and the San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012B.

“Series 2012A Bonds” shall mean the San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012A.

“Series 2012B Bonds” shall mean the San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012B.

“Series 2012 Continuing Disclosure Certificate” means the Continuing Disclosure Certificate executed by an Authorized SFMTA Representative, dated the closing date of the Series 2012 Bonds, as originally executed and as each may be amended from time to time.

“Series 2012A Debt Service Account” means the account within the Debt Service Fund created pursuant to Section 3.02 hereof.

“Series 2012B Debt Service Account” means the account within the Debt Service Fund created pursuant to Section 3.02 hereof.

“Series 2012 Delivery Costs Account” shall mean the fund by that name established pursuant to Section 2.06(a) hereof.

[“Series 2012A Escrow Account” shall mean the fund by that same name established pursuant to Section 2.06(b) hereof.]

“Series 2012 Interest Payment Date” shall mean _____ 1 and _____ 1 of each year, commencing _____ 1, 2012.

“Series 2012 Payment Date” means each Series 2012 Interest Payment Date and Series 2012 Principal Payment Date.

“Series 2012 Principal Payment Date” shall mean _____ 1 of each year, commencing _____ 1, 20____.

“Series 2012B Projects” shall mean the design, construction, reconstruction, repair and/or improvement of various facilities of the SFMTA.

“Series 2012B Project Costs Account” shall mean that certain fund established pursuant to section 2.06(c) hereof.

“Series 2012 Record Date” shall mean the close of business on the fifteenth day of the month preceding each Series 2012 Interest Payment Date, whether or not such fifteenth day is a Business Day.

“Series 2012 Reserve Account” shall mean the Series 2012 Reserve Account in the Reserve Fund established pursuant to Section 3.03 hereof.

“Series 2012 Reserve Requirement” shall mean, as of any date of calculation, the least of [(i) an amount equal to Maximum Annual Debt Service with respect to the Series 2012 Bonds, (ii) 125% of average annual debt service on the Series 2012 Bonds, or (iii) 10% of the

Outstanding Principal Amount of Series 2012 Bonds. A future Series of Bonds may be designated in a Supplemental Indenture to benefit from and participate in the Series 2012 Reserve Account. In such event, the foregoing definition shall be applicable to such Series of Bonds but shall be revised in such Supplemental Indenture to take into account such Series of Bonds and the requirements of the Code.

ARTICLE II

TERMS OF SERIES 2012 BONDS

Section 2.01. Authorization and Purpose of Series 2012 Bonds. The SFMTA hereby authorizes the issuance of the Series 2012 Bonds for the purpose of providing moneys to finance the Series 2012 Projects. The parties hereto hereby acknowledge and agree that the Series 2012 Bonds constitute "Bonds" as defined in the Master Indenture and that the Series 2012 Bonds are secured on a parity with any additional Series of Bonds which may hereafter be issued under the Indenture.

Section 2.02. Terms of the Series 2012 Bonds. (a) General. The Series 2012 Bonds authorized to be issued by the SFMTA under and subject to the terms of the Indenture and the Act shall be issued in two Series designated as the "San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012A" (the "Series 2012A Bonds") and the "San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012B" (the "Series 2012B Bonds"). The Series 2012A Bonds shall be issued in the aggregate principal amount of _____ (\$_____) and the Series 2012B Bonds shall be issued in the aggregate principal amount of _____ (\$_____). The Series 2012 Bonds shall be dated _____, 2012, shall bear interest at the rates set forth herein (calculated on the basis of a 360 day year comprised of twelve 30 day months), shall be issued as fully registered bonds in authorized denominations of \$5,000 or any integral multiple thereof, shall be numbered in such manner as the Trustee may deem appropriate so long as each Series 2012 Bond receives a distinctive number and shall mature, subject to the right of prior redemption in whole or in part, as described herein, and become payable in the amounts and on the dates as provided herein.

(b) Maturity Schedule of Series 2012A Bonds. The Series 2012A Bonds shall bear interest at the rates per annum, payable on each Series 2012 Interest Payment Date, and be payable as to principal on each Series 2012 Principal Payment Date in each of the years and in the amounts indicated as follows:

SERIES 2012A BONDS

Year (_____ 1)	Principal	Interest Rate
_____	\$_____	_____%

(c) Maturity Schedule of Series 2012B Bonds. The Series 2012B Bonds shall bear interest at the rates per annum, payable on each Series 2012 Interest Payment Date, and be payable as to principal on each Series 2012 Principal Payment Date in each of the years and in the amounts indicated as follows:

<u>SERIES 2012B BONDS</u>		
Year (_____ 1)	Principal	Interest Rate
_____	\$ _____	_____ %

(d) Payment of Series 2012 Bonds. The Series 2012 Bonds shall bear interest from the Series 2012 Interest Payment Date immediately preceding the date of authentication thereof unless (i) the date of authentication thereof is prior to the first regular Series 2012 Record Date in which event from the dated date of such Series 2012 Bond, or (ii) the date of authentication thereof is a Series 2012 Interest Payment Date, in which event from that Series 2012 Interest Payment Date, or (iii) the date of authentication thereof is after a regular Series 2012 Record Date but before the following Series 2012 Interest Payment Date, in which event it shall bear interest from such Series 2012 Interest Payment Date.

Payment of interest on the Series 2012 Bonds which are not book-entry bonds shall be paid by check or draft mailed by the Trustee on the Series 2012 Interest Payment Date via first class mail to the Holders at their addresses shown on the registration books of the Trustee as of the close of business on the Series 2012 Record Date with respect to such Series 2012 Interest Payment Date; provided that payment of interest may be paid by federal wire transfer to an account in the United States designated by any Holder of Series 2012 Bonds in the aggregate principal amount of \$1,000,000 or more, upon provision of a written notice received by the Trustee prior to the applicable Series 2012 Record Date. Any such written notice shall remain in effect until terminated or changed by subsequent written notice of the Holder. The payment of interest and principal on book-entry bonds shall be made as provided in Section 2.07 hereof and the Representation Letter.

Interest shall be paid notwithstanding the cancellation of any Series 2012 Bonds upon any exchange or registration of transfer thereof subsequent to the Series 2012 Record Date and prior to such Series 2012 Interest Payment Date.

For Series 2012 Bonds that are not book-entry bonds, the Principal Amount of and redemption premiums, if any, on the Series 2012 Bonds and payments of interest due at maturity or earlier redemption of the Series 2012 Bonds, shall be payable upon the surrender thereof at the Corporate Trust Office of the Trustee. The Principal Amount of and redemption premiums, if any, and interest on the Series 2012 Bonds shall be paid in lawful money of the United States of America.

(e) Limitations on Transfer and Exchange of Series 2012 Bonds. The SFMTA and the Trustee shall not be required to issue, register the transfer of, or exchange (i) any Series

2012 Bond during the period beginning on the fifteenth day of the month preceding each Series 2012 Interest Payment Date and ending on such Series 2012 Interest Payment Date, during the fifteen (15) days preceding the selection of Series 2012 Bonds for redemption, on any date on which notice of redemption is scheduled to be mailed, on any redemption date, or (ii) any Series 2012 Bond selected for redemption.

(f) Redemption of the Series 2012 Bonds. The Series 2012 Bonds scheduled to mature on or before _____ 1, 20__ are not subject to optional redemption prior to maturity. The Series 2012 Bonds maturing on or after _____ 1, 20__ shall be subject to redemption at the option of the SFMTA, as a whole or in part among such maturities (and by lot within any one maturity) as designated by an Authorized SFMTA Representative prior to their respective maturity dates, on any date on or after _____ 1, 20__, from funds derived by the SFMTA from any legally available source, at redemption prices (expressed as a percentage of the principal amount of the Series 2012 Bonds called for redemption) together with interest accrued thereon to the date of redemption.

(g) Mandatory Sinking Fund Payments for Series 2012A Bonds. (i) The Series 2012A Bonds (the "Series 2012A Term Bonds") shall also be subject to mandatory redemption in part by lot prior to their maturity date, on _____ 1, commencing _____ 1, 20__ solely from money which has been deposited into the Series 2012 Principal Account in amounts and upon the dates hereby established for such Series 2012A Term Bonds, as follows:

SERIES 2012A TERM BONDS MATURING ON _____ 1, 20__

Year (_____ 1)	Mandatory Sinking Fund Payments
*	

*Maturity	

(h) Mandatory Sinking Fund Payments for Series 2012B Bonds. (i) The Series 2012B Bonds (the "Series 2012B Term Bonds") shall also be subject to mandatory redemption in part by lot prior to their maturity date, on _____ 1, commencing _____ 1, 20__ solely from money which has been deposited into the Series 2012 Principal Account in amounts and upon the dates hereby established for such Series 2012B Term Bonds, as follows:

SERIES 2012B TERM BONDS MATURING ON _____ 1, 20__

Year (_____ 1)	Mandatory Sinking Fund Payments
*	
_____ *Maturity	

Section 2.03. Forms of Series 2012 Bonds. The Series 2012 Bonds and the forms of authentication and registration endorsement and the assignment to appear thereon shall be substantially in the forms attached hereto as Exhibit A, with necessary or appropriate variations, omission and insertions as permitted or required by the Indenture.

Section 2.04. Application of Proceeds of Sale of the Series 2012A Bonds

(a) Upon receipt of payment of the purchase price for the Series 2012A Bonds in the amount of \$_____ (representing \$_____ principal amount, less an original issue discount in the amount of \$_____ and less an Underwriter's discount in the amount of \$_____) from the original purchaser thereof the Trustee shall set aside and deposit such amount as follows:

(1) [The Trustee shall deposit/transfer to the Escrow Agent for deposit in the Series 2012A Escrow Account the sum equal to \$ _____.]

(2) The Trustee shall deposit in the Series 2012 Reserve Account the sum equal to \$_____, which together with the deposit from the proceeds of the series 2012B Bonds is equal to the initial Series 2012 Reserve Requirement with respect to the Series 2012 Bonds;

(3) The Trustee shall deposit in the Series 2012 Delivery Costs Account established pursuant to Section 2.06(a) hereof such moneys to be used to pay Delivery Costs with respect to the Series 2012A Bonds as directed by a certificate of an Authorized SFMTA Representative.

Section 2.05. Application of Proceeds of Sale of the Series 2012B Bonds

(a) Upon receipt of payment of the purchase price for the Series 2012B Bonds in the amount of \$_____ (representing \$_____ principal amount, less an

original issue discount in the amount of \$_____ and less an Underwriter's discount in the amount of \$_____) from the original purchaser thereof the Trustee shall set aside and deposit such amount as follows:

(1) The Trustee shall deposit in the Series 2012B Project Costs Account the sum equal to \$_____.

(2) The Trustee shall deposit in the Series 2012 Reserve Account the sum equal to \$_____, which together with the deposit from the proceeds of the Series 2012A Bonds is equal to the initial Series 2012 Reserve Requirement with respect to the Series 2012 Bonds;

(3) The Trustee shall deposit in the Series 2012 Delivery Costs Account established pursuant to Section 2.06(a) hereof such moneys to be used to pay Delivery Costs with respect to the Series 2012B Bonds as directed by a certificate of an Authorized SFMTA Representative.

Section 2.06. Establishment of Series 2012 Delivery Costs Account, Series 2012A Escrow Account and Series 2012B Project Costs Account

(a) Series 2012 Delivery Costs Account. The Trustee shall establish a Series 2012 Delivery Costs Account for the deposit and retention of a portion of the Series 2012 Bond proceeds held pending disbursement thereof. The Trustee shall disburse amounts in the Series 2012 Delivery Costs Account upon receipt from an Authorized SFMTA Representative of a requisition setting out the payee, the amount of such disbursement and the purpose of such disbursement, including a statement that said disbursement was incurred for Delivery Costs. Upon the earlier of 180 days after initial delivery of the Series 2012 Bonds or receipt by the Trustee of a certificate of Authorized SFMTA Representative that all Delivery Costs with respect to Series 2012 Bonds have been paid, the Trustee shall transfer remaining amounts in the Series 2012 Delivery Costs Account to the Series 2012 Interest Account.

The Trustee shall have no duty or liability to monitor the application of any moneys disbursed hereunder. The Trustee shall be absolutely protected in making any disbursement from the Series 2012 Delivery Costs Account in reliance upon a requisition of Authorized SFMTA Representative. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

(b) [Series 2012A Escrow Account. The Trustee shall establish a Series 2012A Escrow Account for the deposit and retention of a portion of the Series 2012A Bond Proceeds held pending disbursement thereof.]

