Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
18	10/22/12	Open	Action	10/16/12

Subject: Approval of Series 2012 Farebox Revenue Bonds Debt Financing Structure and Financing Documents for up to $100 Million

ISSUE

Whether or not to approve the issuance and sale of up to $100 million in farebox revenue Bonds ("Bonds") and authorize the General Manager and CEO to execute the financing documents.

RECOMMENDED ACTION

Adopt Resolution No. 12-10-____ Authorizing (1) the Issuance and Sale of Not To Exceed $100,000,000 Aggregate Principal Amount of Sacramento Regional Transit District Farebox Revenue Bonds, Series 2012, (2) the Execution and Delivery of an Indenture, a Supplemental Indenture, a Purchase Contract, an Official Statement, and a Continuing Disclosure Agreement, and (3) Certain Related Matters.

FISCAL IMPACT

Issuance and sale of the Bonds will make approximately $88 million in proceeds available for use on the South Sacramento Corridor Phase 2 (SSCP2) and other projects. Annual debt service on the Bonds will increase from $2.1 million per year for the next 3 years to approximately $5.5 million per year for the next 30 years, assuming no early call of Bonds. The exact annual debt service amount will be determined by the size of the issue and final interest rate received. Both will be determined by market conditions when the Bonds are priced.

Other Fiscal Considerations:

Approximately 75% of the proceeds are to replace state Transit Congestion Relief Program (TCRP) and Proposition 1B funds for SSCP2. The Bonds are structured to call these amounts in the future (when TCRP and Proposition 1B funds are received), which would reduce the debt service correspondingly.

RT will have the future flexibility to re-direct the Bond proceeds made available by exchanging internal financing funds on SSCP2 with TCRP or Proposition 1B funds for other projects, such as bus and vehicle acquisitions in the Capital Improvement Plan (CIP).

During the construction phase of SSCP2, one half of the debt service attributable to the proceeds used on the project will be charged to the project, relieving the operating budget of those costs.

Approved: Presented:

Final 10/17/12

General Manager/CEO

Chief Financial Officer

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
18	10/22/12	Open	Action	10/16/12

Subject: Approval of Series 2012 Farebox Revenue Bonds Debt Financing Structure and Financing Documents for up to $100 Million

DISCUSSION

Background:

On October 22, 2009, the Board adopted Resolution No. 09-10-0175 approving a funding plan for SSCP2 that included a financing issue to replace $57.9 million in TCRP funds for the project. The financing plan also included approximately $8 million in Proposition 1B funds; due to the uncertainty of State funding, that $8 million will also be included in the financing issue.

The Board also adopted resolutions declaring RT's intent to reimburse itself from future proceeds of the anticipated financing for various purposes, including expenditures on the South Line project on February 14, 2011 (Resolution No. 11-02-0021), the purchase of non-revenue vehicles and equipment and CBS vehicles on August 8, 2011 (Resolution No. 11-08-0120), and local match for bus purchases on October 24, 2011 (Resolution No. 11-10-0151). One additional resolution of intent to reimburse is on the current agenda to repay RT for expenditures on the Green Line.

The financing team was assembled after the RT Board adopted Resolution No. 12-04-0045, awarding the contract for Financial Advisory services to Ross Financial, followed by contract awards on June 25, 2012 to Orrick, Herrington & Sutcliffe LLP (Orrick) for Bond and Disclosure Counsel Services (Resolution No. 12-06-0086), and to Citigroup Global Markets, Inc. (Citi) for Underwriter Services (Resolution No. 12-06-0087).

Immediately upon the formation of the financing team, a series of meetings with RT Finance staff began to formulate the plan of finance and determine the appropriate structure for the issue.

Objectives

Several objectives were established early in the process:

- Provide adequate funding to meet the financing plan requirements for SSCP2;
- Design and execute a financing structure that could be executed by December 2012 to coincide with execution of the FFGA for SSCP2;
- Provide additional funding for non-revenue vehicle, bus replacements, and other projects;
- Redeem the existing 2003 Certificates of Participation (COPs) to streamline the Bond administration process;
- Maximize cash flow savings while using a traditional fixed rate financing structure;
- Obtain solid underlying Bond ratings (at least in the "A" category); and
- Qualify the Bond issue for Bond insurance and a debt service reserve fund surety.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
18	10/22/12	Open	Action	10/16/12

Subject:	Approval of Series 2012 Farebox Revenue Bonds Debt Financing Structure and Financing Documents for up to $100 Million

Plan of Finance and Recommended Financing Structure

RT's staff, financial advisor, and underwriters reviewed several options for structuring the financing. Those options included both redemption and non-redemption of the existing COPs; as well as various call structures to determine which option would allow RT maximum flexibility with regard to future repayment of the Bonds with TCRP and/or Proposition 1B funds.

Several funding levels were considered, with a level of approximately $88 million (depending upon market conditions at the time of pricing) that will include $65 million for SSCP2; $3.7 million for non-revenue vehicles, bus and equipment replacements; $13.5 million for other capital projects, and $5.8 million to repay the COPs.

The Bond structure recommended by staff has the following elements:

- Generally level 30-year debt service;
- Final maturity in 2042;
- Debt Service Reserve Fund;
- Flexible Call Features;
- Issuance of $5.8 million to refund the 2003 COPs; and
- Issuance of $82.2 million to partially finance SSCP2 and other projects;

Overview of Financing Documents

Staff is requesting Board approval of the substantially final form of several financing documents that are required to execute the Bonds. Each of these financing documents has been prepared or reviewed by RT's Bond and Disclosure Counsel (Orrick). All financing documents have also been reviewed by RT legal and finance staff, as well as all other members of RT's financing team. Each of the financing documents is described briefly below. The current, substantially final, form of each of the documents is on file with the Clerk to the Board.

Indenture

The Indenture dated November 1, 2012 between RT and U.S. Bank National Association ("U.S. Bank") as Trustee, sets forth the basic terms for the issuance of Farebox Revenue Bonds, creates the Farebox Revenue pledge and security features, establishes the flow of funds, identifies provisions for the issuance of parity debt, establishes the duties of the Bond trustee, and contains related provisions.

The First Supplemental Indenture

The First Supplemental Indenture between RT and U.S. Bank as Trustee sets forth the terms of the 2012 Series Bonds and authorizes their issuance.

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18	10/22/12	Open	Action	10/16/12

Subject:	Approval of Series 2012 Farebox Revenue Bonds Debt Financing Structure and Financing Documents for up to $100 Million

Preliminary Official Statement (POS)

The Preliminary Official Statement is distributed to potential investors to solicit their interest in purchasing RT's Bonds. It provides the information concerning the Bond issue and background information concerning RT. As required by the U.S. Securities and Exchange Commission, the document must be true and correct in all material respects, and may not contain any untrue statement of material fact or omit any material fact.

A draft copy of the POS, which is still a work-in-progress, is provided as Attachment 1.

Escrow Agreement

This is an agreement between RT and Bank of New York Mellon as Escrow Agent regarding the creation and administration of the escrow fund into which a portion of the Bond proceeds will be deposited to defease the 2003 COPs.

Bond Purchase Agreement

This is an agreement between RT and Citi, the Underwriter of the Bonds, under which the Underwriter will purchase the Bonds from RT and resell those Bonds to investors. Under this Agreement, the underwriter of the Bonds would receive compensation based on its proposal, as adjusted for the final structure and par size of the Bonds plus actual expenses, but in an amount not to exceed $3.00 per $1,000 of the final Bond size. Based on this formula, the underwriter's discount for an $88 million Bond issue would not exceed $264,000 plus expenses. The expectation, based on current sizing, is an underwriter's discount of approximately $2.66/$1,000 or approximately $234,080.The compensation and expense reimbursement is contingent upon the closing of the transaction.

Continuing Disclosure Agreement

This is an agreement between RT and U.S. Bank, serving as Dissemination Agent, under which RT agrees to provide certain updated financial and operating information on an annual basis and agrees to provide notices of certain specified events to the marketplace for the life of the Bonds.

Bond Insurance Option

Depending upon the ratings received from Moody's and Standard & Poor's, RT may decide to purchase Bond insurance to improve the rating on the issue before taking it to market. A strong bond rating will translate into the most favorable interest rate when the Bonds are priced. RT staff, along with RT's financial advisor and representative from Citi met with officials at Moody's, Standard & Poor's, and Assured Guarantee on October 5th, to formally present RT's story and the Plan of Finance for consideration. Bond ratings are expected the week of October 15 and

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Assured Guarantee has notified RT that the application for insurance has been approved. A decision on whether or not to add bond insurance to the issue will be made after the ratings are received.

Remaining Steps in 2012 Farebox Revenue Bond Issue

If the Board approves the staff recommendation, the financing team will proceed with RT staff to take the Bonds to market. The following steps are scheduled to complete the issue prior to the closing of the Bonds, which is currently scheduled for November 14, 2012 (subject to change based on market conditions):

October 23, 2012 - Finalization of the Preliminary Official Statement and distribution to potential investors;

October 29, 2012 - Prepare and Implement Netroadshow Presentation to market the Bonds to investors;

October 31, 2012 - Pricing of the Bonds

November 14, 2012 - Closing of the Bonds.

Staff Recommendation

Staff recommends the Board authorize (1) the Issuance and Sale of Not To Exceed $100,000,000 Aggregate Principal Amount of Sacramento Regional Transit District Farebox Revenue Bonds, Series 2012, (2) Execution and Delivery of an Indenture, a Supplemental Indenture, a Purchase Contract, an Official Statement, a Continuing Disclosure Agreement, and (3) Certain Related Matters.

Attachment 1

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER __, 2012

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS
Insured: Moody's:
S&P:
Underlying: Moody's:
S&P:
See "Ratings" herein.

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2012 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2012 Bonds. See "TAX MATTERS."

[District Logo]

$__________*
SACRAMENTO REGIONAL TRANSIT DISTRICT
FAREBOX REVENUE BONDS, SERIES 2012

Dated: Date of Delivery **Due:** March 1, as shown below

The Sacramento Regional Transit District Farebox Revenue Bonds, Series 2012 (the "Series 2012 Bonds") are being issued by the Sacramento Regional Transit District, a public corporation existing under the laws of the State of California (the "District"), to finance a portion of the costs of an extension to the District's light rail system and related improvements and acquisition of certain buses and other vehicles (as more fully described herein, the "2012 Project") and to refund all of the outstanding Farebox Revenue Certificates of Participation, 2003 Series-C (Sacramento Regional Transit District Project) (the "2003 COPs").

The Series 2012 Bonds will be issued in book-entry form only, initially registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. Beneficial Owners of Series 2012 Bonds will not receive physical certificates representing the Bonds purchased but will receive a credit balance on the books of the nominees of such purchasers. The Series 2012 Bonds will be issued in fully registered form in denominations of $5,000 or any integral multiple thereof.

Interest on the Series 2012 Bonds will be payable semiannually on March 1 and September 1, commencing March 1, 2013. Payments of interest on and principal of the Series 2012 Bonds will be paid to DTC. DTC will in turn remit such interest and principal to the DTC participants which will in turn remit such interest and principal to the Beneficial Owners of the Series 2012 Bonds. See APPENDIX E - "BOOK-ENTRY SYSTEM."

The Series 2012 Bonds are subject to optional and mandatory redemption prior to their respective stated maturities, as described herein.

