

THIS PRINT COVERS CALENDAR ITEM NO. : 11

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY**

DIVISION: Finance and Information Technology

BRIEF DESCRIPTION:

Authorizing the issuance of up to \$175 million in revenue bonds to finance the costs of certain transportation projects and authorizing the Director of Transportation to execute the documents necessary for this transaction, including a Second Supplement to Indenture of Trust, a Continuing Disclosure Certificate and a Bond Purchase Contract, and to prepare a Preliminary Official Statement for the Series 2013 Bonds, such document being subject to final review and approval by the SFMTA Board prior to distribution to potential investors.

SUMMARY:

- The SFMTA wishes to undertake a second revenue bond issuance to finance the costs of certain transportation projects.
- The Charter and Administrative Code authorize the SFMTA to issue revenue bonds without voter approval, with the concurrence of the Board of Supervisors, and otherwise in accordance with State law.
- The bond issuance will require the execution of certain documents, including a Second Supplement to Indenture of Trust, a Continuing Disclosure Certificate, a Bond Purchase Contract, and the preparation of a Preliminary Official Statement.
- If approved by the SFMTA Board, this bond financing and the execution of the necessary documents will be submitted to the Board of Supervisors for its concurrence.

ENCLOSURES:

1. SFMTAB Resolution
2. Second Supplement to Indenture of Trust
3. Continuing Disclosure Certificate
4. Bond Purchase Contract
5. Preliminary Official Statement

APPROVALS:

DATE

DIRECTOR _____ 8/26/13

SECRETARY _____ 8/26/13

ASSIGNED SFMTAB CALENDAR DATE: September 3, 2013

PAGE 2

PURPOSE

This calendar item authorizes the issuance of up to \$175 million in revenue bonds to finance the costs of certain transportation projects and authorizes the Director of Transportation to execute the documents necessary for this transaction, including a Second Supplement to Indenture of Trust, a Continuing Disclosure Certificate and a Bond Purchase Contract, and to prepare a Preliminary Official Statement for the 2013 Bonds, such document being subject to final review and approval by the SFMTA Board prior to distribution to potential investors.

GOAL

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

- Goal 3: Improve the environment and quality of life in San Francisco
- Objective 3.5: Reduce capital and operating structural deficits

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, [the Agency will] 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.”

This report relates to the SFMTA’s second issuance of revenue bonds. The Board approved the first issuance of revenue bonds of up to \$170 million in December 2011, the finalization of the Preliminary Official Statement and distribution of that document in final form in May 2012. The bond financing in the amount of \$63,795,000 closed in July 2012. Subsequent to the original approval in December 2011, the SFMTA decided to delay the financing of certain of the transportation projects until mid to late 2013 in order to allow extra time for design and implementation of those projects.

The Board will be asked to approve a reimbursement resolution simultaneously with this bond approval request. The reimbursement resolution allows the SFMTA to reimburse itself for hard costs already incurred and paid with operating revenue. The Board also approved an updated debt policy in April 2013.

PAGE 3

In November 2011, the Board received training regarding its due diligence and disclosure obligations under the federal securities laws. The Board also received a presentation about the SFMTA’s 2013 proposed annual financing plan, including this bond financing, in February 2013 and will receive a presentation about this revenue bond issuance.

Use of Bond Proceeds

Revenue bond proceeds are anticipated to fund (i) planning, design, construction or improvement of the SFMTA’s transportation assets, (ii) a bond reserve account and (iii) 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 2013 PROJECTS
(IN MILLIONS)**

| Projects | Bond Proceeds |
|--|----------------------|
| Pedestrian Safety/Transit Signal Improvements | \$ 16,000,000 |
| Muni Transit System Safety and Spot Improvements | \$ 18,500,000 |
| Complete Street Capital Improvements | \$ 14,000,000 |
| Facility Improvements | \$ 46,000,000 |
| Transit Fixed Guideway Improvements | \$ 30,500,000 |
| Muni Light Rail Vehicle Procurement | \$ 25,000,000 |
| Total Uses of Funds | \$150,000,000 |

Pedestrian Safety/Transit Signal Improvements: This bond funded capital program is meant to improve the safety and usability of city streets for pedestrians and includes project development and capital costs for: the installation of red light photo enforcement equipment; pedestrian islands in the medians of major thoroughfares; sidewalk bulb-outs and sidewalk widening; installation of traffic and pedestrian signals which include countdown and accessible pedestrian signal equipment; and targeted traffic calming projects, such as traffic humps and traffic circles, to slow traffic.

Muni Transit System Safety and Spot Improvements: This bond funded program is meant to improve the safety of the Muni transit system and includes project development and capital costs for: the replacement of the SFMTA’s communication and dispatching system to provide interoperable digital voice communications for SFMTA staff and for the Public Works Emergency Radio System (PERS), new vehicle on-board and fixed route ITS components to provide information for core operational capabilities including Computer Aided Dispatch and Automatic Vehicle Location (CAD/AVL), vehicle health monitoring, on-board ADA-compliant traveler information, transit signal priority, and automated fare collection; training equipment and simulators for Muni Operators; the replacement of the fire-safety mandated emergency telephones including phone switches, phone stations, blue-light units, raceways, communication cables, UPS power supplies, networking system, operator consoles and management servers; transit spot improvements including signal changes, bus bulbs, striping changes and other localized uses of the transit priority toolkit.

Complete Street Capital Improvements: This program is meant to develop safe and complete streets through integrated major corridor capital projects and includes project development and capital costs for: the construction of bicycle facilities and improvements to the existing bicycle network; bicycle sharing; new bike lanes and paths; bicycle parking facilities; bicycle boxes, bicycle boulevards, buffered bicycle lanes, cycle tracks, bicycle signals, and “green wave” traffic signal coordination; curb extensions, storm water management features, traffic signal timing changes, signs, installation of pedestrian signals, including countdown and accessible pedestrian signal equipment, sidewalk extensions, medians, refuge islands, and bulb-outs.

Facility Improvements: This program is meant to deliver critical safety and seismic upgrades to SFMTA parking garages and Muni operations and maintenance facilities. These upgrades will enable improved transit operations and performance while also improving working conditions for staff. SFMTA parking garages are in varying degrees of disrepair and these funds will rehabilitate this important revenue generating asset.

Transit Fixed Guideway Improvements: This bond funded capital program is meant to reduce Muni operational issues, maintenance and increase system reliability and includes project development and capital costs for: replacement of the overhead wires and related poles and traction power systems serving Muni’s light rail and trolley coach lines; improvement to the SFMTA’s transportation central control facility and systems; ADA ramps for LRV boarding, replacement of the trackway and related systems serving the light rail and cable car lines to mitigate excessive noise and/or vibration.

Muni Light Rail Vehicle Procurement: This program is meant to purchase replacement light rail vehicles for the Muni system, as well as new vehicles to provide for growth in service.

Plan of Finance

The SFMTA currently has \$60.72 million in outstanding bonds issued under this authorization from the City Charter. The outstanding bonds consist of the Series 2012A Bonds with a final maturity of 2032 and the Series 2012B Bonds with a final maturity of 2042. Outstanding debt service on the outstanding bonds is “front loaded” (i.e. the principal payments are larger in the earlier years of repayment) with a range in debt service from \$6.2 million in FY 2013-14 to \$2.9 million in FY 2021-22. Following FY 2021-22, outstanding debt service drops to a level \$2.8 million per year through 2042. The SFMTA will issue fixed-rate tax-exempt revenue bonds for the proposed transaction. The Series 2013 Bonds will be issued as parity bonds with the Series 2012 Bonds. It is anticipated that the Series 2013 Bonds will mature in approximately 30 years. In the current market, the SFMTA would issue approximately \$156 million in revenue bonds at an estimated TIC (True Interest Cost) of 4.84%. This represents annual debt service of approximately \$10.3 million. It is likely that actual interest rates on the date of sale will differ from the current market environment. To the extent that interest rates rise, interest costs and annual debt service to the SFMTA will also increase.

The SFMTA’s outstanding bonds are currently rated “A” by Standard & Poor’s and “Aa3” by Moody’s Investors Service. The SFMTA will meet with the ratings agencies to provide an update on the SFMTA and discuss the issuance of the Series 2013 Bonds. Prior to pricing, the ratings analysts will review the SFMTA’s credit and assign ratings to the Series 2013 Bonds. Generally, two investment grade ratings enhance the ability of SFMTA to sell bonds in the capital markets.

As in the 2012 bond financing, this proposed transaction will be sold by 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 City Attorney’s Office, on behalf of the SFMTA, selected the legal team by competitive process, including co-bond counsel (Hawkins Delafield & Wood and Rosales Law Firm) and disclosure counsel (Orrick Herrington & Sutcliffe).

The SFMTA believes that, as with the first bond financing, the flexibility and marketing gained through the negotiated sale process will result in a lower cost of borrowing.

Sources and Uses (Estimated, subject to change)

| Sources | |
|----------------------|----------------------|
| Bond Principal | \$156,000,000 |
| Premium | 6,000,000 |
| Total Sources | \$162,000,000 |

| Uses | |
|---------------------------|----------------------|
| Capital Projects | \$150,000,000 |
| Debt Service Reserve Fund | 10,200,000 |
| Costs of Issuance | 1,800,000 |
| Total Uses | \$162,000,000 |

Bond authorization is requested up to \$175 million to accommodate potential shifts in interest rates or a different coupon structure. Such events could require that the SFMTA to issue more bonds to fund the proposed projects.

The Debt Service Reserve Fund (“DSRF”) will be funded from bond proceeds at the bond closing. The DSRF is a fund held by the bond trustee. The DSRF will only be used to pay debt service if pledged revenues are insufficient. The Series 2013 Bonds will be secured by a separate, stand-alone DSRF. The DSRF will be funded at the lesser of: (i) maximum annual debt service, (ii) 125% of average annual debt service or (iii) 10% of the outstanding principal amount of the bonds. Costs of issuance for the transaction include fees for the co-financial advisors, co-bond counsel, disclosure counsel, underwriters (and their counsel), rating agency fees, printing and other expenses related to the issuance of the bonds.

PAGE 6

The repayment of the bonds will be secured by certain revenues pledged by the SFMTA under the Indenture of Trust and generally includes all revenue of the SFMTA other than the General Fund transfer and designated grant funds whose uses are restricted.

Financing Schedule (subject to change)

| | |
|----------------|---|
| September 2013 | Board of Supervisors Budget and Finance Committee Rating Agency Presentations Receive Ratings |
| October 2013 | Board of Supervisors Approval Final SFMTA FY 2012-13 Financial Audit Available SFMTA Board Update and Approval of and Authorization to Distribute the Official Statement Print and Mail POS |
| November 2013 | Bond Pricing |
| December 2013 | Bond Closing |

Documentation and Next Steps

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

- Preliminary Official Statement
- Second Supplemental Indenture of Trust
- Bond Purchase Contract
- Continuing Disclosure Certificate

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 resolution: the Second Supplemental Indenture of Trust, the Bond Purchase Contract and the Continuing Disclosure Certificate. 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 of its more final form.

As stated in the City Charter, the Board of Supervisors will need to approve a resolution 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 December 2013.

PAGE 7

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.

FUNDING IMPACT

The proceeds from this bond offering will enable the SFMTA to fund a part of the capital projects described above. The issuance of the bonds will obligate SFMTA funds to the payment of debt service in future years.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

This transaction will require the approval of the Board of Supervisors. A certification of the Controller is also required.

RECOMMENDATION

That the SFMTA Board of Directors authorize the issuance of up to \$175 million in revenue bonds to finance the costs of certain transportation projects. The SFMTA Board further authorizes the Director of Transportation to execute the documents necessary for this transaction, including a Bond Purchase Contract, a Second Supplement to Indenture of Trust and a Continuing Disclosure Certificate, and to prepare a Preliminary Official Statement for the Series 2013 Bonds, such document being subject to final review and approval by the SFMTA Board prior to distribution to potential investors.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. _____

WHEREAS, The San Francisco Municipal Transportation Agency (the “SFMTA”) desires to finance the costs of certain transportation projects including, but not limited to the following SFMTA capital improvement programs: Muni Transit Safety and Spot Improvements, Complete Street Capital Improvements, Facility Improvements, Transit Fixed Guideway, Pedestrian Safety and Traffic Signal Improvements and Muni Light Rail Vehicle Procurement (collectively, the “Project”); and

WHEREAS, Pursuant to Section 8A.102(b)(13) of the Charter (the “Charter”) and Chapter 43 of the Administrative Code of the City and County of San Francisco (the “City”), the SFMTA may issue revenue bonds and other debt instruments, with the concurrence of the Board of Supervisors (the “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 to fund the Project; and

WHEREAS, The SFMTA desires to enter into a Bond Purchase Contract (the “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 Second Supplement (defined below), the Purchase Contract, the Preliminary Official Statement (defined below), and the Continuing Disclosure Certificate (defined below), 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, That the SFMTA hereby approves the issuance of “San Francisco Municipal Transportation Agency Revenue Bonds” (the “Bonds” or the “Revenue Bonds”), which shall be issued and delivered in accordance with the Indenture (defined below) and the Second Supplement (defined below), as the same is finally executed and delivered. The proceeds of the Bonds shall be used to (i) fund the Project, (ii) fund a reserve fund, (iii) fund capitalized interest, if any, and (iv) pay costs of issuance of the Bonds. The Bonds may be issued in one or more series. 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 \$175,000,000, which shall bear interest rates not to exceed 12 percent (12%) per annum, and which shall mature no later than 30 years from their date of issuance. The Bonds shall be subject to prepayment as set forth in the Indenture; and be it

FURTHER RESOLVED, That pursuant to Section 8A.102(b)(13) of the Charter, the concurrence of the 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 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 approved hereby; and be it

FURTHER RESOLVED, That the form of a second supplement to indenture of trust, supplementing that certain Indenture of Trust dated July 1, 2012 (the "Indenture") by and between the SFMTA and The Bank of New York Mellon Trust Company, N.A. ("Trustee"), as trustee or such other trustee selected by the Director of Transportation (the "Second Supplement") by and between the SFMTA, and the Trustee as presented to the Board of Directors, a copy of which is on file with the Secretary of the Board of Directors, is hereby approved. The Director of Transportation of the SFMTA or his designee is hereby authorized to execute the Second Supplement with such changes, additions and modifications as the Director of Transportation may make or approve in accordance with Section 11 hereof; and be it

FURTHER RESOLVED, That the form of a bond purchase contract ("Purchase Contract"), as presented to the Board of Directors and a copy of which is on file with the Secretary of the Board of Directors, is hereby approved. The Director of Transportation is hereby authorized to execute the Purchase Contract with such changes, additions and modifications as the Director of Transportation may make or approve in accordance with Section 11 hereof, provided however, that the Underwriters' discount under the Purchase Contract shall not exceed .50% of the principal amount of the Bonds; and be it

FURTHER RESOLVED, That the form of the continuing disclosure certificate of the City (the "Continuing Disclosure Certificate"), as presented to the Board of Directors and a copy of which is on file with the Secretary of the Board of Directors, is hereby approved. The Director of Transportation or his designee is hereby authorized to execute the Continuing Disclosure Certificate, with such changes, additions and modifications as he may make or approve in accordance with Section 11 hereof; and be it

FURTHER RESOLVED, That the Board of Directors hereby 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 form of an official statement related to the Bonds (the "Official Statement"), as presented to the Board of Directors and a preliminary copy of which is on file with the Secretary of the Board of Directors, is hereby approved. The Director of Transportation is hereby authorized to approve the distribution of the preliminary Official Statement in printed and/or electronic format in substantially said form, with such changes, additions, modifications or deletions as the Director of Transportation may approve upon consultation with the City Attorney; such approval to be conclusively evidenced by the distribution of the preliminary Official Statement to potential purchasers of the Bonds. The Controller of the City or his designee (collectively, the "Controller") is hereby authorized to cause the distribution of the preliminary Official Statement and deem it final for purposes of Rule 15c2-12 of the Securities and Exchange Act of 1934, as amended, and to execute a certificate to that effect. The Director of Transportation is hereby further authorized and directed to sign the Official Statement in final form; and be it

FURTHER RESOLVED, 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 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 Director of Transportation is hereby authorized to approve and make such modifications, changes or additions to the Second Supplement, any amendments to Indenture would be in a subsequent supplement, the Purchase Contract, the Continuing Disclosure Certificate or the Official Statement, 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. 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 Second Supplement, the Purchase Contract, the Official Statement, or the Continuing Disclosure Certificate (collectively, the "Financial Documents"); 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, 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; provided however that any such modifications or revisions shall not materially increase the financial or operational risks to the SFMTA and shall otherwise be subject to the terms hereof; and be it

FURTHER RESOLVED, This 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 SFMTA Revenue Bonds by the SFMTA 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 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 September 3, 2013.

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency

Enclosure 2

**SECOND SUPPLEMENT TO
INDENTURE OF TRUST**

by and between the

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
as Trustee

Dated as of [Dated Date], 2013

relating to

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
REVENUE BONDS,
SERIES 2013**

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| ARTICLE I DEFINITIONS | 2 |
| Section 1.01. Definitions | 2 |
| ARTICLE II TERMS OF SERIES 2013 BONDS | 4 |
| Section 2.01. Authorization and Purpose of Series 2013 Bonds | 4 |
| Section 2.02. Terms of the Series 2013 Bonds | 4 |
| Section 2.03. Forms of Series 2013 Bonds | 6 |
| Section 2.04. Application of Proceeds of Sale of the Series 2013 Bonds | 6 |
| Section 2.05. Establishment of Series 2013 Delivery Costs Account, and Series 2013 Project Costs Account..... | 6 |
| Section 2.06. Book-Entry Provisions..... | 7 |
| ARTICLE III SERIES 2013 INTEREST AND PRINCIPAL ACCOUNTS; SERIES 2013 RESERVE ACCOUNT; SERIES 2013 REBATE FUND | 9 |
| Section 3.01. Series 2013 Interest and Principal Accounts | 9 |
| Section 3.02. Series 2013 Debt Service Account | 9 |
| Section 3.03. Series 2013 Reserve Account | 10 |
| Section 3.04. 2013 Rebate Fund. | 10 |
| ARTICLE IV MISCELLANEOUS | 13 |
| Section 4.01. Continuing Disclosure | 13 |
| Section 4.02. Effective Date of Second Supplemental Indenture | 13 |
| Section 4.03. Indenture to Remain in Effect | 13 |
| Section 4.04. Execution in Counterparts..... | 13 |
| FORM OF SERIES 2013 BOND | EXHIBIT A |

SECOND SUPPLEMENT TO INDENTURE OF TRUST

This SECOND SUPPLEMENT TO INDENTURE OF TRUST, dated as of [Dated Date], 2013 (the "Second 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 THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. a national trust company duly organized under the laws of the United States of America, 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; and

WHEREAS, under Section 8A.102 of the Charter and Ordinance No. 57-12 adopted by the Board of Supervisors of the City (the "City Board") on April 17, 2012 and signed by Mayor Edwin M. Lee on April 19, 2012, and codified as Chapter 43, Article XIII, Sections 43.13.1 through 43.13.8 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, and transportation revenue refunding bonds under such terms and conditions as the SFMTA may authorize by resolution, with the concurrence of the City Board; and

WHEREAS, the SFMTA has authorized and issued the series of bonds to be designated as "Revenue Bonds, Series 2013" (the "Series 2013 Bonds") pursuant to Resolution No. _____ of the SFMTA, adopted on _____, 2013 (the "SFMTA Board Resolution") and the City Board has approved the Series 2013 Bonds pursuant to Resolution No. _____, adopted on _____, 2013 and signed by Mayor Edwin M. Lee on _____, 2013 (the "City Resolution"); and

WHEREAS, the SFMTA has entered into an Indenture of Trust, dated as of July 1, 2012 (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 entered into a First Supplement to Indenture of Trust dated as of July 1, 2012 ("First Supplemental Indenture") in order to provide for the terms of the \$37,960,000 Revenue Bonds, Series 2012A and the \$25,835,000 Revenue Bonds, Series 2012B (collectively, the "Series 2012 Bonds"); and

WHEREAS, the SFMTA is entering into this Second Supplemental Indenture in order to provide for the terms of the Series 2013 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 2013 Projects.

NOW, THEREFORE, THIS SECOND SUPPLEMENTAL INDENTURE WITNESSETH that in order to secure the payment of the Principal Amount of, premium, if any, and the interest on the Series 2013 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 2013 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 2013 Bonds, as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. The capitalized terms used in this Second Supplemental Indenture shall have the meanings assigned to such terms in the Master Indenture and First Supplemental Indenture, unless otherwise defined below or elsewhere in this Second Supplemental Indenture or unless a different meaning clearly applies from the context in which such term is used herein:

“Closing Wire Instructions” shall mean the closing wire instructions prepared by _____ on behalf of the SFMTA.

“Depository” shall mean (a) initially, DTC, and (b) any other securities depository acting as Depository pursuant to 0 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.

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

“Master Indenture” shall mean the Indenture of Trust, dated as of July 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.

“Second Supplemental Indenture” shall mean this Second Supplement to Indenture of Trust, dated as of [Dated Date], 2013, by and between the SFMTA and the Trustee.

“Series 2013 Bonds” shall mean the San Francisco Municipal Transportation Agency Revenue Bonds, Series 2013.

“Series 2013 Continuing Disclosure Certificate” shall mean the Continuing Disclosure Certificate executed by an Authorized SFMTA Representative, dated the closing date of the Series 2013 Bonds, as originally executed and as each may be amended from time to time.

“Series 2013 Debt Service Account” shall mean the account within the Debt Service Fund created pursuant to 0 hereof.

“Series 2013 Delivery Costs Account” shall mean the fund by that name established pursuant to (a) hereof.

“Series 2013 Interest Payment Date” shall mean March 1 and September 1 of each year, commencing September 1, 2013.

“Series 2013 Payment Date” shall mean each Series 2013 Interest Payment Date and Series 2013 Principal Payment Date.

“Series 2013 Principal Payment Date” shall mean March 1 of each year, commencing March 1, 2014.

“Series 2013 Projects” shall mean the _____.

“Series 2013 Project Costs Account” shall mean that certain fund established pursuant to 0 hereof.

“Series 2013 Record Date” shall mean the close of business on the fifteenth day of the month preceding each Series 2013 Interest Payment Date, whether or not such fifteenth day is a Business Day.

“Series 2013 Reserve Account” shall mean the Series 2013 Reserve Account in the Reserve Fund established pursuant to Section 3.03 hereof.

“Series 2013 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 2013 Bonds, (ii) 125% of average annual debt service on the Series 2013 Bonds, or (iii) 10% of the Outstanding Principal Amount of Series 2013 Bonds. A future Series of Bonds may be designated in a Supplemental Indenture to benefit from and participate in the Series 2013 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 2013 BONDS

Section 2.01 Authorization and Purpose of Series 2013 Bonds. The SFMTA hereby authorizes the issuance of the Series 2013 Bonds for the purpose of providing moneys to finance the Series 2013 Projects. The parties hereto hereby acknowledge and agree that the Series 2013 Bonds constitute "Bonds" as defined in the Master Indenture and that the Series 2013 Bonds are secured on a parity with the Series 2012 Bonds and any additional Series of Bonds which may hereafter be issued under the Indenture.