(c) Series 2012B Project Costs Account. The Trustee shall establish a Series 2012B Project Costs Account for the deposit and retention of a portion of the Series 2012B Bond proceeds held pending disbursement thereof. The Trustee shall disburse amounts in the Series 2012B Project Costs Account for costs of the Series 2012B Projects as provided in the Tax

Certificate for the Series 2012 Bonds and pursuant to a requisition submitted by the SFMTA to the Trustee. Amounts on deposit in the Series 2012B Project Costs Account may be used for Delivery Costs plus Project Costs and upon completion of the Series 2012B Project any remaining amounts may be transferred for such purposes as comply with applicable law and the Tax Certificate. Earnings on the Series 2012B Project Costs Account may be transferred by the SFMTA to the Series 2012B Debt Service Account.

Section 2.07. Book-Entry Provisions.

(a) Original Delivery. The SFMTA may provide prior to the date of delivery of the Series 2012 Bonds, that the Series 2012 Bonds may be initially delivered in book-entry form pursuant to this Section 2.07.

The Series 2012 Bonds initially delivered in book-entry form shall be initially delivered in the form of a separate single fully registered Series 2012 Bond without coupons (which may be typewritten) for each maturity of the Series 2012 Bonds. Upon initial delivery, the ownership of each such Series 2012 Bond shall be registered by the Trustee in the name of the Nominee. Except as provided in subsection (c) below, the ownership of all such Outstanding Series 2012 Bonds shall be registered in the name of the Nominee on the registration books of the Registrar.

With respect to Series 2012 Bonds the ownership of which shall be registered in the name of the Nominee, the SFMTA and the Trustee shall have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the SFMTA holds an interest in the Series 2012 Bonds. Without limiting the generality of the immediately preceding sentence, the SFMTA and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Series 2012 Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Series 2012 Bondholder as shown in the Registration Books, of any notice with respect to the Series 2012 Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Series 2012 Bonds to be redeemed in the event the SFMTA elects to redeem the Series 2012 Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Series 2012 Bondholder as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Series 2012 Bonds or (v) any consent given or other action taken by the Depository as Holder of the Series 2012 Bonds. The SFMTA and the Trustee may treat and consider the person in whose name each Series 2012 Bond is registered as the absolute owner of such Series 2012 Bond for the purpose of payment of principal, premium and interest on such Series 2012 Bond, for the purpose of giving notices of prepayment and other matters with respect to such Series 2012 Bond, for the purpose of registering transfers of ownership of such Series 2012 Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and interest and premium, if any, on the Series 2012 Bonds only to the respective Holders or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the

Series 2012 Bonds to the extent of the sum or sums so paid. No person other than a Series 2012 Bondholder shall receive a Series 2012 Bond evidencing the obligation of the SFMTA to make payments of principal, interest and premium, if any, pursuant to this Indenture. Upon delivery by the Depository to the Nominee of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the SFMTA shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Series 2012 Bonds for the Depository's book-entry system, the SFMTA and the Trustee shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Series 2012 Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the SFMTA or the Trustee any obligation whatsoever with respect to persons having interests in the Series 2012 Bonds other than the Series 2012 Bondholders. The Trustee agrees to comply with all provisions in such letter with respect to the giving of notices thereunder by the Trustee. In addition to the execution and delivery of such letter, the SFMTA may take any other actions, not inconsistent with this Indenture, to qualify the Series 2012 Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. In the event that either (i) the Depository determines not to continue to act as Depository for the Series 2012 Bonds, or (ii) the SFMTA determines to terminate the Depository as such, then the SFMTA shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the SFMTA and the Trustee in the issuance of replacement Series 2012 Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Series 2012 Bonds, and by surrendering the Series 2012 Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Series 2012 Bonds are to be issued. The Depository, by accepting delivery of the Series 2012 Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the SFMTA fails to identify another Securities Depository to replace the Depository, then the Series 2012 Bonds shall no longer be required to be registered in the name of the Nominee, but shall be registered in whatever name or names the Holders transferring or exchanging Series 2012 Bonds shall designate, in accordance with the provisions of Article II of the Master Indenture. Prior to its termination, the Depository shall furnish the Trustee with the names and addresses of the Depository System Participants and respective ownership interests thereof.

(d) Payments to the Nominee. Notwithstanding any other provision of the Indenture to the contrary, so long as any Series 2012 Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Series 2012 Bond and all notices with respect to such Series 2012 Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section 2.06 or as otherwise instructed by the Depository.

ARTICLE III

SERIES 2012 INTEREST AND PRINCIPAL ACCOUNTS; RESERVE FUND; SERIES 2012 REBATE FUND; EARNINGS ON DEBT SERVICE FUND AND RESERVE FUND

Section 3.01. Series 2012 Interest and Principal Accounts. The SFMTA shall transfer Pledged Revenues to the Trustee for deposit in the Debt Service Fund as provided in Section 5.05 of the Master Indenture and this Section 3.01; provided, that the following accounts are created in the Debt Service Fund held by the Trustee with respect to the Series 2012 Bonds; provided further, however, that to the extent that deposits have been made in any of the accounts referred to below from the proceeds of the sale of the Series 2012 Bonds or otherwise, the deposits below need not be made

Section 3.02. Series 2012A Debt Service Account and Series 2012B Debt Service Account. On or before the Business Day prior to each Series 2012 Payment Date, the Trustee shall transfer from the Debt Service Fund to the Series 2012A Debt Service Account and Series 2012B Debt Service Account within the Debt Service Fund (which accounts are hereby created), the interest and Principal Amount to become due on such Series 2012 Bonds on such Series 2012 Payment Date; provided that the SFMTA need not transfer any moneys at such time as the balance in said Series 2012A Debt Service Account and said Series 2012B Debt Service Account shall be equal to the aggregate amount of interest and Principal Amount becoming due and payable on the then Outstanding Series 2012A Bonds and Series 2012B Bonds, respectively, on such Series 2012 Payment Date. The obligation to make the foregoing transfers shall be on a parity with the obligation to fund any interest accounts henceforth created under the Indenture with respect to any additional Series of Bonds which may hereafter be issued under the Indenture, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference.

Section 3.03. Series 2012 Reserve Account. (a) The Series 2012 Reserve Account in the Reserve Fund is hereby established with the Trustee. The Reserve Requirement for the Series 2012 Bonds shall be the Series 2012 Reserve Requirement. The Series 2012 Reserve Account shall benefit only the Series 2012 Bonds and any additional Series of Bonds to the extent so designated in a Supplemental Indenture. The amounts on deposit in the Series 2012 Reserve Account shall secure on a parity basis the Series 2012 Bonds and any additional Series of Bonds so designated in a Supplemental Indenture. In the event an additional Series of Bonds is designated in a Supplemental Indenture to benefit from the Series 2012 Reserve Account, the definition of Series 2012 Reserve Requirement shall be applicable to such Series of Bonds but shall be revised in such Supplemental Indenture to take into account such Series of Bonds and the requirements of the Code.

(b) If on any Series 2012 Payment Date the amount on deposit in the Debt Service Fund is not sufficient to pay interest on and principal to become due on the Series 2012 Bonds on such Series 2012 Payment Date (or any Series of Bonds designated in a Supplemental Indenture on its Payment Dates), then the Trustee shall withdraw the amount of any such

deficiency from the Series 2012 Reserve Account and deposit such amount in the Debt Service Fund.

(c) All money on deposit in the Series 2012 Reserve Account in excess of the Series 2012 Reserve Requirement shall be transferred to the SFMTA or to such account as an Authorized SFMTA Representative may designate; and for this purpose all investments in the Series 2012 Reserve Account shall be valued monthly, at the lower of purchase price or the current market value of such investments (inclusive of accrued interest).

(d) The Trustee shall deposit moneys received from the SFMTA pursuant to Section 5.05(b) of the Master Indenture in the Series 2012 Reserve Account, in an amount equal to that sum, if any, necessary to restore the Series 2012 Reserve Account to an amount equal to the Series 2012 Reserve Requirement. The obligation to make the foregoing transfers to the Series 2012 Reserve Account shall be on a parity without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference. If provided for in a Supplemental Indenture, the obligation to make the foregoing transfers shall be on a parity with the obligation to fund any separate reserve accounts within the Reserve Fund henceforth created under the Indenture with respect to any additional Series of Bonds which may hereafter be issued under the Indenture, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference.

Section 3.04. Rebate Fund.

(a) General. The Trustee shall establish a special fund designated the "Series 2012 Bonds Rebate Fund" (the "Rebate Fund"). All amounts at any time on deposit in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") with respect to the Series 2012 Bonds, pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the "Treasury Regulations"). The SFMTA may by Supplemental Indenture establish additional funds or accounts for purposes of satisfying the Rebate Requirement with respect to any other Outstanding Bonds. Amounts on deposit in the Rebate Fund shall be free and clear of any lien under the Indenture and shall be governed by this Section 3.04 and Section 6.07 of the Master Indenture and by the Tax Certificate relating to the Series 2012 Bonds. The Trustee shall be deemed conclusively to have complied with the Rebate Requirement if it follows the directions of an Authorized SFMTA Representative, and shall have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the SFMTA with the Rebate Requirement.

(b) Deposits.

(i) Within 45 days of the end of each Bond Year (as such term is defined in the Tax Certificate), (1) the SFMTA shall calculate or cause to be calculated with respect to the Series 2012 Bonds the amount that would be considered the "rebate amount" within the meaning of Section 1.148-3 of the Treasury Regulations, using as the "computation date" for this purpose the end

of such Bond Year, and (2) upon the written direction of an Authorized SFMTA Representative, the Trustee shall deposit to the Rebate Fund from deposits from the SFMTA, if and to the extent required, amounts sufficient to cause the balance in the Rebate Fund to be equal to the “rebate amount” so calculated.

(ii) The Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with the preceding sentence if the amount on deposit in the Rebate Fund prior to the deposit required to be made under this subsection (b) equals or exceeds the “rebate amount” calculated in accordance with the preceding sentence. Such excess may be withdrawn from the Rebate Fund to the extent permitted under subsection (g) of this Section 3.03.

(iii) The SFMTA shall not be required to calculate the “rebate amount,” and the Trustee shall not be required to make deposit of any amount to the Rebate Fund in accordance with this subsection (b), with respect to all or a portion of the proceeds of the Series 2012 Bonds (including amounts treated as proceeds of the Series 2012 Bonds) (1) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(B) or Section 148(f)(4)(C) of the Code, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (2) to the extent such proceeds are subject to an election by the SFMTA under Section 148(f)(4)(C)(vii) of the Code to pay a 1½% penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (3) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a “bona fide debt service fund.” In such event, and with respect to such amounts, an Authorized SFMTA Representative shall provide written direction to the Trustee that the Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with this subsection (b).

(c) Withdrawal Following Payment of Bonds. Any funds remaining in the Rebate Fund after payment of all the Series 2012 Bonds and any amounts described in paragraph (2) of subsection (d) of this Section 3.04, or provision made therefor satisfactory to the Trustee, including accrued interest and payment of any applicable fees to the Trustee, shall be withdrawn by the Trustee and remitted to the SFMTA.

(d) Withdrawal for Payment of Rebate. Upon the an Authorized SFMTA Representative’s written direction, but subject to the exceptions contained in subsection (b) of this Section 3.04 to the requirement to calculate the “rebate amount” and make deposits to the Rebate Fund, the Trustee shall pay to the United States, from amounts on deposit in the Rebate Fund,

(1) not later than 60 days after the end of (i) the fifth Bond Year, and (ii) each fifth Bond Year thereafter, an amount that, together with all previous rebate payments,

is equal to at least 90% of the “rebate amount” calculated as of the end of such Bond Year in accordance with Section 1.148 3 of the Treasury Regulations; and

(2) not later than 60 days after the payment of all Series 2012 Bonds, an amount equal to 100% of the “rebate amount” calculated as of the date of such payment (and any income attributable to the “rebate amount” determined to be due and payable) in accordance with Section 1.148 3 of the Treasury Regulations.

(e) Rebate Payments. Each payment required to be made pursuant to subsection (d) of this Section 3.04 shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be completed by the arbitrage rebate consultant for execution by the an Authorized SFMTA Representative and provided to the Trustee.

(f) Deficiencies in the Rebate Fund. In the event that, prior to the time any payment is required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, an Authorized SFMTA Representative shall calculate the amount of such deficiency and direct the Trustee to deposit an amount received from the SFMTA equal to such deficiency into the Rebate Fund prior to the time such payment is due.