The Series 2012 Bonds are being issued pursuant to an Indenture, dated as of November 1, 2012 (as supplemented and amended from time to time in accordance with its terms, the "Indenture"), between the District and U.S. Bank National Association, as trustee. The Series 2012 Bonds are special obligations of the District, secured solely by a pledge of Revenues (as more fully defined and described herein, the "Revenues") consisting of certain fare revenues collected by the District in connection with the operation of all transit vehicles owned or leased by the District (as more fully defined and described herein, the "Farebox Revenues") and certain other moneys. Pursuant to the Indenture, the District may issue additional bonds (together with the Series 2012 Bonds, the "Bonds") and incur other obligations (the "Parity Obligations") secured by and payable from the Revenues on a parity basis with the Series 2012 Bonds and may also issue or incur other obligations secured by and payable from the Revenues on a basis junior and subordinate to the Series 2012 Bonds, other Bonds and Parity Obligations. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

[Payment of the principal of and interest on the Series 2012 Bonds when due will be insured by a financial guaranty insurance policy to be issued by [INSURER] simultaneously with the delivery of the Series 2012 Bonds.]

[LOGO OF INSURER TO BE INSERTED]

The Series 2012 Bonds are special obligations of the District, secured as to payment of both principal and interest, and any premium upon redemption thereof, solely by the Revenues pledged under the Indenture. The Series 2012 Bonds do not constitute a general obligation of the District or an obligation for which the District has pledged or levied any form of taxation. The faith and credit of the District is not pledged to the payment of the principal of and interest or premium on the Series 2012 Bonds.

MATURITY SCHEDULE*
$__________ Serial Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Yield	CUSIP†	Maturity (March 1)	Principal Amount	Interest Rate	Yield	CUSIP†

$_________ _____% Term Bonds due March 1, ____ @ ____%; CUSIP†: _________

* Preliminary, subject to change.

$__________ _____% Term Bonds due March 1, ____ @ ____%; CUSIP[†]: ________

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

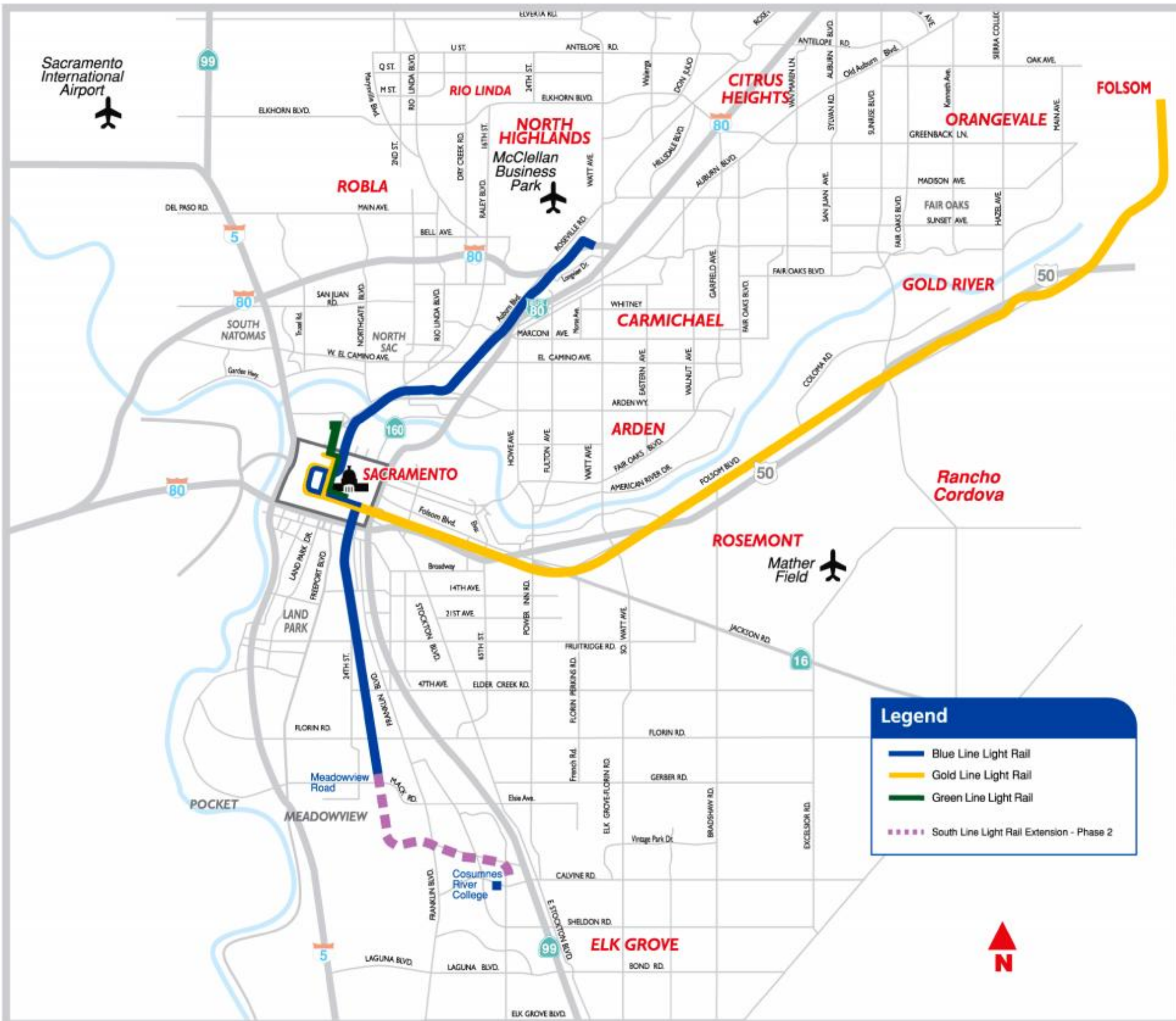
The Series 2012 Bonds are offered when, as and if issued and received by the Underwriter, subject to approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Certain matters will be passed upon for the District by its Chief Counsel, Bruce A. Behrens, and for the Underwriter by Stradling Yocca Carlson & Rauth, P.C., San Francisco, California. It is expected that the Series 2012 Bonds will be available for delivery in book-entry form through the facilities of DTC on or about ____________, 2012.

Citigroup

Dated: __________, 2012.

Sacramento Regional Transit District

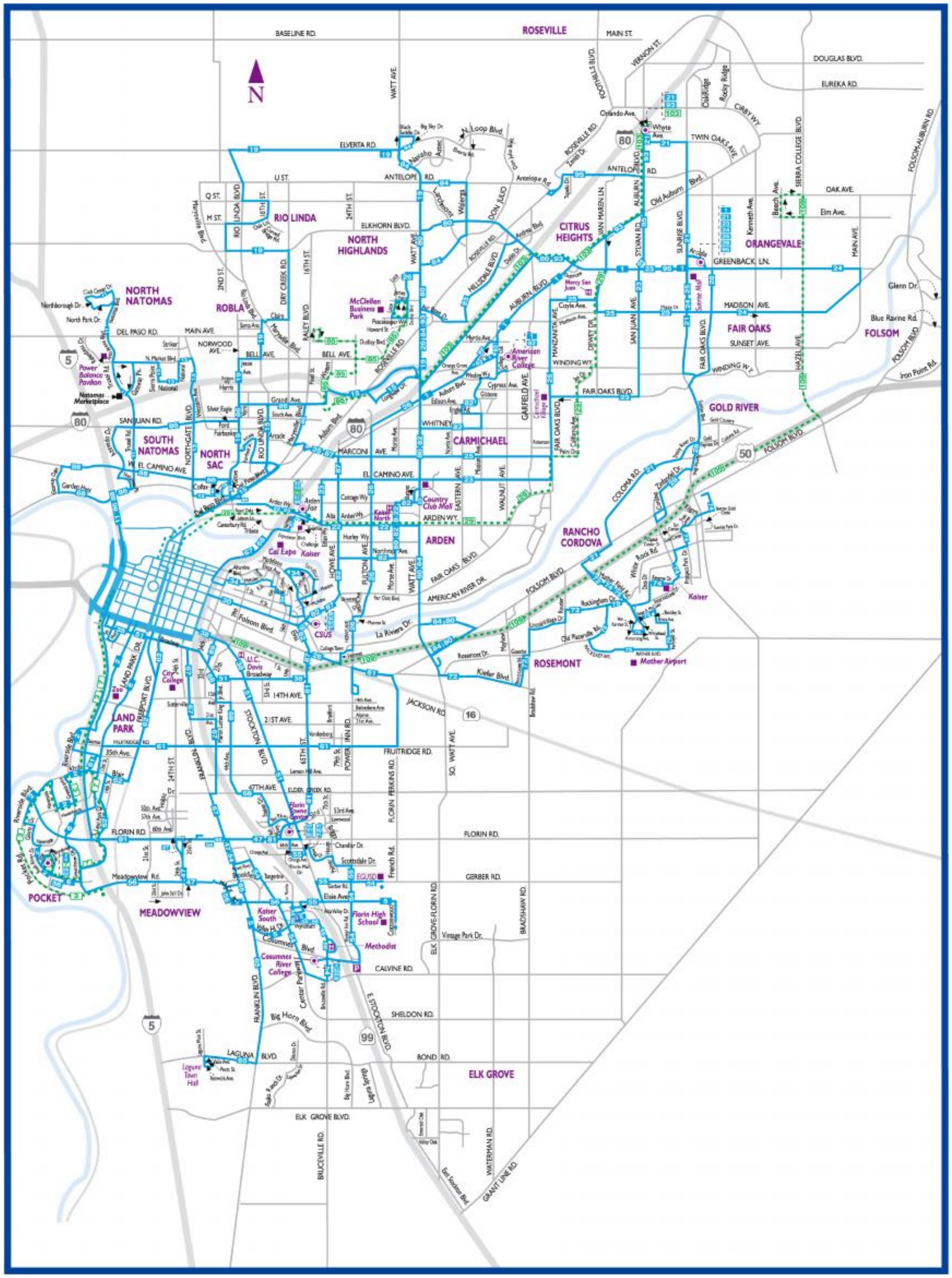
Light Rail Service Area Map



OHSUSA:751007429.7

Sacramento Regional Transit District

Bus Service Area Map



SACRAMENTO REGIONAL TRANSIT DISTRICT

BOARD OF DIRECTORS

Bonnie Pannell, Chair
Pat Hume, Vice-Chair
Linda Budge, Board Member
Steve Cohn, Board Member
Darrell Fong, Board Member
Roberta MacGlashan, Board Member
Steve Miller, Board Member
Andy Morin, Board Member
Don Nottoli, Board Member
Jay Schenirer, Board Member
Phil Serna, Board Member

EXECUTIVE MANAGEMENT

General Manager/CEO
Michael R. Wiley

Chief Financial Officer
Dee Brookshire

Chief Counsel
Bruce A. Behrens

FINANCIAL ADVISOR

Ross Financial
San Francisco, California

BOND AND DISCLOSURE COUNSEL

Orrick, Herrington & Sutcliffe LLP

TRUSTEE

U.S. Bank National Association
San Francisco, California

VERIFICATION AGENT

[Verification Agent]
[Location]

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This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any offer or solicitation or sale of the Series 2012 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized by the Sacramento Regional Transit District (the "District") or the underwriter identified on the cover page of this Official Statement (the "Underwriter") to give any information or to make any representation other than that contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized. Neither the delivery of this Official Statement nor the sale of any of the Series 2012 Bonds implies that the information herein is correct as of any time subsequent to the date hereof. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2012 Bonds. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. All summaries of statutes and documents are made subject to the full provisions of such statutes and documents, respectively, and do not purport to be complete statements of any or all of such provisions.

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

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

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when any of its expectations, or events, conditions or circumstances on which such statements are based occur, other than as described under the caption "Continuing Disclosure" herein.

The District maintains a website. However, the information presented on such website is not part of this Official Statement and must not be relied upon in making an investment decision with respect to the Series 2012 Bonds.