Section 2.02 Terms of the Series 2013 Bonds. (a) General. The Series 2013 Bonds authorized to be issued by the SFMTA under and subject to the terms of the Indenture and the Act shall be designated as the "San Francisco Municipal Transportation Agency Revenue Bonds, Series 2013." The Series 2013 Bonds shall be issued in the aggregate principal amount of _____ Dollars (\$_____). The Series 2013 Bonds shall be dated [Dated Date], 2013, 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 2013 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 2013 Bonds. The Series 2013 Bonds shall bear interest at the rates per annum, payable on each Series 2013 Interest Payment Date, and be payable as to principal on each Series 2013 Principal Payment Date in each of the years and in the amounts indicated as follows:

Series 2013 Bonds

| Year (March 1) | Principal \$ | Interest Rate % |
|-------------------|-----------------|--------------------|
|-------------------|-----------------|--------------------|

(c) Payment of Series 2013 Bonds. The Series 2013 Bonds shall bear interest from the Series 2013 Interest Payment Date immediately preceding the date of authentication thereof unless (i) the date of authentication thereof is prior to the first regular Series 2013 Record Date in which event from the dated date of such Series 2013 Bond, or (ii) the date of authentication thereof is a Series 2013 Interest Payment Date, in which event from that Series 2013 Interest Payment Date, or (iii) the date of authentication thereof is after a regular Series 2013 Record Date but before the following Series 2013 Interest Payment Date, in which event it shall bear interest from such Series 2013 Interest Payment Date.

Payment of interest on the Series 2013 Bonds which are not book-entry bonds shall be paid by check or draft mailed by the Trustee on the Series 2013 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 2013 Record Date with respect to such Series 2013 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 2013 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 2013 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 0 hereof and the Representation Letter.

Interest shall be paid notwithstanding the cancellation of any Series 2013 Bonds upon any exchange or registration of transfer thereof subsequent to the Series 2013 Record Date and prior to such Series 2013 Interest Payment Date.

For Series 2013 Bonds that are not book-entry bonds, the Principal Amount of and redemption premiums, if any, on the Series 2013 Bonds and payments of interest due at maturity or earlier redemption of the Series 2013 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 2013 Bonds shall be paid in lawful money of the United States of America.

(d) Limitations on Transfer and Exchange of Series 2013 Bonds. The SFMTA and the Trustee shall not be required to issue, register the transfer of, or exchange (i) any Series 2013 Bond during the period beginning on the fifteenth day of the month preceding each Series 2013 Interest Payment Date and ending on such Series 2013 Interest Payment Date, during the fifteen (15) days preceding the selection of Series 2013 Bonds for redemption, on any date on which notice of redemption is scheduled to be mailed, on any redemption date, or (ii) any Series 2013 Bond selected for redemption.

(e) Redemption of the Series 2013 Bonds. The Series 2013 Bonds scheduled to mature on or before _____ are not subject to optional redemption prior to maturity. The Series 2013 Bonds maturing on or after _____ 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 _____, 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 2013 Bonds called for redemption) together with interest accrued thereon to the date of redemption.

If some but not all of the Series 2013 Bonds have been redeemed pursuant to this 0, the total amount of all sinking account payments shall be reduced by the aggregate principal amount of Series 2013 Bonds so redeemed to be allocated among such Sinking Account payments as determined by SFMTA (notice of which determination shall be given by SFMTA to the Trustee).

(f) Mandatory Sinking Fund Payments for Series 2013 Bonds. (i) The Series 2013 Bonds maturing on _____, ____ (the "Series 2013 ____ Term Bonds") shall also be subject to mandatory redemption in part by lot prior to their maturity date, on _____, commencing _____ solely from money which has been deposited into the Series 2013 Principal Account in amounts and upon the dates hereby established for such Series 2013 ____ Term Bonds, as follows:

Series 2013 ____ Term Bonds Maturing on _____

| | |
|-------------------|------------------------------------|
| Year (March 1) | Mandatory Sinking Fund Payments |
|-------------------|------------------------------------|

\$

*

*Maturity

Section 2.03 Forms of Series 2013 Bonds. The Series 2013 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 2013 Bonds

(a) Upon receipt of payment of the purchase price for the Series 2013 Bonds in the amount of \$_____ (representing \$_____ principal amount, [plus net original issue premium in the amount of \$_____] and less an Underwriter's discount in the amount of \$_____) from the original purchasers thereof the Trustee shall set aside and deposit such amount as follows:

- (1) The Trustee shall deposit in the Series 2013 Project Costs Account the sum equal to \$_____;
- (2) The Trustee shall deposit in the Series 2013 Reserve Account the sum equal to \$_____, which equals the Series 2013 Reserve Requirement; and
- (3) The Trustee shall deposit in the Series 2013 Delivery Costs Account established pursuant to (a) hereof such moneys be used to pay Delivery Costs with respect to the Series 2013 Bonds as directed by a certificate of an Authorized SFMTA Representative.

Section 2.05 Establishment of Series 2013 Delivery Costs Account, and Series 2013 Project Costs Account

(a) Series 2013 Delivery Costs Account. The Trustee shall establish a Series 2013 Delivery Costs Account for the deposit and retention of a portion of the Series 2013

Bond proceeds held pending disbursement thereof. The Trustee shall disburse amounts in the Series 2013 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 2013 Bonds or receipt by the Trustee of a certificate of Authorized SFMTA Representative that all Delivery Costs with respect to Series 2013 Bonds have been paid, the Trustee shall transfer remaining amounts in the Series 2013 Delivery Costs Account to the Series 2013 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 2013 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 2013 Project Costs Account. The SFMTA shall establish and hold the Series 2013 Project Costs Account for the deposit and retention of a portion of the Series 2013 Bond proceeds held pending disbursement thereof. The SFMTA shall disburse amounts in the Series 2013 Project Costs Account for costs of the Series 2013 Projects as provided in the Tax Certificate for the Series 2013 Bonds and shall retain records reflecting the date and use of each disbursement. Amounts on deposit in the Series 2013 Project Costs Account may be used for Delivery Costs plus Project Costs and upon completion of the Series 2013 Project any remaining amounts may be transferred for such purposes as comply with applicable law and the Tax Certificate. Earnings on the Series 2013 Project Costs Account may be transferred by the SFMTA to the Series 2013 Debt Service Account.

Section 2.06 Book-Entry Provisions.

(a) Original Delivery. The SFMTA may provide prior to the date of delivery of the Series 2013 Bonds, that the Series 2013 Bonds may be initially delivered in book-entry form pursuant to this 0.

The Series 2013 Bonds initially delivered in book-entry form shall be initially delivered in the form of a separate single fully registered Series 2013 Bond without coupons (which may be typewritten) for each maturity of the Series 2013 Bonds. Upon initial delivery, the ownership of each such Series 2013 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 2013 Bonds shall be registered in the name of the Nominee on the registration books of the Registrar.

With respect to Series 2013 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 2013 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 2013 Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Series 2013 Bondholder as shown in the Registration Books, of any notice with respect to the Series 2013 Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Series 2013 Bonds to be redeemed in the event the SFMTA elects to redeem the Series 2013 Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Series 2013 Bondholder as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Series 2013 Bonds or (v) any consent given or other action taken by the Depository as Holder of the Series 2013 Bonds. The SFMTA and the Trustee may treat and consider the person in whose name each Series 2013 Bond is registered as the absolute owner of such Series 2013 Bond for the purpose of payment of principal, premium and interest on such Series 2013 Bond, for the purpose of giving notices of prepayment and other matters with respect to such Series 2013 Bond, for the purpose of registering transfers of ownership of such Series 2013 Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and interest and premium, if any, on the Series 2013 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 2013 Bonds to the extent of the sum or sums so paid. No person other than a Series 2013 Bondholder shall receive a Series 2013 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 2013 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 2013 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 2013 Bonds other than the Series 2013 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 2013 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 2013 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 2013 Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Series 2013 Bonds, and by

surrendering the Series 2013 Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Series 2013 Bonds are to be issued. The Depository, by accepting delivery of the Series 2013 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 2013 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 2013 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 2013 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 2013 Bond and all notices with respect to such Series 2013 Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this 0 or as otherwise instructed by the Depository.

ARTICLE III

SERIES 2013 INTEREST AND PRINCIPAL ACCOUNTS; SERIES 2013 RESERVE ACCOUNT; SERIES 2013 REBATE FUND

Section 3.01 Series 2013 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 0; provided, that the following account is created in the Debt Service Fund held by the Trustee with respect to the Series 2013 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 2013 Bonds or otherwise, the deposits below need not be made.

Section 3.02 Series 2013 Debt Service Account. On or before the Business Day prior to each Series 2013 Payment Date, the Trustee shall transfer from the Debt Service Fund to the Series 2013 Debt Service Account within the Debt Service Fund (which account is hereby created), the interest and Principal Amount to become due on such Series 2013 Bonds on such Series 2013 Payment Date; provided that the SFMTA need not transfer any moneys at such time as the balance in said Series 2013 Debt Service Account shall be equal to the aggregate amount of interest and Principal Amount becoming due and payable on the then Outstanding Series 2013 Bonds on such Series 2013 Payment Date. The obligation to make the foregoing transfers shall be on a parity with the obligation to fund the Series 2012A Debt Service Account, the Series 2012B Debt Service Account, and any debt service 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 2013 Reserve Account. (a) The Series 2013 Reserve Account in the Reserve Fund is hereby established with the Trustee. The Reserve Requirement for the Series 2013 Bonds shall be the Series 2013 Reserve Requirement. The Series 2013 Reserve Account shall benefit only the Series 2013 Bonds and any additional Series of Bonds to the extent so designated in a Supplemental Indenture. The amounts on deposit in the Series 2013 Reserve Account shall secure on a parity basis the Series 2013 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 2013 Reserve Account, the definition of Series 2013 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 2013 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 2013 Bonds on such Series 2013 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 2013 Reserve Account and deposit such amount in the Debt Service Fund.

(c) All money on deposit in the Series 2013 Reserve Account in excess of the Series 2013 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 2013 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 2013 Reserve Account, in an amount equal to that sum, if any, necessary to restore the Series 2013 Reserve Account to an amount equal to the Series 2013 Reserve Requirement. The obligation to make the foregoing transfers to the Series 2013 Reserve Account shall be on a parity with the obligation to make transfers to the Series 2012 Reserve Account 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 also 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 2013 Rebate Fund.

(a) General. The Trustee shall establish a special fund designated the "Series 2013 Bonds Rebate Fund" (the "2013 Rebate Fund"). All amounts at any time on deposit in the 2013 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 2013 Bonds, pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the "Treasury

Regulations”). The SFMTA has previously established the Rebate Fund for the Series 2012 Bonds and 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 2013 Rebate Fund shall be free and clear of any lien under the Indenture and shall be governed by this 0 and Section 6.07 of the Master Indenture and by the Tax Certificate relating to the Series 2013 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 2013 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 2013 Rebate Fund from deposits from the SFMTA, if and to the extent required, amounts sufficient to cause the balance in the 2013 Rebate Fund to be equal to the “rebate amount” so calculated.

(ii) The Trustee shall not be required to deposit any amount to the 2013 Rebate Fund in accordance with the preceding sentence if the amount on deposit in the 2013 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 2013 Rebate Fund to the extent permitted under subsection (g) of this 0.

(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 2013 Rebate Fund in accordance with this subsection (b), with respect to all or a portion of the proceeds of the Series 2013 Bonds (including amounts treated as proceeds of the Series 2013 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 2013 Rebate Fund in accordance with this subsection (b).

(c) Withdrawal Following Payment of Bonds. Any funds remaining in the 2013

Rebate Fund after payment of all the Series 2013 Bonds and any amounts described in paragraph 0 of subsection 0 of this 0, 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 0 to the requirement to calculate the "rebate amount" and make deposits to the 2013 Rebate Fund, the Trustee shall pay to the United States, from amounts on deposit in the 2013 Rebate Fund,

(i) 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

(ii) not later than 60 days after the payment of all Series 2013 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 0 of this 0 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 2013 Rebate Fund. In the event that, prior to the time any payment is required to be made from the 2013 Rebate Fund, the amount in the 2013 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 2013 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 0, but prior to any deposit made under said subsection, the amount on deposit in the 2013 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 2013 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 2013 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 2013 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 2013 Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the SFMTA to comply with the Series 2013 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 2013 Continuing Disclosure Certificate) or the Owners of at least twenty-five percent (25%) of the aggregate principal amount of the Outstanding Series 2013 Bonds, shall) after receiving indemnification to its satisfaction, or any holder or Beneficial Owner (as defined in the Series 2013 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 2013 Continuing Disclosure Certificate.

Section 4.02 Effective Date of Second Supplemental Indenture. This Second Supplemental Indenture shall take effect upon its execution and delivery.

Section 4.03 Indenture to Remain in Effect. The Master Indenture as amended by the First Supplemental Indenture and this Second Supplemental Indenture shall remain in full force and effect.

Section 4.04 Execution in Counterparts. This Second 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 Second Supplemental Indenture by their officers thereunto duly authorized as of the day and year first written above.

SAN FRANCISCO MUNICIPAL
TRANSPORTATION AGENCY

Edward D. Reiskin
Director of Transportation

ATTEST:

Secretary to the Board of Directors

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

Authorized Officer

APPROVED AS TO FORM BY:
DENNIS J. HERRERA,
CITY ATTORNEY

By: _____
Deputy City Attorney

(FORM OF SERIES 2013 BOND)

No. _____ \$ _____

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
REVENUE BONDS
SERIES 2013**

| Interest Rate | Maturity Date | Dated Date | Cusip |
|---------------|---------------|--------------------|-------|
| | March 1, 20__ | [Dated Date], 2013 | |

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 March 1 and September 1 of each year commencing on September 1, 2013 (each, a "Series 2013 Interest Payment Date") by check or draft mailed by the Trustee hereinafter referred to on the Series 2013 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 2013 Interest Payment Date (the "Series 2013 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 2013 Record Date, interest on such Principal Amount from the Series 2013 Interest Payment Date immediately preceding the date of authentication hereof (unless (i) the date of authentication hereof is prior to the first regular Series 2013 Record Date in which event from the dated date specified above, or (ii) the date of authentication hereof is a Series 2013 Interest Payment Date, in which event from that Series 2013 Interest Payment Date, or (iii) the date of authentication hereof is after a regular Series 2013 Record Date but before the following Series 2013 Interest Payment Date, in which event it shall bear interest from such Series 2013 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 2013 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 2013 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 2013 Bonds and payments of interest due at maturity or earlier redemption of the Series 2013 Bonds, shall be payable upon the surrender thereof at the corporate trust office (the "Corporate Trust Office") of The Bank of New York Mellon Trust Company, N.A. 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 2013 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 2013" (herein called the "Series 2013 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 2013 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 July 1, 2012, as amended by the First Supplement to Indenture of Trust, dated as of July 1, 2012 and Second Supplement to Indenture of Trust dated as of [Dated date], 2013 (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 a parity with the Series 2012 Bonds (as defined in the Indenture) and 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 2013 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 2013 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 2013 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 2013 Bond during the period beginning on the fifteenth day of the month preceding each Series 2013 Interest Payment Date and ending on such Series 2013 Interest Payment Date, during the fifteen (15) days preceding the selection of Series 2013 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 2013 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, all as of the Dated Date set forth above.

By: _____
Director of Transportation

(FORM OF CERTIFICATE OF AUTHENTICATION OF BONDS)

This is one of the Bonds described in the within mentioned Indenture.

Date of Authentication: _____, 2013

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., 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 3

CONTINUING DISCLOSURE CERTIFICATE

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
REVENUE BONDS,**

Series 2013

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 July 1, 2012 (as amended, the "Master Indenture"), between the SFMTA and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), a Second Supplement to Indenture of Trust dated as of October 1, 2013 between the SFMTA and the Trustee (the "Second Supplemental Indenture" and, together with the Master Indenture, the "Indenture"), Ordinance No. 57-12 of the Board of Supervisors adopted on April 19, 2012, Resolution No. 13 [_____] of the Board of Directors of the SFMTA (the "Board") adopted on [_____] , 2013, and Resolution No. [_____] 13 of the Board of Supervisors adopted on [_____] , 2013, concurring as to the issuance of the San Francisco Municipal Transportation Agency Revenue Bonds, Series 2013 (the "Bonds") adopted on [_____] , 2013. 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) and (b) 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 2012-13 Fiscal Year (which is due not later than March 27, 2014), 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) an update of the information contained in the following tables:

- (i) TABLE 2 – HISTORIC ROUTE RIDERSHIP BY MODE;
- (ii) TABLE 6 – SFMTA HISTORICAL OPERATING REVENUES AND EXPENSES;
- (iii) TABLE 7 – PLEDGED REVENUES;
- (iv) TABLE 9 – FARE REVENUE, RIDERSHIP AND AVERAGE FARES PER PASSENGER; and
- (v) TABLE 17 – SFMTA OPEB ALLOCATIONS AND CONTRIBUTIONS.

In addition, if the City and County of San Francisco is no longer obligated, pursuant to a continuing disclosure undertaking, to file its audited financial statements with the MSRB, the annual report shall indicate where City and County of San Francisco audited financial statements are available.

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(e).

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: _____, 2013.

SAN FRANCISCO MUNICIPAL
TRANSPORTATION AGENCY

By _____
[Title]

Approved as to Form:

DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Deputy City Attorney

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 2013

Date of Issuance: _____, 2013

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 _____

Enclosure 4

Bond Purchase Contract

\$ _____
SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
REVENUE BONDS SERIES 2013

BOND PURCHASE CONTRACT

_____, 2013

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 (this "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).

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,

The Agency acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length commercial transaction between the Agency and each of the Underwriters, (ii) in connection with such transaction, each Underwriter is acting solely as a principal and not as a municipal advisor, financial advisor (as such term is defined in Section 15B of the Securities Exchange Act of 1934, as amended), or fiduciary of the Agency, (iii) the Underwriters have not assumed (individually or collectively) any advisory or fiduciary responsibility in favor of the Agency with respect to the Purchase Contract, the offering of the Bonds or the discussions, undertakings and procedures leading thereto (whether or not any Underwriter, or any affiliate of an Underwriter, has advised or is currently advising the Agency on other matters) or any other obligation to the Agency except the obligations expressly set forth in this Purchase Contract, (iv) the only obligations the Underwriters have to the Agency with respect to the transactions contemplated hereby are set forth in this Purchase Contract, (v) the Underwriters have financial and other interests that differ from those of the Agency, and (vi) the Agency has consulted with its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the Bonds.

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 \$_____ aggregate principal amount of San Francisco Municipal Transportation Agency Revenue Bonds, Series 2013 (the "Bonds"). The Bonds will be dated their date of delivery, shall bear interest payable on March 1, 2014 and thereafter semiannually each March 1 and September 1 at the rates, shall mature on March 1 in each year and in the amounts and shall be subject to redemption, in each case, as set forth in Schedule I attached hereto. The purchase price for the Bonds shall be \$_____ (the "Purchase Price"), calculated as the aggregate principal amount of \$_____ plus a aggregate net 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 _____, 2013 (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 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 dated as of July 1, 2012 between the Agency and the Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") (the "Indenture of Trust"), as supplemented by a Second Supplement to Indenture of Trust (the "Second Supplement, and together with the Indenture of Trust, the "Indenture"), dated as of _____, 2013, by and between the Agency and 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 Ordinance 57-12 of the Board of Supervisors of the City and County of San Francisco (the "Board of Supervisors"), adopted on April 17, 2012 (the "Ordinance"), Resolution No.13--____ adopted by the Board of Directors of the Agency on _____, 2013 (the "Agency Resolution"), and Resolution No. ____--13, adopted by the Board of Supervisors on _____, 2013 and signed by the Mayor of the City and County of San Francisco on _____, 2013 (the "Board Resolution" and, together with the Ordinance and the Agency Resolution, the "Authorizing Legislation" or the "Resolutions").

Section 4. The Bonds. The Bonds are being issued for the purpose of providing funds to (i) finance a portion of the costs of various capital projects for the Agency as described in the Official Statement, (ii) make a deposit to the Series 2013 Reserve Account of the Bond Reserve Fund established under the Indenture, and (iii) pay a portion of the costs of issuance of the 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 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 Indenture and the Authorizing Legislation.

(b) As of 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) 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 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 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, 2013 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) Except as described in the Official Statement, the Agency has complied with all previous continuing disclosure undertakings required pursuant to Rule 15c2-12 for the past five years.

(o) 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. The representations, covenants and agreements of each of the Underwriters attached hereto as Exhibit A are incorporated by reference as though fully set forth herein. Each of the Underwriters further 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) 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.

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 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 regulations, 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 _____, 2013, 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 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 date thereof and on and as of 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 Second 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 E;

(9) an opinion of Disclosure Counsel, addressed to the Underwriters, dated the Closing Date and in substantially the form attached hereto as Exhibit F;

(10) 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 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;

(11) evidence of required filings with the California Debt and Investment Advisory Commission;

(12) 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;

(13) 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;

(14) a Tax Certificate of the Agency in form and substance acceptable to Co-Bond Counsel;

(15) 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;

(16) evidence satisfactory to the Representative that Moody's Investors Service, Inc., and Standard & Poor's Ratings Services have assigned ratings of ["Aa3," and "A,"] respectively, to the Bonds;

(17) the Continuing Disclosure Certificate duly executed by the Agency; and

(18) 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 and,

in either such event, the Agency refuses to permit the Official Statement to be supplemented to supply such statement or information, or the effect of the Official Statement as so supplemented is to materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds; 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 effect on the marketability or market price of the Bonds, at the initial offering prices set forth in the 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) (a) 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, (b) the sovereign debt rating of the United States is downgraded by any major credit rating agency or a payment

default occurs on United States Treasury obligations; 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 or bonds on parity with the Bonds, is reduced or withdrawn or placed on credit watch with negative outlook by any one or more of the rating agencies rating the Bonds or bonds on parity with 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)(10) 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's Counsel, Co-Bond Counsel, and Disclosure Counsel; (ii) the fees and disbursements of Backstrom McCarley Berry & Co., LLC, San Francisco, California and Public Financial Management Inc., 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: Alex Burnett, Managing Director.

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:

Alex Burnett
Managing Director

SAN FRANCISCO MUNICIPAL
TRANSPORTATION AGENCY

By:

Edward D. Reiskin
Director of Transportation

MTA Board of Directors
Resolution No. _____

ATTEST:

Secretary
Municipal Transportation Agency
Board of Directors

APPROVED AS TO FORM:

DENNIS J. HERRERA
CITY ATTORNEY

BY: _____
MARK D. BLAKE
Deputy City Attorney

SCHEDULE 1

\$_____

San Francisco Municipal Transportation Agency
Revenue Bonds, Series 2013

Maturity Schedule

| Maturity Date (March 1) | Principal Amount | Interest Rate | Yield | Price |
|----------------------------|---------------------|---------------|-------|-------|
| | | | | |

Redemption Provisions

Optional Redemption. The Bonds maturing on or before March 1, 20__ are not subject to optional redemption prior to maturity. The Bonds maturing on or after March 1, 20__ are subject to optional redemption prior to maturity on or after March 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 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. The Bonds maturing on March 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 March 1 in each of the years in the following amounts:

| Mandatory Sinking Fund Payment Date (March 1) | Sinking Fund Payment Amount |
|---|--------------------------------|
| | |

*Maturity

The Bonds maturing on March 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 March 1 in each of the years in the following amounts:

| Mandatory Sinking Fund Payment Date (March 1) | 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 Requirement. 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 do 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.

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.

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.

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.

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.