(g) Withdrawals of Excess Amounts. In the event that immediately following the calculation required by subsection (b) of this Section 3.04, but prior to any deposit made under said subsection, the amount on deposit in the Rebate Fund exceeds the “rebate amount” calculated in accordance with said subsection (b), upon written instructions from an Authorized SFMTA Representative, the Trustee shall withdraw the excess from the Rebate Fund and credit such excess to the Debt Service Fund.

(h) Record Keeping. The SFMTA shall retain records of all determinations made hereunder until six years after the complete retirement of the Series 2012 Bonds.

(i) Survival of Defeasance. Notwithstanding anything in the Indenture to the contrary, the Rebate Requirement shall survive the payment in full or defeasance of the Series 2012 Bonds.

ARTICLE IV

MISCELLANEOUS

Section 4.01. Continuing Disclosure. The SFMTA hereby covenants and agrees that it will comply with the provisions of the Series 2012 Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the SFMTA to comply with the Series 2012 Continuing Disclosure Certificate shall not be considered an event of default hereunder; however, the Trustee may (and, at the request of the Participating Underwriter (as defined in the Series 2012 Continuing Disclosure Certificate) or the Owners of at least twenty-

five percent (25%) of the aggregate principal amount of the Outstanding Series 2012 Bonds, shall) or any holder or Beneficial Owner (as defined in the Series 2012 Continuing Disclosure Certificate), may take such actions as may be necessary and appropriate to cause the SFMTA to comply with the provisions of the Series 2012 Continuing Disclosure Certificate.

Section 4.02. Effective Date of First Supplemental Indenture. This First Supplemental Indenture shall take effect upon its execution and delivery.

Section 4.03. Indenture to Remain in Effect. Except as provided in this First Supplemental Indenture, the Indenture shall remain in full force and effect.

Section 4.04. Execution in Counterparts. This First Supplemental Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this First Supplemental Indenture by their officers thereunto duly authorized as of the day and year first written above.

SAN FRANCISCO MUNICIPAL
TRANSPORTATION AGENCY

[Title]

ATTEST:

[SFMTA Board Secretary]

_____, as Trustee

Authorized Officer

Authorized Officer

APPROVED AS TO FORM BY:
DENNIS J. HERRERA,
CITY ATTORNEY

By: _____
Deputy City Attorney

EXHIBIT A**(FORM OF SERIES 2012A/B BOND)**

No.

\$_____

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
REVENUE BONDS
SERIES 2012[A/B]**

Interest Rate	Maturity Date	Dated Date	Cusip
	_____, 20__	_____, 2012	

PRINCIPAL AMOUNT:**REGISTERED OWNER: CEDE & CO.**

The SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY (hereinafter sometimes called the "SFMTA"), a public body, corporate and politic, duly organized and existing under the Constitution and statutes of the State of California and the Charter of the City and County of San Francisco (the "Charter"), for value received, hereby promises to pay (but solely out of the funds hereinafter mentioned) to the registered owner hereof as shown above or registered assigns (herein sometimes referred to as the "Owner" or "Holder"), subject to the right of prior redemption hereinafter mentioned, the Principal Amount specified above, on the maturity date specified above, and to pay such Owner on each _____ 1 and _____ 1 of each year commencing on _____ 1, 2012 (each, a "Series 2012 Interest Payment Date") by check or draft mailed by the Trustee hereinafter referred to on the Series 2012 Interest Payment Date via first class mail to such Owner at such Owner's address shown on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each Series 2012 Interest Payment Date (the "Series 2012 Record Date"), or by federal wire transfer to an account in the United States designated by such Owner of Bonds in the aggregate Principal Amount of \$1,000,000 or more, upon provision of a written notice received by the Trustee prior to the applicable Series 2012 Record Date, interest on such Principal Amount from the Series 2012 Interest Payment Date immediately preceding the date of authentication hereof (unless (i) the date of authentication hereof is prior to the first regular Series 2012 Record Date in which event from the dated date specified above, or (ii) the date of authentication hereof is a Series 2012 Interest Payment Date, in which event from that Series 2012 Interest Payment Date, or (iii) the date of authentication hereof is after a regular Series 2012 Record Date but before the following Series 2012 Interest Payment Date, in which event it shall bear interest from such Series 2012 Interest Payment Date) until the Principal Amount hereof shall have been paid or provided for in accordance with the Indenture hereinafter referred to, at the interest rate per annum set forth above payable semiannually on each Series 2012 Interest Payment Date. Interest shall be calculated on the basis of a 360-day year

consisting of twelve 30-day months. The Principal Amount of and redemption premiums, if any, and interest on the Series 2012 Bonds shall be paid in lawful money of the United States of America. The Principal Amount of and redemption premiums, if any, on the Series 2012 Bonds and payments of interest due at maturity or earlier redemption of the Series 2012 Bonds, shall be payable upon the surrender thereof at the corporate trust office (the "Corporate Trust Office") of _____ as trustee (the "Trustee"), in San Francisco, California. All capitalized terms which are used herein, unless otherwise defined herein, shall have the meanings ascribed to such terms in the Indenture (as hereinafter defined). Series 2012 Bonds that are book-entry bonds will be governed by the book-entry provisions of the Indenture and the Representation Letter.

The Bonds (as defined under the Indenture) are special, limited obligations of the SFMTA payable solely from Pledged Revenues of the SFMTA and from moneys held in certain funds and accounts established pursuant to the Indenture. The SFMTA is not obligated to pay the principal of, premium, if any, or interest on the Bonds from any source of funds other than Pledged Revenues. The General Fund of the City is not liable for the payment of the principal of, premium, if any, or interest on the Bonds, and neither the credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any of the property of the City or of the SFMTA or any of its income or receipts, except Pledged Revenues, as provided by the Indenture.

This Bond is one of a duly authorized issue of Bonds of the SFMTA designated "San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012" (herein called the "Series 2012 Bonds"), in an aggregate principal amount of \$_____, all of like tenor and date (except for bond numbers, interest rates, amounts and maturity) and all of which have been issued pursuant to and in full conformity with the Constitution and laws of the State of California and the Charter. The Series 2012 Bonds are authorized by and issued pursuant to certain resolutions duly adopted by the City and the SFMTA and under the Indenture of Trust, dated as of _____ 1, 2012 and the First Supplement to Indenture of Trust, dated as of _____ 1, 2012 (together, the "Indenture"), each by and between the SFMTA and the Trustee, a copy of which is on file with the Secretary of the SFMTA and the Trustee. This Bond will be secured on parity with any other Outstanding Bonds hereafter issued in accordance with the Indenture, including the other Series of Bonds.

All of the Bonds are equally secured in accordance with the terms of the Indenture, reference to which is hereby made for a specific description of the security provided for said Bonds, for the nature, extent and manner of enforcement of such security and for the covenants and agreements made for the benefit of the Holders of the Bonds. By the acceptance of this Bond the Owner hereof consents to all of the terms, conditions and provisions of the Indenture. All of the provisions of the Indenture are hereby incorporated by reference into this Bond as if set forth in full herein, and any inconsistency between the provisions of this Bond and the Indenture shall be resolved in favor of the Indenture. In the manner provided in the Indenture, said Indenture and the rights and obligations of the SFMTA and of the Holders of Bonds may (with certain exceptions as stated in said Indenture) be amended or supplemented with the consent of the Holders of at least fifty-one percent (51%)

in aggregate Principal Amount of Outstanding Bonds of all Series affected by such amendment, unless such amendment is for the purpose of, among other things, curing ambiguities or formal defects or omissions, correcting or supplementing any provision which may be inconsistent with any other provision or to make any other change or addition which shall not have a material adverse effect on the interests of the Holders, in which case no Bondholders' consent is required.

The Series 2012 Bonds shall be subject to optional and mandatory redemption as provided in the Indenture.

This Bond is issued in fully registered form in the denomination of \$5,000 or any integral multiple thereof and is negotiable upon proper transfer of registration. This Bond is transferable by the Owner hereof or by his duly authorized attorney, at the Corporate Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture, upon surrender and cancellation of this Bond. Upon such transfer, a new Series 2012 Bond of any authorized denomination or denominations for the same aggregate principal amount and maturity of the same issue will be issued to the transferee in exchange therefor. This Bond may also be exchanged for a like aggregate principal amount of Series 2012 Bonds of other authorized denominations of the same maturity and interest rate, but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture, upon surrender and cancellation of this Bond.

The SFMTA and the Trustee shall not be required to issue, register the transfer of, or exchange (i) any Series 2012 Bond during the period beginning on the fifteenth day of the month preceding each Series 2012 Interest Payment Date and ending on such Series 2012 Interest Payment Date, during the fifteen (15) days preceding the selection of Series 2012 Bonds for redemption, on any date on which notice of redemption is scheduled to be mailed or on any redemption date, or (ii) any Series 2012 Bond selected for redemption.

The SFMTA and the Trustee may treat the Owner hereof as the absolute Owner hereof for all purposes, and the SFMTA and the Trustee shall not be affected by any notice to the contrary.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

The SFMTA by execution of this Bond hereby certifies that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Bond, and in the issuing of this Bond, do exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State of California and the Charter, and that this Bond is within every debt and other limit prescribed by the Constitution and statutes of the State of California and said Charter.

IN WITNESS WHEREOF, the SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY has caused this Bond to be signed on its behalf by the signature of its [Director of Transportation/Chairman or Vice Chairman], all as of the Dated Date set forth above.

By: _____
[Title]

(FORM OF CERTIFICATE OF AUTHENTICATION OF BONDS)

This is one of the Bonds described in the within mentioned Indenture.

Date of Authentication: _____, 2012

_____, as Trustee

By: _____
Authorized Signatory

* * * * *

(FORM OF ASSIGNMENT OF BONDS)

For value received _____ hereby sells, assigns and transfers unto _____ the within mentioned Bond and hereby irrevocably constitutes and appoints _____, attorney, to transfer the same on the books of the Trustee with full power of substitution in the premises.

NOTE: The signature(s) on this Bond must correspond with the name(s) as written on the face of the within Registered Bond in every particular, without alteration or enlargement or any change whatsoever.

Dated: _____, 20__
Signature Guaranteed By:

NOTE: Signature must be guaranteed by an eligible guarantor institution.

ENCLOSURE 6

BOND PURCHASE CONTRACT

\$[_____] San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012A	\$[_____] San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012B
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BOND PURCHASE CONTRACT

_____, 2012

San Francisco Municipal Transportation Agency
1 South Van Ness Avenue, 8th Floor
San Francisco, California 94103

Ladies and Gentlemen:

The undersigned J.P. Morgan Securities LLC (the “Representative”), on its own behalf and on behalf of RBC Capital Markets, LLC, Morgan Stanley & Co. LLC and Siebert Brandford Shank & Co., L.L.C. (each an “Underwriter” and collectively with the Representative, the “Underwriters”), hereby offers to enter into this agreement (the “Purchase Contract”) with the San Francisco Municipal Transportation Agency (the “Agency”). Upon the acceptance of this offer by the execution and delivery of this Purchase Contract by the Agency to the Representative, this Purchase Contract will be binding upon the Agency and the Underwriters. This offer is made subject to the acceptance of this Purchase Contract by the Agency on or before 5:00 P.M. California time on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriters upon written notice (by facsimile transmission or otherwise) from the Representative delivered to the Agency at any time prior to the acceptance of this Purchase Contract by the Agency. If the Underwriters withdraw this offer, or the Underwriters’ obligation to purchase the Bonds (as hereinafter defined) is otherwise terminated pursuant to Section 10 hereof, then and in such case the Agency shall be without any further obligation to the Underwriters, including the payment of any costs set forth under Section 12(b) hereof, and the Agency shall be free to sell the Bonds to any other party. Capitalized terms used in this Purchase Contract and not otherwise defined herein shall have the respective meanings set forth for such terms in the Official Statement (as hereinafter defined) and the Indenture (as hereinafter defined).

Inasmuch as this purchase and sale represents a negotiated transaction, the Agency understands, and hereby confirms, that the Underwriters are not acting as a fiduciary of the Agency, but rather are acting solely in their capacity as Underwriters for their own account. The Representative represents and warrants to the Agency that it has been duly authorized to enter into this Purchase Contract on behalf of the Underwriters and to act hereunder by and on behalf of the other Underwriters. Any authority, discretion or other power conferred upon the Underwriters by this Purchase Contract may be exercised jointly by all of the Underwriters or by the Representative on their behalf.