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

The Series 2012 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein, and have not been registered or qualified under the securities laws of any state.

In connection with this offering, the Underwriter may effect transactions that stabilize or maintain the market price of the Series 2012 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell such Series 2012 Bonds to certain dealers, dealer banks, banks acting as agent for certain purchasers, and institutional investors at prices lower than the public offering price stated on the cover page of this Official Statement, and said public offering price may be changed from time to time by the Underwriter.

OFFICIAL STATEMENT

$__________*
SACRAMENTO REGIONAL TRANSIT DISTRICT
FAREBOX REVENUE BONDS, SERIES 2012

INTRODUCTION

General

This Official Statement, including the cover page and appendices hereto, sets forth certain information in connection with the offering of the Sacramento Regional Transit District Farebox Revenue Bonds, Series 2012 (the "Series 2012 Bonds"). This introduction is not a summary of the Official Statement. It is only a brief description of, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described herein. A full review of the entire Official Statement should be made to make an informed investment decision. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in APPENDIX D –"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" or in the hereinafter defined Indenture.

Sacramento Regional Transit District

The Sacramento Regional Transit District (the "District") is a public corporation established pursuant to the Sacramento Regional Transit District Act, Part 14 of Division 10 (Sections 102000 et seq.) of the California Public Utilities Code (the "Act") to develop, maintain and operate a public mass transit transportation system for the benefit of residents of the Sacramento, California area. The District commenced operations in 1973 by providing bus service and expanded to provide light rail service in 1987. The District currently serves a population of 1.4 million within an area encompassing 418 square miles, which includes all of Sacramento County, the cities of Sacramento, Citrus Heights, Elk Grove, Rancho Cordova and Folsom and the communities of Arden-Arcade, Carmichael and Fair Oaks. The District's transit system includes approximately 65 bus routes (with 3,500 bus stops) and 38 miles of light rail (with 48 light rail stations, 26 bus and light rail transfer centers and 18 park-and-ride lots), with buses and light rail service provided 365 days a year serving a combined annual ridership exceeding 26 million for the fiscal year ended June 30, 2012. For more information about the District, see "THE DISTRICT" and "DISTRICT FINANCIAL INFORMATION."

Authorization for Issuance of the Series 2012 Bonds

The Series 2012 Bonds will be issued pursuant to the Act, Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code (Sections 54300 et seq.) as referenced in, and modified by, the Act, Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (Sections 53570 et seq.), and the Indenture, dated as of November 1, 2012, as supplemented by the First Supplemental Indenture, dated as of November 1, 2012 (as so supplemented and as it may hereinafter be further supplemented and amended from time to time in accordance with its terms, the "Indenture"), each between the District and U.S. Bank National Association, as trustee (the "Trustee").

* Preliminary, subject to change.

Purpose and Application of Proceeds of the Series 2012 Bonds

Proceeds of the Series 2012 Bonds will be used to: (i) finance a portion of the costs of an extension to the District's light rail system and related improvements and acquisition of certain buses and other vehicles; (ii) refund all of the outstanding Farebox Revenue Certificates of Participation, 2003 Series-C (Sacramento Regional Transit District Project); (iii) fund the Bond Reserve Fund in an amount equal to the Bond Reserve Requirement (as defined herein); and (iv) pay costs of issuance of the Series 2012 Bonds, [including the premium to be paid to [INSURER] (the "Series 2012 Bond Insurer") with respect to the financial guaranty insurance policy being delivered in connection with the Series 2012 Bonds]. See "PLAN OF FINANCE AND 2012 PROJECT" and "ESTIMATED SOURCES AND USES."

Security and Source of Payment for the Series 2012 Bonds

The Series 2012 Bonds are special obligations of the District secured solely by the Revenues pledged under the Indenture (as more fully defined herein, the "Revenues") consisting of certain fare revenues collected by the District in connection with the operation of all transit vehicles owned or leased by the District (as more fully defined and described herein, the "Farebox Revenues") and certain other moneys. The District's pledge of Farebox Revenues pursuant to the Indenture is a gross pledge of Farebox Revenues. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Pledge of Revenues," " – Allocation of Revenues," "DISTRICT FINANCIAL INFORMATION" and APPENDIX B – "SACRAMENTO REGIONAL TRANSIT DISTRICT COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010." The Series 2012 Bonds do not constitute a general obligation of the District or an obligation for which the District has pledged or levied any form of taxation. The faith and credit of the District is not pledged to the payment of the principal of and interest or premium on the Series 2012 Bonds.

The Series 2012 Bonds are secured solely by the Farebox Revenues and other moneys and assets pledged pursuant to the Indenture and not by any local, State or federal funds received by the District. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – No Pledge of Non-Farebox Revenues."

Bond Reserve Fund

Upon issuance of the Series 2012 Bonds, a bond reserve fund will be established with the Trustee (the "Bond Reserve Fund"). The Bond Reserve Fund will secure the payment of principal of and interest on the Series 2012 Bonds and any additional bonds issued under the Indenture that the District designates as Participating Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Bond Reserve Fund" and APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Establishment, Funding and Application of Bond Reserve Funds."

[Bond Insurance

Payment of principal of and interest on the Series 2012 Bonds as the same shall become due and payable will be secured by a financial guaranty insurance policy issued by the Series 2012 Bond Insurer. See "BOND INSURANCE" and APPENDIX H – "SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY."]

Additional Bonds and Other Parity Obligations

Pursuant to the Indenture, the District may issue additional bonds secured by a pledge of and lien on Revenues on a parity basis with the Series 2012 Bonds. The Series 2012 Bonds and such additional bonds are hereinafter collectively referred to as the "Bonds." Upon the issuance of the Series 2012 Bonds, the Series 2012 Bonds will be the only Series of Bonds Outstanding under the Indenture. Pursuant to the Indenture, the District may also issue other debt or incur other obligations secured by a pledge of and lien on Revenues on a parity basis with the Bonds (such debt and other obligations being hereinafter referred to as "Parity Obligations"). See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Additional Bonds, Parity Obligations and Subordinate Obligations."

Subordinate Obligations

Pursuant to the Indenture, the District may also issue debt or incur other obligations secured by a pledge of and lien on the Revenues on a basis junior and subordinate to the Bonds and Parity Obligations (such obligations being referred to as either "Subordinate Obligations" or "Fee and Expense Obligations"). See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Additional Bonds, Parity Obligations and Subordinate Obligations."

Continuing Disclosure

Pursuant to the Indenture, the District will covenant for the benefit of the Holders and Beneficial Owners of the Series 2012 Bonds to provide certain financial information and operating data relating to the District (each, an "Annual Report") by not later than 210 days following the end of the District's Fiscal Year (presently June 30), commencing with the Annual Report for the Fiscal Year ended June 30, 2012, and to provide notices of the occurrence of certain specified events. Each Annual Report and notice of specified events will be filed with the Electronic Municipal Market Access System ("EMMA") of the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of specified events is described in APPENDIX F – "FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made to assist Citigroup Global Markets Inc., as underwriter of the Series 2012 Bonds (the "Underwriter"), in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The District has never failed to comply in any material respect with any previous undertaking with respect to the Rule.

Other

Brief descriptions of the Series 2012 Bonds, the Indenture, the security and source of payment for the Series 2012 Bonds and the District are presented herein. Such references and descriptions do not purport to be comprehensive or definitive. All references herein to various documents are qualified in their entirety by reference to the full forms thereof, all of which are available at the offices of the District.

THE SERIES 2012 BONDS

General

The Series 2012 Bonds will be issued in fully registered form, without coupons, in denominations of $5,000 or any integral multiple thereof (each, an "Authorized Denomination"), will be dated their date of delivery, and will bear interest from such date at the rates set forth on the cover of this Official Statement, payable on March 1 and September 1 of each year, commencing March 1, 2013 (each, an "Interest Payment Date"). Interest with respect to the Series 2012 Bonds will be computed on the basis of a 360-day year, comprised of twelve 30-day months.

The Series 2012 Bonds will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC," and, together with any successor securities depository, the "Depository"). DTC will act as Depository for the Series 2012 Bonds. Individual purchases will be made in book-entry form. Purchasers will not receive a bond certificate representing their beneficial ownership interest in Series 2012 Bonds. So long as Cede & Co. is the registered owner of the Series 2012 Bonds, as nominee of DTC, references herein to Bondholders, Holders or Owners of the Series 2012 Bonds shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners of Series 2012 Bonds.

So long as Cede & Co. is the registered owner of the Series 2012 Bonds, principal of and interest on the Series 2012 Bonds will be payable by wire transfer of same day funds by the Trustee to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants for subsequent disbursement to Beneficial Owners of the Series 2012 Bonds. See APPENDIX E – "BOOK-ENTRY SYSTEM."

If the use of the book-entry system is discontinued, principal of the Series 2012 Bonds will be payable upon surrender thereof at the designated office of the Trustee. All interest payable on the Series 2012 Bonds will be paid by check mailed by first-class mail on each Interest Payment Date to the person in whose name each Series 2012 Bond is registered in the registration books maintained by the Trustee as of the close of business on the fifteenth (15th) day of the calendar month immediately preceding the Interest Payment Date (each, a "Record Date"), provided that registered owners of $1,000,000 or more in aggregate principal amount of Series 2012 Bonds may request payment by wire transfer to an account within the United States, such request to be submitted in writing and received by the Trustee on or before the applicable Record Date for such Interest Payment Date, in accordance with the provisions set forth in the Indenture.

Redemption Provisions

Optional Redemption. The Series 2012 Bonds maturing on March 1, 20__ [describe other maturities subject to this call feature] shall be subject to redemption prior to [their respective stated maturities,] at the option of the District, from any source of available funds, as a whole or in part on any date (and if in part, in such amount and such order of maturity as the District shall specify and within a maturity by lot), on or after March 1, 20__, at the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium.

The Series 2012 Bonds maturing on and after March 1, 20__ shall be subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part on any date (and if in part, in such amount and such order of maturity as the District shall specify and within a maturity by lot), on or after March 1, 20__, at the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium.

Mandatory Redemption. The Series 2012 Bonds maturing on March 1, ____, will also be subject to redemption in part, by lot, from Mandatory Sinking Account Payments required by the Indenture on each March 1 on or after March 1, ____, at the principal amount of the Series 2012 Bonds to be redeemed plus accrued interest, if any, to the redemption date. Such Mandatory Sinking Account Payments will be sufficient to redeem (or pay at maturity) the following principal amounts of such Series 2012 Bonds on the dates set forth below:

Sinking Account Payment Date (March 1)	Sinking Account Payment

* Final Maturity

Selection of Series 2012 Bonds for Redemption. While the Series 2012 Bonds are in book-entry form and so long as DTC acts as Depository for the Series 2012 Bonds, whenever provision is made for redemption of less than all of the Series 2012 Bonds of any maturity, applicable provisions for selection of Series 2012 Bonds to be redeemed under DTC's book-entry system shall apply. See APPENDIX E – "BOOK-ENTRY SYSTEM." If the use of the book-entry system is discontinued, whenever provision is made for redemption of less than all of the Series 2012 Bonds of any maturity, the Trustee shall select the Series 2012 Bonds of such maturity to be redeemed by lot in authorized denominations.

Notice of Redemption; Conditional Notice. The Trustee shall mail notice of redemption not less than 20 days nor more than 60 days prior to the redemption date to each registered owner of a Series 2012 Bond designated for redemption. The Trustee shall also give written notice of redemption to the Repository. Neither failure by the Trustee to mail such notice to the Repository, nor failure of any registered owner or Repository to receive such notice nor any defect therein shall affect the sufficiency of the proceedings for the redemption of any of the Series 2012 Bonds.