MacBride Principles—Northern Ireland. The City and the Agency urge companies doing business in Northern Ireland to move towards resolving employment inequities, and encourage 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 urge San Francisco companies to do business with corporations that abide by the MacBride Principles.

Tropical Hardwood and Virgin Redwood Ban. The City and the Agency urge 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.

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.

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.

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.

As to Exhibit A of this Purchase Contract:

J.P. MORGAN SECURITIES LLC, as
Underwriter

By: _____

Title: _____

RBC CAPITAL MARKETS, LLC, as
Underwriter

By: _____

Title: _____

MORGAN STANLEY & CO. LLC, as
Underwriter

By: _____

Title: _____

SIEBERT BRANDFORD SHANK & CO.
L.L.C., as Underwriter

By: _____

Title: _____

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 2013 (the "Bonds"):

1. The persons named below are now, and at all times from and after _____ 1, 2013, 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 _____, 2013 (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: _____, 2013.

Name

Office

Signature

EXHIBIT C

FORM OF OPINION OF ISSUER COUNSEL

[LETTERHEAD OF CITY ATTORNEY]

[Closing Date]

San Francisco Municipal Transportation Agency
San Francisco, California

J.P. Morgan Securities LLC
San Francisco, California

RBC Capital Markets, LLC
San Francisco, California

Morgan Stanley & Co. LLC
San Francisco, California

Siebert Brandford Shank & Co. L.L.C.
Oakland, California

Re: San Francisco Municipal Transportation Agency Revenue Bonds, Series 2013

Ladies and Gentlemen:

In connection with the execution and delivery of the San Francisco Municipal Transportation Agency Revenue Bonds, Series 2013 (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, dated as of July 1, 2012 by and between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") (the "Indenture of Trust"), as supplemented by that Second Supplement to Indenture of Trust (the "Second Supplement" and, together with the Indenture of Trust, the "Indenture"), dated as of _____, 2013, by and between the Agency and the Trustee, (ii) the Bond Purchase Contract, dated _____, 2013 (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 _____, 2013 (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 _____, 2013 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,

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 2013

Ladies and Gentlemen:

This letter is addressed to you pursuant to Section 9(c)(7) of the Bond Purchase Contract, dated _____, 2013 (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 2013, ("Bonds"). The Bonds are being executed and delivered pursuant to an Indenture of Trust, dated as of July 1, 2012 (the "Indenture of Trust"), as supplemented by a Second Supplement to Indenture of Trust dated as of _____, 2013 (the "Second Supplement" and, together with the Indenture of Trust, the "Indenture"), each between the Agency and The Bank of New York Mellon Trust Company, N.A., 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 Indenture, 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,

By: _____

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 2013

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 2013 ("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 _____, 2013 (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. Our services did not include financial or other non-legal advice.

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, the City Attorney, the Co-Financial Advisors, Co-Bond Counsel, the Underwriters, counsel to the Underwriters 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, on oral and written statements of the SFMTA and others 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, information under the captions "Absence of Litigation", "Ratings" and "Underwriting", Appendices A, C, D, F and G thereto, or any information about book-entry, tax exemption or other tax matters, 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 the SFMTA recognizes and acknowledges 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,

ORRICK, HERRINGTON & SUTCLIFFE LLP

EXHIBIT F

FORM OF OPINION OF DISCLOSURE COUNSEL

[LETTERHEAD OF DISCLOSURE COUNSEL]

[Closing Date]

J.P. Morgan Securities LLC
San Francisco, California

RBC Capital Markets, LLC
San Francisco, California

Morgan Stanley & Co. LLC
San Francisco, California

Siebert Brandford Shank & Co. L.L.C.
Oakland, California

Re: San Francisco Municipal Transportation Agency Revenue Bonds, Series 2013

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 2013 (the "Bonds"). This letter is addressed to you, as Underwriters, pursuant to Section 9(c)(9) of the Bond Purchase Contract, dated _____, 2013, between the Underwriters and the SFMTA. 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 _____, 2013 (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. Our services did not include financial or other non-legal advice.

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, the City Attorney, the Co-Financial Advisors, Co-Bond Counsel, the Underwriters, counsel to the Underwriters 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, on oral and written statements of the SFMTA and others 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, information under the captions "Absence of Litigation", "Ratings" and "Underwriting", Appendices A, C, D, F and G thereto, or any information about book-entry, tax exemption or other tax matters, 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.

This letter is furnished to you by us as disclosure counsel to the SFMTA. No attorney-client relationship has existed or exists between our firm and the Underwriters in connection with the Bonds or by virtue of this letter, 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,

ORRICK, HERRINGTON & SUTCLIFFE LLP

Enclosure 5

Preliminary Official Statement

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2013

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 2013 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 2013 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 2013 Bonds is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.



\$ _____¹
**SAN FRANCISCO MUNICIPAL TRANSPORTATION
 AGENCY
 REVENUE BONDS, SERIES 2013**

Dated: Date of Delivery**Due: March 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 2013 (the "Series 2013 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 July 1, 2012 between the SFMTA and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as supplemented by the Second Supplement to Indenture of Trust dated as of [October 1], 2013 (collectively, the "Indenture") between the SFMTA and the Trustee. The Series 2013 Bonds are being issued to (i) finance a portion of the costs of various capital projects for the SFMTA as described herein; (ii) make a deposit to the Series 2013 Reserve Account of the Reserve Fund established under the Indenture for the Series 2013 Bonds; and (iii) pay a portion of the costs of issuance of the Series 2013 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Interest on the Series 2013 Bonds will be payable on [March 1, 2014] and on each September 1 and March 1 thereafter until their respective stated maturity dates. The Series 2013 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 2013 Bonds will be made. Individual purchases of the Series 2013 Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Beneficial Owners of the Series 2013 Bonds will not receive physical delivery of bond certificates. Payment of principal of the Series 2013 Bonds at maturity, as

¹ Preliminary, subject to change.

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 2013 Bonds. See Appendix F—“DTC AND THE BOOK-ENTRY ONLY SYSTEM” herein.

The Series 2013 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”) 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. 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 2013 Bonds, subject to the flow of funds contained in the Indenture.

THE SERIES 2013 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 OR INTEREST ON THE SERIES 2013 BONDS FROM ANY SOURCE OF FUNDS OTHER THAN PLEDGED REVENUES AND AMOUNTS ON DEPOSIT IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE AND SUBJECT TO THE TERMS THEREOF. THE SFMTA HAS NO TAXING POWER. THE GENERAL FUND OF THE CITY IS NOT LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2013 BONDS, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2013 BONDS. THE SERIES 2013 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 AND AMOUNTS ON DEPOSIT IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE AND SUBJECT TO THE TERMS THEREOF. SEE “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” HEREIN.

MATURITY SCHEDULE

(See inside cover)

The Series 2013 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 2013

Bonds will be available for delivery in book-entry form through the facilities of DTC in New York, New York, on or about _____, 2013.

**J.P. Morgan
Morgan Stanley**

**RBC Capital Markets
Siebert Brandford Shank & Co., L.L.C.**

Date: _____, 2013

MATURITY SCHEDULE²

Series 2013 Bonds (Base CUSIP³ Number: _____)

\$_____ Serial Bonds

| Maturity (March 1) | Principal Amount \$ | Interest Rate % | Yield % | CUSIP Suffix |
|-----------------------|---------------------------|-----------------------|---------------|-----------------------|
| \$_____ | __._% Term Bonds | Due March 1, 20__ | Price – __._% | CUSIP ³ __ |
| \$_____ | __._% Term Bonds | Due March 1, 20__ | Price – __._% | CUSIP ³ __ |

² Preliminary, subject to change.

³ Copyright 2013, American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Global Services, managed for the American Bankers Association by Standard & Poor's Financial Services LLC. 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 2013 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, their 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 2013 Bonds.

The issuance and sale of the Series 2013 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 2013 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 2013 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 2013 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*
Cheryl Brinkman, *Vice-Chair*
Malcolm Heinicke, *Director*
Jerry Lee, *Director*
Joél Ramos, *Director*
Cristina Rubke, *Director*

SFMTA STAFF

Edward Reiskin, *Director of Transportation*
Sonali Bose, *Chief Financial Officer*
Vince Harris, *Director, Capital Programs & Construction*
John H. Haley, *Director, Transit*
Bond Yee, *Director, Sustainable Streets*

CITY AND COUNTY OF SAN FRANCISCO

MAYOR

Edwin M. Lee

BOARD OF SUPERVISORS

David Chiu, *Board President, District 3*

Eric Mar, *District 1*

Mark Farrell, *District 2*

Katy Tang, *District 4*

London Breed, *District 5*

Jane Kim, *District 6*

Norman Yee, *District 7*

Scott Wiener, *District 8*

David Campos, *District 9*

Malia Cohen, *District 10*

John Avalos, *District 11*

CITY ATTORNEY

Dennis J. Herrera

CITY TREASURER

José Cisneros

CITY CONTROLLER

Benjamin Rosenfield

PROFESSIONAL SERVICES

Co-Bond Counsel

Hawkins Delafield & Wood LLP
San Francisco, California

Rosales Law Partners LLP
San Francisco, California

Co-Financial Advisors

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

Public Financial Management, Inc.
San Francisco, California

Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Trustee
The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

TABLE OF CONTENTS

| | Page |
|--|------|
| INTRODUCTION..... | 1 |
| The San Francisco Municipal Transportation Agency | 1 |
| Authority for Issuance..... | 2 |
| Purpose | 2 |
| Security and Sources of Payment for the Bonds..... | 2 |
| Other Obligations Secured by Pledged Revenues | 4 |
| Continuing Disclosure and Additional Information..... | 4 |
| TERMS OF THE SERIES 2013 BONDS..... | 5 |
| General | 5 |
| Form and Registration..... | 5 |
| Redemption Provisions | 6 |
| ESTIMATED SOURCES AND USES OF FUNDS..... | 9 |
| DEBT SERVICE SCHEDULE | 9 |
| SERIES 2013 PROJECTS | 10 |
| BOND OVERSIGHT COMMITTEE | 11 |
| SECURITY AND SOURCES OF PAYMENT FOR THE BONDS | 12 |
| Special, Limited Obligations | 12 |
| Pledge of Pledged Revenues Under the Indenture | 12 |
| Application of Pledged Revenues and Enterprise Account | 14 |
| Bond Reserve Account..... | 16 |
| Permitted Investments..... | 17 |
| Covenant to Adopt a Balanced Budget and Maintain Adequate Pledged Revenues..... | 17 |
| Other Obligations Secured by Pledged Revenues | 18 |
| Additional Bonds and Other Indebtedness | 18 |
| THE CITY AND COUNTY OF SAN FRANCISCO | 21 |
| THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY | 23 |
| Organization and Purpose..... | 23 |
| Board of Directors | 25 |
| Management 25 | |
| Transit | 27 |
| Parking and Traffic Functions..... | 31 |

| | |
|--|--------|
| Financial Operations | 38 |
| Operating Revenues | 39 |
| Interest Income | 45 |
| State and Federal Grants | 45 |
| City General Fund Transfers | 48 |
| Appropriated Prior Year Fund Balance..... | 49 |
| Contingency Reserve Policy | 50 |
| Operating and Maintenance Expenses | 50 |
| Fiscal Year 2012-13 and Fiscal Year 2013-14 Budget..... | 54 |
| Labor Relations | 54 |
| Capital Program | 59 |
| Outstanding Debt | 75 |
| Commercial Paper Program..... | 75 |
| Future Debt Issuance | 75 |
| Lease/Leaseback Transactions..... | 75 |
| Risk Management and Insurance..... | 77 |
| Investment of SFMTA Funds..... | 78 |
| CERTAIN RISK FACTORS | 79 |
| Series 2013 Bonds Limited Obligations..... | 79 |
| Limitation on Remedies..... | 79 |
| Reliance Upon Grants and City General Fund Transfers..... | 80 |
| Physical Condition of the SFMTA Assets | 80 |
| Construction Risk | 81 |
| Increased Operation and Maintenance Expenses..... | 81 |
| Labor Actions | 82 |
| Statutory and Regulatory Compliance..... | 82 |
| Safety and Security | 82 |
| Casualty Losses | 82 |
| Seismic Risks..... | 83 |
| State Law Limitations on Appropriations | 84 |
| Constitutional and Statutory Restrictions..... | 84 |
| Change in Law; Local Initiatives | 85 |
| Impact of a City Bankruptcy | 85 |
| Loss of Tax Exemption/Risk of Tax Audit of Municipal Issuers | 86 |
| Change in Tax Law | 87 |
| Failure to Maintain Credit Ratings | 87 |
| Secondary Market | 87 |
| Uncertainties of Projections, Forecasts and Assumptions..... | 87 |
| Other Risks | 88 |
| AUDITED FINANCIAL STATEMENTS..... | 88 |
| CONTINUING DISCLOSURE | 88 |
| TAX MATTERS | 89 |

| | |
|--|---------|
| Opinion of Co-Bond Counsel..... | 89 |
| Certain Ongoing Federal Tax Requirements and Covenants..... | 89 |
| Certain Collateral Federal Tax Consequences..... | 90 |
| Original Issue Discount | 90 |
| Bond Premium | 91 |
| Information Reporting and Backup Withholding | 91 |
| Miscellaneous | 92 |
| RATINGS | 92 |
| UNDERWRITING..... | 92 |
| ABSENCE OF LITIGATION | 94 |
| CERTAIN LEGAL MATTERS..... | 94 |
| ROLE OF THE FINANCIAL ADVISORS | 95 |
| MISCELLANEOUS..... | 95 |
| APPROVAL AND EXECUTION | 96 |
| APPENDIX A SFMTA AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012..... | A-1 |
| APPENDIX B CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES | B-1 |
| APPENDIX C CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE TREASURER INVESTMENT POLICY | C-1 |
| APPENDIX D SUMMARY OF THE LEGAL DOCUMENTS..... | D-1 |
| APPENDIX E FORM OF CONTINUING DISCLOSURE CERTIFICATE | E-1 |
| APPENDIX F DTC AND THE BOOK-ENTRY ONLY SYSTEM..... | F-1 |
| APPENDIX G PROPOSED FORM OF LEGAL OPINION OF CO-BOND COUNSEL | G-1 |

OFFICIAL STATEMENT

\$[_____]⁴

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY REVENUE BONDS, SERIES 2013

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 \$[_____]⁴ aggregate principal amount of its San Francisco Municipal Transportation Agency Revenue Bonds, Series 2013 (the “Series 2013 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 an enterprise 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 VIII A 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 an additional Charter amendment in 2007 (Proposition A), which increased the autonomy of and revenues to the SFMTA, and another Charter amendment in 2010 (Proposition G), which increased management flexibility.

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

⁴ Preliminary, subject to change.

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 (“Recreation and 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—Organization and Purpose.”

Authority for Issuance

The Series 2013 Bonds are being issued pursuant to Section 8A.102(b)(13) of the Charter, an Indenture of Trust, dated as of July 1, 2012 (as amended and supplemented, the “Master Indenture”), between the SFMTA and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), a Second Supplement to Indenture of Trust dated as of [October 1], 2013 between the SFMTA and the Trustee (the “Second Supplemental Indenture” and, together with the Master Indenture, the “Indenture”), Ordinance No. 57-12 of the Board of Supervisors adopted on April 19, 2012, Resolution No. 13-[] of the Board of Directors of the SFMTA (the “Board”) adopted on [], 2013, and Resolution No. []-13 of the Board of Supervisors adopted on [], 2013. The Series 2013 Bonds together with the SFMTA’s Revenue Bonds, Series 2012A and Series 2012B (the “Series 2012 Bonds”) and 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 2013 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 Series 2013 Reserve Account of the Reserve Fund established under the Indenture for the Series 2013 Bonds; and (iii) to pay a portion of the costs of issuance of the Series 2013 Bonds. See “SERIES 2013 PROJECTS” and “ESTIMATED SOURCES AND USES OF FUNDS” herein for a further description of the expected application of proceeds of the Series 2013 Bonds.

Security and Sources of Payment for the Bonds

The Series 2013 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 and interest on the Bonds, which consist of all outstanding parity revenue bonds issued under the Indenture, including the Series 2013 Bonds, subject to the flow of funds contained in the Indenture. See “—Other Obligations Secured by Pledged Revenues.” The Series 2013 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 and subject to the terms thereof. No funds of the SFMTA other than the

Pledged Revenues and such amounts held under the Indenture are pledged to or available for payment of the principal of or interest on the Series 2013 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 interest on the Series 2013 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 Series 2013 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 interest on the Series 2013 Bonds. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—City General Fund Transfers."

The SFMTA is not obligated to pay the principal of or interest on the Series 2013 Bonds from any source of funds other than Pledged Revenues and from amounts on deposit in certain funds and accounts held under the Indenture and subject to the terms thereof. The SFMTA has no taxing power. The General Fund of the City is not liable for the payment of the principal of or interest on the Series 2013 Bonds, and neither the credit nor the taxing power of the City is pledged to the payment of the principal of or interest on the Series 2013 Bonds. The Series 2013 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 and amounts on deposit in certain funds and accounts held under the Indenture and subject to the terms thereof.

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 each Fiscal Year. The SFMTA has further covenanted to manage its operations and set charges (including 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 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). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Pledge of Pledged Revenues Under the Indenture."

Upon the issuance of the Series 2013 Bonds, the SFMTA will fund the Series 2013 Reserve Account relating to the Series 2013 Bonds in an amount equal to the Series 2013 Reserve Requirement (defined herein). Moneys on deposit in the Series 2013 Reserve Account will be used and withdrawn for the purpose of paying principal of and interest on the Series 2013 Bonds in the event Pledged Revenues deposited with the Trustee is insufficient therefor. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Bond Reserve Account."

Pursuant to the 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 2013 Bonds.

Other Obligations Secured by Pledged Revenues

The Series 2013 Bonds are payable from Pledged Revenues under the Indenture on a parity with the SFMTA’s Revenue Bonds, Series 2012A and Series 2012B, outstanding in the aggregate principal amounts of \$34,885,000 and \$25,835,000, respectively. The SFMTA also anticipates obtaining, in late 2013, an irrevocable, direct pay letter of credit issued by State Street Bank and Trust Company (“State Street”) that will support the SFMTA’s issuance of up to \$100 million of subordinate commercial paper notes, the proceeds of which are expected to be used to pay for costs of projects pending the receipt of grant proceeds (see “—Capital Program—Current Projects—Central Subway Project) and/or to finance state of good repair projects. Such subordinate commercial paper notes, and the SFMTA’s obligation to reimburse State Street for draws under the letter of credit to pay the principal of and interest on the commercial paper notes, will be secured by a pledge of Pledged Revenues that is junior and subordinate to the pledge securing the Bonds. [To be updated in October.] See “THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Commercial Paper Program.”

Continuing Disclosure and Additional Information

The SFMTA will covenant in a Continuing Disclosure Certificate, to be executed and delivered by the SFMTA concurrently with the issuance of the Series 2013 Bonds, to provide certain financial information and operating data relating to the SFMTA and notices of certain enumerated events, in certain cases only 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 system (“EMMA”). 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, the SFMTA has no obligation to update the information in this Official Statement. See “CONTINUING DISCLOSURE” herein.

Brief descriptions of the Series 2013 Bonds, the Indenture, the security and sources of payment for the Series 2013 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 2013 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 2013 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 may be obtained from the SFMTA’s website at www.sfmta.com. The information contained in such reports or 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 2013 BONDS

General

The Series 2013 Bonds will be executed and delivered only as one fully-registered Series 2013 Bond for each maturity shown on the inside cover hereof. The Series 2013 Bonds will be delivered only in denominations of \$5,000 or an integral multiple thereof and interest on the Series 2013 Bonds shall be payable on each March 1 and September 1, commencing [March 1, 2014], so long as any Series 2013 Bonds are outstanding (each an “Interest Payment Date”). Interest on the Series 2013 Bonds shall be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest on the Series 2013 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 2013 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 2013 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 2013 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 2013 Bonds. So long as Cede & Co. is the registered owner of the Series 2013 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 2013 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 2013 Bonds.

So long as Cede & Co. is the registered owner of the Series 2013 Bonds, all payments of principal and interest on the Series 2013 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 2013 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 2013 Bonds will be payable upon surrender thereof at the principal corporate trust office of the Trustee in San Francisco, California. Interest payable on the Series 2013 Bonds will be paid by check mailed on the Interest Payment Date to the person in whose name each Series 2013 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 Provisions⁵

Optional Redemption. The Series 2013 Bonds maturing on or before March 1, 20[] are not subject to optional redemption prior to maturity. The Series 2013 Bonds maturing on or after March 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 2013 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.

⁵Preliminary, subject to change.

Mandatory Sinking Fund Redemption of Series 2013 Bonds. The Series 2013 Bonds maturing on March 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 March 1 in each of the years in the following amounts:

| Mandatory Sinking Fund Payment Date March 1 | Sinking Fund Payment |
|--|----------------------|
| | \$ |
| † | |
| † Maturity | |

The Series 2013 Bonds maturing on March 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 March 1 in each of the years in the following amounts:

| Mandatory Sinking Fund Payment Date March 1 | Sinking Fund Payment |
|--|----------------------|
| | \$ |
| † | |
| † Maturity | |

Notice of Redemption. The Trustee is required to send a Notice of redemption to the Owners of any Series 2013 Bonds selected for redemption not less than 20 days prior to the date set for redemption by first class mail or electronic mail, as appropriate (i) with respect to each Series 2013 Bond to be redeemed, to the Holder of such Series 2013 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 2013 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 2013 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 Series 2013 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; (v) the CUSIP numbers, if any, assigned to the Series 2013 Bonds to be redeemed; (vi) 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 Series 2013 Bonds to be redeemed; (vii) that interest accrued to the date fixed for redemption shall be paid as

specified in such notice; and (viii) that on and after said date interest on the Series 2013 Bonds called for redemption shall cease to accrue.

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 2013 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 2013 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 2013 Bonds. Whenever provision is made in the Indenture for the redemption of the Series 2013 Bonds (other than from the Sinking Fund Installments) and less than all of the Outstanding Series 2013 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 2013 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 2013 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 2013 Bonds selected for redemption will cease to accrue, and all such Series 2013 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 2013 Bonds. The SFMTA may at any time purchase Series 2013 Bonds and such Series 2013 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 2013 Bonds in lieu of redemption, including sinking fund redemption, and such purchase shall be a credit to any obligation to redeem such Series 2013 Bonds and in the case of Series 2013 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 2013 Bonds purchased by or on behalf of the SFMTA shall be conditioned upon delivery of an Opinion of Bond Counsel.

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> | |
|--|----|
| Bond Principal | \$ |
| Net Original Issue Premium (Discount) | |
| <i>Total Sources of Funds</i> | \$ |
| <i>Uses</i> | |
| Deposit to Series 2013 Project Costs Account | \$ |
| Deposit to Series 2013 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 2013 Bonds.