The Underwriters represent and warrant that this Purchase Contract, assuming due and legal execution and delivery thereof by, and validity against, the Agency, when executed by the Representative, will be a legal, valid and binding joint and several obligation of each Underwriter enforceable in accordance with its terms, subject to valid bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally.

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth in this Purchase Contract, the Underwriters (acting as principals and independent contractors and not as advisors, agents or fiduciaries) hereby, jointly and severally, agree to purchase from the Agency, and the Agency agrees to sell and deliver to the Underwriters, all (but not less than all) of the (a) \$_____ aggregate principal amount of San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012A (the "Series 2012A Bonds"), and (b) \$_____ aggregate principal amount of San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012B (the "Series 2012B Bonds," and together with the Series 2012A Bonds, the "Bonds"). The Bonds will be dated their date of delivery, shall (1) bear interest payable on [_____] 1, 2012 and thereafter semiannually each [_____] 1 and [_____] 1 at the rates and in the amounts; (2) mature on [_____] 1 in each year; and (3) be subject to redemption, in each case, as set forth in Schedule I attached hereto. The purchase price for the Series 2012A Bonds shall be \$_____ (the "Series 2012A Purchase Price"), calculated as the aggregate principal amount of \$_____, [plus/less] a net aggregate original issue [premium/discount] in the amount of \$_____ and less an aggregate underwriters' discount in the amount of \$_____. The purchase price for the Series 2012B Bonds shall be \$_____ (the "Series 2012B Purchase Price," and together with the Series 2012A Purchase Price, the "Purchase Price"), calculated as the aggregate principal amount of \$_____, [plus/less] a net aggregate original issue [premium/discount] in the amount of \$_____ and less an aggregate underwriters' discount in the amount of \$_____. The "Net Purchase Price" due at Closing shall be \$_____, which is the Purchase Price less the amount of the Good Faith Deposit of \$_____ required per Section 11 hereof.

Interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and will be exempt from State of California (the "State") personal income taxes, all as further described in the Official Statement, dated the date hereof, and relating to the Bonds, as further defined below.

Section 2. Preliminary Official Statement and Official Statement. The Agency ratifies, approves and confirms the distribution of the Preliminary Official Statement with respect to the Bonds, dated _____, 2012 (together with the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto, the "Preliminary Official Statement"), in connection with the offering and sale of the Bonds by the Underwriters prior to the availability of the Official Statement. The Agency represents that the Preliminary Official Statement was deemed final as of its date for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for the omission of offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity date, delivery date, ratings and other terms of the Bonds permitted to be excluded from the Preliminary Official Statement by Rule 15c2-12 (the "Excluded Information"). The Agency shall provide the Underwriters, within seven (7) business days from the date hereof (but in any event at least three

(3) business days prior to the Closing Date (as defined herein) whichever occurs first), of the Official Statement, dated the date hereof in the form of the Preliminary Official Statement (including all information previously permitted to have been omitted by Rule 15c2-12 and any amendments or supplements to such Official Statement as have been approved by the Agency and the Representative (which approval shall not be unreasonably withheld), in sufficient quantities and/or in a designated electronic format (as defined in Municipal Securities Rulemaking Board Rule G-32) to enable the Underwriters to comply with the rules of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board (the "MSRB"). The Agency authorizes and approves the distribution by the Underwriters of the Official Statement in connection with the offering and sale of the Bonds. The Agency authorizes the Representative to file, and the Representative hereby agrees to file at or prior to the Closing Date, the Official Statement with the MSRB, or its designees in accordance with MSRB Rule G-32. The Official Statement, including the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto on or prior to the Closing Date is herein referred to as the "Official Statement."

Section 3. Authorization of the Bonds. The Bonds shall be as described in the Official Statement and shall be issued and delivered and secured under the provisions of an Indenture of Trust (the "Indenture of Trust"), as supplemented by that First Supplement to the Indenture of Trust (the "First Supplement, and together with the Indenture of Trust, the "Indenture"), each dated as of _____, 2012, and each by and among the Agency and _____, as trustee (the "Trustee"). The issuance of the Bonds, the Indenture, the Preliminary Official Statement, the Official Statement, the Continuing Disclosure Agreement and this Purchase Contract were approved pursuant to Resolution No. ____-11, adopted by the Board of Directors of the Agency (the "Agency Resolution"), and confirmed by Resolution No. ____-11, adopted by the Board of Supervisors of the City and County of San Francisco (the "Board of Supervisors") on _____, 2011 and signed by the Mayor of the City and County of San Francisco on _____, 2011 (the "Board Resolution" and, together with the Agency Resolution, the "Authorizing Legislation" or the "Resolutions").

Section 4. The Bonds. The Series 2012A Bonds are being issued for the purpose of providing funds to (i) refund the Parking Bonds, (ii) fund the 2012A Reserve Account of the Bond Reserve Fund established under the Indenture for the Series 2012A Bonds, and (iii) pay costs of issuance of the Series 2012A Bonds. The Series 2012B Bonds are being issued for the purpose of providing funds to (i) finance various capital projects for the Agency as described in the Official Statement, (ii) fund the 2012B Reserve Account of the Bond Reserve Fund established under the Indenture for the Series 2012B Bonds, and (iii) to pay costs of issuance of the Series 2012B Bonds.

Section 5. Agency Representations, Covenants and Agreements. The Agency represents and covenants and agrees with each of the Underwriters that as of the date hereof:

(a) The Agency has full legal right, power and authority to enter into the Indenture, this Purchase Contract and the Continuing Disclosure Certificate (as hereinafter defined) (the Indenture, this Purchase Contract and the Continuing Disclosure Certificate are collectively referred to herein as the "Agency Documents" and to observe and perform the covenants and agreements in the Agency Documents and the

Authorizing Legislation; by all necessary official action of the Agency, the Agency has duly adopted the Agency Resolution prior to or concurrently with the acceptance hereof; the Agency Resolution is in full force and effect and has not been amended, modified, rescinded or challenged by referendum; the Agency has duly authorized and approved the delivery of the Preliminary Official Statement and the execution and delivery of, and the performance by the Agency of its obligations contained in, the Authorizing Legislation and the Agency Documents; the Agency has duly authorized and approved the delivery of the Preliminary Official Statement and the execution and delivery of the Official Statement; and the Agency is in compliance in all material respects with the obligations in connection with the execution and delivery of the Bonds on its part contained in the Authorizing Legislation.

(b) As of the date thereof and as the date hereof, the Preliminary Official Statement (except for information regarding The Depository Trust Company (“DTC”) and its book-entry only system), information under the caption [“Underwriting”], and the Excluded Information) did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(c) From the date of delivery of the Official Statement up to and including the end of the underwriting period (as such term is defined in Rule 15c2-12), the Official Statement (except for information regarding DTC and its book-entry only system and information provided by the Underwriters for inclusion therein, including without limitation the information under the caption “Underwriting” and the CUSIP numbers, prices and yields on the Bonds) does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. For purposes of this Purchase Contract, the end of the underwriting period shall be deemed to be the Closing Date, unless the Representative shall have notified the Agency to the contrary on or prior to such date, but in any event shall be deemed to end 25 days after the Closing Date.

(d) If the Official Statement is supplemented or amended pursuant to Section 4(e) hereof, at the time of each supplement or amendment thereto and at all times subsequent thereto up to and including the Closing Date or the end of the underwriting period, as the case may be, the Official Statement as so supplemented or amended (except for information regarding DTC and its book-entry only system and information provided by the Underwriters for inclusion therein, including without limitation the information under the caption [“Underwriting”] and the CUSIP numbers, prices and yields on the Bonds) will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(e) If between the date of delivery of the Official Statement and the end of the underwriting period (i) any event shall occur or any fact or condition shall become known to the Agency that would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or omit to state a material fact necessary

in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, the Agency shall notify the Representative thereof, and (ii) if in the reasonable opinion of the Agency or the Representative such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the Agency will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Representative, which approval shall not be unreasonably withheld.

(f) The Agency is not in material violation of, or in material breach of or in material default under, any applicable constitutional provision, charter provision, law or administrative regulation or order of the State or the United States of America or any applicable judgment or court decree or any loan agreement, indenture, bond, note, resolution, or other agreement or instrument to which the Agency is a party or to which the Agency or any of its properties is otherwise subject which violation, breach or default would have a material adverse effect on the Agency's financial condition, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a violation, breach or default under any such instrument; and the execution and delivery of the Agency Documents, the enactment of the Authorizing Legislation and compliance with the provisions of the Agency Documents and the Authorizing Legislation will not materially conflict with or constitute a material breach of or material default under any applicable constitutional provision, charter provision, law, administrative regulation, order, judgment, court decree, loan agreement, indenture, bond, note, resolution, or other agreement or instrument to which the Agency is subject, or by which it or any of its properties is bound which conflict, breach or default would have a material adverse effect on the Agency's financial condition.

(g) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending, with service of process having been accomplished, or to the best knowledge of the City Attorney after due inquiry, threatened by a prospective party or their counsel in writing addressed to the City Attorney, (i) in any way questioning the corporate existence of the Agency or the titles of the officers of the Agency to their respective offices; (ii) in any way contesting, affecting or seeking to prohibit, restrain or enjoin the issuance of any of the Bonds or the Agency Documents, or the payment of the principal of and interest on the Bonds, or the application of the proceeds of the Bonds; (iii) in any way contesting or affecting the validity of the Bonds, the Authorizing Legislation, the Agency Documents or the tax-exempt status of the interest on the Bonds, or contesting the powers of the Agency or any authority for the execution and delivery of the Bonds, the approval of the Authorizing Legislation or the execution and delivery by the Agency of the Agency Documents, the delivery of the Preliminary Official Statement or the execution and delivery of the Official Statement; (iv) which would likely result in any material adverse change relating to the financial condition of the Agency; or (v) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(h) The Agency will furnish such information, execute such instruments and take such other action not inconsistent with law or established policy of the Agency in cooperation with the Representative as may be reasonably requested (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Representative, and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions; provided, that the Agency shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(i) The Agency Documents when executed or adopted by the Agency, will be legal, valid and binding obligations of the Agency enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium, other laws affecting creditors rights generally, and to limitations on remedies against cities and counties under California law.

(j) All material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, court, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the Agency of, its respective obligations under Agency Documents have been duly obtained or when required for future performance are expected to be obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

(k) [The financial statements of the Agency for the fiscal year ended June 30, 2011] set forth as an Appendix A to the Preliminary Official Statement and the Official Statement fairly present the financial position of the Agency as of the dates indicated and the results of its operations, the sources and uses of its cash and the changes in its fund balances for the periods therein specified to the extent included therein and, other than as set forth therein, were prepared in conformity with generally accepted accounting principles applicable to local governments applied on a consistent basis.

(l) The Agency has never defaulted in the payment of principal or interest with respect to any of its obligations.

(m) The Agency will undertake, pursuant to the Indenture and a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events pursuant to paragraph (b)(5) of Rule 15c2-12. An accurate description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

(n) Between the date hereof and the Closing Date, the Agency will not supplement or amend the Agency Documents, the Authorizing Legislation or the Official Statement in any respect that is material to the obligations of the Agency under this

Purchase Contract without the prior written consent of the Representative, which consent shall not be unreasonably withheld.

Section 6. Underwriters' Representations, Covenants and Agreements. Each of the Underwriters represents and covenants and agrees with the Agency that:

(a) The Representative has been duly authorized to enter into this Purchase Contract and to act hereunder by and on behalf of the Underwriters.

(b) It shall comply with the San Francisco Business Tax Resolution and shall, if not otherwise exempt from such Resolution, provide to the Agency a Business Tax Registration Certificate on or prior to the date hereof. The representations, covenants and agreements of each of the Underwriters attached hereto as Exhibit A are hereby incorporated herein by reference as though fully set forth herein.

(c) It shall comply with Chapter 12B of the San Francisco Administrative Code, entitled "Nondiscrimination in Contracts," which is incorporated herein by this reference.

(d) Such Underwriter is not in material violation of, or in material breach of or in material default under, any applicable law, regulation, order or agreement to which such Underwriter is a party or by which such Underwriter is bound, which violation or breach would have a material adverse effect on such Underwriter's ability to execute (if such Underwriter is the Representative), deliver and perform this Purchase Contract.