With respect to any notice of optional redemption of Series 2012 Bonds, unless, upon the giving of such notice, such Series 2012 Bonds are deemed to have been paid within the meaning of the provisions of the Indenture, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of and interest on, such Series 2012 Bonds to be redeemed, and that if such amounts are not so received said notice shall be of no force and effect and the District shall not be required to redeem such Series 2012 Bonds. The District may also instruct the Trustee to provide conditional notice of optional redemption, which may be conditioned on the occurrence of any other event if such notice states that if such event does not occur said notice shall be of no force and effect and the District shall not be required to redeem such Bonds. If such notice of optional redemption contains such a condition and such amounts are not so received or such event does not occur, the optional redemption shall not be made and the Trustee shall, within a reasonable time thereafter give notice to the Holders to the effect that such amounts were not so received or such event did not occur and such redemption was not made, such notice to be given by the Trustee in the manner in which the notice of redemption was given. Such failure to optionally redeem such Bonds shall not constitute an Event of Default pursuant to the Indenture.

Any notice given pursuant to the provisions of the Indenture described herein may be rescinded by written notice given to the Trustee by the District no later than 5 Business Days prior to the date specified for redemption. The Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, and to the same parties, as notice of such redemption was given.

For so long as the Series 2012 Bonds are in book-entry form, all notices of redemption and all other notices described under this caption, shall be delivered to DTC, as Depository. Neither the District nor the Trustee can or do give any assurance that any such notice will be distributed by DTC to Beneficial

Owners or that any such notice will be distributed on a timely basis. See APPENDIX E – “BOOK-ENTRY SYSTEM.”

Cessation of Interest. Interest on all Series 2012 Bonds for which notice of redemption has been given pursuant to the provisions of the Indenture and for which funds have been provided to the Trustee for the payment of the Redemption Price thereof shall cease to accrue on the redemption date. Such Series 2012 Bonds shall cease to be entitled to any lien, benefit or security under the Indenture on the redemption date and the registered owners of such Series 2012 Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price from the funds provided to the Trustee therefor.

PLAN OF FINANCE AND 2012 PROJECT

General

Proceeds of the Series 2012 Bonds will be used to: (i) finance a portion of the costs of an extension to the District’s light rail system and related improvements and acquisition of certain buses and other vehicles (as more fully described below in “2012 Project”); (ii) refund all of the outstanding Farebox Revenue Certificates of Participation, 2003 Series-C (Sacramento Regional Transit District Project) (the “2003 COPs”) (as more fully described below in “Refunding”); (iii) fund the Bond Reserve Fund in an amount equal to the Bond Reserve Requirement; and (iv) pay costs of issuance of the Series 2012 Bonds, [including the premium to be paid to the Series 2012 Bond Insurer with respect to the financial guaranty insurance policy being delivered in connection with the Series 2012 Bonds]. See “ESTIMATED SOURCES AND USES.”

2012 Project

The following projects are expected to be financed, in part, with the proceeds of the Series 2012 Bonds:

South Line Phase 2 Project. The South Line Phase 2 Project is the second phase of a two-phased 10.6-mile extension of the existing light rail line south to the City of Elk Grove. Phase I was completed in September 2003 at a cost of $222 million and extended light rail from downtown Sacramento 6.3 miles to Meadowview Road and added seven new stations. Since its completion, Phase I has added more than 11,000 daily passengers to the District’s light rail system.

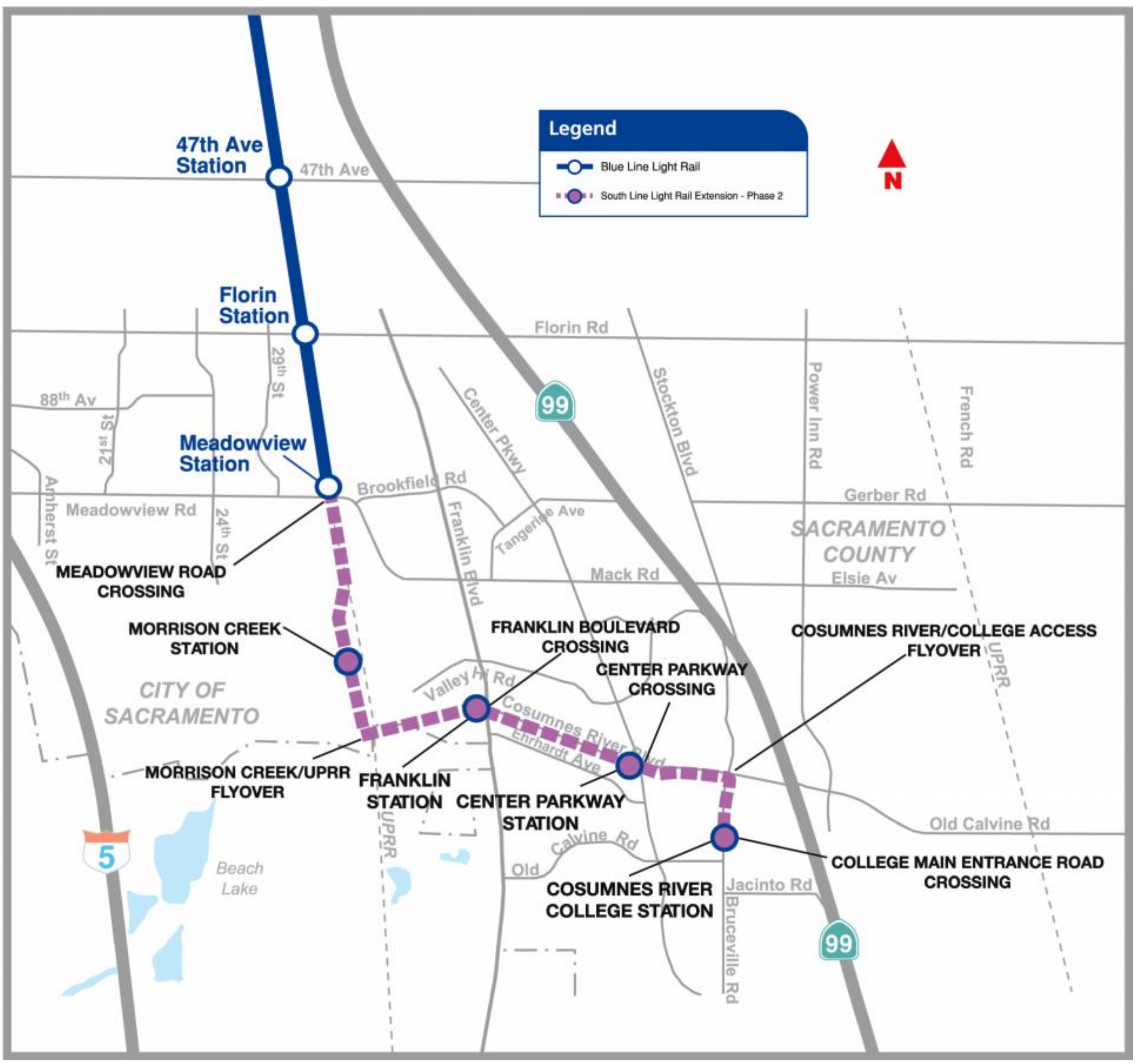
The total cost of the South Line Phase 2 Project is expected to be $270 million and is anticipated to be funded by a combination of federal, state and local grant amounts, in addition to the estimated $66 million of funds provided through the issuance of the Series 2012 Bonds, as described below. The South Line Phase 2 Project includes the following three components:

Light Rail Extension. The South Line Phase 2 Project will extend the District’s light rail system 4.3 miles from Phase I’s terminus at Meadowview Road to a terminus at Cosumnes River College, a California community college. Phase 2 involves the construction of four stations at Morrison Creek, Franklin Boulevard, Center Parkway and Cosumnes River College with all stations except Center Parkway incorporating park and ride lots. Depending on the timing of receipt of certain anticipated federal funding, the District anticipates that operations of the South Line Phase 2 Project will commence in September 2015.

Parking Structure. The South Line Phase 2 Project also involves the addition of a four-story, 2,000 space parking structure to be located at the east entrance of Cosumnes River College. The parking structure is being constructed by the Los Rios Community College District ("LRCCD") and is currently expected to be completed in the second quarter of 2013. The District has leased the parking structure from LRCCD for a term of 51 years (commencing on the later of the date that the District begins revenue operations of the South Line Phase 2 Project or the date that the District takes beneficial occupancy of the parking structure) with two options to extend for 5 years each. The District is prepaying its lease obligation for the 51-year term over the construction period in an amount that will approximate construction costs (approximately $31.5 million). LRCCD will be responsible for maintenance of the parking structure for the term of the lease.

Aerial Bridges. The South Line Phase 2 project will also involve two aerial bridges at different locations. The aerial bridges are expected to be completed by the second quarter of 2014.

Project Map. Set forth below is a service area map showing the planned extension of the District's light rail system with the South Line Phase 2 Project.



Sources of Funding. The total cost of the South Line Phase 2 Project is expected to be funded by a combination of the proceeds of the Series 2012 Bonds and federal, state and local grant amounts. The following table describes the expected sources of funding for the South Line Phase 2 Project:

Sources of Funding for the South Line Phase 2 Project

Funding Source		Amount ($ Millions)
Federal New Starts	$	135.000
Series 2012 Bonds		65.927
State Grants		37.583
Measure A Sales Taxes (Local)		25.270
Other Local Grants		6.220
Total	**$**	**270.000**

As shown in the table above, funding through the Federal Transit Administration ("FTA") New Starts program will pay for one half or $135 million of the approximately $270 million total project cost. Of this amount, $35.34 million is already awarded and the remaining $99.66 is expected to be awarded during the construction period after the District receives a "Full Funding Grant Agreement" ("FFGA") from FTA. The issuance of the Series 2012 Bonds by the District is a key requirement for obtaining the FFGA from the FTA. Assuming such issuance by November 2012, the remaining FTA funding may be awarded as early as December 2012. A delay in the FFGA will likely delay the construction of the project, which may increase the costs of the South Line Phase 2 Project.

There is no assurance that the District will be able to construct the South Line Phase 2 Project for the expected cost of $270 million. If the costs exceed the amount of funding, the District will be obligated to fund any costs overruns. The District plans to set aside approximately $21 million of the $270 million as construction contingency. For a discussion of certain factors that could cause actual costs to materially differ from the District's estimates, see "INVESTMENT CONSIDERATIONS – Completion of South Line Phase 2 Project."

Buses. A portion of the proceeds of the Series 2012 Bonds will be used to purchase approximately 16 buses. The total cost for the buses is expected to be $6,950,000, with $1,950,000 to be funded with the proceeds of the Series 2012 Bonds and $5,000,000 to be funded with a federal grant that was awarded to the District in June 2012.

Non-Revenue Vehicles. A portion of the proceeds of the Series 2012 Bonds will be used to purchase an array of vehicles and equipment including but not limited to trucks, compressors, backhoes bucket trucks, carts, dump trucks, forklifts, line trucks, generators, sweepers, platform trucks, police vehicles, tow trucks, and utility trucks, all of which the District characterizes as "non-revenue vehicles." The expected total cost for these non-revenue vehicles is expected to be $4.6 million with $2 million expected to be funded with the proceeds of the Series 2012 Bonds and the remaining amount expected to be funded with amounts granted by the State of California (the "State") from the proceeds of the State's Proposition 1B general obligation bonds.

Other Capital Projects. A portion of the proceeds of the Series 2012 in the amount of $13.5 million will be used for other capital projects to be determined by the District.