DEBT SERVICE SCHEDULE

Set forth below are the annual principal, interest and total debt service requirements for the Series 2012 Bonds and the Series 2013 Bonds:

| Fiscal Year Ending June 30 | Series 2012 Bonds⁽¹⁾ | Series 2013 Bonds Principal | Series 2013 Bonds Interest | Total Debt Service⁽¹⁾ |
|---------------------------------------|--|--|---------------------------------------|---|
| 2014 | \$6,158,831 | \$ | \$ | \$ |
| 2015 | 6,159,381 | | | |
| 2016 | 6,162,781 | | | |
| 2017 | 6,145,031 | | | |
| 2018 | 5,749,281 | | | |
| 2019 | 4,874,081 | | | |
| 2020 | 4,885,581 | | | |
| 2021 | 2,979,581 | | | |
| 2022 | 2,976,581 | | | |
| 2023 | 2,795,831 | | | |
| 2024 | 2,796,081 | | | |
| 2025 | 2,798,581 | | | |
| 2026 | 2,795,881 | | | |
| 2027 | 2,795,381 | | | |
| 2028 | 2,796,894 | | | |
| 2029 | 2,795,131 | | | |
| 2030 | 2,795,056 | | | |
| 2031 | 2,796,956 | | | |
| 2032 | 2,795,125 | | | |
| 2033 | 2,795,000 | | | |

| Fiscal Year Ending June 30 | Series 2012 Bonds⁽¹⁾ | Series 2013 Bonds Principal | Series 2013 Bonds Interest | Total Debt Service⁽¹⁾ |
|---------------------------------------|--|--|---------------------------------------|---|
| 2034 | 2,799,250 | | | |
| 2035 | 2,799,000 | | | |
| 2036 | 2,799,250 | | | |
| 2037 | 2,799,750 | | | |
| 2038 | 2,795,250 | | | |
| 2039 | 2,795,750 | | | |
| 2040 | 2,795,750 | | | |
| 2041 | 2,795,000 | | | |
| 2042 | 2,798,250 | | | |
| 2043 | - | | | |
| TOTAL⁽¹⁾ | \$102,024,296 | \$ | \$ | \$ |

(1) Totals may not add due to rounding.

SERIES 2013 PROJECTS

The SFMTA expects to apply a portion of the proceeds of the Series 2013 Bonds to finance the planning, design, acquisition, construction, reconstruction, rehabilitation or improvement of certain projects briefly described below (the "Series 2013 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 2013 Projects.

ANTICIPATED APPLICATION OF BOND PROCEEDS FOR SERIES 2013 PROJECTS

| Projects | Bond Proceeds |
|---|----------------------|
| Pedestrian Safety and Traffic Signal Improvements | \$ 16,000,000 |
| Transit System Safety and Spot Improvements | 18,500,000 |
| Complete Street Capital Improvements | 14,000,000 |
| Facility Improvements | 46,000,000 |
| Transit Fixed Guideway Improvements | 30,500,000 |
| Muni Light Rail Vehicle Procurement | 25,000,000 |
| <i>Total Uses of Funds</i> | \$ 150,000,000 |

Pedestrian Safety and Traffic Signal Improvements. The Pedestrian Safety/Transit Improvement program is meant to improve the safety and usability of City streets for pedestrians and includes project development and capital costs for: the installation of red light photo enforcement equipment; pedestrian islands in the medians of major thoroughfares, sidewalk bulb-outs and sidewalk widening; installation of traffic and pedestrian signals which include countdown and accessible pedestrian signal equipment; and targeted traffic calming projects, such as traffic humps and traffic circles, to slow traffic.

Transit System Safety and Spot Improvements. The Transit System Safety and Spot Improvements program is designed to improve the safety of the transit system. It includes project development and capital costs for: (i) the replacement of the communication and dispatching system in order to provide interoperable digital voice communications for SFMTA staff and the Public Works Emergency Radio System; (ii) new vehicle on-board and fixed route components which will provide information for core operational capabilities including Computer Aided Dispatch and Automatic Vehicle Location, vehicle health monitoring, on-board ADA-compliant traveler information, transit signal priority, and automated fare collection; (iii) training equipment and simulators for Muni Operators; (iv) replacement of the fire-safety mandated emergency telephones including phone switches, phone stations, blue-light units, raceways, communication cables, uninterrupted power supply units, networking system, operator consoles, and management servers; and (v) transit spot improvements including signal changes, bus bulbs, striping changes and other localized uses of the transit priority toolkit.

Complete Street Capital Improvements. The Complete Street Capital Improvements program focuses on the development of safe and complete streets through integrated major corridor capital projects. It includes project development and capital costs for: the construction of bicycle facilities and improvements to the existing bicycle network; bicycle sharing; new bike lanes and paths; bicycle parking facilities; bicycle boxes, bicycle boulevards, buffered bicycle lanes, cycle tracks, bicycle signals, and “green wave” traffic signal coordination; curb extensions, storm water management features, traffic signal timing changes, signs, installation of pedestrian signals, including countdown and accessible pedestrian signal equipment, sidewalk extensions, medians, refuge islands, and bulb-outs.

Facility Improvements. SFMTA’s Facility Improvements program includes safety and seismic upgrades to SFMTA parking garages and Muni operations and maintenance facilities, including projects intended to maintain the state of good repair of certain existing garages and SFMTA operations facilities and to improve working conditions for staff.

Transit Fixed Guideway Improvements. Transit Fixed Guideway Improvements is a capital program intended to address certain transit operational issues and maintenance needs, and to increase system reliability. It includes project development and capital costs relating to: replacement of overhead wires and related poles and traction power systems serving light rail and trolley coach lines; improvement to the transportation central control facility and systems; ADA ramps for LRV boarding, replacement of the trackway and related systems serving the light rail and cable car lines to mitigate excessive noise and/or vibration.

Muni Light Rail Vehicle Procurement. This program is meant to purchase replacement light rail vehicles for the Muni system, as well as new vehicles to provide for growth in service.

Bond Oversight Committee

The Board has established the SFMTA Bond Oversight Committee to oversee the expenditure of bond proceeds funded by SFMTA revenue bonds and other forms of indebtedness to ensure that bond proceeds are spent on permitted purposes and that prudent internal controls are established. The Bond Oversight Committee consists of seven members: three members recommended by the Chairman of the Board and approved by the Board, two members of the SFMTA's Citizens' Advisory Council, one member appointed by the SFMTA's Director of Transportation and one member appointed by the City Controller (the "Controller"). The Bond Oversight Committee is currently chaired by Rudy Nothenberg, a former Chief Administrative Officer of the City.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special, Limited Obligations

THE SERIES 2013 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 OR INTEREST ON THE SERIES 2013 BONDS FROM ANY SOURCE OF FUNDS OTHER THAN PLEDGED REVENUES AND AMOUNTS ON DEPOSIT IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE AND SUBJECT TO THE TERMS THEREOF. THE SFMTA HAS NO TAXING POWER. THE GENERAL FUND OF THE CITY IS NOT LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2013 BONDS, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2013 BONDS. THE SERIES 2013 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 AND AMOUNTS ON DEPOSIT IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE AND SUBJECT TO THE TERMS THEREOF.

Pledge of Pledged Revenues Under the Indenture

The Indenture provides 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: (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 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, (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) the 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. See Table 7 in “THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Operating Revenues” for a description of historical receipts which would have constituted Pledged Revenues under the Indenture definition.

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 2013 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 interest on the Series 2013 Bonds or, except with respect to transfers required by the Charter, 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. See “—Additional Bonds and Other Indebtedness—Special Facilities and Special Facility Bonds.”

“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 2013 Bonds will not be secured by either the revenues of, or any moneys held in funds and accounts by, Recreation and Park or the Parking Corporations. See “THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Parking and Traffic Functions—Parking Garages.”

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 Enterprise Account or 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 Enterprise Account or 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; 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 2013 Debt Service Account. Moneys held by the Trustee in the Debt Service Fund are to be transferred to the Series 2013 Debt Service Account 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 2013 Payment Date, the Trustee is required to transfer from the Debt Service Fund to the Series 2013 Debt Service Account 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 2013 Bonds on such Series 2013 Payment Date; provided that the SFMTA need not transfer any moneys at such time as the balance in the Series 2013 Debt Service Account is equal to the aggregate amount of interest and principal amount becoming due and payable on the then Outstanding Series 2013 Bonds on such Series 2013 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 Account

The Indenture establishes a Series 2013 Reserve Account within the Reserve Fund for the Series 2013 Bonds.

Series 2013 Reserve Account. Upon delivery of the Series 2013 Bonds, the Series 2013 Reserve Account within the Reserve Fund will be funded in an amount equal to \$_____⁶, which is equal to the initial Series 2013 Reserve Requirement for the Series 2013 Bonds. Moneys in the Series 2013 Reserve Account will be held in trust for the benefit and security of the Holders of the Series 2013 Bonds. As provided in a Supplemental Indenture, the Series 2013 Reserve Account may secure additional Series of Bonds issued in the future to the extent provided in the Supplemental Indenture, and the definition of Series 2013 Reserve Requirement will be applicable to such Series of Bonds.

The Series 2013 Reserve Requirement is defined under the Indenture to mean, as of any date of calculation, the least of (i) an amount equal to the Maximum Annual Debt Service with respect to the Series 2013 Bonds, (ii) 125% of the average annual debt service on the Series 2013 Bonds, or (iii) 10% of the total Outstanding Principal Amount of Series 2013 Bonds. A future Series of Bonds may be designated in a Supplemental Indenture to benefit from and participate in the Series 2013 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. See “SUMMARY OF THE LEGAL DOCUMENTS—DEFINITIONS”, “SUMMARY OF THE LEGAL DOCUMENTS—THE MASTER INDENTURE—Funds—Reserve Fund” and “SUMMARY OF THE LEGAL DOCUMENTS—SECOND SUPPLEMENT TO INDENTURE OF TRUST—Series 2013 Reserve Account” in Appendix D herein.

The Series 2013 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—Reserve Fund” set forth herein. Upon issuance, the Series 2013 Reserve Requirement will be fully funded with a portion of the proceeds of the Series 2013 Bonds.

⁶ Preliminary, subject to change.

Series 2012 Reserve Account. In connection with the issuance of the Series 2012 Bonds, the Series 2012 Reserve Account was established within the Reserve Fund and funded in an amount equal to \$4,510,774.87, which was equal to the initial Series 2012 Reserve Requirement. Moneys on deposit in the Series 2012 Reserve Account are held in trust for the benefit and security of the Holders of the Series 2012 Bonds, provided that such Series 2012 Reserve Account may secure additional Series of Bonds in the future in accordance with the Indenture. Amounts in the Series 2012 Reserve Account do not secure and are not available to pay principal of or interest on the Series 2013 Bonds, and amounts in the Series 2013 Reserve Account do not secure nor are they available to pay principal of or interest on Series 2012 Bonds.

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 each 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 its 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 “THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Financial Operations—Budget Process” for more information about the SFMTA’s budget procedures and see generally “THE SAN FRANCISCO MUNICIPAL

TRANSPORTATION AGENCY” for further information about the SFMTA’s revenues and expenditures. See also “CERTAIN RISK FACTORS” for a discussion of certain risk factors that could adversely affect the ability of the SFMTA to maintain Pledged Revenues as required by the Indenture.

Other Obligations Secured by Pledged Revenues

The Series 2013 Bonds are payable from Pledged Revenues under the Indenture on a parity with the SFMTA’s Revenue Bonds, Series 2012A and Series 2012B, outstanding in the aggregate principal amounts of \$34,885,000 and \$25,835,000, respectively. The SFMTA expects to issue approximately \$150 million of additional Bonds before 2017. The SFMTA also anticipates obtaining, in late 2013, an irrevocable, direct pay letter of credit issued by State Street that will support the SFMTA’s issuance of up to \$100 million of subordinate commercial paper notes. Such subordinate commercial paper notes, and the SFMTA’s obligation to reimburse State Street for draws under the letter of credit to pay the principal of and interest on the commercial paper notes, will be secured by a pledge of Pledged Revenues that is junior and subordinate to the pledge securing the Bonds. [Update once program is in place.] See “THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Outstanding Debt,” “—Commercial Paper Program,” and “—Future Debt Issuance.”

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. In addition to the Bonds, the SFMTA anticipates incurring both future debt payable from Pledged Revenues on parity with the payment of principal of and interest on the Series 2013 Bonds and debt payable from Pledged Revenues on a basis subordinate to the payment of principal of and interest on the Bonds. See “THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Future Debt Issuance.”

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 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. Currently, there are no Repayment Obligations outstanding.

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, Swap Payments under an Interest Rate Swap (including a termination 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. As of the date of this Official Statement, the SFMTA had not entered into any Interest Rate Swaps.

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. As of the date of this Official Statement, the SFMTA has not designated any facility as a Special Facility, nor has it issued Special Facility Bonds.

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. See “THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Commercial Paper Program.”

Charter Requirements Concerning Additional Indebtedness. The Charter also requires that, prior to the SFMTA’s issuance of any additional Bonds or other indebtedness, the Board of Supervisors authorize such issuance and the Controller provide a certificate stating that sufficient unencumbered balances are expected to be available in the proper fund to meet all payments due on such Bonds or other indebtedness and that any such obligation, if secured, is secured by revenues or assets under the jurisdiction of the SFMTA.

THE CITY AND COUNTY OF SAN FRANCISCO

[To be updated in October.] 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 2010-11 estimated the City’s fiscal year 2010-11 population at 795,238.

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 Travel Association, a nonprofit membership organization, during the calendar year 2010, approximately 15.9 million people visited the City and spent an estimated \$8.3 billion during their stay. The City is also a leading center for financial activity in California and is the headquarters of the Twelfth Federal Reserve District and the Eleventh District Federal Home Loan Bank, and has an area office of the Western Region of the Office of Thrift Supervision.

The City benefits from a highly skilled, educated and professional labor force. The Controller estimates that per-capita personal income of the City for fiscal year 2011-12 was \$74,040. The San Francisco Unified School District operates 71 elementary school sites, 13 middle schools, 17 senior high schools (including two continuation schools and an independent study school), and 36 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 2010-11, SFO serviced approximately 39.7 million passengers and handled 398,393 metric tons of cargo. The City is also served by the Bay Area Rapid Transit District ("BART") (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, 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 is the 43rd and current Mayor of the City, having been elected by the voters of the City in November 2011. [The City's fiscal year 2011-12 adopted budget includes \$6.83 billion of expenditures and reserves, of which \$3.26 billion was allocated to the General Fund of the City and \$3.57 billion was allocated to all other funds, including enterprise departments, such as the Airport, the SFMTA and the San Francisco Public Utilities Commission (the "SFPUC"). The City's CAFR estimates that the City employed approximately 28,000 full-time-equivalent employees at the end of fiscal year 2010-11. According to the Controller, fiscal year 2011-12 total net assessed valuation of taxable property in the City is approximately \$158.65 billion.]

In January 2013, the Mayor established a Transportation Task Force (the "Task Force") charged with prioritizing San Francisco's transportation system needs and identifying funding sources to realize them. The Task Force, which is currently in an information gathering stage, convened its third session on April 30, 2013. The Task Force has established an October 2013 deadline for providing recommendations

regarding the needs of the Transportation System and other regional carriers, and potential revenues and sources of funding to meet such needs, to the Mayor.

Certain information on the City is contained in APPENDIX B: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES." The material in Appendix B was prepared by the City and updated as of [_____].

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 an enterprise department of the City and County of San Francisco 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 VIII A 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 (Proposition A) and 2010 (Proposition G) that further increased the autonomy of and revenues to the SFMTA and increased management flexibility, respectively.

The Charter states that the SFMTA is to adhere to a "Transit First Policy" in its management of the City's Transportation System and that the 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."

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, Recreation and 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.

Across its various functions and missions, the SFMTA's overarching mission is to work together to plan, build, operate, regulate and maintain the transportation network, with its partners, to connect communities. In furtherance of this mission, the SFMTA has developed a strategic plan which identifies four key goals through its Fiscal Year 2018-19: 1. Create a safer transportation experience for everyone; 2. Make transit, walking, bicycling, taxi, ridesharing and carsharing preferred means of travel; 3. Improve the environment and quality of life in San Francisco; and 4. Create a workplace that delivers outstanding service.

SFMTA Organizational Structure. The SFMTA organizational structure includes the following primary divisions along with other functional areas which report directly to the Director of Transportation:

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 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 six 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 the 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. The Division is also responsible for overseeing the enforcement of San Francisco's parking regulations, Muni's Proof of Payment program, deploying San Francisco Police Department ("SFPD") personnel dedicated to security and investigations relating to crime prevention on Muni, and managing certain services provided by the SFPD Traffic Division.

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

Finance and Information Technology Division. The Finance and Information Technology Division is responsible for budgets, grants, revenue collection and sales, financial services, revenue contracts, real estate, accounting, parking pricing and related policy, information technology and performance, contracts and procurement, and administrative proceedings.

Other Functional Areas. Human Resources, Taxi, Safety, Governmental Affairs, Communications and other related organizational structures each report separately to the Director of Transportation.

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 SFMTA 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 Muni, 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. As of [____], 2013, there was one vacant seat on the Board.

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

| Name and Title | Originally Appointed | Term Expires |
|-----------------------------|-----------------------------|---------------------|
| Tom Nolan, Chairman | May 10, 2006 | March 1, 2017 |
| Cheryl Brinkman, Vice Chair | September 1, 2010 | February 28, 2014 |
| Malcolm Heinicke | February 22, 2008 | March 1, 2016 |
| Jerry Lee | February 15, 2008 | February 29, 2016 |
| Joél Ramos | May 23, 2011 | February 28, 2015 |
| Cristina Rubke | June 5, 2012 | March 1, 2016 |

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 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'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, Mr. 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.

Vince Harris. Vince Harris is Director of Capital Programs and Construction. Prior to joining the SFMTA, Mr. Harris was the Executive Director of the Stanislaus Council of Governments, the Metropolitan Planning Organization for the Stanislaus Region, responsible for developing and delivering the Regional Transportation Plan, including a diverse mix of transit highway and local street and road projects to be delivered in Stanislaus County over the next 23 years. In this capacity he was responsible for all agency functions including regional transportation planning, program administration, financial management and budget control. He is also the former Executive Director of the Alameda County Transportation Authority, in which capacity he managed a \$1.0 billion Transportation Improvement Program with the delivery of over \$100 million of completed capital projects in 10 years. Mr. Harris' career spans 30 years, with transportation assignments in both the public and private sector in California, Texas, Utah and Washington, D.C. He holds a Bachelor of Science Degree in Civil Engineering Technology from the University of Pittsburgh and a Masters in Public Administration from California State University in Hayward.

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 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.

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 (“DPT”) at its inception in 1990. Mr. Yee served as Director of DPT until it 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 BART, 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 SFPUC. 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 (the “DPT”).

Transit Operations. The 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 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 214 million trips per year). By way of comparison, BART carries approximately 350,000 daily passengers, AC Transit carries approximately 240,000 daily passengers and SamTrans carries approximately 70,000 daily passengers.

Muni’s fixed route network consists of 50 motor coach lines, 14 electric trolley bus lines (i.e. rubber-tired vehicles that operate on electricity provided from overhead wires), six light rail lines that operate above ground and in the City’s Market Street subway tunnel, three 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.

TABLE 1
SUMMARY OF MUNI’S REVENUE VEHICLE FLEET
AS OF MAY 31, 2013

| | |
|---------------------|-----------------------------|
| Motor Buses | 504 vehicles ⁽¹⁾ |
| Trolley Buses | 301 vehicles |
| Light Rail Vehicles | 149 vehicles |
| Historic Streetcars | 40 vehicles |
| Cable Cars | 40 vehicles |

⁽¹⁾ The SFMTA expects to receive approximately 62 new motor buses by the end of summer 2013 and retire 41 currently operating buses, bringing the total number of motor buses to 525. The SFMTA began receiving the new motor buses in June 2013. [UPDATE in October.]

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 2008-09 through Fiscal Year 2012-13, annual Muni ridership varied between approximately [213] million and [226] million boardings.

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

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------------------|----------------|----------------|----------------|----------------|-------------|
| Mode | | | | | |
| Motor Bus | 95,190 | 91,609 | 89,451 | 95,625 | |
| Trolley Bus | 72,142 | 66,968 | 66,233 | 67,545 | |
| Light Rail ⁽¹⁾ | 50,745 | 49,397 | 51,022 | 43,608 | |
| Street Rail ⁽¹⁾ | N/A | N/A | N/A | 8,078 | |
| Cable Car | 7,913 | 8,008 | 7,042 | 7,270 | |
| Total Ridership | 225,990 | 215,982 | 213,748 | 222,126 | |

(1) Effective Fiscal Year 2011-12, the National Transit Database reports Street Rail data separately from Light Rail data.

Source: SFMTA

The SFMTA's transit fleet is one of the most diverse in the nation and includes a variety of vehicles which incorporate technologies designed to provide operational and environmental benefits, such as: reductions in tailpipe emissions and other forms of pollution, decreased energy consumption, and increased vehicle in-service time. The SFMTA has set a sustainability goal for itself of achieving zero fleet emissions by 2020. More than 50 percent of the SFMTA's fleet of buses and rail vehicles are already powered by City-owned zero emission hydroelectric power, and as a whole the SFMTA's fleet of buses and rail vehicles produces low per-passenger emissions. The SFMTA's fleet also includes a large number of biodiesel vehicles powered by advanced hybrid-electric motors fueled with the City's recycled restaurant oils. This "liquid solar" biodiesel is made from restaurant grease collected and produced locally as part of 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. In Fiscal Year 2011-12, the SFMTA purchased approximately 6.1 million gallons of fuel for its motor fleet and approximately 85.8 million kWh of electricity for its electric vehicles. [UPDATE for FY 2012-13] See "—Operating and Maintenance Expenses—Fuel, Lubricants and Electricity Costs."

As part of its efforts to improve transit system service reliability, the SFMTA is focused on improving vehicle performance. More than 70% of system delays are caused by vehicle issues. In Fiscal Year 2012-13, contracts were awarded to rehabilitate more than 80 SFMTA motor coaches. In addition to the motor coach rehabilitation, the SFMTA is also undertaking light rail vehicle rehabilitation, with rehabilitation complete on approximately one-third of the light rail fleet as of June 1, 2013. SFMTA also expects to receive approximately 62 new 40-foot hybrid electric (motor) buses by the end of summer 2013, in part to replace 41 buses currently

operating past their useful life. SFMTA further intends to begin replacing 60 articulated trolley coaches later this year. Fleet size is expected to increase somewhat as a result of these acquisitions, to 525 Motor Buses. [Update October.]

Beginning July 1, 2012 SFMTA began to offer all door boarding on all buses and trains system-wide, installing fare card readers at the rear doors of every vehicle. Results of this initiative to date show that half of customers are now boarding through the rear doors at high usage transit stops and that dwell times are down four seconds per stop on average.

Transit Facilities. The SFMTA owns and maintains numerous operations, maintenance and administrative facilities, as well as an extensive network of stations, tracks, overhead power supply lines, and power distribution facilities.

TABLE 3
SUMMARY OF SFMTA'S TRANSIT FACILITIES
AS OF MAY 31, 2013

| | |
|--|----------------------------------|
| 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 |
| Operations, Maintenance and Administrative Facilities | 22 |
| Signalized intersections | [1,184] |
| Biking facilities | [208] miles |

Source: SFMTA

The SFMTA Facilities Program develops, manages and maintains space for the operating, maintenance, administration and storage needs required to support the SFMTA's transit activities. The majority of the SFMTA's operation and maintenance 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 has completed a real estate study to determine the SFMTA's long-term facility needs, including potential transit-oriented development projects. The results of the study are in the process of being transferred into an implementation plan and incorporated into the Agency's Capital Improvement Plan. See “—Capital Program.” [Update October.]

Regulatory Issues. The SFMTA is regulated by various federal, State and local agencies, including the Federal Transit Administration and the 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 “CERTAIN RISK FACTORS—Statutory and Regulatory Compliance.”