(e) This Purchase Contract, assuming due and legal execution and delivery thereof by, and validity against, the Agency, when executed by the Representative, will be a legal, valid and binding joint and several obligation of each Underwriter enforceable in accordance with its terms, subject to valid bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally. The Underwriters represent and warrant to the Agency that the Representative has been duly authorized to enter into this Purchase Contract and to act hereunder by and on behalf of the Underwriters.

Section 7. Offering. It shall be a condition to the Agency's obligations to sell and to deliver the Bonds to the Underwriters and to the Underwriters' obligations to purchase and to accept delivery of the Bonds that the entire \$_____ aggregate principal amount of the Series 2012A Bonds and the entire \$_____ aggregate principal amount of the Series 2012B Bonds shall be executed, issued and delivered by or at the direction of the Agency and purchased, accepted and paid for by the Underwriters at the Closing. On or prior to the Closing, the Representative will provide the Agency with information regarding the reoffering prices and yields on the Bonds, in such form as the Agency may reasonably request.

The Underwriters agree, subject to the terms and conditions hereof, to make a bona fide public offering of all the Bonds initially at prices not in excess of the initial public offering prices as set forth in Schedule I hereto. Subsequent to the establishment of initial public offering prices for federal tax purposes as determined by Bond Counsel, the Underwriters reserve the right to change the public offering prices as they deem necessary in connection with the marketing of the Bonds. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than

the public offering price set forth in Schedule I hereto.

Each of the Underwriters will provide, consistent with the requirements of MSRB, for the delivery of a copy of the Official Statement to each customer who purchases a Bond during the underwriting period. Each of the Underwriters further agree that it will comply with applicable laws and regulation, including without limitation Rule 15c2-12, in connection with the offering and sale of the Bonds.

Section 8. Closing. At 8:30 a.m., California time, on _____, 2012, or at such other time as shall have been mutually agreed upon by the Agency and the Representative (the “Closing Date” or the “Closing”), the Agency will deliver or cause to be delivered to the account of the Representative, under the Fast Automated Securities Transfer System of DTC, the Series 2011B Bonds, in the form of a separate single fully registered bond for each Series, maturity date and interest rate of the Bonds duly executed by the Agency and authenticated by the Trustee, together with the opinions and documents set forth in Section 9 hereof. The Representative will, subject to the terms and conditions hereof, accept delivery of the Bonds and pay the Net Purchase Price of the Bonds as set forth in Section 1 hereof by wire transfer in immediately available funds on the Closing Date. The Bonds shall be made available to the Trustee not later than one (1) business day before the Closing Date. Upon initial issuance, the ownership of such Bonds shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as the nominee of DTC.

Payment for the delivery of the Bonds shall be coordinated at the offices of Hawkins, Delafield & Wood LLP, in San Francisco, California, or at such other place as shall have been mutually agreed upon by the Agency and the Representative. Such payment and delivery is called the “Closing.” The Representative shall order CUSIP identification numbers and the Agency shall cause such CUSIP identification numbers to be printed on the Bonds, but neither the failure to print any such number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the Representative to accept delivery of and pay for the Bonds in accordance with the terms of this Purchase Contract.

Section 9. Closing Conditions. The obligations of the Underwriters under this Purchase Contract are subject to the performance by the Agency of its obligations hereunder and are also subject to the following conditions:

(a) the representations of the Agency herein shall be true, complete and correct on the Closing Date, as if made on the Closing Date;

(b) at the time of the Closing, the Agency Documents and the Resolutions shall be in full force and effect and shall not have been amended, modified or supplemented, and the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to by the Representative;

(c) at or prior to the Closing, the Underwriters shall have received each of the following documents:

(1) the Official Statement, together with any supplements or amendments thereto in the event the Official Statement has been supplemented or

amended, with the Official Statement and each supplement or amendment (if any) signed on behalf of the Agency by its authorized officer;

(2) the Indenture of Trust, signed on behalf of the Agency and the Trustee by their respective authorized officers;

(3) the First Supplement, signed on behalf of the Agency and the Trustee by their respective authorized officers;

(4) a certificate of the Agency, dated the Closing Date and executed by its authorized officer(s), substantially in the form attached hereto as Exhibit B;

(5) an opinion of the City Attorney ("Issuer Counsel") addressed solely to the Agency [and the Underwriters], dated the Closing Date and in substantially the form attached hereto as Exhibit C;

(6) unqualified opinions of Hawkins Delafield & Wood LLP and Rosales Law Partners LLP ("Co-Bond Counsel"), dated the Closing Date and in substantially the form set forth in Appendix G to the Official Statement;

(7) supplemental opinions of Co-Bond Counsel, addressed to the Agency and the Underwriters, dated the Closing Date and in substantially the form attached hereto as Exhibit D;

(8) an opinion of Orrick, Herrington & Sutcliffe LLP ("Disclosure Counsel"), addressed to the Agency, dated the Closing Date and in substantially the form attached hereto as Exhibit D;

(9) an opinion of Kutak Rock LLP, Underwriters' Counsel ("Underwriters' Counsel"), addressed to the Underwriters, dated the Closing Date, to the effect that (a) based upon examinations which they have made, which may be specified, and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing has come to their attention which would lead them to believe that the Official Statement, as of its date and as of the Closing Date, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. Underwriters' Counsel will express no belief or opinion as to Appendices [A, B, F or G] to the Official Statement or as to any CUSIP numbers, financial, technical, statistical, economic, engineering, demographic or tabular data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion included in the Official Statement or as to the information contained in the Official Statement under the captions "TAX MATTERS" and "ABSENCE OF LITIGATION" or any information in the Official Statement about the book-entry system, Cede & Co., or DTC; (b) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended;

and (c) the Continuing Disclosure Certificate meets the requirements of Section (b)(5)(i) of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended;

(10) evidence of required filings with the California Debt and Investment Advisory Commission;

(11) an opinion of counsel to the Trustee, addressed to the Agency and the Underwriters, dated the Closing Date and in form and substance acceptable to the Agency and the Representative;

(12) a certificate of the Trustee, dated the Closing Date, to the effect that: (i) it is a national banking association duly organized and existing under the laws of the United States; (ii) it has full corporate trust powers and authority to serve as Trustee under the Indenture; (iii) it acknowledges and accepts its obligations under the Indenture and it has duly authorized, executed and delivered the Indenture and that such acceptance and execution and delivery is in full compliance with, and does not conflict with, any applicable law or governmental regulation currently in effect, and does not conflict with or violate any contract to which it is a party or any administrative or judicial decision by which it is bound; and (iv) it has duly authenticated the Bonds in accordance with the terms of the Indenture;

(13) a Tax Certificate of the Agency in form and substance acceptable to Co-Bond Counsel;

(14) copies of the Authorizing Legislation, duly certified as having been duly enacted by the governing body and as being in full force and effect, with such changes or amendments as may have been approved in writing by the Representative, which approval shall not be unreasonably withheld;

(15) evidence satisfactory to the Representative that Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Fitch Ratings, have assigned ratings of "___," "___" and "___," respectively, to the Bonds;

(16) the Continuing Disclosure Certificate duly executed by the Agency; and

(17) such additional legal opinions, Bonds, instruments or other documents as the Representative may reasonably request to evidence the truth and accuracy, as of the date of this Purchase Contract and as of the Closing Date, of the Agency's representations contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Agency on or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied by the Agency.

If the Agency shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Contract or if the obligations of the Underwriters to purchase, to accept delivery of and

to pay for the Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriters nor the Agency shall be under further obligations hereunder, except that the respective obligations of the Agency and the Underwriters set forth in Section 11 of this Purchase Contract shall continue in full force and effect.

Section 10. Termination. The Underwriters shall have the right to cancel their obligation to purchase the Bonds by written notification from the Representative to the Agency if at any time after the date of this Purchase Contract and prior to the Closing:

(a) Any event shall have occurred or any fact or condition shall have become known which, in the reasonable judgment of the Representative upon consultation with the Agency, Co-Bond Counsel and Disclosure Counsel (both as hereinafter defined), either (1) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (2) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect; or

(b) Legislation shall be enacted, or a decision by a court of the United States shall be rendered, or any action shall be taken by, or on behalf of, the Securities and Exchange Commission which in the reasonable opinion of the Representative has the effect of requiring the Bonds to be registered under the Securities Act of 1933, as amended, or requires the qualification of the Indenture under the Trust Indenture Act of 1939, as amended; or

(c) Any of the following occurs and is continuing as of the Closing Date which, in the reasonable judgment of the Representative (set forth in a written notice from the Representative to the Agency terminating the obligation of the Underwriters to accept delivery of and make payment for the Bonds), has a material adverse affect on the marketability or market price of the Bonds, at the initial offering prices set forth in Schedule I attached hereto, or the Underwriters' ability to process and settle transactions:

(1) New legislation shall have been enacted by the Congress of the United States, or passed by either House of the Congress, or recommended to the Congress for passage by the President of the United States, or favorably reported for passage to either House of the Congress of the United States by any committee of either House to which such legislation has been referred for consideration, or a new decision shall have been rendered by a court of the United States, or the United States Tax Court, or new order, ruling, regulation (final, temporary or proposed) or official statement shall have been made by the Treasury Department of the United States, including the Internal Revenue Service, the effect of which would be to cause interest on the Bonds or on securities of the general character of the Bonds to cease to be excludable from gross income for federal income tax purposes; or

(2) An amendment to the Constitution of the State of California shall have been passed or legislation shall have been enacted by the California

legislature, or a decision shall have been rendered by a court of the State of California, in each case which may have the purpose or effect of subjecting interest on the Bonds to State income tax; or

(3) The declaration of war by the United States, any major new outbreak or escalation of armed hostilities, an act of terrorism or any other major national calamity or crisis; or

(4) The declaration of a general banking moratorium by any federal, New York or California authorities; or

(5) A general suspension of trading or other material restrictions on the New York Stock Exchange or other national securities exchange not in effect as of the date hereof; or

(6) An order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, issued or made to the effect that the delivery, offering or sale of obligations of the general character of the Bonds, or the delivery, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect; or

(7) The New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Bonds or as to obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, underwriters; or

(8) [The ratings on the Bonds shall be placed on negative watch or credit watch by one or more of the rating agencies rating the Bonds;] or

(9) a material disruption in municipal bond market securities settlement, payment or clearance services affecting the Bonds.

Section 11. Good Faith Deposit. To secure the Agency from any loss resulting from the failure of the Underwriters to comply with the terms of this Purchase Contract, the Representative has sent to the Trustee a wire transfer (in immediately available funds) payable to the order of the Trustee, for the benefit of the Agency, in the amount of \$_____ (the “Good Faith Deposit”), the receipt of which is hereby acknowledged by the Agency. The Good Faith Deposit will, immediately upon the Agency’s acceptance of this offer, become the property of the Agency. The Good Faith Deposit will be held and invested for the exclusive benefit of the Agency. At the Closing, the Underwriters shall pay or cause to be paid the Net Purchase Price of the Bonds (as specified in Section 1 of this Purchase Contract) which takes into account the Good Faith Deposit. If the Underwriters fail to pay the Net Purchase Price in full upon tender of the Bonds (other than as a result of the Agency’s failure to deliver or cause the delivery of all of

the documents and opinions set forth in Section 9 hereof (except for the opinion required in subsection 9(c)(9) hereof) or for a reason expressly set forth in Section 10 hereof), the Underwriters will have no right to recover the Good Faith Deposit or to any allowance or credit therefor, and the Good Faith Deposit, together with any interest thereon, will be retained by the Agency as and for liquidated damages for such failure by the Underwriters. Retention of the Good Faith Deposit shall constitute the Agency's sole and exclusive remedy and full liquidated damages for the Underwriters' failure (other than for a reason expressly set forth herein) to purchase and accept delivery of the Bonds pursuant to the terms of this Purchase Contract. Upon such retention, the Underwriters shall be released and discharged from any and all claims for damages by the Agency against the Underwriters related to such failure and any other defaults by Underwriters hereunder. The Underwriters and the Agency hereby acknowledge and agree that the amount fixed pursuant to this Section for liquidated damages does not constitute a penalty and is a reasonable estimate of the damages that the Agency would sustain in the event of the Underwriters' failure to purchase and to accept delivery of the Bonds pursuant to the terms of this Purchase Contract. The amount is agreed upon and fixed as liquidated damages because of the difficulty of ascertaining as of the date hereof the amount of damages that would be sustained in such event. Each of the Underwriters waives any right to claim that actual damages resulting from such failure are less than the amount of such liquidated damages.