Refunding

In connection with the refunding and prepayment of the 2003 COPs, the District will enter into an Escrow Agreement, to be dated as of November 1, 2012 (the "Escrow Agreement"), with The Bank of New York Mellon Trust Company, N.A., as trustee for the 2003 COPs and escrow agent (the "Escrow Agent"), pursuant to which the Escrow Agent will establish an escrow fund (the "Escrow Fund") irrevocably pledged to provide for the payment of principal and interest evidenced and represented by all outstanding 2003 COPs at a prepayment date to be set forth in the Escrow Agreement, which prepayment date will be approximately 30 days following issuance of the Series 2012 Bonds. The amount deposited in the Escrow Fund, together with investment earnings thereon, will be verified to be sufficient to pay all principal and interest evidenced and represented by the 2003 COPs to the prepayment date. See "VERIFICATION OF MATHEMATICAL ACCURACY."

The Series 2012 Bond proceeds so transferred to the Escrow Agent for the purpose of refunding and prepaying the 2003 COPs will not be available to pay debt service on the Series 2012 Bonds or finance the 2012 Project. Upon establishment and funding of the Escrow Fund, the 2003 COPs will no longer be outstanding pursuant to the documents under which the 2003 COPs were executed and delivered.

ESTIMATED SOURCES AND USES

Estimated sources and uses of funds are set forth below:

Sources:	
Par Amount of Series 2012 Bonds	$
Net Original Issue [Premium/Discount]	
Release of Trustee-Held Funds from 2003 COPs	
Total	$
Uses:	
Deposit to Prepay 2003 COPs	$
Deposit to Series 2012 Project Fund	
Deposit to Bond Reserve Fund	
Costs of Issuance(1)	
Total	$

(1) Costs of Issuance include Underwriter's discount, the premium for [the financial guaranty insurance policy,] legal fees, financial advisor fees and expenses, rating agency fees, verification agent fees and other miscellaneous expenses. For a description of the Underwriter's discount, see "UNDERWRITING."

DEBT SERVICE REQUIREMENTS

The following table sets forth principal, mandatory sinking account and interest payments with respect to the Series 2012 Bonds.

Fiscal Year Ending June 30	Principal	Interest	Annual Debt Service*
2013			
2014			
2105			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
Total	$	$	$

* This table does not include debt service for other short-term indebtedness and capital leases of the District. See "THE DISTRICT – Existing Indebtedness, Internal Borrowings and Capital Lease Transactions."

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

Pledge of Revenues

The Bonds, including the Series 2012 Bonds, are special obligations of the District and are secured solely by a pledge of Revenues and amounts held by the Trustee in certain funds and accounts established under the Indenture (excluding amounts on deposit in any Letter of Credit Fund, any Purchase Fund and the Rebate Fund). "Revenues" means: (i) all Farebox Revenues; (ii) all investment earnings on amounts held by the Trustee in the funds and accounts established under the Indenture, excluding amounts deposited to the Rebate Fund, any Letter of Credit Fund and any Purchase Fund; (iii) all Swap Revenues; and (iv) all Subsidy Payments. "Farebox Revenues" means all fare revenues collected by the District in connection with its operation of all transit vehicles owned or leased by the District (excluding contract service revenues and fare revenues collected by Paratransit, Inc. on vehicles it leases from the District). The District has not issued or incurred, and, as of the date of issuance of the Series 2012 Bonds, does not expect to issue or incur, any Bonds or other obligations that might produce Swap Revenues or Subsidy Payments. The Indenture provides that the pledge of Revenues and other moneys and assets pursuant to the Indenture constitutes a lien on and security interest in the Revenues and such other moneys and assets.

The District's pledge of Farebox Revenues pursuant to the Indenture is a gross pledge of Farebox Revenues. As long as any Bonds are Outstanding or any Parity Obligations, Subordinate Obligations, Fee and Expense Obligations or any other amounts payable under the Indenture remain unpaid, the District covenants that, on or before the first Business Day of each month, the District will transfer to the Trustee an amount of Farebox Revenues required for the Trustee to make the transfers and deposits required to be made by the Trustee during such month pursuant to the provisions of the Indenture. Such deposits and the order of priority are described below under the caption "Allocation of Revenues." Notwithstanding the foregoing, the District is not required to make all or any portion of such required transfer of Farebox Revenues in any month to the extent it has, no later than the last Business Day of the immediately preceding month, transferred to the Trustee for deposit in the Revenue Fund amounts other than Farebox Revenues in lieu of such required transfer of Farebox Revenues (or portion thereof). The Trustee is directed to deposit all Farebox Revenues received by the Trustee from the District in the Revenue Fund established under the Indenture when and as received by the Trustee. The Trustee is also directed to deposit in the Revenue Fund all other amounts transferred to it by the District for deposit therein. All moneys at any time held in the Revenue Fund shall be held in trust for the benefit of the holders of the Bonds, Parity Obligations, Subordinate Obligations and Fee and Expense Obligations, as their interests may appear, and shall be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

The Series 2012 Bonds are special obligations of the District, secured as to both principal and interest, and any premium upon redemption thereof, solely from the Revenues pledged under the Indenture. The Series 2012 Bonds do not constitute a general obligation of the District or an obligation for which the District has pledged or levied any form of taxation. The faith and credit of the District is not pledged to the payment of the principal of and interest or premium on the Series 2012 Bonds.

No Pledge of Non-Farebox Revenues

As is common for most transit agencies, the District's annual operating expenses for providing transit services are substantially in excess of the annual Farebox Revenues it receives. As a result, the District relies heavily on local, State and federal funding (referred to herein as "Non-Farebox Revenues") to pay for operating expenses and capital improvements. ***The Series 2012 Bonds are secured solely by the Farebox Revenues and other moneys and assets pledged pursuant to the Indenture and not by any Non-Farebox Revenues.*** For information regarding the District's Farebox Revenues and Non-Farebox Revenues, see "DISTRICT FINANCIAL INFORMATION" and "INVESTMENT CONSIDERATIONS – Continued Service Dependent on Non-Farebox Revenues" and "—Sales Taxes."

Allocation of Revenues

So long as any Bonds are Outstanding, or Parity Obligations, Subordinate Obligations, Fee and Expense Obligations or other amounts payable under the Indenture remain unpaid, each month the Trustee will set aside moneys in the Revenue Fund in the following respective funds in the following amounts, in the following order of priority, the requirements of each such fund at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority; provided, that on a parity with such deposits the Trustee may set aside or transfer amounts with respect to outstanding Parity Obligations:

Interest Fund. The Trustee will set aside in the Interest Fund as soon as practicable each month an amount equal to: (a) one-sixth of the aggregate half-yearly amount of interest becoming due and payable on Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness) during the next ensuing six months, until the requisite half-yearly amount of interest on all such Outstanding Current Interest Bonds (except for Bonds constituting Variable Rate Indebtedness) is on deposit in such fund (unless an initial interest payment on a Series of Bonds is for other than a six-month period, then the amount for that Series shall be a monthly pro rata amount sufficient to pay the aggregate amount of interest due on said Interest Payment Date); plus (b) the aggregate amount of interest to accrue during that month on Outstanding Variable Rate Indebtedness, calculated, if the actual rate is not known, at the interest rate specified by the District, or if the District has not specified an interest rate, calculated at the maximum interest rate borne by such Variable Rate Indebtedness during the month prior to the month of deposit plus one hundred (100) basis points, in each case subject to such adjustments for actual interest due or credited from prior months as provided in the Indenture.

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

Bond Reserve Funds. Upon the occurrence of any deficiency in any Reserve Fund established under the Indenture, the Trustee shall make such deposit to such Reserve Fund the amounts required pursuant to the provisions of the Indenture. See "Bond Reserve Fund" below and APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Establishment, Funding and Application of Bond Reserve Funds."

Subordinate Obligations Fund. If the District issues or incurs Subordinate Obligations, after the transfers to the Interest Fund, the Principal Fund and any Reserve Funds, as described above, have been made, the Trustee shall deposit in the Subordinate Obligations Fund in each month such amount as the District shall specify in writing is necessary to make payments due and payable during the following month with respect to Subordinate Obligations then outstanding.

Fees and Expenses Fund. After the transfers to the Interest Fund, the Principal Fund and any Reserve Funds and, if applicable, the Subordinate Obligations Fund, as described above, have been made, the Trustee shall deposit in each month to the Fees and Expenses Fund amounts necessary for payment of Fee and Expense Obligations owing in such month or the following month by the District. The District shall provide the Trustee with invoices relating to such payments at the beginning of each month.

Transfer to District. Except as otherwise provided in a Supplemental Indenture, any Revenues remaining in the Revenue Fund after the transfers described above have been made shall be transferred to the District. The District may use and apply the Revenues when received by it for any lawful purpose of the District.

For a more complete discussion of the allocation of Revenues, see APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of Revenues."

Bond Reserve Fund

Upon the issuance of the Series 2012 Bonds, a Bond Reserve Fund will be established pursuant to the Indenture to secure the Series 2012 Bonds and all other Bonds designated to be secured by said Bond Reserve Fund by the District pursuant to a Supplemental Indenture. The Series 2012 Bonds, together with any other Bonds issued under the Indenture and so designated by the District ("Participating Bonds") will be secured by the Bond Reserve Fund. Upon issuance of the Series 2012 Bonds, a portion of the proceeds of the sale of the Series 2012 Bonds will be deposited into the Bond Reserve Fund so that the amount deposited in the Bond Reserve Fund will equal the initial Bond Reserve Requirement (as defined below). The Bond Reserve Fund must be maintained in an amount equal to the Bond Reserve Requirement. As of the date of issuance of the Series 2012 Bonds, the Bond Reserve Fund will be fully funded in the amount of $________. Any amounts on deposit in the Bond Reserve Fund in excess of the Bond Reserve Requirement shall be transferred to the District yearly on the Business Day following each March 1. The District may establish other bond reserve funds relating to a particular Series of Bonds that would only be available to secure that particular Series of Bonds as well as other Series of Bonds as determined by the District.

"Bond Reserve Requirement" means, as of any date of calculation, an amount equal to the least of: (i) 10% of the initial offering price to the public of the Participating Bonds determined as provided in the Code; (ii) the greatest amount of Debt Service for the Participating Bonds in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Participating Bond is due or (iii) 125% of the sum of the Debt Service for the Participating Bonds for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or, if appropriate, the first full Fiscal Year following the issuance of any Participating Bonds) and terminating with the last Fiscal Year in which any Debt Service for the Participating Bonds is due, divided by the number of such Fiscal Years, all as computed and determined by the District and specified in writing to the Trustee; provided, however that in determining Debt Service with respect to any Participating Bonds that constitute Variable Rate Indebtedness, the interest rate on such Participating Bonds for any period as to which such interest rate has not been established shall be assumed to be (x) the synthetic fixed interest rate specified in the Interest Rate Swap Agreement for the term of such Interest Rate Swap Agreement if an Interest Rate Swap Agreement is in place providing for a fixed rate of interest with respect to such Participating Bonds or (y) the average SIFMA Swap Index for the last five (5) years preceding the date of calculation certified by the Issuer within thirty (30) days of issuance; and provided, further, that with respect to the issuance of additional Participating Bonds, if the Bond Reserve Fund would have to be increased by an amount greater than 10% of the stated principal amount of such additional Participating Bonds (or, if the issue has more than a de minimis amount of original issue discount or premium, of the issue price of such Bonds), then the Bond Reserve Requirement shall be such lesser amount as is determined by a deposit of such 10%. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions."