Parking and Traffic Functions

Background and History. DPT was originally established as a separate City Department in 1992 and, as a result of Proposition E, was merged into the SFMTA in 2002. The 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 25,000 single space parking meters and 447 multi space pay stations covering approximately 3,000 spaces, color curbs, various permits; and sells parking meter cards. The 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, the SFMTA also enforces parking regulations through its Safety, Training, Security and Enforcement Division through the issuance of parking citations by the 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 Recreation and Park.

The following table lists the public parking garages managed by the SFMTA as of June 1, 2013:

TABLE 4
SFMTA-MANAGED PARKING GARAGES
AS OF JUNE 1, 2013

| Facility Name | Number of Spaces | Year Opened |
|--------------------------------|-------------------------|--------------------|
| 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 Square ¹ | 504 | 1960 |
| St. Mary's Square ² | 414 | 1952 |
| SF General Hospital | 1,657 | 1996 |
| Sutter Stockton | 1,865 | 1959 |
| Union Square ¹ | 985 | 1941 |
| Vallejo Street | 163 | 1969 |
| Total | 14,412 | |

(1) Owned by Recreation and Park.

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

Source: SFMTA

The age of the garages ranges from 10 years to 71 years. Other than with respect to the Recreation and Park Garages (defined below), all revenues from the operations of each parking facility operated by the SFMTA, less amounts applied to pay for operating costs (including routine maintenance), are used to fund 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. Significant repairs currently include projects related to compliance with ADA regulations as well as addressing planning, building and fire code issues.

Certain of the garages owned by the SFMTA and Recreation and Park were historically leased (the "Prior Leases") by non-profit parking corporations (collectively, the "Parking Corporations"), which managed the operations of such garages and transmitted revenues of the garages in excess of certain operating and administrative expenses to the SFMTA. Except for the leases relating to the Japan Center Garage and the Sutter Stockton Garage, the Parking Corporations terminated the Prior Leases and returned direct control of the applicable garage to the SFMTA in 2012. The Japan Center Garage Corporation and the City of San Francisco Uptown Parking Corporation have entered into new leases with the SFMTA, each commencing on February 26, 2013 and expiring in 2023, which provide for daily operational oversight of the Japan Center Garage and the Sutter Stockton Garage, respectively. These new leases require that the Parking Corporations contract with a professional parking company to operate the facility in accordance with the lease and the SFMTA Parking Facility Operation and Management Regulations ("OMR"). All gross revenues and parking taxes collected or received by a Parking Corporation operating a parking garage are deposited in a revenue account on the next banking day following receipt. Periodically, but at least once each month, the SFMTA authorizes 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 is required to transfer all net income to the SFMTA by the twentieth day of each month or at such other more frequent periodic intervals as specified by the SFMTA. During the first three years of the initial term of these new leases, 100% of net income will be transferred to the SFMTA on a monthly basis. Upon commencement of the fourth year of the initial term, and on a monthly basis thereafter, the SFMTA will authorize the withdrawal and transfer of funds from the revenue account to the related capital account for the purpose of performing capital improvements to the respective garages.

The SFMTA contracts directly with professional parking management vendors, selected through an RFP process, to manage the day-to-day operations of all other garages, excluding oversight of retail lease space, in accordance with a Management Agreement that outlines the vendor responsibilities and incorporates city contracting requirements. The vendor is also responsible for operating the garage in accordance

with the OMR and provides all parking management services necessary to operate and maintain the parking facility. The garage operator is responsible for collection of all garage revenue and making deposits on the next business day into an SFMTA or Recreation and Park held revenue account. The operator is responsible for staffing and daily maintenance/operations of the facility in accordance with SFMTA annually approved operating budgets. Expenses incurred by the operator are submitted for reimbursement to the SFMTA twice per month for review and approval.

The SFMTA oversees parking operations at the following garages owned by Recreation and 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 Recreation and Park (collectively, including the half of St. Mary's Square Garage owned by Recreation and Park, the "Recreation and Park Garages"). From revenues of the Recreation and Park Garages, Recreation and Park is obligated to pay to the SFMTA an administrative fee that includes all costs of operating the Recreation and Park Garages and a proportional share of debt service on bonds and other obligations the proceeds of which funded capital improvements at the Recreation and Park Garages. Such administrative fees include a portion of the debt service on the Series 2012 Bonds and, upon their issuance, the Series 2013 Bonds, equal to the ratio of proceeds of such Series of Bonds applied to finance or refinance capital improvements at the Recreation and Park Garages to net proceeds of such Series of Bonds after paying costs of issuance. The SFMTA expects to withhold a portion of gross revenues from operation of the Recreation and Park Garages equal to such fee and transfer all remaining monies to Recreation and Park.

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

TABLE 5
SFMTA-MANAGED METERED SURFACE LOTS
AS OF JUNE 1, 2013

| 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 |
| 7th & Harrison | 101 |
| Total | 683 |

Source: SFMTA

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

The SFMTA currently has approximately 24,730 single space parking meters and 470 multi space pay stations covering approximately 3,240 spaces (a total of approximately 28,000 total on-street metered and off-street surface lot spaces) in four rate areas throughout the City. Rate areas are legislated in the City's Transportation Code as follows: Downtown (Rate Area 1), Downtown Periphery (Rate Area 2), Fisherman's Wharf (Rate Area 4) and Neighborhood-All other Areas (Rate Area 3). Rate Area 5 consists of SF*park* pilot areas and overlaps portions of Rate Areas 1-4 (see "—SF*park*"). Prior to the implementation of SF*park*, parking rates ranged from \$2.00 to \$3.50/hr depending on location. Following ten rounds of demand-based rate changes,

rates in *SFpark* pilot areas now range from \$0.25 to \$6.00/hr depending on location, day of week, and time of day. Meters in Rate Areas 1-3 are generally in operation from 7 a.m. or 9 a.m. to 6 p.m. Monday through Saturday, except for three meter holidays (Thanksgiving Day, Christmas Day, and New Year's Day). Effective January 1, 2013, these meters began to operate on Sundays. In Fisherman's Wharf (Rate Area 4), meters are in operation from 7 a.m. to 7 p.m. seven days per week. Beginning in April 2013, SFMTA implemented special event pricing during events at AT&T Park that range from \$5.00 to \$7.00 per hour.

All SFMTA meters accept coins and prepaid SFMTA parking cards as payment. Payment by credit card is now available at approximately 7,000 meters and payment by phone for metered parking has been implemented. 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. The Port has jurisdiction over approximately 1,100 additional metered spaces in the City. The revenues generated by the Port's meters are completely separate from SFMTA's meter revenues and go directly to the Port. However, the SFMTA receives revenue from citations issued to vehicles on any City street or surface metered parking lot, including meters within the Port's jurisdiction.

SFpark. As part of a new approach to parking management, 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). 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.

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 from a \$19.8 million grant from the U.S. Department of Transportation's Urban Partnership Program and a \$22 million loan from the Metropolitan Transportation Commission ("MTC") under its Congestion Mitigation and Air Quality Improvement Program. Evaluation of the *SFpark* pilot demonstration is expected to be completed by late 2014.

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 8,000 taxi drivers operate nearly 1,800 taxis in the City, including 100 wheelchair accessible vehicles. By the end of 2014, there are expected to be over

2,000 vehicles in the taxicab fleet. Taxi vehicles average 95,000 miles per year, up to ten times as much as a private vehicle, thus pushing the need to green this highly used fleet. Over 95 percent of the vehicles in the taxicab fleet are hybrid or compressed natural gas (CNG) vehicles. This number does not include the 100 Ramp Taxi vehicles in the fleet, for which there are no alternative fuel options. Some drivers holding taxi medallions are independent operators, while others work for the 29 taxi companies that operate medallions. The SFMTA is currently engaged in a comprehensive study of taxi industry best practices.

The SFMTA currently derives a limited amount of Pledged Revenues from a recently enacted program providing for transfer and lease of taxi medallions to individual and color scheme (taxi company) permittees. See “Table 10—OTHER OPERATING REVENUE.” Taxi drivers who favor the previous approach of distributing taxi medallions on a first come, first served basis challenged this recently enacted program in San Francisco Superior Court. The challengers seek declaratory relief, an injunction preventing continuation of the transfer and lease program, and an order compelling the SFMTA to issue medallions under the previous system. The City Attorney’s Office is defending the new medallion program and, as of [_____, 2013], the SFMTA has not made any changes to the program as a result of the litigation. The SFMTA cannot at this time predict what impact, if any, such lawsuit will have on revenues derived from the program.

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.

The SFMTA also administers the San Francisco Bicycle Program, dedicated to improving and enhancing bicycling safety and viability as a transportation option through planning, engineering and implementing bicycle facilities and educating the community and relevant agencies about bicycle transportation. Since 2008, the SFMTA has installed 20 miles of bicycle lanes and designated 41 miles of shared use paths, for a citywide network comprising 215 total miles. The SFMTA has also installed 1400 additional bicycle racks on sidewalks and in bicycle corrals, for a total of nearly 8,800 racks Citywide.

The SFMTA is also participating in the Bay Area Bike Share system. The first phase of this pilot project will launch with 700 bicycles at 70 kiosk stations deployed in the cities of San Francisco, Redwood City, Palo Alto, Mountain View and San Jose for a 12 to 24 month pilot period. The Bay Area Air Quality Management District is securing additional funding to increase the system fleet size by an additional 300 bicycles and 30 stations during the first quarter of 2014.

San Francisco’s bicycle mode share has increased by two-thirds over the previous decade to 3.4 percent of all trips. The SFMTA Strategic Plan sets a mode share goal of 50 percent auto and 50 percent non-auto (transit, bicycling, walking and taxi) for all trips by 2018. The SFMTA Bicycle Strategy estimates that half of the

necessary increase in existing non-auto modes necessary in order to achieve this share goal can be accommodated by the bicycle mode within the specified time frame. Such an increase would result in a Citywide bicycle mode share of 8 to 10 percent by 2018 – 2020, or more than a doubling of today’s bicycle mode share of 3.4 percent.

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. The 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 the 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.

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 (collectively referred to herein as “Managed Revenues”). In addition, 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 pursuant to the Board’s “Automatic Indexing Implementation Plan.” See “—Operating Revenues—Automatic Indexing Policy Applicable to Fares, Fees and Charges.” Muni fare increases, including

increases pursuant to the Automatic Indexing Implementation Plan, must be submitted to the Board of Supervisors for consideration in accordance with the Charter as part of the SFMTA budget process or in a budget amendment. Any budget or budget amendment that includes rate increases may be rejected in its entirety, but not modified, by the Board of Supervisors by a seven-elevenths vote. See “—Budget Process.”

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-elevenths 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.

The SFMTA may move funds within its budget and direct the hiring of personnel, so long as the SFMTA remains within its budget as deemed by the City Controller. In determining whether the SFMTA remains within budget, the Controller must confirm that anticipated work orders and revenues are balanced and may, if any revenues are deemed to be contingent, place a reserve on certain expenditures or impose other appropriate controls in his discretion to keep the SFMTA within budget. The SFMTA may also adjust its budget at any time pursuant to a budget amendment process in order to reflect updated budget projections and changes in anticipated or realized revenues and expenditures. Budget amendments are submitted to the Mayor and the Board of Supervisors and, with the exception of the deadline for submission, are subject to the same procedural requirements as described in the prior paragraph with respect to the SFMTA’s budget.

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 and City General Fund Transfer No. 2 (each 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 6

**SFMTA HISTORICAL OPERATING REVENUES AND EXPENSES
(FISCAL YEARS ENDING JUNE 30)**

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|----------------------|----------------------|----------------------|----------------------|------|
| Operating Revenues | | | | | |
| Passenger Fares (fixed route & paratransit) | \$153,011,068 | \$187,628,510 | \$191,626,285 | \$202,272,010 | |
| Fines, Fees, & Permits | 110,445,114 | 106,626,573 | 123,326,527 | 120,313,199 | |
| Parking Meters | 32,468,579 | 38,868,351 | 40,530,598 | 47,138,412 | |
| Parking Garage | 30,534,468 | 32,079,597 | 46,025,396 | 44,024,673 | |
| General Fund Transfer No. 2 ⁽¹⁾ | 51,774,048 | 53,190,000 | 58,190,000 | 61,320,000 | |
| Other (includes rent, advertising & interest) | 22,479,687 | 22,565,222 | 25,897,807 | 25,760,923 | |
| <i>Operating Grants:</i> | | | | | |
| Regional Grants (AB 1107, TDA, Bridge Tolls) | \$ 66,735,979 | \$ 60,102,028 | \$ 64,854,252 | \$66,512,285 | |
| State Transit Assistance (STA) | 16,297,571 | 381,640 | 37,448,494 | 31,958,535 | |
| Gas Tax Adjustment | 6,704,668 | 3,353,616 | 3,173,568 | 2,979,709 | |
| Restricted Paratransit Grants (5307, Prop K) | 17,822,716 | 13,647,100 | 8,874,896 | 9,745,458 | |
| <i>Subtotal Operating Grants</i> | \$107,560,934 | \$ 77,484,384 | \$114,351,210 | \$111,195,987 | |
| General Fund Transfer No. 1 ⁽¹⁾ | 177,880,000 | 183,730,000 | 196,700,000 | 212,640,000 | |
| Appropriated Fund Balance | 30,220,854 | 41,840,121 | - | - | |
| TOTAL OPERATING REVENUES | \$716,374,752 | \$744,012,758 | \$796,647,823 | \$824,665,204 | |
| Operating Expenses | | | | | |
| Salaries | \$368,007,109 | \$366,686,250 | \$360,199,083 | \$365,402,874 | |
| Less: Overhead/Recoveries | (23,503,227) | (39,603,384) | (31,895,364) | (28,420,233) | |
| Net Salaries | \$344,503,882 | \$327,082,866 | \$328,303,719 | \$336,982,641 | |
| <i>Fringe Benefits:</i> | | | | | |
| Pension | \$ 28,723,827 | \$ 42,161,528 | \$ 50,572,435 | \$63,557,023 | |
| Medical | 63,348,746 | 67,871,784 | 72,150,750 | 82,321,832 | |
| Less: Overhead/Recoveries | (7,020,445) | (11,829,582) | (9,527,187) | (8,489,160) | |
| Net Pension & Medical | \$ 85,052,128 | \$ 98,203,730 | \$113,195,998 | \$137,389,695 | |
| All Other Fringe Benefits | \$ 34,881,466 | \$ 31,441,484 | \$ 29,342,159 | \$33,063,255 | |
| Fuel & Lubricants | 15,851,837 | 13,015,737 | 16,109,183 | 19,486,160 | |
| All Other Materials and Supplies | 49,888,338 | 47,602,192 | 48,887,647 | 51,796,213 | |
| Paratransit Service Contract | 20,083,243 | 18,580,657 | 16,993,086 | 18,140,982 | |
| All Other Professional Services | 22,338,671 | 21,659,345 | 31,530,326 | 31,547,683 | |

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|----------------------|----------------------|----------------------|----------------------|------|
| Operating Expenses -- continued | | | | | |
| Service of Other City Departments ⁽²⁾ | 49,773,810 | 49,317,582 | 45,287,150 | 52,662,798 | |
| Rent and Buildings | 13,587,328 | 14,683,304 | 16,449,535 | 14,386,146 | |
| Insurance and Claims | 39,922,731 | 43,299,618 | 39,006,208 | 44,121,393 | |
| Payments to Other Governmental Entities | 20,344,022 | 17,945,920 | 19,206,675 | 22,261,080 | |
| Debt Service | 7,465,181 | 3,741,819 | 2,690,890 | 2,685,035 | |
| Transfers to Current Capital Projects | 149,037 | 22,769,830 | 17,742,000 | 4,104,076 | |
| Transfers to Future Capital Projects | 9,778,398 | 32,331,800 | 29,261,264 | 30,765,000 | |
| Transfers to Reserves | - | - | 20,000,000 | 8,000,000 | |
| TOTAL OPERATING EXPENSES | \$713,620,072 | \$741,675,884 | \$774,005,840 | \$807,392,157 | |

(1) General Fund Transfer No. 1 is reported in the SFMTA's audited financial statements as "General Fund Baseline Transfer (by City Charter)." General Fund Transfer No. 2 is reported in the 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, Lubricants and Electricity Costs."

Source: SFMTA

The amounts in Table 7 (extracted from Table 6) represent the SFMTA revenues that constituted "Pledged Revenues" in Fiscal Year 2012-13 and SFMTA revenues that would have constituted "Pledged Revenues" under the Indenture in Fiscal Years had the Indenture been in effect during such Fiscal Years. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Pledge of Pledged Revenues Under the Indenture." Revenues shown in Table 6 but not in Table 7 would not have constituted "Pledged Revenues" under the Indenture.

TABLE 7
PLEDGED REVENUES
(IN THOUSANDS)
(FISCAL YEARS ENDING JUNE 30)

| REVENUE SOURCE | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 |
|--|-----------|-----------|-----------|-----------|--------|
| Passenger Fares (fixed route & paratransit) ⁽¹⁾ | \$153,011 | \$187,629 | \$191,626 | \$202,272 | |
| Fines, Fees & Permits ⁽¹⁾ | 110,445 | 106,627 | 123,327 | 120,313 | |
| Parking Meters ⁽¹⁾ | 32,469 | 38,868 | 40,531 | 47,138 | |
| Parking Garages ^{(1), (2)} | 30,534 | 32,080 | 46,025 | 44,025 | |
| Other (includes rent, advertising & interest) | 22,480 | 22,565 | 25,898 | 25,761 | |
| AB 1107 | 30,767 | 27,767 | 30,145 | 32,501 | |
| TDA | 33,282 | 29,647 | 32,021 | 31,324 | |
| Total Pledged Revenues ⁽³⁾ : | \$412,988 | \$445,183 | \$489,573 | \$503,334 | |

(1) Managed Revenues over which the SFMTA has rate-setting authority. See “—Financial Operations—Establishment of Rates, Charges, Fares, Fines and Penalties” and “—Budget Process.”

(2) Net of operating and maintenance expenses.

(3) Totals may not add due to rounding.

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 increases (or decreases) such charges by a rate equal to one-half of any change in 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 or decrease in the SFMTA’s 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 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.” The

budget, when it includes any rate increases, remains subject to rejection by the Board of Supervisors on a seven-elevenths vote. See “—Financial Operations—Budget Process” and “—Establishment of Rates, Charges, Fares, Fines and Penalties.”

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. Since September 2011, Muni monthly passes have only been 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.

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. On March 1, 2013, SFMTA launched a 16-month pilot program to provide free, unlimited rides on Muni to youths between the ages of 5 and 17 who live in households with a gross annual family income at or below the Bay Area median. SFMTA anticipates that revenue losses and incremental costs of this program to the SFMTA will total approximately \$9.4 million during its 16-month term, approximately half of which is expected to be offset by funds for the program to be provided by MTC and the San Francisco Unified School District.

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

TABLE 8

BASIC ADULT FARES

| Effective Date | Adult Cash Fare | Adult Monthly Pass |
|-----------------------|------------------------|---------------------------------|
| July 1, 2013 | \$2.00 | \$76(A) or \$66(M) [†] |
| July 1, 2012 | \$2.00 | \$74(A) or \$64(M) [†] |
| July 1, 2011 | \$2.00 | \$72(A) or \$62(M) [†] |
| January 1, 2010 | \$2.00 | \$70(A) or \$60(M) [†] |
| July 1, 2009 | \$2.00 | \$55 |
| September 1, 2005 | \$1.50 | \$45 |
| September 1, 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 9
FARE REVENUE, RIDERSHIP AND AVERAGE FARES PER PASSENGER

| Fiscal Year | Total Fare Revenue (In Thousands) | Total Annual Boardings (In Thousands) | Percentage Change in Boardings | Average Fare Per Passenger⁽¹⁾ | Percentage Change in Average Fare⁽²⁾ |
|--------------------|--|--|---------------------------------------|---|--|
| 2013 | | | | | |
| 2012 | \$202,272 | 222,126 | 3.9% | \$0.91 | 1.6% |
| 2011 | 191,626 | 213,748 | -1.0 | 0.90 | 3.2 |
| 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 | N/A | 0.45 | N/A |

(1) Rounded to the nearest \$0.01. Average fare per passenger is equal to boardings divided by revenue and reflects the impact of transfers, discounted fares and monthly passes.

(2) Percentages based on non-rounded fare totals.

Source: SFMTA

Parking and Citation Revenues. In accordance with the Charter, the SFMTA receives dedicated revenues from 19 parking garages and 21 surface parking lots other than those under the jurisdiction of Recreation and Park. Additionally, the SFMTA receives revenues from all on-street parking meters in the City except for meters on Recreation and Park and Port of San Francisco properties. Finally, the 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.

Other Operating Revenues. The SFMTA receives a portion of its advertising revenue from (i) a Transit Shelter Advertising Agreement, which runs through December 2022 with an option to extend, at the City’s discretion, for an additional five years, and (ii) an Agreement for Advertising on the SFMTA Vehicles and Other Property, which expires on June 30, 2014. The SFMTA derives another portion of its advertising revenues from an agreement with BART. 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)

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|-------------|-------------|-------------|-------------|-------------|
| Rents and Concessions | \$3.6 | \$2.9 | \$3.1 | \$3.4 | |
| Advertising | 13.0 | 13.5 | 14.9 | 15.1 | |
| Charges for Services & Other | 2.5 | 4.4 | 5.6 | 5.4 | |
| Taxi Revenues (medallions, permits) ⁽¹⁾ | - | 2.1 | 13.8 | 13.2 | |

⁽¹⁾ The SFMTA assumed responsibility for regulating the San Francisco taxi industry on March 1, 2009. Increase in Fiscal Year 2010-11 is due to the implementation of a medallion sales pilot program. See “—Parking and Traffic Functions—Other Programs.”

Source: SFMTA

Interest Income

The SFMTA invests operating cash balances in the City Treasurer’s pooled funds and earned \$5.0 million, \$3.4 million, \$1.8 million, \$2.3 million and \$1.9 million in fiscal years 2007-08 through 2011-12, respectively. [Update for FY 2012-13] The City Treasurer’s pooled funds are permitted investments for amounts held by the Trustee under the Indenture. See “—Investment of SFMTA Funds”.

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. The SFMTA may, but is not required to, designate as Pledged Revenues other State or federal grants that by their terms may be used to pay debt service. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS—Pledge of Pledged Revenues Under the Indenture.”

Operating Grants. The 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, 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. A small portion of the Section 5307 grants are applied to flexible capital needs and 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 the 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 (1/4 of 1 percent of the total 8.5 percent Sales Tax imposed within the City) are allocated to provide funding for SFMTA operations. Sales tax revenues are 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 regional transportation planning agencies to individual transportation service entities. MTC is the agency responsible for approving allocations of LTF Funds from the City’s Transportation Fund.

There is a three-step process for obtaining LTF Funds: (1) apportionment, (2) allocation, and (3) payment. The designated regional transportation planning agencies determine each area’s share of the anticipated LTF Funds annually. Generally, revenues from the county’s LTF Funds must be apportioned, by population, to areas within the county. Once funds are apportioned to a given area, they are typically available only for allocation by the designated regional transportation planning agencies to claimants in that area for a specific purpose. The SFMTA receives LTF Funds by submitting an annual claim form and supporting documents to MTC. MTC may specify payment in a lump sum, in installments, or as funds become available. [Update in October:] The SFMTA has received an average of approximately \$31.5 million in LTF funds each year since Fiscal Year 2008-09. See “—Operating Revenues.”