In the event the Agency does not accept this offer, or upon its failure to deliver the Bonds at the Closing, or if it shall be unable to satisfy the conditions to the obligations of the Underwriters contained in this Purchase Contract, or if such obligations shall be terminated for any reason permitted by this Purchase Contract, the Good Faith Deposit shall be immediately returned to the Underwriters.

Section 12. Expenses.

(a) Except for those expenses assigned to the Underwriters pursuant to Section 12(b) hereof, the Underwriters shall be under no obligation to pay, and the Agency shall pay, any expenses incident to the performance of the Agency's obligations under this Purchase Contract and the fulfillment of the conditions imposed hereunder, including but not limited to: (i) the fees and disbursements of Issuer Counsel, Co-Bond Counsel, and Disclosure Counsel; (ii) the fees and disbursements of Backstrom McCarley Berry & Co., LLC, San Francisco, California, Public Financial Management Inc., San Francisco, California and Robert Kuo Consulting, San Francisco, California (the "Co-Financial Advisors"); (iii) the fees and disbursements of any counsel, auditors, engineers, consultants or others retained by the Agency in connection with the transactions contemplated herein; (iv) the costs of preparing and printing the Bonds; (v) the costs of the printing of the Official Statement (and any amendment or supplement prepared pursuant to Section 5(e) hereof); and (vi) any fees charged by investment rating agencies for the rating of the Bonds.

(b) The Underwriters shall pay all expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including but not limited to: (i) all advertising expenses in connection with the offering of the Bonds; (ii) the costs of printing the Blue Sky memorandum used by the Underwriters, (iii) all out-of-pocket disbursements and expenses incurred by the Underwriters in connection with the offering

and distribution of the Bonds, including the fees of the CUSIP Service Bureau for the assignment of CUSIP numbers; and (iv) all other expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including the fees and disbursements of Underwriters' Counsel.

Section 13. Notices. Any notice or other communication to be given to the Agency under this Purchase Contract may be given by delivering the same in writing to the Agency at the address set forth above and any notice or other communication to be given to the Underwriters under this Purchase Contract may be given by delivering the same in writing to the Representative: J.P. Morgan Securities LLC, 560 Mission Street, 3rd Floor, San Francisco, CA 94105, Attention: [_____].

Section 14. Parties in Interest. This Purchase Contract is made solely for the benefit of the Agency and the Underwriters (including the successors or assigns of the Underwriters), and no other person shall acquire or have any right hereunder or by virtue of this Purchase Contract. All of the representations and agreements of the Agency contained in this Purchase Contract shall remain operative and in full force and effect, regardless of: (i) any investigations made by or on behalf of the Underwriters; (ii) delivery of and payment for the Bonds, pursuant to this Purchase Contract; and (iii) any termination of this Purchase Contract.

Section 15. Invalid or Unenforceable Provisions. In the event that any provision of this Purchase Contract shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Contract.

Section 16. Counterparts. This Purchase Contract may be executed by facsimile transmission and in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Contract by signing any such counterpart.

Section 17. Governing Law, Venue. This Purchase Contract shall be governed by and interpreted under the laws of the State of California. Venue for all litigation and other disputes relative arising from or related to this Purchase Contract shall be in the City and County of San Francisco (the "City").

Section 18. City Contracting Requirements. The provisions for the City Contracting Requirements attached hereto as Exhibit A are hereby incorporated herein by reference as though fully set forth herein.

Section 19. Entire Agreement. This Purchase Contract is the sole agreement of the parties relating to the subject matter hereof and supersedes all prior understandings, writings, proposals, representations or communications, oral or written. This Purchase Contract may only be amended by a writing executed by the authorized representatives of the parties.

Section 20. Headings. The section headings in this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

Section 21. Effectiveness. This Purchase Contract shall become effective upon execution of the acceptance of this Purchase Contract by the Agency and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

THE UNDERWRITERS

J.P. MORGAN SECURITIES LLC
RBC CAPITAL MARKETS, LLC
MORGAN STANLEY & CO. LLC
SIEBERT BRANDFORD SHANK & CO., L.L.C.

By: J.P. MORGAN SECURITIES LLC, as
Representative of the Underwriters

By: _____
[Title]

SAN FRANCISCO MUNICIPAL
TRANSPORTATION AGENCY

By: _____
Director of Transportation

Resolution No. _____

Date: _____

Roberta Boomer
Secretary,
Municipal Transportation Agency
Board of Directors

APPROVED AS TO FORM:

DENNIS J. HERRERA,
CITY ATTORNEY

By: _____
MARK D. BLAKE
Deputy City Attorney

SCHEDULE I

\$[_____]

San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012A

Maturity Schedule

Maturity Date (____1)	Principal Amount	Interest Rate	Yield	Price

*Term Bonds, subject to mandatory sinking fund redemption

Redemption Provisions

Optional Redemption. The Series 2012A Bonds maturing on or before [_____] 1, 20__ are not subject to optional redemption prior to maturity. The Series 2012A Bonds maturing on or after [_____] 1, 20__ are subject to optional redemption prior to maturity on or after [_____] 1, 20__ at the sole option of the Agency, as a whole or in part, on any date (from such maturities as are selected by the Agency and by lot within a maturity if less than all of the Series 2012A Bonds of such maturity are selected for redemption), from any source of available funds, at redemption prices equal to the principal amount thereof plus accrued but unpaid interest thereon to the date fixed or redemption.

Mandatory Sinking Fund Redemption. The Series 2012A Bonds maturing on [_____] 1, 20__ are subject to redemption prior to their stated maturity date, in part, by lot, from mandatory sinking fund payments, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest thereon, on [_____] 1 in each of the years in the following amounts:

Mandatory Sinking Fund Payment Date ([_____])	Sinking Fund Payment Amount

*Maturity

\$[_____]
**San Francisco Municipal Transportation Agency
Revenue Bonds, Series 2012B**

Maturity Schedule

Maturity Date (____1)	Principal Amount	Interest Rate	Yield	Price

*Term Bonds, subject to mandatory sinking fund redemption

Redemption Provisions

Optional Redemption. The Series 2012B Bonds maturing on or before [_____] 1, 20__ are not subject to optional redemption prior to maturity. The Series 2012B Bonds maturing on or after [_____] 1, 20__ are subject to optional redemption prior to maturity on or after [_____] 1, 20__ at the sole option of the Agency, as a whole or in part, on any date (from such maturities as are selected by the Agency and by lot within a maturity if less than all of the Series 2012B Bonds of such maturity are selected for redemption), from any source of available funds, at redemption prices equal to the principal amount thereof plus accrued but unpaid interest thereon to the date fixed or redemption.

Mandatory Sinking Fund Redemption. The Series 2012B Bonds maturing on [_____] 1, 20__ are subject to redemption prior to their stated maturity date, in part, by lot, from mandatory sinking fund payments, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest thereon, on [_____] 1 in each of the years in the following amounts:

Mandatory Sinking Fund Payment Date ([_____])	Sinking Fund Payment Amount

*Maturity

EXHIBIT A

UNDERWRITER'S REPRESENTATIONS, COVENANTS AND AGREEMENTS AND CITY CONTRACTING REQUIREMENTS

Underwriters' Representations, Covenants and Agreements. Each Underwriter, on its own behalf and not on behalf of any other Underwriter, represents and covenants and agrees with the Agency that:

(a) It shall comply with the San Francisco Business Tax Resolution and shall, if not otherwise exempt from such Resolution, provide to the Agency a Business Tax Registration Certificate on or prior to the date hereof.

(b) It shall comply with Chapter 12B of the San Francisco Administrative Code, entitled "Nondiscrimination in Contracts," which is incorporated herein by this reference,

(c) It represents and warrants to the Agency that the Representative has been duly authorized to enter into this Purchase Contract and to act hereunder by and on behalf of it.

City Contracting Requirements. Additionally, each Underwriter, on its own behalf and not on behalf of any other Underwriter, represents and covenants and agrees, as applicable that:

(a) Underwriter Shall Not Discriminate. In the performance of this Purchase Contract, each Underwriter agrees not to discriminate on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, sex, sexual orientation, gender identity, domestic partner status, marital status, weight, height, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or associated with members of such protected classes, or in retaliation for opposition to discrimination against such classes against any employee of, any City and/or Agency employee working with, or applicant for employment with such Underwriter in any of such Underwriter's operations within the United States, or against any person seeking accommodations, advantages, facilities, privileges, services or membership in all business, social or other establishments or organizations operated by such Underwriter.

(b) Subcontracts. Each Underwriter shall incorporate by reference in all subcontracts made in fulfillment of its obligations hereunder the provisions of Section 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from purchasing) and shall require all subcontractors to comply with such provisions. An Underwriter's failure to comply with the obligations in this subsection shall constitute a material breach of this Purchase Contract.

(c) Non-Discrimination in Benefits. Each Underwriter does not as of the date of this Purchase Contract and will not during the term of this Purchase Contract, in any of its operations in San Francisco, California, or on real property owned by San Francisco, California, or where the work is being performed for the City and/or Agency elsewhere

within the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

(d) HRC Form. Each Underwriter shall execute the “Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits” form (Form HRC 12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

(e) Incorporation of Administrative Code Provisions by Reference. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Exhibit A by reference and made a part of this Purchase Contract as though fully set forth herein. Each Underwriter shall comply fully with and be bound by all of the provisions that apply to this Purchase Contract under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, each Underwriter understands that pursuant to Section 12B.2(h) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Purchase Contract may be assessed against such Underwriter and/or deducted from any payments due such Underwriter; provided, however that such damages shall not be set off against the payment of rental or other contract related to the Bonds, certificates of participation or other debt obligation of the Agency or the City.

(f) Drug-Free Workplace Policy. Each Underwriter acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City or Agency premises. Each Underwriter agrees that any violation of this prohibition by such Underwriter, its employees, agents or assigns will be deemed a material breach of this Purchase Contract.

(g) Compliance with Americans with Disabilities Act. Without limiting any other provisions of this Purchase Contract, each Underwriter shall provide the services specified in this Purchase Contract in a manner that complies with the Americans with Disabilities Act (“ADA”) Title 24, and any and all other applicable federal, state and local disability rights legislation. Each Underwriter agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Purchase Contract and further agrees that any violation of this prohibition on the part of such Underwriter, its employees, agents or assigns shall constitute a material breach of this Purchase Contract.

(h) Sunshine Ordinance. In accordance with San Francisco Administrative Code §67.24(e), contracts, contractors' bids, responses to solicitations and all other records of communications between the Agency and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

(i) Prohibition on Political Activity with Agency Funds. In accordance with San Francisco Administrative Code Chapter 12.G, an Underwriter may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure in the performance of the services provided under this Purchase Contract. Each Underwriter agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event an Underwriter violates the provisions of this section, the Agency may, in addition to any other rights or remedies available hereunder, (i) terminate this Purchase Contract, and (ii) prohibit such Underwriter from bidding on or receiving any new City and/or Agency contract for a period of two (2) years.

(j) MacBride Principles—Northern Ireland. The City and the Agency urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1, et seq. The City and the Agency urges San Francisco companies to do business with corporations that abide by the MacBride Principles.

(k) Tropical Hardwood and Virgin Redwood Ban. The City and the Agency urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood or tropical hardwood product or any virgin redwood or virgin redwood product.

(l) Repeal of Administrative Code Provisions. To the extent that the City repeals any provision of the Administrative Code incorporated, set forth or referenced in this Exhibit A, other than pursuant to a restatement or amendment of any such provision, such provision, as incorporated, set forth or referenced herein, shall no longer apply to this Purchase Contract or the Underwriters.

(m) Limitations on Contributions. Through execution of this Purchase Contract, each Underwriter acknowledges that it is familiar with section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City and/or Agency for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the

individual, a board on which that individual serves, or a board on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Each Underwriter acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Each Underwriter further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of such Underwriter's board of directors; such Underwriter's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in such Underwriter; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by such Underwriter. Additionally, each Underwriter acknowledges that such Underwriter must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126.