In lieu of depositing cash to satisfy a portion or all of the Bond Reserve Requirement or in replacement of funds then on deposit in the Bond Reserve Fund (which will be transferred by the Trustee to the District), the District may obtain a letter of credit, insurance policy or surety bond, or any combination thereof (each a "Reserve Facility"), to satisfy a portion or all of such Bond Reserve Requirement. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Establishment, Funding and Application of Bond Reserve Funds."

The Trustee will draw on the Bond Reserve Fund to the extent necessary to fund any deficiency in the Interest Fund or the Principal Fund with respect to the Participating Bonds. Draws on any Reserve Facilities on which there is available coverage will be made on a pro rata basis after applying all available cash and investments in the Bond Reserve Fund. The District will repay, solely from Revenues, any draws under the Bond Reserve Fund, including any draws on Reserve Facilities. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Establishment, Funding and Application of Bond Reserve Funds."

Operating Covenants

Annual Budgets. The District will agree in the Indenture to adopt a budget for each Fiscal Year that is balanced in accordance with the laws of the State applicable to the District and that incorporates the payment of (i) all payments necessary, as determined by the District, to operate and maintain the Transit System during such Fiscal Year, (ii) all payments scheduled to become due in such Fiscal Year on Bonds, Parity Obligations, Subordinate Obligations and Fee and Expense Obligations and (iii) all payments with respect to any other obligation of the District scheduled to become due in such Fiscal Year.

Management of Transit System Operations. The District will also agree in the Indenture to manage the operations of the Transit System in a manner that produces Farebox Revenues in each Fiscal Year (including available fund balances held by the District or the Trustee) at least equal to the sum of, without duplication, (i) payments due on all Bonds and Parity Obligations in such Fiscal Year, (ii) payments due on all Subordinate Obligations in such Fiscal Year, (iii) payments due on all Fee and Expense Obligations in such Fiscal Year (excluding termination payments on any Interest Rate Swap Agreements), (iv) payments due with respect to any other obligation of the District in such Fiscal Year (but not including any such payments that have been paid from other sources not constituting Farebox Revenues) and (iv) all payments necessary, as determined by the District, to operate and maintain the Transit System in such Fiscal Year (but not including any such payments that have been paid from other sources not constituting Farebox Revenues). The covenant of the District described in this paragraph is referred to as the "Management of Operations Covenant."

If the District is unable to comply with the Management of Operations Covenant as of the end of any Fiscal Year, the District has agreed in the Indenture to review the operations of the Transit System and, within ninety (90) days of the end of such Fiscal Year, prepare a plan with reasonable measures to bring the District into compliance with the Management of Operations Covenant no later than the end of the second Fiscal Year following the end of the Fiscal Year that the District was not in compliance with the Management of Operations Covenant. The District has agreed in the Indenture to take any such plan into account for future budgets and management. Failure of the District to comply with the Management of Operations Covenant will not be considered an Event of Default under the Indenture unless and until the District has also failed to prepare a plan to bring the District into compliance with the Management of Operations Covenant as described above and all other conditions precedent to an Event of Default resulting from such non-compliance have occurred.

Additional Bonds, Parity Obligations and Subordinate Obligations

Additional Bonds. Subsequent to the issuance of the Series 2012 Bonds, the District may, by Supplemental Indenture, issue one or more additional Series of Bonds payable from the Revenues and secured by the pledge made pursuant to the Indenture equally and ratably with the Series 2012 Bonds, including Bonds issued to refund any Bonds then Outstanding (such Bonds being referred to as "Refunding Bonds"). Additional Series of Bonds may be issued upon compliance by the District with the provisions set forth in the Indenture and subject to certain specific conditions precedent set forth in the Indenture.

Conditions precedent to the issuance of an additional Series of Bonds, include, but are not limited to, the following:

(a) No Event of Default under the Indenture shall have occurred and then be continuing.

(b) The Supplemental Indenture providing for the issuance of such Series shall state whether the Bonds of such Series are Participating Bonds. If the Bonds of such Series are Participating Bonds, the Supplemental Indenture shall require a deposit of the amount, if any, necessary to increase the amount on deposit in the Bond Reserve Fund to an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds and all other Participating Bonds secured by such Bond Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds. If a Supplemental Indenture providing for the issuance of such Series requires either (i) the establishment of a Bond Series Reserve Fund to provide additional security for such Series of Bonds, or (ii) that the balance on deposit in an existing Bond Series Reserve Fund be increased, forthwith upon the receipt of the proceeds of the sale of such Series, to an amount at least equal to the Bond Reserve Requirement with respect to such Series of Bonds and all other Bonds secured by such Bond Series Reserve Fund to be considered Outstanding upon the issuance of such additional Series of Bonds, then the Supplemental Indenture providing for the issuance of such additional Series of Bonds shall require deposit of the amount necessary. Said deposit shall be made as provided in the Supplemental Indenture providing for the issuance of such additional Series of Bonds and may be made from the proceeds of the sale of such Series of Bonds or from other funds of the District or from both such sources or may be made in the form of a Reserve Facility. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Establishment, Funding and Application of Bond Reserve Funds."

(c) The aggregate principal amount of Bonds issued shall not exceed any limitation imposed by law or by any Supplemental Indenture.

(d) The District shall have delivered to the Trustee a Certificate of the District certifying either that (i) the Farebox Revenues for either the most recent Fiscal Year for which audited financial statements are available or for any other period of twelve (12) consecutive months (selected by the District) during the eighteen (18) months immediately preceding the date on which such additional Series of Bonds will become Outstanding, or (ii) the estimated Farebox Revenues for the Fiscal Year in which such additional Series of Bonds are to be issued, shall have been or will be, as applicable, at least equal to 4.0 times Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then outstanding and the additional Series of Bonds then proposed to be issued; provided, that the District may authorize and issue Refunding Bonds without compliance with the provisions of the Indenture described in this subparagraph (d) if the District has determined that Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding following the issuance of such Refunding Bonds is less than or equal to Maximum Annual Debt Service on all Bonds Outstanding and all Parity Obligations outstanding prior to the issuance of such Refunding Bonds.

Parity Obligations. In addition to additional Series of Bonds, the District may also issue or incur other obligations, including payments on Interest Rate Swap Agreements (but excluding termination payments on Interest Rate Swap Agreements which shall be secured as Fee and Expense Obligations), payable from the Revenues and secured by the pledge made pursuant to the Indenture equally and ratably with the Series 2012 Bonds provided that certain conditions precedent to the issuance or incurrence of such Parity Obligations, as set forth in the Indenture, are satisfied.

Conditions precedent to the issuance or incurrence of Parity Obligations include, but are not limited to, the following:

(a) No Event of Default shall have occurred and then be continuing.

(b) Such Parity Obligations are being issued or incurred either (i) for purposes of refunding in compliance with the requirements for the issuance of Refunding Bonds set forth in the Indenture or (ii) the District shall have delivered to the Trustee a Certificate of the District that the requirements of the Indenture described above in subparagraph (d) under the caption "Additional Bonds" relating to the issuance of an additional Series of Bonds have been satisfied with respect to such Parity Obligations.

Subordinate Obligations. Unless an Event of Default has occurred and is continuing, the District may issue or incur obligations payable out of Revenues and secured by the pledge made pursuant to the Indenture on a basis junior and subordinate to the payment of the principal, interest and reserve fund requirements for the Series 2012 Bonds, any additional Bonds and Parity Obligations, as the same become due and payable and at the times and in the manner as required by the Indenture or as required by the instrument pursuant to which such Subordinate Obligations were issued or incurred, as applicable.

Fee and Expense Obligations. The District may also issue or incur obligations payable out of Revenues and secured by the pledge made pursuant to the Indenture on a basis junior and subordinate to the payment of Subordinate Obligations.

See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Issuance of Additional Bonds and Other Obligations."

BOND INSURANCE

[TO COME FROM INSURER IF APPLICABLE]

THE DISTRICT

History

Commencing in 1943, the Sacramento City Lines was the primary private bus company in the City of Sacramento, California. In 1955, the City of Sacramento acquired the Sacramento City Lines and created the Sacramento Transit Authority (a public corporation) to operate the bus system. Although the outlying parts of the County of Sacramento and neighboring communities still were served by private transit companies, these areas were absorbed by the Sacramento Transit Authority in the 1960s, as it had become increasingly difficult to profitably serve the suburbs of the City.

In the late 1960s, the regional planning agency, then the Sacramento Regional Area Planning Commission, recommended that a regional transit district be formed to achieve a more comprehensive transit service for the region. In 1971, California legislation allocated sales tax money for local transit service statewide and created the organizational framework for the establishment of the District pursuant to the Sacramento Regional Transit District Act. The District commenced full bus service in 1973, with the acquisition of the Sacramento Transit Authority, the completion of a new maintenance facility and the delivery of 103 new buses. Over the next decade, the District continued to expand bus service to the growing Sacramento region while a cooperative effort emerged among city, county and state government officials to develop a light rail system.

In 1987, the District commenced light rail service, with the completion of an 18.3-mile light rail system linking downtown Sacramento with the northeastern (Interstate 80) and eastern (Highway 50) corridors. Since 1987, the District has completed the following extensions and expansions to its light rail system (the District's light rail system presently includes approximately 38 miles of light rail):

- In 1998, the District completed a 2.3 mile extension of the light rail system to Mather Field/Mills Station. The route from downtown Sacramento to Mather Field/Mills Station is known as the "Gold Line."

- In 2003, the District completed a 6.3 mile extension from downtown Sacramento to South Sacramento (Meadowview), referred to as South Line Phase I. The entire route from Watt Avenue and Interstate 80 to Meadowview is known as the "Blue Line." See "PLAN OF FINANCE AND 2012 PROJECT" regarding the use of a portion of the proceeds of the Series 2012 Bonds on an extension of the South Line.

- In 2004, the District completed a 2.8 mile extension of the Gold Line from Mather Field/Mills Station to Sunrise Boulevard.

- In 2005, the District completed the Gold Line by extending light rail service 7.3 miles from Sunrise Boulevard to the City of Folsom.

- In 2006, the District extended light rail .53 miles from downtown Sacramento to the Sacramento Amtrak station as part of its Gold Line Service.

- In 2012, the District completed phase one of its "Green Line," a 1.1 mile extension from downtown Sacramento to the River District on Richards Boulevard. See "Future Extensions of the Transit System" for information on future phases of the Green Line.

Transit System and Services

The District provides bus and rail service to an area encompassing 418 square miles which includes all of Sacramento County, the cities of Sacramento, Citrus Heights, Elk Grove, Rancho Cordova and Folsom and the communities of Arden-Arcade, Carmichael and Fair Oaks. See the map of the District's Service area on the inside cover page of this Official Statement. The current population of the District's service area is estimated to be 1.4 million.

The District operates approximately 65 bus routes and 38 miles of light rail. Buses and light rail run 365 days a year using 76 light rail vehicles and 196 buses (with 18 buses in reserve) powered by compressed natural gas and 27 shuttle vans (of which, 9 shuttle vans are in reserve). The District's facilities include 48 light rail stations, 26 bus and light rail transfer centers and 18 park-and-ride lots. The District also serves over 3,500 bus stops throughout Sacramento County.

Annual ridership increased on both the bus and light rail systems from 14 million passengers in 1987 to a peak ridership of over 35 million passengers in the fiscal year ended June 30, 2009. As with many public agencies across the region and throughout the State, calendar years 2010 and 2011 were extremely challenging years for the District. During 2010, the District was faced with significant reductions in sales tax revenues (one of the main sources of its Non-Farebox Revenues) which necessitated service reductions and layoffs. The declining economy contributed to a 5.7% decrease in total ridership in the fiscal year ended June 30, 2010 and a 20.9% decrease in the fiscal year ended June 30, 2011, following a 21% cut in service on June 30, 2010. During 2012, the District has dedicated itself to recovery measures, such as plans to restore service. For more information, see "DISTRICT FINANCIAL INFORMATION – Management's Discussion." Total ridership for the fiscal year ended June 30, 2012 was 26,338,465, an increase of 0.7%. Weekday light rail ridership averages approximately 47,000. Bus weekday ridership has reached an average of approximately 46,000 passengers per day.