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 (the SFMTA expects to receive a total of approximately \$261 million of such funds for capital projects in Fiscal Years 2012-13 through 2016-17), 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 State Transit Assistance (“STA”) funds from the State for operations associated with local mass transportation programs. These funds are derived from proceeds of a Statewide sales tax on diesel fuel. [Update.] The amount of funds available through the STA program has varied significantly in recent years, from a record allocation of approximately \$624 million in the State’s 2006-07 fiscal year to \$0 in the State’s 2009-10 fiscal year, due to the suspension of the program in the State Legislature’s fiscal year 2009-10 budget. Following the suspension of the STA program by the State Legislature, then Governor Schwarzenegger proposed eliminating the transit-related sources of funding altogether in his fiscal year 2010-11; however, the former Governor’s proposal to eliminate transit-related STA funding was never enacted. Instead, the State Legislature, in its Eighth Extraordinary Session in 2010, passed Assembly Bill 6 (“AB 6”) and Assembly Bill 9 (“AB 9”) which restructure the sources for transit-related STA funds. Among other changes, these Bills allocated approximately \$400 million in funding to the STA program for the State’s fiscal years 2009-10 and AB 9 provided that approximately 75% of the proceeds of the State’s sales tax on diesel fuel would be allocated to STA funding. AB 6 also increased the sales tax on diesel fuel as of July 1, 2011. Though on an ongoing basis such STA funding remains subject to annual appropriation by the State Legislature, the approximately 75% of the revenues from the diesel fuel sales tax directed toward STA funding by the Bills has been estimated to equal approximately \$350 million annually. The SFMTA also 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 the 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.

Grants designated for specific operating purposes or for capital projects, such as local 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 the SFMTA for Paratransit services that the SFMTA provides in the BART corridor. As determined under the American with Disabilities Act (“ADA”), BART’s reimbursement to the SFMTA is calculated at 7.9% 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 11
OPERATING GRANTS
(IN MILLIONS)
(FISCAL YEARS ENDING JUNE 30)

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|----------------|---------------|----------------|----------------|-------------|
| AB 1107 | \$ 30.8 | \$27.8 | \$ 30.1 | \$ 32.5 | |
| County Transportation Authority - Proposition K | 12.7 | 8.5 | 7.8 | 8.4 | |
| State Transit Assistance (STA) | 16.3 | 0.4 | 37.5 | 32.0 | |
| Transportation Development Act (TDA) | 33.3 | 29.6 | 32.0 | 31.3 | |
| MTC Bridge Tolls | 2.7 | 2.7 | 2.7 | 2.7 | |
| Transit Operating Assistance | 3.8 | 4.0 | 0.0 | 0.0 | |
| Gas Tax Adjustment/Revenue | 6.7 | 3.3 | 3.2 | 3.0 | |
| Other Operating Grants | 1.3 | 1.2 | 1.1 | 1.3 | |
| <i>Total Operating Grants</i> | \$107.6 | \$77.5 | \$114.4 | \$111.2 | |

Source: SFMTA

Capital Grants and Other Restricted Grants. The 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.”

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 discretionary 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 DPT 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 DPT, as well as other City departments which provided services to the DPT 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 for each fiscal 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. As part of the City’s existing budget process, the Controller may make further mid-year refinements to adjustments in the Base Amount by increasing or decreasing such adjustments to reflect updated budget projections and any additional information available to the Controller at such time. See “—Financial Operations—Budget Process.” Adjustments are also made for any increases in General Fund appropriations to the 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 12
GENERAL FUND TRANSFERS
(IN MILLIONS)
(FISCAL YEARS ENDING JUNE 30)

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|-------------|-------------|-------------|-------------|-------------|
| General Fund Transfer No. 1 ⁽¹⁾ | \$177.9 | \$183.7 | \$196.7 | \$212.6 | |
| General Fund Transfer No. 2 ⁽¹⁾ | 51.8 | 53.2 | 58.2 | 61.3 | |

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

Contingency Reserve Policy

In 2007, the Board approved a Contingency Reserve Policy, which directed the establishment of an operating reserve with the goal of setting aside a total of 10% of operating expenditures over a ten-year period by adding 1% to the reserve in each Fiscal Year. Based on Fiscal Year 2012-13, the current target amount is \$81 million. The funds in the reserve are to be used to cover risks or losses related to torts, destruction of assets, natural disasters and other one-time emergencies. Amounts in the reserve are not pledged to secure payment of the Bonds. Each year, during its annual budget process, the Board reviews the adequacy of the reserves. [Update in October] As of June 30, 2012, the SFMTA held \$45.4 million on deposit in the contingency reserve fund. The SFMTA had a contingency reserve fund balance of approximately \$[___] million at the end of Fiscal Year 2012-2013. The Fiscal Year 2012-2013 and Fiscal Year 2013-2014 budget includes an additional \$10 million in cash in each Fiscal Year to build up the reserve.

Operating and Maintenance Expenses

General. The SFMTA's operating and maintenance expenses are comprised of: personnel expenses (salaries and fringe benefits), contracted services, financial contributions to the PCJPB to subsidize the operation of CalTrain 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. [Update in October] A summary of the SFMTA's historical operating and maintenance expenses is presented in Table 6. Between Fiscal Year 2008-09 and Fiscal Year 2011-12, the SFMTA's total operating and maintenance expenses increased by \$93.8 million or [13.1] percent, from approximately \$713.6 million to approximately \$807.4 million. Such increase was due primarily to increased benefit costs, including pension and health care benefits.

Wages, Salaries and Benefits. A significant portion of the SFMTA's operating costs consist of wages and salaries for employees. See "—Labor Relations." Salaries have remained relatively flat in recent years, although the cost of benefits has increased. SFMTA employees, as part of the City workforce, are eligible for benefits negotiated by the City and therefore subject to increases or decreases negotiated by the City or approved by voters.

TABLE 13

**HISTORICAL PERSONNEL COSTS
(IN THOUSANDS)
(FISCAL YEARS ENDING JUNE 30)**

| Fiscal Year | Total Operating Expense (In Thousands) | Number of Employees | Total Personnel Costs⁽¹⁾ (in Thousands) | Percentage Change in Operating Expenses | Percentage Change in Personnel Costs (Salaries & Fringes) |
|--------------------|---|----------------------------|---|--|--|
| 2013 | \$[_____] | [_____] | \$[_____] | [. . .]% | [. . .]% |
| 2012 | 807,392 | [_____] | 544,345 | 4.31 | 6.26 |
| 2011 | 774,006 | 4,852 | 512,264 | 4.36 | 0.81 |
| 2010 | 741,676 | 4,794 | 508,161 | 3.93 | 2.67 |
| 2009 | 713,620 | 5,003 | 494,961 | N/A | N/A |

(1) Includes gross salaries and fringe benefits.

Source: SFMTA

Recent ballot measures passed by the voters have also provided some opportunities for controlling personnel costs for both the City and the SFMTA, including Proposition D, passed in June 2010 (“Proposition D”), Proposition G, passed in November 2010 (“Proposition G”) and Proposition C, passed in November 2011 (“Proposition C”). Proposition D increases the required pension system contributions for certain employees, directs excess City pension contributions resulting from significant investment earnings in any year to a health care trust fund for employees and changed the method for calculating an employee’s final compensation for purposes of determining pension benefits. Proposition G eliminates the floor for transit operator wages which had previously been established by City voters at the average of the two highest wage scales in effect in comparable jurisdictions. Proposition C is expected to reduce future pension and health care costs by (i) increasing certain employees contributions to the pension system in years when the City’s contribution to the pension system exceeds 12% of covered payroll, (ii) requiring elected officials to contribute at the same rate as City employees, (iii) increasing the retirement age and length of service requirements for employees hired after January 7, 2012 and (iv) requiring elected officials and employees, starting on or before January 1, 2009, to contribute up to 1% of their compensation toward their retiree health care, with a matching contribution by the City. Employee pension contribution rates will decrease, though, under Proposition C during any years in which the City’s pension contributions represent less than 11% of covered payroll. [UPDATE re 2012-13 increase/decrease.]

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 the 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 no lower than the average of the two highest paid comparable transit agencies in the United States. Proposition G eliminated references to wages and subjects transit operator collective bargaining to the same impasse resolution procedure – binding arbitration – applicable to most other City employees.

Fuel, Lubricants and Electricity Costs. The two primary sources of energy for Muni’s operations are diesel fuel (containing 5% to 20% biodiesel) and electricity. Approximately 62% of Muni’s buses operate on diesel, while the remaining 38% of Muni’s buses are electric. All of Muni’s 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, LUBRICANTS AND ELECTRICITY COSTS
(IN MILLIONS)
(FISCAL YEARS ENDING JUNE 30)

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------------------------|--------|--------|--------|--------|------|
| Fuels & Lubricants ⁽¹⁾ | \$15.9 | \$13.0 | \$16.1 | \$19.5 | [] |
| Electricity ⁽²⁾ | 4.9 | 4.9 | 4.7 | 4.7 | [] |

(1) Includes purchases of natural gas. In Fiscal Year 2012-13, such purchases amounted to approximately \$[_____].

(2) Electricity purchased from SFPUC is included in the “Service of Other City Departments” line item in the SFMTA’s historical operating results.

Source: SFMTA

During Fiscal Years 2008-09 through 2012-13, the SFMTA purchased all of its electricity from the SFPUC. 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, is delivered through a municipal distribution system within the City owned and operated by Pacific Gas & Electric Company.

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 June 1, 2013, the

SFMTA paid approximately \$0.0425/kWh for power purchased from the SFPUC as compared to PG&E's rate of \$0.16977/kWh. In 2012, the SFPUC notified the SFMTA that it will increase the electricity rates it charges its municipal customers, including the SFMTA, by \$0.005/kWh each year for four years. The first two rate increases became effective June 1, 2012 and [June 1, 2013], respectively.

The SFMTA purchases fuel through a City-wide contract administered by the Office of Contract Administration ("OCA"). The OCA awarded this contract to several vendors at rates based on the diesel wholesale rack rates published by Oil Pricing Information Service rates (the "OPIS Rate"). The OPIS Rate represents an average daily price for ultra low sulfur distillate diesel fuel based on wholesale terminal price data gathered from numerous sources, and thus fluctuates with the market but generally remains below retail rates.

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. [UPDATE for 2013?] The SFMTA contributed \$4.9 million for operating needs in Fiscal Year 2011-12, \$6.5 million in Fiscal Year 2010-11, and \$7.3 million in Fiscal Year 2009-10. The PCJPB's annual financial statements are publicly available, however, they are not incorporated by reference into this Official Statement.

Payment 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 services provided to the SFMTA by other City Departments, which 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. [UPDATE for 2013?] The cost to the SFMTA of work orders have increased from approximately \$30 million in Fiscal Year 2002-03 to \$52.7 million in Fiscal Year 2011-12. These payments include non-service items such as utilities, technology and rent.

All Other Materials, Supplies and Professional Services. In the normal course of its operations, the SFMTA purchases a variety of supplies other than fuel and lubricants and services other than paratransit services and services of other City departments. Such purchases include office supplies, maintenance supplies and services, auditing services, financial services and waste collection.

Fiscal Year 2012-13 and Fiscal Year 2013-14 Budget

The Board approved its Fiscal Year 2012-13 and Fiscal Year 2013-14 budget (the “2014 Budget”) and submitted it to the Mayor and Board of Supervisors prior to April 30, 2012. See “—Financial Operations—Budget Process.”

The Fiscal Year 2012-2013 and Fiscal Year 2013-2014 operating budget increases by \$18.3 million over the two years and includes additional revenues derived mainly from increases in transfers from the City’s General Fund, parking citations and taxis. In addition to managing expenditures, including projected concessions from labor contracts and reductions in overtime and management staffing, the 2014 Budget includes several operational changes and revenue initiatives to address projected operating shortfalls. These operational changes and revenue initiatives include extending the hours and days during which metering is in force, increasing parking citation fees to recover certain State-imposed surcharges and implementing all-door boarding on buses to decrease loading, unloading and overall trip times. The 2014 Budget is intended to begin to address previously deferred maintenance and allocates funds to several maintenance projects, including the Transit Effectiveness Project (“TEP”), designed to increase Transportation System reliability and efficiency. See “—Capital Program—Current Projects—Transit Effectiveness Project.”

The SFMTA is projected to end the 2012-13 Fiscal Year with a net operating surplus of approximately \$[_____] million, resulting in a projected year-end fund balance of approximately \$[_____] million. [The projected revenue surplus is due to [_____].]

[The SFMTA ended the 2012-13 Fiscal Year [within its overall expenditure budget]. However, [_____] exceeded budget, though such increases will be offset by reduced spending in [_____].]

The Board approved Fiscal Year 2012-13 and Fiscal Year 2013-14 capital budgets totaling \$582.3 million and \$477.8 million respectively. The Fiscal Year 2012-13 and Fiscal Year 2013-14 operating budgets total \$828.3 million and \$851.4 million respectively. [UPDATE results in October.]

Labor Relations

Employee Relations. [Update in October.] As of June 30, 2013, the SFMTA employed 4824.36 Full-Time Equivalent employees. 4793.36 of these employees are represented by one of 19 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 the Service Critical collective bargaining agreements and the expiration date of such agreements as of June 30, 2013.

TABLE 15

SUMMARY OF SFMTA SERVICE CRITICAL LABOR AGREEMENTS

| Employee Bargaining Unit | Full-Time Equivalent Employment⁽¹⁾ | Agreement Expiration Date⁽²⁾ |
|--|--|--|
| International Association of Machinists, Local 1414, | 233 | June 30, 2014 |
| International Brotherhood of Electrical Workers, Local 6 | 438 | June 30, 2014 |
| Transport Workers Union, Local 200 | 232 | June 30, 2014 |
| Transport Workers Union, Local 250-A, Automotive Service Workers | 68 | June 30, 2015 |
| Transport Workers Union, Local 250-A, Transit Fare Inspectors | 45 | June 30, 2014 |
| Transport Workers Union, Local 250-A, Transit Operators | 2179.86 | June 30, 2014 |
| Service Employees International Union, Local 1021, | 570 | June 30, 2014 |
| MEA, Municipal Executives Association | 90 | June 30, 2014 |
| Total Critical Service Employee Count | 3855.86 | |

⁽¹⁾ As of June 30, 2013. Actual full-time equivalent employment totals will differ from the number of positions budgeted by the SFMTA for a variety of reasons, including certain requirements in the respective collective bargaining agreements.

⁽²⁾ As of June 30, 2013.

Source: SFMTA

The following table summarizes the number of City employees allocated to the SFMTA under the City's collective bargaining agreements as of June 30, 2013, and the expiration date of such collective bargaining agreements as of June 30, 2013.

TABLE 16

SUMMARY OF FULL-TIME EQUIVALENT CITY EMPLOYEES ASSIGNED TO THE SFMTA

| Employee Bargaining Unit | Full-Time Equivalent Employment ⁽¹⁾ | Agreement Expiration Date ⁽²⁾ |
|--|--|--|
| Carpenters, Local 22 | 13 | June 30, 2014 |
| Glaziers, Local 718 | 3 | June 30, 2014 |
| International Federation of Professional And Technical Engineers, Local 21 | 415.5 | June 30, 2014 |
| Laborers, Local 261 | 61 | June 30, 2014 |
| Operating Engineers, Local 3 | 3 | June 30, 2014 |
| Painters, Local 1176 | 38 | June 30, 2014 |
| Plumbers, Local 38 | 2 | June 30, 2014 |
| Service Employees International Union, Local 1021, | 330 | June 30, 2014 |
| Sheet Metal Workers, Local 104 | 3 | June 30, 2014 |
| Stationary Engineers, Local 39 | 36 | June 30, 2014 |
| Teamsters, Local 853 | 11 | June 30, 2014 |
| Teamsters, Local 856 | 22 | June 30, 2014 |
| Unrepresented Employees (Misc) | 31 | N/A |
| Total Employee Count | 968.5 | |

(1) As of June 30, 2013. Actual full-time equivalent employment totals will differ from the number of positions budgeted by the SFMTA for a variety of reasons, including certain requirements in the respective collective bargaining agreements.

(2) As of June 30, 2013.

Source: SFMTA

Employee Benefit Plans. The SFMTA employees are covered by benefit plans offered through the City. See Appendix B—“CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—Employment Costs; Post-Retirement Obligations.” SFMTA’s obligations with respect to the costs of such plans generally reflect the aggregate Pensionable Salary (as such term is defined in Appendix B) of SFMTA employees as a percentage of the aggregate Pensionable Salary of all plan beneficiaries.

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 Employees’ Retirement System (the “Retirement System”). The Plan covers substantially all full-time employees of the SFMTA along with 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

also 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. See Appendix B—"CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—Employment Costs; Post-Retirement Obligations—San Francisco Employees' Retirement System." 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 Employees' 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. [Update in October] Contributions are made to the plan by both the SFMTA and its participating employees. Employee contributions are mandatory with the exception of transit operators, for whom the SFMTA pays all or part of the employee contribution portion. Employee contribution rates for Fiscal Year 2012-13 varied from [7.5% to 8%] as a percentage of Pensionable Salary. For Fiscal Year 2012-13, the actuarially determined rate as a percentage of Pensionable Salary was [20.71]% and for Fiscal Year 2013-14 the actuarially determined rate as a percentage of Pensionable Salary is [__.]%. The SFMTA's required contribution was approximately \$41.7 million in Fiscal Year 2010-11, \$[56.4] million in Fiscal Year 2011-12 and \$[__.] million in Fiscal Year 2012-13. SFMTA's budgeted contribution in Fiscal Year 2013-14 is \$[72.2] million. For more information about the plan, including certain unfunded liabilities, see Appendix B—"CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—Employment Costs; Post-Retirement Obligations—San Francisco Employees' Retirement System."

Health Care Benefits. [Update in October] Health care benefits for the employees of the SFMTA, 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"). See Appendix B—"CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—Employment Costs; Post-Retirement Obligations—Medical Benefits." The SFMTA's annual contribution, which amounted to \$[__.] million in Fiscal Year 2012-13, is determined by a Charter provision based on similar contributions made by the ten most populous counties in the State. The SFMTA's budgeted annual contribution for Fiscal Year 2013-14 is \$[93.6] million.

Included in these amounts is \$[__.] million for Fiscal Year 2012-13 to provide post-retirement benefits for retired employees on a pay-as-you-go basis. [No additional City allocations were made to the SFMTA's contribution allocation for payments made by the Health Service System for post-retirement health benefits in Fiscal Year 2012-13.]

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, 2013 based on a percentage of Citywide Pensionable Salary is presented below. See Appendix B—“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 the SFMTA for the Fiscal Years ended June 30, 2012 and June 30, 2013, the amounts contributed to the plan and changes in the net OPEB obligations.

TABLE 17
SFMTA OPEB ALLOCATIONS AND CONTRIBUTIONS
(IN THOUSANDS)
(FISCAL YEARS ENDING JUNE 30)

| | 2011⁽¹⁾ | 2012⁽²⁾ | 2013 |
|---|---------------------------|---------------------------|-------------|
| Annual Required Contribution | \$ 50,338 | \$ 51,232 | \$ [_____] |
| Interest on net OPEB Obligation | 4,747 | 6,017 | [_____] |
| Adjustment to ARC | (3,721) | (4,987) | [_____] |
| Annual Net OPEB Cost | 51,364 | 52,262 | [_____] |
| Contribution Made | (24,898) | (25,352) | [_____] |
| Increase in net OPEB Obligation | 26,466 | 26,910 | [_____] |
| Net OPEB Obligation at beginning of Fiscal Year | 99,993 | 126,459 | [_____] |
| Net OPEB Obligation at end of Fiscal Year | 126,459 | 153,369 | [_____] |

(1) In Fiscal Year 2010-11, the City had 27,994 funded positions and the SFMTA had 4,528 funded positions [for both operations and capital project support]. See Appendix B—“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 2011-12, the City had 28,073 funded positions and the SFMTA had 4,539 funded positions [for both operations and capital project support]. See Appendix B—“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.

(3) In Fiscal Year 2012-13, the City had [_____] funded positions and the SFMTA had [_____] funded positions. See Appendix B—“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, the SFMTA develops several different capital planning documents that cover different time periods and use different assumptions regarding funding. Each such document is updated and adopted by the Board on a biannual basis. The SFMTA’s 5-year Capital Improvement Plan (“CIP”) presents prioritized capital needs that are constrained by projected capital funds. The SFMTA also 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. Finally, the SFMTA develops a 2-year Capital Budget, which is constrained by “known and available funding at the time.”

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 the 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. See “—Financing of Capital Improvements.”

Five-Year CIP. The five-year CIP includes those capital projects that can reasonably be assumed to be funded and active in the next five years and identifies the funding that the SFMTA expects to receive within the five-year timeframe. While not a guarantee of funding, the five-year CIP conveys specific commitments from funding agencies to support the SFMTA’s highest priority capital improvements. The most recently approved Five-Year CIP, covering the period from Fiscal Year 2012-13 to Fiscal Year 2016-17, was adopted by the Board on April 17, 2012. The two-year capital budget described above further refines the five-year CIP to account for the timing of budget allocations, individual capital grants and the availability of capital project implementation staff. It is prepared by staff and presented to the Board for approval on a two-year cycle, concurrent with the SFMTA’s operating budget. See “—Fiscal Year 2012-13 to Fiscal Year 2013-14 Capital Program.”

Capital resources in place as of January 2012 totaled approximately \$591 million. New capital revenues projected for the five-year CIP beginning in Fiscal Year 2012-13 are estimated at \$2.47 billion, resulting in estimated total expenditures over the five-year

period of \$3.06 billion. Of that amount, approximately \$1.06 billion is expected to be expended on the Central Subway Project, approximately \$627 million on other transit expansion/enhancement projects and approximately \$1.37 billion on State of Good Repair projects. See “—Current Projects—Central Subway” and “—State of Good Repair Analysis.” The current revenue projection for the five-year CIP includes current and anticipated competitive grants, federal formula funds, local sales taxes and debt. The funding estimates represent the SFMTA’s best current assessment of available capital resources.

TABLE 18

**ESTIMATED SFMTA 5-YEAR CAPITAL FUNDING BY FUNDING SOURCE
(FOR THE FISCAL YEARS 2012-13 THROUGH 2016-17)
(IN MILLIONS)**

| Source | Projected Funding Amount |
|--|--------------------------|
| Federal Funding Sources | |
| FTA Section 5307, Urbanized Area Formula Program | \$294 |
| FTA Section 5309, Fixed Guideway Modernization Program | 209 |
| FTA Section 5309 New Starts Program ⁽¹⁾ | 835 |
| Other Federal Funds ⁽²⁾ | 90 |
| State Funding Sources | |
| State Infrastructure Bond Funds (Proposition 1B) | 316 |
| Other State Grant Funds | 16 |
| Local Funding Sources | |
| Proposition K Sales Tax Proceeds | 261 |
| AB 664-Bridge Tolls | 16 |
| Other MTC Funding | 50 |
| Capital Fund Transfer from Operating Revenues | 8 |
| Prop AA Vehicle Registration Fee | 13 |
| Other Local Capital Funds | 20 |
| Debt Financing Proceeds | |
| SFMTA Debt Financing Proceeds | 154 |
| 2011 San Francisco Streets Bonds ⁽³⁾ | 30 |
| San Francisco General Obligation Bond ⁽⁴⁾ | 150 |

⁽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, Federal Transit Administration Small Starts/Very Small Starts programs, State of Good Repair Grant Program.