(n) Requiring Minimum Compensation for Covered Employees. Each Underwriter agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance ("MCO"), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 12P are incorporated herein by reference and made a part of this Purchase Contract as though fully set forth. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of the Underwriter's obligations under the MCO is set forth in this Exhibit A. Each Underwriter is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Exhibit A. Capitalized terms used in this Exhibit A and not defined in this Purchase Contract shall have the meanings assigned to such terms in Chapter 12P. Consistent with the requirements of the MCO, each Underwriter agrees to all of the following:

(i) The MCO requires each Underwriter to pay such Underwriter's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and such Underwriter is obligated to keep informed of the then-current requirements. Any subcontract entered into by an Underwriter shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Exhibit A. It is each Underwriter's obligation to ensure that any subcontractors of any tier under this Purchase Contract comply with the requirements of the MCO. If any subcontractor under this Purchase Contract fails to comply, the City may pursue any of the remedies set forth in this Exhibit A against such Underwriter. Nothing in this Exhibit A shall be deemed to grant any Underwriter the right to subcontract.

(ii) No Underwriter shall take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under

the MCO. Such actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

(iii) Each Underwriter shall maintain employee and payroll records as required by the MCO. If such Underwriter fails to do so, it shall be presumed that such Underwriter paid no more than the minimum wage required under State law.

(iv) The City is authorized to inspect each Underwriter's job sites and conduct interviews with employees and conduct audits of such Underwriter.

(v) Each Underwriter's commitment to provide the Minimum Compensation is a material element of the Agency's consideration for this Purchase Contract. The Agency in its sole discretion shall determine whether such a breach has occurred. The Agency, City and the public will suffer actual damage that will be impractical or extremely difficult to determine if such Underwriter fails to comply with these requirements. Each Underwriter agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the loss that the Agency, City and the public will incur for such Underwriter's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

(vi) Each Underwriter understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within 30 days after receiving written notice of a breach of this Purchase Contract for violating the MCO, such Underwriter fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, such Underwriter fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(vii) Each Underwriter represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

(viii) If an Underwriter is exempt from the MCO when this Purchase Contract is executed because the cumulative amount of agreements with this department for the fiscal year is less than \$25,000, but such Underwriter later enters into an agreement or agreements that cause such Underwriter to exceed that amount in a fiscal year, such Underwriter shall thereafter be required to comply with the MCO under this Purchase Contract. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between such Underwriter and this department to exceed \$25,000 in the fiscal year.

(o) Requiring Health Benefits for Covered Employees. Each Underwriter agrees to comply fully with and be bound by all of the provisions of the Health Care

Accountability Ordinance (“HCAO”), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated by reference and made a part of this Purchase Contract as though fully set forth herein. The text of the HCAO is available on the web at www.sfgov.org/olse. Capitalized terms used in this Exhibit A and not defined in this Purchase Contract shall have the meanings assigned to such terms in Chapter 12Q.

(i) For each Covered Employee, each Underwriter shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If such Underwriter chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(ii) Notwithstanding the above, if an Underwriter is a small business as defined in Section 12Q.3(e) of the HCAO, it shall have no obligation to comply with part (i) above.

(iii) An Underwriter’s failure to comply with the HCAO shall constitute a material breach of this Purchase Contract. The Agency shall notify such Underwriter if such a breach has occurred. If, within 30 days after receiving Agency’s written notice of a breach of this Purchase Contract for violating the HCAO, such Underwriter fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, such Underwriter fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the Agency or the City shall have the right to pursue the remedies set forth in 12Q.5.1 and 12Q.5(f)(1-6). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City or the Agency.

(iv) Any subcontract entered into by an Underwriter shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Exhibit A. Such Underwriter shall notify City’s Office of Contract Administration when it enters into such a subcontract and shall certify to the Office of Contract Administration that it has notified the subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on subcontractor through the subcontract. Each Underwriter shall be responsible for its subcontractors’ compliance with this Chapter. If a subcontractor fails to comply, the City or Agency may pursue the remedies set forth in this Exhibit A against the applicable Underwriter based on the subcontractor’s failure to comply, provided that the Agency or the City has first provided such Underwriter with notice and an opportunity to obtain a cure of the violation.

(v) No Underwriter shall discharge, reduce in compensation, or otherwise discriminate against any employee for notifying the Agency or the City with regard to such Underwriter’s noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(vi) Each Underwriter represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(vii) Each Underwriter shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the applicable contract.

(viii) Each Underwriter shall keep itself informed of the current requirements of the HCAO.

(ix) Each Underwriter shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on subcontractors and subtenants, as applicable.

(x) Each Underwriter shall provide the City with access to records pertaining to compliance with HCAO after receiving a written request from the City to do so and being provided at least ten business days to respond.

(xi) Each Underwriter shall allow the City to inspect such Underwriter's job sites and have access to such Underwriter's employees in order to monitor and determine compliance with HCAO.

(xii) The City may conduct random audits of each Underwriter to ascertain its compliance with HCAO. Each Underwriter agrees to cooperate with the City when it conducts such audits.

(xiii) If an Underwriter is exempt from the HCAO when this Purchase Contract is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but such Underwriter later enters into an agreement or agreements that cause such Underwriter's aggregate amount of all agreements with the Agency or the City to reach \$75,000, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between such Underwriter and the Agency or the City to be equal to or greater than \$75,000 in the fiscal year.

(p) Prohibition on Political Activity with Agency or City Funds. In accordance with San Francisco Administrative Code Chapter 12.G, no Underwriter may participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Purchase Contract. Each Underwriter agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event that an Underwriter violates the provisions of this Exhibit A, the City or Agency may, in addition to any other rights or remedies available hereunder, (i) terminate this Purchase Contract, and (ii) prohibit such Underwriter from bidding on or receiving any new City or Agency contract for a period of two (2) years. The Controller will not consider an Underwriter's use of profit as a violation of this Exhibit A.

(q) Protection of Private Information. Each Underwriter has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, “Nondisclosure of Private Information,” and 12M.3, “Enforcement” of Administrative Code Chapter 12M, “Protection of Private Information,” which are incorporated herein as if fully set forth. Each Underwriter agrees that any failure of such Underwriter to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of this Purchase Contract. In such an event, in addition to any other remedies available to it under equity or law, the City or Agency may terminate this Purchase Contract, bring a false claim action against such Underwriter pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar such Underwriter.

(r) Graffiti Removal. Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City’s property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and its residents, and to prevent the further spread of graffiti.

Each Underwriter shall remove all graffiti from any real property owned or leased by such Underwriter in the City and County of San Francisco within forty eight (48) hours of the earlier of such Underwriter’s (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This section is not intended to require any Underwriter to breach any lease or other agreement that it may have concerning its use of the real property. The term “graffiti” means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner’s authorized agent, and which is visible from the public right-of-way. “Graffiti” shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 et seq.) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 et seq.).

Any failure of an Underwriter to comply with this section of this Purchase Contract shall constitute a material breach of this Purchase Contract.

(s) Food Service Waste Reduction Requirements. Each Underwriter agrees to comply fully with and be bound by all of the provisions of the Food Service Waste

Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Purchase Contract as though fully set forth. This provision is a material term of this Purchase Contract. By entering into this Purchase Contract, each Underwriter agrees that if it breaches this provision, the City and the Agency will suffer actual damages that will be impractical or extremely difficult to determine; further, each Underwriter agrees that the sum of one hundred dollars (\$100) liquidated damages for the first breach, two hundred dollars (\$200) liquidated damages for the second breach in the same year, and five hundred dollars (\$500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that the City and the Agency will incur based on the violation, established in light of the circumstances existing at the time this Purchase Contract was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by the City and the Agency because of such Underwriter's failure to comply with this provision.

(t) Conflicts of Interest. Through its execution of this Purchase Contract, each Underwriter acknowledges that it is familiar with the provisions of Section 15.103 of the City Charter, Article III, Chapter 2 of the City's Campaign and Governmental Conduct Code, and Sections 87100 et seq. and Sections 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitute a violation of said provisions and agrees that it will immediately notify the Agency if it becomes aware of any such fact during the term of this Purchase Contract.

[Signature page to follow]

As to Exhibit A of this Purchase Contract:

<p>J.P. MORGAN SECURITIES LLC, as Underwriter</p> <p>By: _____ Title: _____</p> <p>MORGAN STANLEY & CO. LLC, as Underwriter</p> <p>By: _____ Title: _____</p>	<p>RBC CAPITAL MARKETS, LLC, as Underwriter</p> <p>By: _____ Title: _____</p> <p>SIEBERT BRANDFORD SHANK & CO., L.L.C., as Underwriter</p> <p>By: _____ Title: _____</p>
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EXHIBIT B

FORM OF CERTIFICATE OF THE AGENCY

The undersigned _____, _____ and _____, respectively, of the San Francisco Municipal Transportation Agency (the "Agency"), acting in their official capacities, hereby certify as follows in connection with the execution, delivery and sale of its Revenue Bonds, Series 2012A and Series 2012B (the "Bonds"):

1. The persons named below are now, and at all times from and after _____ 1, 2012, have been duly appointed and qualified officers of the Agency holding the offices of the Agency set forth opposite their respective names, and each of the undersigned certifies that the signature affixed following the other of the undersigned's name and office is the genuine signature of such person.

2. The representations of the Agency contained in the Bond Purchase Contract, dated _____, 2012 (the "Purchase Contract"), between J.P. Morgan Securities LLC, acting on its behalf and on behalf of RBC Capital Markets, LLC, Morgan Stanley & Co. LLC and Siebert Brandford Shank & Co., L.L.C., as the underwriters of the Bonds, and the Agency, are true, complete and correct as of the date hereof as if made on the date hereof.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands.

Dated: _____, 2012.

<u>Name</u>	<u>Office</u>	<u>Signature</u>

EXHIBIT C

FORM OF OPINION OF ISSUER COUNSEL

[LETTERHEAD OF CITY ATTORNEY]

[Closing Date]

San Francisco Municipal Transportation Agency
San Francisco, California

Re: San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012A
and 2012B

Ladies and Gentlemen:

In connection with the execution and delivery of the San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012A and Series 2012B (the “Bonds”), I have examined originals or copies, certified or otherwise identified to my satisfaction, of such documents, public records and other instruments and have conducted such other investigations of fact and law as I deemed necessary for the purpose of this opinion.

I am of the opinion that:

1. The San Francisco Municipal Transportation Agency (the “Agency”) is a charter department of the City and County of San Francisco, with full legal right, power and authority to enter into and perform its obligations under: (i) the Indenture of Trust (the “Indenture of Trust”), as supplemented by that First Supplement to the Indenture of Trust (the “First Supplement” and, together with the Indenture of Trust, the “Indenture”), each dated as of March 1, 2012, and each by and between the Agency and _____, as trustee (the “Trustee”), (ii) the Bond Purchase Contract, dated _____, 2012 (the “Purchase Contract”), between J.P. Morgan Securities LLC, acting on its behalf and on behalf of RBC Capital Markets, LLC, Morgan Stanley & Co. LLC and Siebert Brandford Shank & Co., L.L.C., as the underwriters of the Bonds, and the Agency, and (iii) the Continuing Disclosure Certificate, dated March __, 2012 (the “Continuing Disclosure Certificate”), executed by the Agency. The Indenture, the Purchase Contract and the Continuing Disclosure Certificate are collectively referred to herein as the “Agency Documents.”

2. The resolution of the Agency approving and authorizing the execution and delivery of the Agency Documents and the distribution of the Preliminary Official Statement (as defined in the Purchase Contract) and the Official Statement (as hereinafter defined) by the Agency (the “Agency Resolution”) was duly adopted at a meeting of the Board of Directors of the Agency, and the resolution of the Board of Supervisors of the City approving the issuance of the Bonds by the Agency (collectively with the Agency Resolution, the “Resolutions”) was duly adopted at a meeting of the Board of Supervisors of the City, which each of the foregoing

meetings were called and held pursuant to law and with all public notice required by law and at which quorums were present and acting throughout.

3. The Agency Documents have been duly authorized, executed and delivered by the Agency and assuming that such documents are valid and binding upon each of the other respective parties thereto, if any, each is valid and binding upon and enforceable against the Agency in accordance with its respective terms, except that enforceability may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights in general, by the application of equitable principles if equitable remedies are sought and by the limitations on legal remedies against public agencies in the State of California.

4. The execution and delivery of the Agency Documents and compliance with the provisions thereof do not and will not conflict with or constitute on the part of the Agency a breach or default under any existing law, regulation, court order or consent decree to which the Agency is subject or, to the best of my knowledge after due inquiry, any agreement or instrument to which the Agency is a party or by which the Agency is bound.