The District's entire bus and light rail system is accessible to the disabled community. The District also provides a door-to-door transportation service (in accordance with its responsibilities under the Americans with Disabilities Act) for Sacramento area residents who are unable to use fixed-route service. The District provides this service through a contract with Paratransit, Inc.

Additionally, the District operates a fleet of smaller buses primarily assigned either to "Neighborhood Ride" branded circulator routes or to short-distance light rail shuttles operated by the District through service agreements.

For more information concerning Sacramento County, see APPENDIX C – "SELECTED INFORMATION REGARDING SACRAMENTO COUNTY."

Governance

The District is governed by its Board of Directors of eleven members who serve four-year terms. Four Directors are appointed by the Sacramento City Council and three Directors are appointed by the Sacramento County Board of Supervisors. The Rancho Cordova City Council, the Citrus Heights City Council, the Folsom City Council and the Elk Grove City Council each appoint one Director. The District's Board of Directors is responsible for establishing policy and providing direction to management and staff with respect to District operations.

The current members of the Board of Directors are set forth below.

Name	Appointed By	Term Expires (December 31)
Bonnie Pannell, Chair	Sacramento City Council	2014
Pat Hume, Vice-Chair	Elk Grove City Council	2012
Linda Budge	Rancho Cordova City Council	2015
Steve Cohn	Sacramento City Council	2012
Darrell Fong	Sacramento City Council	2015
Roberta MacGlashan	Sacramento County Board of Supervisors	2012
Steve Miller	Citrus Heights City Council	2012
Andy Morin	Folsom City Council	2012
Don Nottoli	Sacramento County Board of Supervisors	2015
Jay Schenirer	Sacramento City Council	2012
Phil Serna	Sacramento County Board of Supervisors	2014

Executive Staff

Certain key members of the District's executive staff include the following:

Michael R. Wiley, General Manager/CEO. Mr. Wiley is the General Manager/CEO of the District. Mr. Wiley began his career at the District as a service planner in 1978 and has been employed with the District for 34 years. Mr. Wiley has served as a member of the District's Executive Staff for the past 28 years and held the position of Deputy General Manager for two years prior to his appointment as General Manager/CEO in 2007. Mr. Wiley currently serves as Chair of the Board of Directors of the California Transit Finance Corporation, as an Executive Committee Member of the California Transit Association, and as a member of the Board of Directors of the Downtown Sacramento Partnership. Mr. Wiley earned a Bachelor of Arts degree in Social Science from California State University, Sacramento.

Bruce A. Behrens, Chief Counsel. Mr. Behrens has served as the District's Chief Counsel since 2008. Mr. Behrens joined the District after serving as Chief Counsel for the California Department of Transportation (Caltrans) from 2000 to 2008, where he managed Caltrans' 150-attorney Legal Division. He joined the Caltrans Legal Division in 1973, where he represented Caltrans as staff counsel in a broad variety of environmental, project delivery, real property, and contract litigation in state and federal court. Prior to being appointed Chief Counsel, he served in the Caltrans legislative affairs office from 1995 to 2000 and acted as Caltrans Chief Deputy Director during 2004. Mr. Behrens received his undergraduate degree from UC Santa Cruz, his law degree from UC Davis School of Law, and completed graduate work in UC Berkeley's Department of City and Regional Planning.

Mark Lonergan, Chief Operating Officer. Mr. Lonergan has served as the District's Chief Operating Officer since 2006. Mr. Lonergan has been with the District for over 34 years and has worked in the planning, transportation and facilities departments. He previously served as Deputy Chief Operating Officer for eight years. As the former Director of Light Rail, he was instrumental in the start-up of the South Line, as well as the Sunrise and Folsom light rail extensions. Mr. Lonergan holds a Bachelor of Science from the University of California, Davis and a Master of Public Administration from California State University, Sacramento.

Dan W. Bailey, Chief Administrative Officer. Mr. Bailey has served as the District's Chief Administrative Officer since 2008. He has been employed with the District for close to 30 years, the first four years as a Human Resources Manager and 21 years as the Manager of Employee Relations. Mr. Bailey is a native of West Virginia, where he attended Fairmont State College; served four years in the U.S. Air Force during the Vietnam era; and worked for seven years in labor relations representing Pacific Northwest Forest Products industry employers prior to working for the District. He holds a Bachelor of Arts in Economics with a minor in Business from California State University, Sacramento, and has served on the Board of Directors for the Transit Labor Exchange (an international association of transit labor relations professionals from the U.S. and Canada) since 2005.

Dee Brookshire, Chief Financial Officer. Ms. Brookshire has served as the District's Chief Financial Officer since 2007. Ms. Brookshire has more than 30 years of experience in public agency and private sector finance at the senior and executive level. Prior to joining the District, Ms. Brookshire held positions as the Director of Finance for the City of Antioch; Director of Finance and Management Services-Treasurer for El Dorado Irrigation District, in El Dorado County; Controller-Treasurer for Tahoe City Public Utilities District; and CFO for Gamet Technologies, Inc., in Reno, Nevada. She also managed her own public agency consulting business in Northern California. Ms. Brookshire holds a Bachelors Degree in Finance and Economics from California State University Sacramento; a Masters Degree in Business Administration from the University of Nevada Reno, as well as the professional certification of Certified Government Financial Manager (CGFM) from the Association of Government Accountants (AGA). Ms. Brookshire was recently honored as a CFO of the Year at the Sacramento Business Journal's 5th Annual Awards reception.

Alane Masui, Assistant General Manager of Marketing and Public Communications. Ms. Masui has served as the District's Assistant General Manager of Marketing and Communications since 2007. Throughout her 20-year career in transit, Ms. Masui has held various professional and managerial positions in marketing and customer service. Prior to joining the District in 1999, she served as the

Marketing and Commuter Services Manager for the San Joaquin Regional Transit District. Ms. Masui earned a Bachelor of Arts in Communication Studies with a minor in Journalism from California State University, Sacramento. She serves on various boards and committees supporting business, community, transportation and women's organizations.

Mike Mattos, Chief of Facilities and Business Support Services. Mr. Mattos has served as the District's Chief of Facilities and Business Support Services since 2003. During Mr. Mattos' 36-year career, he has worked as a mechanical and industrial engineer, safety and environmental department head, production manager and plant manager in the aerospace and mining industries. While employed with the United States Department of Defense, Mr. Mattos' brought laser ultrasonics from the lab into production (in partnership with MIT, Wright Labs, Ultra-optics and The Canada Government Sponsorship), operated inspection reactors (neutron radiography), managed major construction projects, automated warehouses and managed a work force of 450 employees. Mr. Mattos' attended college on the GI Bill after serving two tours to Vietnam. He holds a Bachelor of Science in Mechanical Engineering from California State University, Sacramento.

Diane Nakano, Assistant General Manager of Engineering and Construction Services. Ms. Nakano has served as the District's Assistant General Manager of Engineering and Construction since 2006. Ms. Nakano has over 20 years of public agency work experience at the District and the City of Citrus Heights. As the City Engineer for Citrus Heights, she was responsible for overseeing engineering development services, transportation capital projects and maintenance programs, and other public works projects. In her previous employment with the District, Ms. Nakano worked in the civil and track design department managing the design of several light rail and bus facility improvement projects. Ms. Nakano graduated from the University of California, Davis, with a Bachelor of Science in Civil Engineering and holds a Professional Engineer's license as a Civil Engineer.

RoseMary Covington, Assistant General Manager of Planning and Transit System Development. Ms. Covington has served as the District's Assistant General Manager of Planning and Transit System Development since 2007. Ms. Covington has acquired more than 30 years of experience in transit system management through her work in both the public and private sector. Most recently, she was the Mass Transit Administrator for the District of Columbia. She has also served on a number of committees and projects focused on transportation policy development for organizations including the Federal Transit Administration, the Transportation Cooperative Research Program and the American Public Transportation Association. Ms. Covington completed undergraduate studies at Washington University, St. Louis, Missouri. Additional higher education studies include: Graduate Studies at Webster College, in St. Louis, Missouri, and educational seminars at Massachusetts Institute of Technology and Northeastern University.

Employees

As of June 30, 2012, the District had 901 full-time equivalent employees, approximately 91% of which are subject to labor agreements. An additional group of exempt management and confidential administrative support employees and executives are not subject to a labor agreement. As of June 30, 2012, there were 80 such employees; this group of unrepresented employees is referred to herein as the Management and Confidential Employees Group or "MCEG."

Prior to June 20, 2010, the District had approximately 1,085 employees. Due to a declining economy and a downward adjustment to the District's sales tax based revenue receipts, the District took the unprecedented step of officially declaring a State of Fiscal Emergency on March 22, 2010 and a number of emergency actions were immediately undertaken to mitigate the effect of the significant decline in revenues. These actions included implementing bus and light rail service reductions totaling nearly 21% effective June 20, 2010 and approximately 172 employee layoffs or early retirements.

The following table describes the number of employee members of each labor group or union, the type of employees and the expiration date of the labor agreement.

Name of Labor Group or Union	Number of Employees as of June 30, 2012	Type of Employees	Expiration Date of Labor Agreement
Amalgamated Transit Union, Local 256 ("ATU")	474	Bus/rail operators, some clerical employees, and Transit Officers	February 28, 2013
International Brotherhood of Electrical Workers, Local 1245 ("IBEW")	190	Bus, rail, and facilities maintenance employees	March 31, 2013
Administrative Employees' Association ("AEA")	37	Administrative support and analysts	June 30, 2013
American Federation of State, County and Municipal Employees ("AFSCME")	80	Bus and Rail Maintenance and Transportation Supervisors	December 31, 2013
	42	Administrative Support and Technical Employees	June 30, 2013

Within the last 30 years, there has not been a work stoppage involving any labor unions. The District has had a long and stable relationship with its unions, which the District believes to be mutually beneficial, respectful, and harmonious.

Major Initiatives

TransitAction Plan. The TransitAction Plan, adopted by the Board of Directors of the District in May 2012, presents the District's vision for the next 25 years. Since the District's last Transit Master Plan was produced in 1993, the Sacramento region has experienced significant population growth with an expanding low-density land use form. With population and employment locations becoming increasingly dispersed, it has become more difficult for the District to provide affordable, effective transit service.

In response to the continued low-density land use and large forecast increases in population, employment and households as well as an aging population in the Sacramento region over the next 30-50 years, the Sacramento Area Council of Governments ("SACOG") has produced a land use Blueprint for the future of the region. The Blueprint is based on "smart growth" principles with a focus on high-quality, higher-density, mixed-use neighborhoods that are designed with a greater emphasis on walking, cycling and transit use. These livable communities will be designed with "complete streets" to create less reliance on private automobiles.

Although the economy of the service area of the District is in a slow-growth period, the Blueprint projects gas prices to increase over the long term and congestion to worsen with population growth. Although the District already provides an essential service to the region, the Blueprint seeks a comprehensive change in the quality, coverage and frequency of transit, with the goal of making it a cleaner and more convenient, reliable, efficient and affordable mode of transportation.