(3) \$248 million Street Repair Bond was approved in November 2011 and includes \$20 million in Transit Street Signal Infrastructure and an estimated \$10 million for bicycle and pedestrian projects.

(4) Subject to voter approval in a future election.

Source: SFMTA 5-Year Sources and Uses of Funds, FFGA Financial Plan, April 2011

To ensure that projects expected to be funded through the CIP and Capital Budget proceed, the SFMTA has implemented capital plan and program policies which include cost controls designed to facilitate the completion of projects on schedule and on budget. All projects over a five-year CIP period are funded to phase and only if 90% of the funding for the proposed scope of work is identified. The SFMTA is also working to build a capital fund reserve through the CIP process in order to mitigate any unanticipated cost increases during the course of project delivery. In addition, a Transportation Capital Committee, comprised of members from the SFMTA's different divisions, provides project oversight and controls on project scope, schedules and budgets.

The SFMTA also anticipates obtaining, in late 2013, an irrevocable, direct pay letter of credit issued by State Street that will support the SFMTA's issuance of up to \$100 million of subordinate commercial paper notes, the proceeds of which are expected to be used to pay for costs of projects pending the receipt of grant proceeds and/or finance state of good repair projects. See “—Capital Program—Current Projects—Central Subway Project” and “—Commercial Paper Program.” For a list of the types of state of good repair projects the SFMTA may potentially undertake and finance, in part, from proceeds of additional Bonds and subordinate commercial paper notes, see “—State of Good Repair Analysis.”

Fiscal Year 2012-13 to Fiscal Year 2013-14 Capital Improvement Budget: State of Good Repair and Enhancement/Expansion Projects. In May 2012, the Board adopted the 2-year Capital Program, covering the period from Fiscal Year 2012-13 to Fiscal Year 2013-14. The Fiscal Year 2012-13 to Fiscal Year 2013-14 Capital Budget included \$582.3 million for Fiscal Year 2012-13 and \$477.8 million for Fiscal Year 2013-14. 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 BUDGET, FISCAL YEAR 2012-13 TO FISCAL YEAR 2013-14
 BREAKDOWN OF CAPITAL BUDGET BETWEEN
 STATE OF GOOD REPAIR AND ENHANCEMENT/EXPANSION
 (IN MILLIONS)
 (FISCAL YEARS ENDING JUNE 30)**

| | 2013 (Budgeted) | 2013 (Actual) | 2014 (Budgeted) | Total⁽¹⁾ |
|--------------------------------|----------------------------|--------------------------|----------------------------|----------------------------|
| State of Good Repair Projects | \$275.7 | \$[...] | \$158.5 | \$[...] |
| Enhancement/Expansion Projects | 306.6 | [...] | 319.3 | [...] |
| Total | \$582.3 | \$[...] | \$477.8 | \$[...] |

(1) 2013 Actual and 2014 Budgeted.

Source: SFMTA. Capital Budget adopted May 2012.

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, the SFMTA completed the first phase of an analysis of its State of Good Repair needs in August 2010 and produced its State of Good Repair Report (the “SOGR Report”). The SOGR Report was the 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, the SFMTA has analyzed asset lifecycles and costs, and has produced a preliminary assessment of its state of good repair needs. The SFMTA’s current asset replacement value is approximately \$13.4 billion (in 2010 dollars). The table below summarizes the breakdown of the SFMTA’s current asset replacement costs by asset category.

TABLE 20

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

| | |
|----------------------------------|-----|
| Overhead Wires | 30% |
| Stations | 15% |
| Facilities | 12% |
| Parking and Traffic | 9% |
| Light Rail Vehicles | 8% |
| Other Systems and Vehicles | 6% |
| Track | 6% |
| Train Control and Communications | 5% |
| Motor Coach Vehicles | 5% |
| Trolley Coach Vehicles | 4% |

Source: SFMTA

The SFMTA has developed a strategic approach to asset management with the goal to prioritize replacement of mission critical assets with a commitment that there should not be an impact to service delivery. The SOGR Report was based on a calculated asset replacement or scheduled replacement date, which is the date that the asset should be replaced based on its estimated useful accounting life. However, not all assets are equal; some assets degrade based on operational uses sooner than the end of their useful lives, and other assets are able to continue to provide service well beyond the end of their estimated useful lives.

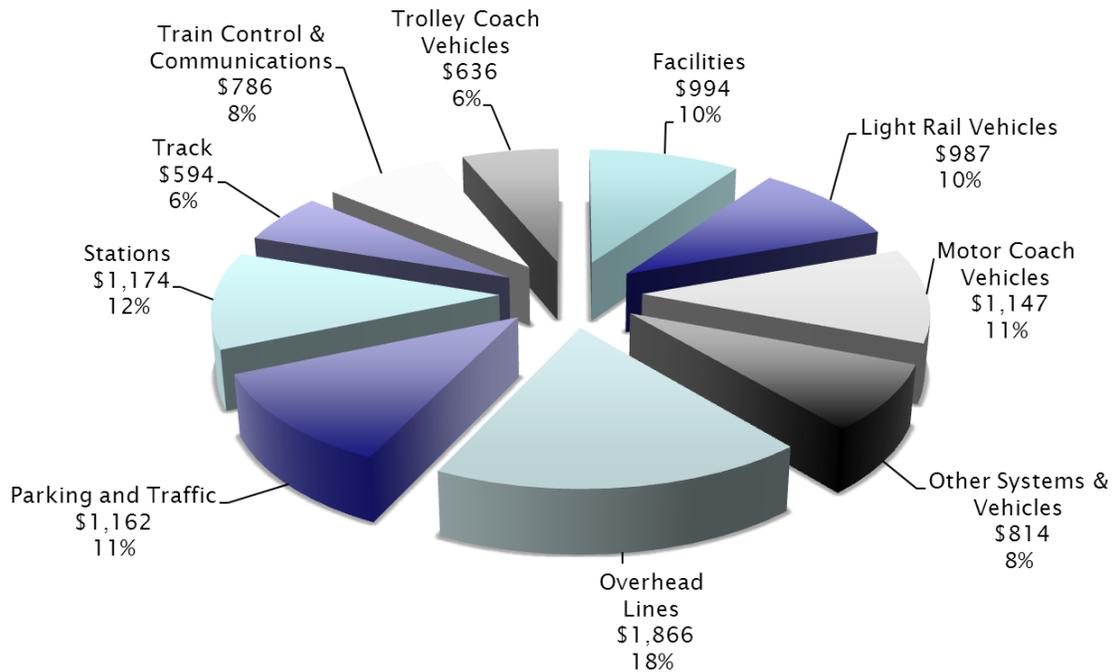
The SOGR Report indicated a backlog of asset replacement of approximately \$2.2 billion as of August 2010 based on accounting asset life. Maintaining the backlog at this level will require annual capital expenditures of approximately \$366 million per year. The SOGR Report also highlighted that over a 20-year horizon state of good repair needs total approximately \$10.2 billion. It is projected that the SFMTA will be able to invest approximately \$250 million toward SOGR Report projects annually, which would result in a total backlog of non-service critical assets of approximately \$4.5 billion at the end of 20 years.

The SOGR Report analysis includes the needs created by expansion projects, such as the Central Subway, once the asset has reached its scheduled replacement date. Since this project does not enter revenue service until 2019, the ninth year of the 20-year outlook, very few of the Central Subway assets will have exhausted their accounting life.

During Fiscal Year 2012-13, the SFMTA expended \$[_____] million on state of good repair projects. The breakdown of the 20-year estimated state of good repair needs by asset category is shown in the following table.

TABLE 21

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



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

The SFMTA is pursuing numerous options to address state of good repair needs, including implementing best practices and new revenue sources. To the extent that the SFMTA is unable to effect asset replacement in a manner consistent with the strategic approaches described above, it is likely that more of the SFMTA's asset base will age beyond its design life. As with all transit systems, this could impair the SFMTA's ability to operate and maintain some portion of its vehicle fleets, infrastructure and facilities, possibly resulting in limitations on the SFMTA's ability to deliver service, an increase in the SFMTA's operating and maintenance expenses, and/or a reduction in the SFMTA's operating revenues below the levels that otherwise would have been realized. See "CERTAIN RISK FACTORS—Physical Condition of the SFMTA Assets."

Current Projects

Central Subway Project. [To be updated in October.] The Central Subway project is an extension and second phase 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 will descend below grade and extend northward under Fourth Street and Stockton Street into Chinatown near the City's central business district. One surface station and three underground stations are being constructed. Four light rail

vehicles are expected to be purchased to augment the existing light rail fleet. When completed, the combined Third Street LRT / Central Subway Project is expected to provide a continuous, seven-mile route connecting the south-eastern portion of the City with Chinatown in the north.

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, 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.

The project’s current cost to complete estimate is approximately \$1.578 billion in year of expenditure dollars. All of the funding for the project is committed and the respective sources are set forth in Table 22.

TABLE 22
CENTRAL SUBWAY PROJECT: COMMITTED PRINCIPAL FUNDING SOURCES
(IN MILLIONS)

| Source | Projected Funding Amount |
|---|--------------------------|
| FTA Section 5309 New Starts Program | \$942.2 |
| Federal - Congestion Mitigation and Air Quality Program | 41.0 |
| State RTIP Grant | 88.0 |
| State TCRP Grant ⁽¹⁾ | 14.0 |
| State - Proposition 1B, PTMISEA ⁽¹⁾ | 307.8 |
| State – Proposition 1A, High-Speed Rail Funds | 61.3 |
| San Francisco - Proposition K Sales Tax | 124.0 |
| Total: | \$1,578.3 |

⁽¹⁾ Public Transportation Modernization, Improvement and Service Enhancement Account.

Source: SFMTA

Federal Funding. The most significant committed funding source for the Central Subway Project is Section 5309 New Starts Program (the “New Starts Program”) grants from the Federal Transit Administration. The New Starts Program is the largest federal program dedicated to public transit infrastructure investment based on matching funds from local project sponsors. The Federal Transit Administration has 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. Projects that continue to be rated Medium or higher during their development will be eligible for consideration for multi-year funding recommendations embodied in a Full Funding Grant Agreement (“FFGA”) in the President’s budget. FFGAs are preceded by an extensive series of reviews and audits of the proposed project scope, cost estimate, and budget to confirm the estimates and plans are reliable and based on industry standards, as well as to verify local funding commitments. In the Federal Transit Administration’s rating process for projects that are competing for the Federal Transit Administration “New Starts” discretionary funding, the Central Subway Project 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.”

With completion and approval of the Final Supplemental Environmental Impact Statement relating to the Central Subway Project 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. The Central Subway Project is now fully in the construction phase. In April 2011, the Board, after working with local stakeholders, approved a funding plan of committed and non-committed sources. An FFGA between the SFMTA and the Federal Transit Administration, which received federal approval and was executed in October 2012 (the “SFMTA FFGA”), established a multi-year commitment of \$942.2 million in Federal Transit Administration New Starts Program funds. To date, \$177.4 million in Federal Transit Administration funds has been awarded through Federal Fiscal Year 2012.

Funding of FFGA programs are subject to Congressional appropriation and satisfaction of certain grant conditions, as discussed below. The SFMTA FFGA commits to a maximum level of New Starts financial assistance (subject to appropriation), establishes the terms and conditions of federal financial participation in the Central Subway Project and will help SFMTA and Federal Transit Administration manage the Central Subway Project in accordance with applicable federal law. The SFMTA FFGA also defines the Revenue Service Date for the Central Subway Project as on or before December 31, 2018. Federal Transit Administration utilizes its Project Management Oversight Program to obtain independent feedback on project status and progress, including the establishment of scope, budget, and schedule, as well as to provide guidance on management, construction, and quality assurance practices. See “—Central Subway Project Status” and “—Central Subway Risk Management.”

The SFMTA FFGA is expected to provide SFMTA with predictable federal financial support for the Central Subway Project; however, annual payouts remain subject to Congressional appropriations. [To date, Congress has consistently honored the payout schedule and amounts established by the SFMTA FFGA.] The SFMTA FFGA also places limitations on the amount and timing of its support which would not necessarily take into account cost increases, if any, relating to the Central Subway Project. See “—Additional Financing.” As is the case with other FTA grants, the SFMTA FFGA does require that SFMTA follow the terms of the Federal Transit Administration Master Agreement containing the standard terms and conditions

governing the administration of projects that Federal Transit Administration has financed with federal assistance awarded through an underlying agreement with SFMTA. The SFMTA FFGA also outlines project cost eligibility. In the event that it is determined by Federal Transit Administration that the SFMTA FFGA requirements have not been met or project costs incurred are ineligible, the SFMTA is responsible for paying [or reimbursing] such costs. See “—Central Subway Project Status,” “—Central Subway Risk Management” and “CERTAIN RISK FACTORS—Reliance Upon Grants and City General Fund Transfers.”

State, Regional and Local Funding. The State has formally committed to provide approximately \$307 million of Public Transportation, Modernization, Improvement, and Service Enhancement Account (“PTMISEA”) funds from proceeds of the sale of State Proposition 1B (voter-approved) infrastructure bonds. The SFMTA is authorized to direct the application of such funds to projects that meet State eligibility guidelines:

- Capital projects
- Final Design, construction and right of way
- Transit-based

PTMISEA funds are appropriated by the California State Legislature to the State Controller’s Office for allocation to project sponsors, such as the SFMTA, pursuant to State statute. As a project sponsor, the SFMTA submits allocation requests to Caltrans. Caltrans ensures the requests meet the required criteria. The approved allocation request also serves as the agreement verifying the SFMTA’s commitment to the project’s scope of work, schedule and budget. The SFMTA is required to submit semi-annual financial and outcome progress reports on all projects. Any change in scope of work, schedule, or budget requires the submittal of an amendment plan that identifies the original commitment and the revised information, including an explanation of the change. The SFMTA is also required to submit an annual TDA audit that has been expanded to include PTMISEA activities. These reports provide program and project status based on the financial activities of the SFMTA. The annual TDA audit of the SFMTA includes the PTMISEA funds and includes verification of receipt and appropriate expenditure of bond funds.

In April 2011, the Board allocated to the Central Subway \$225 million of PTMISEA funds available to the SFMTA, with the remaining approximately \$82 million of its PTMISEA funds dedicated to transit rehabilitation projects. Additionally, approximately \$82.5 million of PTMISEA funds are also being directed to the SFMTA by the MTC as part of its “urban core” transit expansion program. Finally, the County Transportation Authority has awarded approximately \$124 million in Proposition K local sales tax revenues to the SFMTA to finance the Central Subway project. See “CERTAIN RISK FACTORS—Reliance Upon Grants and City General Fund Transfers.”

Central Subway Project Status. Preliminary utilities relocation projects for the Central Subway Project, totaling approximately \$32.8 million, have been completed on

time and within budget. The SFMTA awarded the tunneling contract for the Central Subway Project, totaling approximately \$233.6 million, to Barnard Impregilo Healy, a Joint Venture, in June 2011. Substantial completion of the tunneling project is currently projected for May 2015, and the project currently is within 25 days of the target schedule and within budget.

A contract for the construction of the Chinatown Station, the Union Square/Market Street Station with concourse connection to the existing Powell Street Muni/BART Station, the Yerba Buena/Moscone Station, the 4th and Brannan Station, tracks, switches, control systems and related items for the Central Subway Project, totaling approximately \$840 million, was awarded to [Tutor Perini] by the SFMTA in May 2013. Approval of the final construction schedule is expected to occur in [_____] 2013.

Following the award of such contracts and commencement of work on the Central Subway Project, the SFMTA's current cost estimate for the program remains unchanged at approximately \$1.578 billion. Costs to date have totaled approximately \$339.4 million with total committed funding of approximately \$643.6 million. Total cost contingency for the Central Subway Project is currently at approximately \$67.2 million. Because the low bid for the contract[s] awarded to Tutor Perini was higher than the SFMTA's estimates, however, such contingency amount is below the target standard of \$160 million established by the Federal Transit Administration for the Central Subway Project at this stage. Cost contingency recovery efforts are being evaluated and developed for review and approval by Federal Transit Administration. The current scheduled commencement of revenue service in December 2018 is unchanged. Schedule contingency, however, is at 4.7 months, a level below the minimum of 10 months established by the Federal Transit Administration for the Central Subway Project at this stage. Schedule contingency recovery efforts are also being evaluated and developed for review and approval by Federal Transit Administration.

The timing of project funding amounts received to date has enabled the SFMTA to maintain a positive cash flow for the first three years of construction, with a cash balance of more than \$85 million currently available for future project expenditures. The anticipated timelines for receipt of committed funds and disbursements for project expenditures, and the amounts thereof, result in a projected positive project cash flow through at least [July 2014].

During the initial three years of construction of the Central Subway Project, the most significant causes of delay relating to work on the alignment have been the discovery of Native American artifacts during utility relocation and a request by citizens in the North Beach neighborhood to relocate the temporary shaft that will be used to recover the tunnel boring machinery for reuse when the tunnel is completed in 2015. Prior to 2008, the preferred site, based on community review, was on Columbus Avenue in the middle of the street, isolated from businesses and residents. Based on the results of an active public outreach program, the planned location of the temporary shaft was moved away from the street to the site of the abandoned Pagoda Theater.

The relocation effort will involve the prior demolition of the Pagoda Theater, an unutilized building about which neighborhood residents have independently expressed concerns. Thus, the relocation plan has the potential to resolve two community concerns simultaneously and to facilitate new development at the Pagoda Theater site after nearly 20 years of disuse. To expedite and control the special tasks to demolish the Pagoda Theater, a project-separate account was established by the SFMTA. This overall project management, community engagement and agreed alternative site for the temporary 2015 tunnel equipment retrieval work has received support from a number of stakeholders that includes community groups, business owners, residents, elected officials, City agencies and the SFMTA's funding partners. Accordingly, the project is moving forward with this change.

Central Subway Risk Management. The Federal Transit Administration's rigorous criteria for transit project construction readiness must be fulfilled to qualify for the SFMTA FFGA that commits funds for final construction through completion. A key fulfillment of the criteria is completing an extensive, yearlong risk assessment. During the transition from preliminary engineering to final design, the Central Subway Project finalized an industry standard Risk Management and Mitigation program. The Project Risk Assessment Committee, meeting monthly, focuses on managing and mitigating outstanding risks as well as mitigating new risks that may arise during implementation of the Central Subway Project.

As is the case for every large transit and infrastructure project, there are circumstances which could cause delay or cost increases for the Central Subway Project. Given the magnitude of the Central Subway project and the complexity of its construction, in addition to the 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 is unable to fulfill, or for any reason disclaims its obligations to fulfill, its funding obligations under the full funding grant agreement, the project could face significant funding shortfalls or delays. See "CERTAIN RISK FACTORS."

Among other risks considered and identified for mitigation, the SFMTA's risk assessment includes the possibility that the Federal Transit Administration, for any reason, may not fulfill its funding obligations under the SFMTA FFGA. While, in the course of managing a discretionary federal grant program of substantial size for more than 25 years and through more than 1,000 projects, the Federal Transit Administration has never failed to finally honor its commitments to fund a project under an FFGA, funding delays or temporarily reduced funding due to delays in congressional approvals have occurred for some projects in recent years. Were significant delays or temporary reductions in fund allocations to occur with respect to the SFMTA FFGA, the SFMTA might need to adjust the program scope and budget, or identify alternative sources of funding which could include the issuance of additional Bonds. A potential consequence

of providing for such alternative funding could be reduced funding for SFMTA's other long-term capital improvement plan and service plans. See "CERTAIN RISK FACTORS."

To further manage risks, the SFMTA has also created a Configuration Management Board ("CMB") to focus on certain risks and mitigations from challenges and opportunities arising during construction of the Central Subway Project. The CMB is a project-level, decision-making body that reviews and approves, or recommends approval to the SFMTA's upper management of, all change requests to the Central Subway Project's baseline documents prior to implementation of such changes. The CMB includes project staff and a representative from the San Francisco County Transportation Authority's (the "County Transportation Authority") Project Management Office.

Additional Regional and Local Support. MTC, the County Transportation Authority and the Controller have each indicated their respective intent to help mitigate the financial impact of delays or cost increases associated with the Central Subway Project. MTC has indicated that it would work with the State and the SFMTA to mitigate the financial impact of delays, if any, in the receipt by the SFMTA from the State of Proposition 1B funds for the Central Subway Project. 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 the impact of increases in costs, if any, above the approximately \$1.578 billion in expected future year of expenditure dollars.

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 potential solutions might require approval of the Board of Supervisors. One proposal under consideration by the City Controller's office is to provide bridge financing to the SFMTA in anticipation of future grant receipts. Such a financing would not be an appropriation by the City to the SFMTA, but rather an allocation of City funds or proceeds of an existing City financing vehicle, subject to reimbursement by the SFMTA, including any costs relating to such financing.

Additional Financing. Finally, the SFMTA, or the City on SFMTA's behalf, may also issue commercial paper notes or the SFMTA may issue additional Bonds to provide interim financing of project costs pending the receipt of grant proceeds. See "— Future Debt Issuance."

In the event that the project exceeds both its budget and the \$150 million in additional Regional Improvement Funds committed to the project by the County Transportation Authority, non-federal funding programmed to other SFMTA projects would have to be moved or new funding would have to be identified to cover those costs because the SFMTA FFGA caps the federal contribution to the project. Potential sources might include SFMTA operating funds, additional Bonds, new sales tax revenues, the proceeds of future general obligation bonds, if any, issued by the City for

such purpose, or new the proceeds of future bonds, if any, issued by the State for such purpose. See “CERTAIN RISK FACTORS.”

Transit Effectiveness Project. The 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 the City. 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 proposals designed to improve reliability, reduce transit travel delays and update routes to better meet current and projected travel patterns throughout the City. The TEP proposals include service improvements and complementary capital investments (such as overhead wire projects) that will support these service changes. The TEP also identifies a number of capital projects along corridors on the most highly used routes designed to reduce transit travel time and prioritize transit in these corridors. In combination, the service changes and capital improvements would improve service reliability, reduce travel time and support customer safety and comfort.

The environmental review process for the TEP is in progress. The SFMTA released its Draft Environmental Impact Report for the TEP on July 11, 2013 (the “Draft EIR”). The Draft EIR will be open for public comment until August 26, 2013. The SFMTA anticipates releasing its Final Environmental Impact Report (the “EIR”) in early 2014, with Planning Commission certification to follow thereafter. In anticipation of EIR certification, the SFMTA has begun the conceptual engineering of the highest priority projects. These travel time projects are expected to be implemented over an approximately three year period and have an anticipated cost of approximately \$120 million. The remaining capital projects are outside of the current five-year CIP and are anticipated to cost approximately \$178 million, for a total TEP capital cost of \$298 million. The route restructuring is expected to be implemented as resources become available beginning with the Fiscal Year 2014-15 and Fiscal Year 2015-16 two year budget. Collectively, these changes are designed to improve 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 the SFMTA’s larger program to upgrade its central control and communications capabilities. Currently, the SFMTA’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 primarily from Proposition K local sales tax funds allocated by the County Transportation Authority, will provide the

SFMTA with a service delivery-focused operations center for command, control of, and communications among, all of the SFMTA's 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 underway and are expected to be completed by the end of 2013. Existing command and control functions are expected to move into the Transportation Management Center once construction is complete.