5. All actions on the part of the Agency necessary for the making and performance of the Agency Documents have been duly and effectively taken and no consent, authorization or approval of or filing or registration with, any governmental or regulatory officer or body not already obtained or not obtainable in due course by the Agency is required for the making and performance of the Agency Documents.

6. Except as disclosed in the Official Statement, dated _____, 2012 with respect to the Bonds (the "Official Statement"), no litigation, action, suit or proceeding is known to be pending (with service of process having been accomplished) or threatened (a) restraining or enjoining the execution or delivery of the Bonds or the Agency Documents or (b) in any way contesting or affecting the validity of the Resolutions, the Bonds, the Agency Documents or any proceedings of the Agency taken with respect to the foregoing or (c) which if determined adversely to the Agency would have a material adverse effect on its operations or finances.

Very truly yours,

AGENCY

By:_____

EXHIBIT D

FORM OF SUPPLEMENTAL OPINION OF CO-BOND COUNSEL

[LETTERHEAD OF CO-BOND COUNSEL]

[Closing Date]

San Francisco Municipal Transportation Agency
San Francisco, California

J.P. Morgan Securities LLC, as representative of the underwriters
San Francisco, California

Re: San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012A
and 2012B

Ladies and Gentlemen:

This letter is addressed to you pursuant to Section 9(c)(7) of the Bond Purchase Contract, dated _____, 2012 (the "Purchase Contract"), between J.P. Morgan Securities LLC, acting on its behalf and on behalf of RBC Capital Markets, LLC, Morgan Stanley & Co. LLC and Siebert Brandford Shank & Co., L.L.C., as the underwriters of the Bonds (the "Underwriters"), and the San Francisco Municipal Transportation Agency (the "Agency"), providing for the purchase of \$_____ aggregate principal amount of San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012A, and \$_____ aggregate principal amount of San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012B (collectively, the "Bonds"). The Bonds are being executed and delivered pursuant to an Indenture of Trust, dated as of March 1, 2012 (the "Indenture of Trust"), as supplemented by a First Supplement to the Indenture of Trust, dated as of March 1, 2012 (the "First Supplement" and, together with the Indenture of Trust, the "Indenture"), each between the Agency and _____, as trustee. Unless otherwise defined herein, or the context otherwise requires, capitalized terms used herein shall have the respective meanings ascribed thereto in the Indenture or, if not defined in the Indenture, in the Purchase Contract.

On the date hereof we have rendered to the Agency our final opinion concerning the validity of the Bonds and certain other matters. The Underwriters may rely on said opinion as if it were addressed to them.

In addition to the opinions set forth in our final legal opinion concerning the validity of the Bonds and certain other matters, dated the date hereof and addressed to the Agency, and in reliance thereon, as of the date hereof, we are of the following opinions or conclusions:

1. The Purchase Contract has been duly authorized, executed and delivered by the Agency and (assuming due authorization, execution and delivery by and validity against the other party thereto) is a valid and binding agreement of the Agency enforceable in accordance with its terms. We call attention to the fact that the rights and obligations under the Purchase

Contract may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against public entities in the State of California.

2. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

3. The statements contained in the Official Statement under the captions [“THE BONDS,” “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS,” “TAX MATTERS” and APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS” and APPENDIX F – “PROPOSED FORMS OF CO-BOND COUNSEL OPINIONS,”] insofar as such statements expressly summarize certain provisions of the Bonds, the Indentures, and the opinion of Co-Bond Counsel concerning certain federal tax matters relating to the Bonds, constitute a fair summary of the provisions they purport to summarize and are accurate in all material respects.

[4. The Continuing Disclosure Certificate has been duly executed and delivered by the Agency and is a valid and binding agreement of the Agency. No opinion regarding the adequacy of the Continuing Disclosure Certificate for purposes of S.E.C. Rule 15c2-12 may be inferred from this opinion.]

Very truly yours,

EXHIBIT E

FORM OF OPINION OF DISCLOSURE COUNSEL

[LETTERHEAD OF DISCLOSURE COUNSEL]

[Closing Date]

San Francisco Municipal Transportation Agency
San Francisco, California

Re: San Francisco Municipal Transportation Agency Revenue Bonds,
Series 2012A, and San Francisco Municipal Transportation
Agency Revenue Bonds, Series 2012 B

Ladies and Gentlemen:

We have acted as disclosure counsel to the San Francisco Municipal Transportation Agency (the "SFMTA") in connection with the issuance on this date of \$_____ aggregate principal amount of San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012A, and \$_____ aggregate principal amount of San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012B (collectively, the "Bonds"). As disclosure counsel to the SFMTA, we have deferred on certain matters to the City Attorney of the City and County of San Francisco (the "City Attorney").

In that connection, we have reviewed a printed copy of the official statement of the SFMTA with respect to the Bonds, dated _____, 2012 (the "Official Statement"), certificates of the SFMTA and others, the opinions of Hawkins Delafield & Wood LLP and Rosales Law Partners LLP, co-bond counsel ("Co-Bond Counsel"), and such other records, opinions and documents, and we have made such investigations of law, as we have deemed appropriate as a basis for the conclusion hereinafter expressed. We do not assume any responsibility for any electronic version of the Official Statement, and assume that any such version is identical in all respects to the printed version. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Official Statement.

In arriving at the conclusion hereinafter expressed, we are not expressing any opinion or view on, and with your permission are assuming and relying on, the validity, accuracy and sufficiency of the records, documents, certificates and opinions referred to above (including the accuracy of all factual matters represented and legal conclusions contained therein, including, without limitation, any representations and legal conclusions regarding the due authorization, issuance, delivery, validity and enforceability of the Bonds and the exclusion of interest thereon from gross income for federal income tax purposes, and the application of Bond proceeds in accordance with the authorization therefor). We have assumed that all records, documents, certificates and opinions that we have reviewed, and the signatures thereto, are genuine.

We are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. In our capacity as disclosure counsel to the SFMTA, to assist it in discharging its responsibility with respect to the Official Statement, we participated in conferences with representatives of the SFMTA, the City Attorney, the Co-Financial Advisors, Co-Bond Counsel, and others, during which the contents of the Official Statement and related matters were discussed. Based on our participation in the above-mentioned conferences, and in reliance thereon and on the records, documents, certificates, opinions and matters mentioned above, we advise you as a matter of fact and not opinion that, during the course of our role as disclosure counsel with respect to the Bonds, no facts came to the attention of the attorneys in our firm rendering legal services in connection with such role which caused us to believe that the Official Statement as of its date and as of the date hereof (except for any CUSIP numbers, financial, accounting, statistical, economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any information about valuation, appraisals, absorption, real estate or environmental matters, any management discussions and analysis, any appendices thereto, or any information about book-entry, tax exemption or other tax matters or The Depository Trust Company included or referred to therein, which we expressly exclude from the scope of this paragraph and as to which we express no opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. No responsibility is undertaken or opinion rendered with respect to any other disclosure document, materials or activity.

By acceptance of this letter you recognize and acknowledge that: (i) the preceding paragraph is not an opinion but in the nature of negative observations based on certain limited activities performed by specific lawyers in our firm in our role as disclosure counsel; (ii) the scope of those activities performed by us for purposes of delivering this letter were inherently limited and do not purport to encompass all activities necessary for compliance with applicable securities laws; and (iii) those activities performed by us rely on third party representations, warranties, certifications and opinions, including and primarily, representations, warranties and certifications made by the SFMTA, and are otherwise subject to the conditions set forth herein.

This letter is furnished to you by us as disclosure counsel to the SFMTA. Our engagement with respect to this matter has terminated as of the date hereof, and we disclaim any obligation to update this letter. This letter is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of the Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

ENCLOSURE 7

CONTINUING DISCLOSURE AGREEMENT

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
REVENUE BONDS,
SERIES 2012A**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the San Francisco Municipal Transportation Agency (the “SFMTA”) pursuant to Section 8A.102(b)(13) of the Charter, an Indenture of Trust, dated as of March 1, 2012 (the “Master Indenture”), between the SFMTA and [TRUSTEE], as trustee (the “Trustee”), a First Supplement to Indenture of Trust dated as of March 1, 2012 between the SFMTA and the Trustee (the “First Supplemental Indenture” and, together with the Master Indenture, the “Indenture”), [Ordinance No. [_____] of the Board of Supervisors of the City (the “Board of Supervisors”) adopted on [_____, 201_], Resolution No. [_____] of the Board of Directors of the SFMTA (the “Board”) adopted on [_____, 201_], a Resolution of the Board of Supervisors concurring as to the issuance of the Series 2012A Bonds adopted on [_____, 201_], and a Resolution of the Parking Authority authorizing the refunding of bonds issued by [the Parking Authority, the Ellis-O’Farrell Parking Corporation, the Downtown Parking Corporation and the Uptown Parking Corporation (collectively, the “Parking Bonds”)]]. The Series 2012A Bonds and all other bonds issued pursuant to the Indenture are referred to collectively in this Official Statement as the “Bonds.” The SFMTA covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the SFMTA for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

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

“Beneficial Owner” shall mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Bonds or to dispose of ownership of any Bonds; or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean the SFMTA, acting in its capacity as Dissemination Agent under this Disclosure Certificate, or any successor Dissemination Agent designated in writing by the SFMTA and which has filed with the SFMTA a written acceptance of such designation.

“Holder” shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

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

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

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

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

SECTION 3. Provision of Annual Reports.

(a) The SFMTA shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the SFMTA’s fiscal year (which is June 30), commencing with the report for the 2011-12 Fiscal Year (which is due not later than March 27, 2013), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the SFMTA, the SFMTA shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided*, that if the audited financial statements of the SFMTA are not available by the date required above for the filing of the Annual Report, the SFMTA shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the SFMTA’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the SFMTA is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the SFMTA shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the SFMTA), file a report with the SFMTA certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

SECTION 4. Content of Annual Reports. The SFMTA’s Annual Report shall contain or incorporate by reference the following information, as required by the Rule:

(a) the audited general purpose financial statements of the SFMTA prepared in accordance with generally accepted accounting principles applicable to governmental entities;

(b) [List Applicable Tables From Official Statement.]

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the SFMTA or related public entities, which are available to the public on the

MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The SFMTA shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The SFMTA shall give, or cause to be given, notice of the occurrence of any of the following events numbered 1-9 with respect to the 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. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) or adverse tax opinions;
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 an obligated person 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 obligated person, 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 obligated person.

(b) The SFMTA shall give, or cause to be given, notice of the occurrence of any of the following events numbered 10-16 with respect to the Bonds not later than ten business days after the occurrence of the event, if material:

10. 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 Bonds or other material events affecting the tax status of the Bonds;

11. Modifications to rights of Bond holders;
12. Unscheduled or contingent Bond calls;
13. Release, substitution, or sale of property securing repayment of the Bonds;
14. Non-payment related defaults;
15. 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
16. Appointment of a successor or additional trustee or the change of name of a trustee.

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

(e) If the SFMTA 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 SFMTA 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 5(b)(12) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 6. Termination of Reporting Obligation. The SFMTA's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the SFMTA shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The SFMTA may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the SFMTA may amend or waive this Disclosure Certificate or any

provision of this Disclosure Certificate, provided that the following conditions are satisfied:

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

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney of the City and County of San Francisco (the “City Attorney”) or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount the Bonds or (ii) does not, in the opinion of the SFMTA Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the SFMTA 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 SFMTA. 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; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the SFMTA from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate 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 Certificate. If the SFMTA 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 Certificate, the SFMTA shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the SFMTA to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the SFMTA to comply with its obligations under this Disclosure Certificate; *provided* that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California. The sole remedy under this Disclosure Certificate in the event of any failure of the SFMTA to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the SFMTA, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2012.

<p>Approved as to Form:</p> <p>DENNIS J. HERRERA CITY ATTORNEY</p> <p>By: _____ Deputy City Attorney</p>	<p>SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY</p> <p>By: _____ [Title]</p>
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CONTINUING DISCLOSURE CERTIFICATE EXHIBIT A

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

Name of Issuer: SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Name of Issue: SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
REVENUE BONDS, SERIES [2012A / 2012B]

Date of Issuance: _____, 2012

NOTICE IS HEREBY GIVEN that the SFMTA has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the San Francisco Municipal Transportation Agency, dated the Date of Issuance. The SFMTA anticipates that the Annual Report will be filed by _____.

Dated: _____

SAN FRANCISCO MUNICIPAL
TRANSPORTATION AGENCY

By: _____ [to be signed only if filed]
Title: _____