Van Ness Avenue Bus Rapid Transit. The 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 on these corridors, 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 was made available for public review and comment in November 2011. After reviewing the public comments and holding public hearings, the Board and the Board of Commissioners of the County Transportation Authority have approved a locally preferred alternative. The Final Environmental Impact Report/Statement was released in July 2013 and the Federal Record of Decision is expected to be issued in September 2013. Upon issuance of such Federal Record of Decision, SFMTA will assume project lead from the County Transportation Authority. Final design would be completed in 2015, with construction expected to occur from 2015-2017, and revenue service beginning in 2018.

Rail Replacement Program. The Rail Replacement Program is an on-going program of phased replacement of sections of rail on the light rail or cable car systems which will enhance system reliability and productivity and help to reduce operational problems. The program allows for a systematic replacement cycle of, on average, approximately 35 years for most segments of the Muni rail system. Sections of rail to be replaced are prioritized based on their potential for failure and derailments, the amount of noise and vibration experienced at surrounding structures, and their relationship with complementary projects of other city departments. Rail replacement projects are organized in two ways: 1) a corridor wide replacement; or 2) the selected replacement of particularly vulnerable sections of track, including curved rail and other special work such as track switches, which tend to wear out much faster than straight

track. Corridor wide projects replace 1-2 miles of straight track and any special work in that area and are normally coordinated with the work of other City departments and utilities to upgrade the entire infrastructure along the corridor.

Muni Metro Turnback Rail Replacement Program. The Muni Metro Turnback Rail Replacement project will replace 4,660 linear feet of running and guard rail between the Embarcadero Station and the Folsom portal and some associated fire suppression deluge work. The Sunset Tunnel Trackway improvements project will replace 9,340 track feet of rail, ballast and ties, the corresponding overhead contact wire system and feeder cables; the curve signaling system; and seismically upgrade the East and West Portal walls. The Twin Peaks Tunnel Rail Replacement will replace 20,600 track feet of rail, ballast and ties; replace two existing turnouts; seismically upgrade the Eureka Station; make improvements to the fire suppression system; and reconfigure the West Portal interlocking, installing new VPI logic, installation of new track circuits, and replacement of switch machines.

Financing of Capital Improvements. The 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, the 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, the SFMTA projects that it could undertake approximately \$13 billion in capital improvement projects.

Grant Recovery and Relinquishment. Grants the SFMTA receives generally provide for monitoring of compliance with various restrictions, and termination or suspension of payments or recovery of disbursed funds in the event of a serious violation of grant terms or misapplication of grant funds. Except for the occasional release of cost savings back to funding agencies, the SFMTA has never relinquished grant funding. With respect to the recovery of grant funds, the 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 County Transportation Authority and other agencies apply to recipients of grants are uniform for all 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 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. As another example, State law requires, subject to certain possible exceptions and exemptions, that the SFMTA maintain a ratio of fare revenues to operating costs of 31.2% or a ratio of farebox plus local support to operating costs of 64.5% in order to preserve its eligibility for STA and LTF funding. See “—Current Projects—Central Subway Project,” “THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—State and Federal Grants—Operating Grants” and “CERTAIN RISK FACTORS—Reliance Upon Grants and City General Fund Transfers.”

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.

Outstanding Debt

The SFMTA's outstanding long-term debt obligations consist of the Series 2012 Bonds, with a final scheduled maturity date of March 1, 2042. See "DEBT SERVICE SCHEDULE."

Commercial Paper Program

On June 4, 2013, the Board approved the issuance of and sale by the SFMTA of subordinate commercial paper notes in an aggregate principal amount not to exceed \$100 million. The SFMTA anticipates obtaining, in late 2013, an irrevocable, direct pay letter of credit issued by State Street that will support the SFMTA's issuance of such commercial paper notes, the proceeds of which are expected to be used to pay for costs of projects pending the receipt of grant proceeds (see "—Capital Program—Current Projects—Central Subway Project) and/or to finance state of good repair projects. Such subordinate commercial paper notes, and the SFMTA's obligation to reimburse State Street for draws under the letter of credit to pay the principal of and interest on the commercial paper notes, will be secured by a pledge of Pledged Revenues that is junior and subordinate to the pledge securing the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

[Update once program is in place.]

Future Debt Issuance

In addition to the outstanding Series 2012 Bonds and the Series 2013 Bonds, the SFMTA presently expects to issue approximately \$150 million in additional Bonds between 2016 and 2017 in order to finance future state of good repair and other projects. The SFMTA also expects to obtain, in late 2013, one or more credit or liquidity facilities which will support the SFMTA's issuance of up to \$100 million in subordinate commercial paper notes. See "—Commercial Paper Program" and "—Capital Program—Current Projects—Central Subway Project). For a list of the types of state of good repair projects the SFMTA may potentially undertake and finance, in part, from proceeds of additional Bonds and subordinate commercial paper notes, see "—Capital Program—State of Good Repair Analysis."

Lease/Leaseback Transactions

[To be updated in October.] 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 (collectively, the "Lease Transactions"), 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"). Tranche 1 consisted of six sub-tranches and involved four equity investors; Tranche 2 consisted of one tranche and one equity investor.

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, the SFMTA maintains custody of the Equipment and is obligated to insure and maintain the Equipment throughout the life of the sublease.

As a result of the Lease Transactions, the SFMTA 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, the SFMTA is required to make periodic rental payments to the special purpose trusts. In addition, the SFMTA 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 the periodic rental payments derives from payments made by a payment undertaker whose obligations are guaranteed by Assured Guaranty Municipal Corporation ("AGM"), as successor to Financial Security Assurance, Inc., a bond insurance company. The funding for the purchase options, if exercised, derives from U.S. Agency securities purchased at the outset of each Lease Transaction (the "Equity Securities"). In addition, early termination payments, if any, under the subleases are guaranteed by surety policies issued by AGM.

One of the vehicles constituting a component of the Equipment was involved in a collision. The SFMTA has decided that repairing the vehicle would be uneconomic and has notified the equity investor of this decision. The SFMTA is in discussions with the equity investor regarding substituting another vehicle for the damaged one under the terms of the applicable Lease Transaction.

The SFMTA is required to replace the payment undertaker if the rating of its guarantor, AGM, falls below "BBB+" or "Baa1" by Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business ("S&P"), and Moody's Investor Service, Inc. ("Moody's"), respectively. The ratings of AGM currently satisfy these threshold rating requirements.

The SFMTA is also required to replace AGM, as surety provider if AGM's rating falls below "AA-" or "Aa3" by S&P and Moody's, respectively. On January 23, 2013, Moody's downgraded AGM to A2, a rating level which triggers the SFMTA's obligation

to replace AGM as surety provider upon 30 days' notice from an equity investor with respect to its sub-tranche. The SFMTA's failure to replace AGM within 30 days could result in the termination of the Lease Transactions, requiring the SFMTA to make a payment equal to the scheduled termination value (less the market value of the Equity Securities) on the termination date. As of April 30, 2013, the scheduled termination value for the Lease Transactions (less the market value of the Equity Securities) was approximately \$65 million. As of May 31, 2013, the SFMTA has not received a demand from any equity investor to replace AGM.

The Board of Supervisors has authorized the SFMTA to enter into consensual terminations of the 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 Lease Transactions to date and cannot predict whether any of the equity investors in the 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.

The SFMTA self-insures for general liability in part by annually funding an ongoing insurance reserve fund in an amount equal to \$2 million. The SFMTA participates in the City master property program for fixed asset protection, including scheduled Breda light rail vehicles. The SFMTA also maintains insurance on the SFMTA-controlled parking garages.

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

TABLE 23

RISK MANAGEMENT AND INSURANCE

| Primary Risk | Coverage Approach |
|--|--|
| General Liability | Self-insure |
| Property (including Breda light rail vehicles and parking garages) | Insure (with certain minor exceptions) |

| Primary Risk | Coverage Approach |
|---------------------------|--------------------------|
| Workers' Compensation | Self-insure |
| Public Official Liability | Purchase insurance |

Source: SFMTA

The SFMTA does not maintain insurance policies covering earthquake, flood, environmental pollution or other, similar risks.

The SFMTA does require contractors to maintain insurance for all construction activities. Requirements with respect to policy limits, covered losses and other terms of the insurance vary depending upon the type of activity undertaken and are usually determined in collaboration with the City's Risk Manager.

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 management of the Pool is governed by the Investment Policy administered by the Office of the Treasurer and Tax Collector in accordance with California Government Code Sections 27000, 53601, 53635, et. al. In order of priority, the objectives of this Investment Policy are safety, liquidity, and return on investments. Safety of principal is the foremost objective of the investment program. The investment portfolio maintains sufficient liquidity to meet all expected expenditures for at least the next six months. The Office of the Treasurer and Tax Collector also attempts to generate a market rate of return, without undue compromise of the first two objectives.

The Investment Policy is reviewed and monitored annually by a Treasury Oversight Committee established by the Board of Supervisors. The Treasury Oversight Committee meets quarterly and is comprised of members drawn from (a) the Treasurer; (b) the Controller; (c) a representative appointed by the Board of Supervisors; (d) the County Superintendent of Schools or his/her designed; (e) the Chancellor of the Community College District or his/her designee; and (f) Members of the general public. 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 May 31, 2013, the SFMTA's unrestricted deposits and investments held by the City Treasurer were \$674,810,664.

CERTAIN RISK FACTORS

The following section discusses certain risk factors that should be considered by potential investors, along with all other information presented in this Official Statement, in evaluating the risks inherent in the purchase of the Series 2013 Bonds. The following discussion is not meant to be a comprehensive or definitive list of the risks associated

with an investment in the Series 2013 Bonds. 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 2013 Bonds or lead to a decrease in the market value and/or in the liquidity of the Series 2013 Bonds. The order in which this information is presented does not necessarily reflect the relative importance of the various issues. There can be no assurance that other risk factors not discussed herein will not become material in the future, and the SFMTA has not undertaken to update investors about the emergence of other risk factors in the future.

Series 2013 Bonds Limited Obligations

The Series 2013 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 or interest on the Series 2013 Bonds from any source of funds other than Pledged Revenues and amounts on deposit in certain funds and accounts held under the Indenture and subject to the terms thereof. The General Fund of the City is not liable for the payment of the principal of or interest on the Series 2013 Bonds, and neither the credit nor the taxing power of the City is pledged to the payment of the principal of or interest on the Series 2013 Bonds. The Series 2013 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 and amounts on deposit in certain funds and accounts held under the Indenture and subject to the terms thereof. 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 FORM OF LEGAL OPINION OF CO-BOND COUNSEL” herein.

Reliance Upon Grants and City General Fund Transfers

Operating Grants and City General Fund Transfers. The SFMTA relies on operating grants and transfers from the City’s General Fund to cover operating expenses and other amounts payable from the Municipal Transportation Fund. The City

General Fund transfers to the SFMTA are made in accordance with certain provisions on the City Charter. See “THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—City General Fund Transfers” and “—State and Federal Grants.” There can be no assurances that such Charter provisions will not be amended. See “— Change in Law; Local Initiatives.”

Grants To Address Capital Needs. The SFMTA relies primarily on federal, State and regional grants to address capital needs. The budget for certain major capital projects, such as the Central Subway Project, includes grant funding that has not yet been disbursed to the SFMTA and the disbursement of such grant funds remains subject to the satisfaction of certain conditions and, in some cases, to appropriation. See “THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—State and Federal Grants,” “—Capital Program—Current Projects—Central Subway Project” and “—Capital Program—Financing of Capital Improvements.”

Certain Impacts of A Failure To Receive and Apply Grant Funding. The continuation of federal, State and regional grant programs to fund both operational and capital needs, and the timely disbursement of such funding, is not assured. Such grants are generally subject to the availability and appropriation of funds as well as to satisfaction of various conditions specified in connection with the grant. Should such conditions fail to be satisfied, granting agencies may not disburse or may cease disbursing such funds to the SFMTA, and, in some circumstances, the SFMTA could be obligated to reimburse all or a portion of previously disbursed grant funds to the grantor agency. Should the SFMTA for any reason be unable to obtain and apply funds from such grant programs on a timely basis or become obligated to reimburse any portion of such funds, including as a result of any failure to satisfy specified conditions of such grants, it could adversely affect the SFMTA’s operations or its Capital Program or both, and could have a material adverse impact on the SFMTA’s financial condition.

Physical Condition of the SFMTA Assets

The physical condition of the SFMTA’s current assets varies broadly. Although most of the SFMTA’s capital assets are within their design life, the SFMTA, like most other large transit agencies, has a backlog of deferred investment and a number of facilities that require renovation or seismic improvement. For example, two of the SFMTA’s key subway tunnels were constructed in the early twentieth century and five garages with a combined 7,196 spaces are over fifty years old. Certain overhead power lines, which require periodic rehabilitation and replacement, have been in place since, or were last rehabilitated in, as early as 1973, although the SFMTA’s ongoing transit fixed guideway program includes a number of capital projects to systematically rehabilitate or replace these assets.

See “THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Transit—Transit Operations,” “– Parking and Traffic Functions—Parking Garages” and “– Capital Program—State of Good Repair Analysis.” Assets kept in operation beyond their design life are less reliable, resulting in increased maintenance and operations expenses and limitations on the SFMTA’s ability to deliver service. Such assets are

also more vulnerable to casualty loss. See “– Seismic Risks” and “– Casualty Losses.” Although the SFMTA is working to address these issues, if the SFMTA is unable to continue to obtain significant funding to address capital needs, more of the SFMTA’s asset base will age beyond its design life and the SFMTA’s ability to generate operating revenues may be adversely affected.

Construction Risk

The SFMTA is undertaking a number of construction projects, the most significant of which is the Central Subway project. 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 2013 Bonds, the SFMTA uses amounts in the Municipal Transportation 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. The SFMTA may, however, also address substantial increases in costs through service reductions. See “SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY - Operation and Maintenance Expenses” herein.

Labor Actions

The Charter prohibits SFMTA and other City employees from striking. Nonetheless a work stoppage or other labor action 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.

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 and from torts, including theft, damage and destruction of assets, business interruption and omission, injuries to employees and others. 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, the 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.

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.

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. See “—Casualty Losses.”

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, a period ending prior to the final scheduled maturity of the Series 2013 Bonds. An earthquake of such magnitude or larger would likely 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 the City's status as a tourist destination and regional hub of commercial, retail and entertainment activity. In the event of a significant seismic event, the SFMTA would attempt to repair damage to SFMTA facilities as quickly as possible, but the time required to return the facilities to service would depend on the nature and extent of the damage.

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 and interest on the Series 2013 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

Proposition 218, a State ballot initiative known as the "Right to Vote on Taxes Act," was approved by the voters on November 5, 1996. Among other results, the initiative added Article XIII C to the California Constitution. Article XIII C extends the people's initiative power to reduce or repeal previously authorized local taxes, assessments, fees and charges. This extension of the initiative power is not limited by the terms of Article XIII C to fees, taxes, assessment fees and charges imposed after November 6, 1996 and absent other authority could result in retroactive reduction in any existing taxes, assessments, fees or charges. The courts have not fully interpreted the provisions of, and the SFMTA is unable to predict how courts will in the future interpret, Article XIII C. It is not clear, for example, whether a purported reduction or repeal by initiative of SFMTA's fares and charges would be valid in a situation in which such fares and charges are pledged to the repayment of bonded indebtedness. Any reduction of SFMTA's fees and charges through the initiative process could have a material adverse impact on Pledged Revenues.

To the extent that the SFMTA's transit fare revenues do not result in the SFMTA receiving total revenues in excess of the total costs for providing transit service, Proposition 218 does not limit the SFMTA's ability to increase transit fares based on changes to the Consumer Product Index or rate of inflation.

Change in Law; Local Initiatives

Under the State Constitution, the voters of the State have the ability to initiate legislation and require a public vote on certain categories of legislation adopted by the State Legislature, through the powers of initiative and referendum, respectively. Under the Charter, the voters of the City have similar powers, and can restrict or revise the powers of the SFMTA through the approval of a Charter amendment, or can exercise the power of the SFMTA through the adoption of an initiative ordinance.

The SFMTA is also 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 SFMTA’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 and interest on the Series 2013 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.”

Impact of a City Bankruptcy

The City is authorized under California law to file for bankruptcy protection under Chapter 9 of the United States Bankruptcy Code (the “Bankruptcy Code”). As of the date hereof, there have been no public discussions by any City officials, including the Mayor, the Board of Supervisors or the City Attorney, with respect to any potential Chapter 9 filing by the City. 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 Series 2013 Bonds would continue to have a lien on Pledged Revenues after the commencement of the bankruptcy case provided 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 delays or reductions in payments by the SFMTA with respect to the Series 2013 Bonds in connection with a bankruptcy proceeding. 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 and such payments may otherwise be delayed.

Accordingly, 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. 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 Series 2013 Bonds.

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

As discussed under “TAX MATTERS”, interest with respect to the Series 2013 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 Series 2013 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 Series 2013 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 2013 Bonds were undertaken, it would not adversely affect the secondary market value of the Series 2013 Bonds.

Change in Tax Law

[As discussed under “TAX MATTERS,”] current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2013 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest.

Failure to Maintain Credit Ratings

Certain rating agencies have assigned ratings to the SFMTA's Series 2013 Bonds. The ratings issued reflect only the views of such rating agencies. Any explanation of the significance of these ratings should be obtained from the respective rating agencies. The SFMTA undertakes no responsibility to maintain its current credit ratings on the Series 2013 Bonds or to oppose any such downward revision, suspension or withdrawal. See "RATINGS" herein. There is no assurance current SFMTA ratings will continue for any given period or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in the respective judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings could be expected to have an adverse effect on the market price of the Series 2013 Bonds.

Secondary Market

There can be no guarantee that there will be a secondary market for the Series 2013 Bonds or, if a secondary market exists, that the Series 2013 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse developments or economic prospects connected with a particular issue, secondary trading 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. See "FORWARD-LOOKING STATEMENTS" on the inside front cover of this Official Statement.

Other Risks

The discussion in this section, "CERTAIN RISK FACTORS," is not meant to be a comprehensive or definitive list of the risks associated with an investment in the Series 2013 Bonds. There may be other risks inherent in ownership of the 2012 Bonds in addition to those described in this section. Investors are advised to read the entire Official Statement in order to obtain information necessary to make an investment in the Series 2013 Bonds.

AUDITED FINANCIAL STATEMENTS

Audited Financial Statements of the SFMTA (the "Financial Statements") for the Fiscal Year ended June 30, 2013 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, 2013". Such financial statements have been audited by KPMG LLP ("KPMG"), 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 KPMG to include its report on the audited financial statements in Appendix A to this Official Statement. KPMG 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. KPMG 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 2013 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 2013-14 (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 MSRB through EMMA.

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.

As of the date of this Official Statement, the City has independently undertaken several continuing disclosure obligations and files annual reports through EMMA that include its audited financial statements.

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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 Bonds. Co-Bond Counsel render their opinion under existing statutes and court decisions as of the issue 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 2013 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 2013 Bonds in order that interest on the Series 2013 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 2013 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 2013 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 2013 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 2013 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series 2013 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 2013 Bonds.

Prospective owners of the Series 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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.

Miscellaneous

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 2013 Bonds under Federal or state law or otherwise prevent beneficial owners of the Series 2013 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 2013 Bonds.

Prospective purchasers of the Series 2013 Bonds should consult their own tax advisors regarding the foregoing matters.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business ("S&P"), have assigned their municipal bond ratings of "[]" and "[]", respectively, to the Series 2013 Bonds. Moody's and S&P's rating outlooks with respect to the Series 2013 Bonds are "stable." The ratings and outlooks issued reflect only the views of such rating agencies and are not a recommendation to buy, sell or hold the Series 2013 Bonds. Any explanation of the significance of these ratings and outlooks should be obtained from the respective rating agencies. There is no assurance that such ratings or outlooks 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 2013 Bonds.

UNDERWRITING

The Series 2013 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 2013 Bonds at a purchase price of \$_____ (comprised of the principal amount of the Series 2013 Bonds, [plus/less] an aggregate reoffering [premium/discount] on the Series 2013 Bonds of \$_____, less an underwriter's discount in the amount of \$_____).

The purchase contract pursuant to which the Series 2013 Bonds are being sold provides that the Underwriters will purchase all of the Series 2013 Bonds if any Series 2013 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 2013 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 2013 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 2013 Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase Series 2013 Bonds from JPMS at the original issue prices less a negotiated portion of the selling concession applicable to any Series 2013 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, parent company of Morgan Stanley & Co. LLC., an Underwriter of the Series 2013 Bonds, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2013 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 2013 Bonds are to be issued,
- (ii) the validity of any provision of the Series 2013 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 2013 Bonds as they become due.

CERTAIN LEGAL MATTERS

The validity of the Series 2013 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 form of Co-Bond Counsel opinions are contained in Appendix G hereto, and will be made available to the Underwriters of the Series 2013 Bonds at the time of the original delivery of the Series 2013 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 the 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 2013 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 2013 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 2013 Bonds, or other person or party other than the SFMTA, will be entitled to or may rely on such letter of 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 and Public Financial Management, Inc., San Francisco, California are acting as co-financial advisors to the SFMTA with respect to the Series 2013 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 2013 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 2013 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 2013 Bonds is contingent upon the sale and delivery of the Series 2013 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, 2012**

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**

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 the Second 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. The Indenture of Trust is on file with the Trustee and, following delivery of the Series 2013 Bonds, the Second Supplement to Indenture of Trust will be on file with the Trustee.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY REVENUE BONDS,

SERIES 2013

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 July 1, 2012 (as amended, the “Master Indenture”), between the SFMTA and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), a Second Supplement to Indenture of Trust dated as of October 1, 2013 between the SFMTA and the Trustee (the “Second Supplemental Indenture” and, together with the Master Indenture, the “Indenture”), Ordinance No. 57-12 of the Board of Supervisors adopted on April 19, 2012, Resolution No. 13 [_____] of the Board of Directors of the SFMTA (the “Board”) adopted on [_____] , 2013, and Resolution No. [_____] 13 of the Board of Supervisors adopted on [_____] , 2013, concurring as to the issuance of the San Francisco Municipal Transportation Agency Revenue Bonds, Series 2013 (the “Bonds”) adopted on [_____] , 2013. 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) and (b) 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 2012-13 Fiscal Year (which is due not later than March 27, 2014), 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) an update of the information contained in the following tables:

(i) TABLE 2 – HISTORIC ROUTE RIDERSHIP BY MODE;

(ii) TABLE 6 – SFMTA HISTORICAL OPERATING REVENUES AND EXPENSES;

(iii) TABLE 7 – PLEDGED REVENUES;

(iv) TABLE 9 – FARE REVENUE, RIDERSHIP AND AVERAGE FARES PER PASSENGER; and

(v) TABLE 17 – SFMTA OPEB ALLOCATIONS AND CONTRIBUTIONS.

In addition, if the City and County of San Francisco is no longer obligated, pursuant to a continuing disclosure undertaking, to file its audited financial statements with the MSRB, the annual report shall indicate where City and County of San Francisco audited financial statements are available.

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(e).

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: _____, 2013.

SAN FRANCISCO MUNICIPAL
TRANSPORTATION AGENCY

By _____
[Title]

Approved as to Form:

DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Deputy City Attorney

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 2013

Date of Issuance: _____, 2013

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 _____

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 2013 Bonds, payment of principal, interest and other payments on the Series 2013 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Series 2013 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 with respect to the Series 2013 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2013 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 FORM OF LEGAL OPINION OF CO-BOND COUNSEL
[TO COME]**