While the District has extensive plans for future expansion and improvement of light rail and bus services, it faces significant capital replacement and infrastructure maintenance needs for its existing bus and light rail systems. To ensure the availability of financial resources to maintain existing levels of service while funding the operating and capital costs associated with the proposed expansion and service improvements, the 25-year Blueprint balances high-priority needs with potential funding. There are three major sources of funding:

Locally controlled federal and state funding sources (funding given to local governments and agencies to spend on their priority projects)

Federal discretionary funding sources (designated by the federal government for a specific project)

Locally-raised money (such as from county sales taxes, downtown parking revenues, transient occupancy taxes, vehicle license fees, and development fees)

Local funding has been affected by the slowdown in housing construction, and a reduction in consumer and governmental spending. Most of the federal and state revenues that the District receives are generated by the federal grant funds and the state transportation account, rather than general funds.

Major extensions included in the TransitAction plan outside of the District's current service area, such as a northern extension of the Blue Line into Roseville, or an eastern extension of the Gold Line into El Dorado County, will only occur if funding from such counties is made available.

Proposed Measure B Sales Tax Initiative. The District is in the early stages of discussions with regional partners about the feasibility of an additional voter-approved, half cent countywide sales tax to generate additional resources for general transportation purposes. Any such sales tax proposal is not expected to come before County voters before 2014. Depending upon how Measure B is structured, this source could provide the District with significant new revenue for operations and maintenance as well as capital projects. **There are no assurances that any such sales tax proposal will be pursued, or if pursued, whether it would be successful.**

TransitRenewal. The District is in the process of implementing "TransitRenewal," a comprehensive operational analysis of the District's entire bus and light rail system that has produced recommendations for transit service improvements over the next five years. The analysis involved an in-depth transit service analysis, the development of service standards and extensive community input. TransitRenewal provides recommendations to restore, restructure and improve transit service from 2013 through 2017 to benefit current riders and attract new riders. The goal is to restore the equivalent of the 21% of service that was cut in June 2010. Starting in the current fiscal year ending June 30, 2013, with the addition of 8% in service improvements, the District will annually consider service additions based on the availability of sustainable funding during each of the next five years or until service is restored to at least June 2010 levels

Bus Maintenance Facility II. The District is developing a second bus maintenance facility ("BMF2") in unincorporated Sacramento County. The District's existing bus maintenance facility site located at 29th and N Street in midtown Sacramento is presently over utilized and approaching its maximum design capacity in terms of bus storage, maintenance areas, operator support and welfare areas and training facilities. Recognizing this, the District seized an opportunity to locate BMF2 on the former McClellan Air Force Base by entering into a prepaid lease arrangement in January 2007, which will result in the District obtaining fee title to the BMF2 property upon completion of certain environmental remediation activities. The District has been developing the site as grant funding become available. The

BMF2 is expected to eliminate overcrowding and the risk of single point failure for CNG fueling and will provide a fueling station for other public operators with CNG fleets. The McClellan site offers desirable amenities in terms of location, cost, and the ability to reuse exiting buildings as a bus maintenance facility and to relocate a regional emergency control center to the site. The District relocated its community bus services fleet and operation to the site in 2005. The fueling station is expected to be in operation by October 2012. Approximately $12 million is needed to complete all phases of BMF2.

Connect Card (Smart Card). The District, with SACOG and seven other transit properties, has embarked on a smart card-based regional transit fare payment program that will serve customers in the Sacramento region. Included in the list of services to be offered by this program is the ability for the customer to pay for fare products online using credit or debit cards. With the implementation of the program, the District's goals are to provide improved customer convenience, fare enforcement, real time revenue settlement, revenue security, accurate ridership information (for those using the card) and improved service quality. Although the agencies have made much headway on this project, the project is still in the initial stages of implementation, with a final anticipated completion date of May 2014.

Future Capital Improvements and Extensions of the Transit System

Five Year Capital Improvement Plan. The District maintains a Capital Improvement Plan (CIP) that is updated and approved annually by the District's Board. The CIP represents the culmination of the District's efforts to strategically plan and prioritize capital activities within a five-year window. The CIP also provides information on proposed projects beyond the five-year window to 2042. The estimated total cost of all projects in the CIP in year-of-expenditure dollars is $7.7 billion.

Green Line to the Airport. The District is in the early stages of planning for an additional proposed 11.2-mile extension of the Green Line from the Sacramento River District (the current terminus of the first phase of the Green Line) to the Sacramento International Airport. The project is expected to connect downtown Sacramento, major developments at the Rail yards, River District and Intermodal facility to the Natomas neighborhoods, the Airport Business Park and the Sacramento International Airport. This project is currently unfunded beyond the initial planning and environmental review phase. The District is beginning the environmental review of the project that will be necessary for the District to apply to the FTA for New Starts funding for this project. If the project proceeds as currently contemplated, the District estimates that this light rail extension project will begin revenue operation in 2030 at a cost of $1.2 billion in year-of-expenditure dollars. The District has no plans to issue additional bonds for this project and expects that required local match funding will come from external sources in order to proceed.

DISTRICT FINANCIAL INFORMATION

Overview of District Revenues

The District's revenues consist of (i) operating revenues consisting of Farebox Revenues and (ii) non-operating revenues from local, State and federal sources (the non-operating revenues are referred to herein as "Non-Farebox Revenues"). The sources and amounts of Non-Farebox Revenues change from time to time. See "INVESTMENT CONSIDERATIONS."

Currently, the main sources of Non-Farebox Revenues that are available for the payment of the District's operating expenses are: Measure A sales taxes, Local Transportation Funds, State Transit Assistance Program funds and federal grants. See "Non-Farebox Revenue Sources" below.

The Series 2012 Bonds are secured solely by the Farebox Revenues and other moneys and assets pledged pursuant to the Indenture and not by any Non-Farebox Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." The District's Farebox Revenues and certain of the District's Non-Farebox Revenues are described below.

Farebox Revenues

Ridership and Fares. The amount of Farebox Revenues collected by the District is dependent upon the ridership levels and the amount of fares charged for such passengers. The District presently charges its passengers a single ride base fare of $2.50 and a single ride discounted fare of $1.25 for travel on its buses and light rail. Along with single ride fares, the District provides other options for those riders using the system multiple times during the day or month. Fare options include $6.00 for the standard daily pass, $50.00 for a standard semi monthly pass, and $100.00 for a monthly pass. For riders that meet the discounted ridership criteria, passes are offered at a 50% discount off the standard prices stated above. The District also offers bulk purchases of its base and discounted tickets and passes through the various retail outlets, government agencies, and its Customer Service Sales Center located in downtown Sacramento. These bulk purchases allow the rider the convenience of purchasing a booklet of 10 tickets/daily passes at one time.

Historical ridership and Farebox Revenues are shown in the table below. Due in large part to the service reductions undertaken by the District in 2010 (see "Management's Discussion"), total ridership declined 5.7% in the fiscal year ended June 30, 2010 and 20.9% in the fiscal year ended June 30, 2011. Ridership increased slightly, approximately 0.7%, in the fiscal year ended June 30, 2012.

Ridership and Farebox Revenues
Fiscal Years 2002-03 through 2011-12
(in Thousands)

Fiscal Year	Total Bus Passengers	Total Light Rail Passengers	Total Ridership	Total Farebox Revenues
2002-03	19,756	8,859	28,615	$21,745
2003-04	19,447	11,022	30,469	22,004
2004-05	18,929	12,009	30,938	21,101
2005-06	16,778	14,452	31,230	25,072
2006-07	17,461	14,490	31,951	27,101
2007-08	17,466	15,485	32,951	29,866
2008-09	17,735	17,315	35,050	32,571
2009-10	17,579	15,481	33,060	30,864
2010-11	13,617	12,544	26,161	28,967
2011-12	13,146	13,192	26,338	28,964

Source: District's Audited Financial Reports from Fiscal Year 2003 through Fiscal Year 2011; the data for Fiscal Year 2012 is based on management estimates and is subject to post year-end adjustments.

The District raised rates three times over a four year period from 2006 to 2009, last raising the single ride base and discounted fares on September 1, 2009. The District expects fare revenues to increase over time, in an amount equating to an approximately twenty percent (20%) increase in the average fare every five years. See discussion below relating to the Smart Card. Potential fare increases are carefully considered by the District. When the District raised the single ride base fare to $2.50 in 2009, it was one of the first transit agencies in the nation to do so. In 2012, three years later, only a few other transit agencies have followed and matched the District's single ride base fare and it remains one of the highest single ride base fares charged. When the District increased the monthly pass from $85 to $100, also in 2009, patrons migrated in significant numbers from purchasing the monthly pass to other, less costly forms of fare media such as books of single ride tickets and daily passes. This migration was attributed in part to the fare increase but also to the declining economy and layoffs of State workers who traditionally comprise one of the highest transit user demographics, regionally. The District's monthly pass is the regional pass and the only one that is accepted almost universally by other transit agencies in the local six county region.

The following table shows the increases in fares from 2002 to 2009.

Rate Increase History 2002-2009

FARES	Price Effective 1/1/2002	% Incr	Price Effective 9/1/2005	% Incr	Price Effective 9/1/2006	% Incr	Price Effective 9/1/2007	% Incr	Price Effective 1/1/2009	% Incr	Price Effective 9/1/2009
Basic Fare	$1.50	17%	$1.75	14%	$2.00	0%	$2.00	13%	$2.25	11%	$2.50
Discount Fare	$0.75	13%	$0.85	18%	$1.00	0%	$1.00	10%	$1.10	14%	$1.25
Basic Daily Pass	$3.50	29%	$4.50	11%	$5.00	0%	$5.00	20%	$6.00	0%	$6.00
Discount Daily Pass	$1.75	29%	$2.25	11%	$2.50	0%	$2.50	20%	$3.00	0%	$3.00
Basic Monthly Pass	$60.00	33%	$80.00	6%	$85.00	0%	$85.00	18%	$100.00	0%	$100.00
Basic Semi-Monthly Pass	NA	NA	$40.00	6%	$42.50	0%	$42.50	18%	$50.00	0%	$50.00
Sr. Disabled Sticker	$30.00	33%	$40.00	6%	$42.50	0%	$42.50	18%	$50.00	0%	$50.00
Sr. Disabled Semi-Monthly Sticker	NA	NA	$20.00	6%	$21.25	0%	$21.25	18%	$25.00	0%	$25.00
Student Sticker	$15.00	60%	$24.00	42%	$34.00	25%	$42.50	18%	$50.00	0%	$50.00
Student Semi-Monthly Sticker	$7.50	60%	$12.00	42%	$17.00	25%	$21.25	18%	$25.00	0%	$25.00

While the District is committed to increasing fares over time, the next fare structure change will likely occur in conjunction with the full implementation of the regional Smart Card. See "THE DISTRICT – Major Initiatives" for more information about the Smart Card. The Smart Card will enable distance based fares which, while not necessarily increasing the basic single fare within a specific core area, will increase fare revenues by charging more for rides outside of the core area.

Farebox Recovery Ratio. Farebox recovery ratios are derived from measuring the relationship of farebox revenues to operating expenditures, less depreciation expenses. The District is required to maintain a fare revenue-to-operating expense ratio of 25.5% in order to maintain eligibility for funding under the California Transportation Development Act of 1971, as amended (the "TDA"). To demonstrate compliance with this Farebox Recovery Ratio, the District has supplemented, per California Public Utilities Code Section 99268.19, a portion of Measure A sales taxes (described below under "Non-Farebox Revenue Sources – Local Sources of Non-Farebox Revenues"). The table below shows historical Farebox Revenues (together with local fund supplementation), operating expenses and farebox recovery ratios.

Farebox Recovery Ratios
Fiscal Years 2007-08 through 2011-12
(in Thousands)

Fiscal Year	Farebox Revenues	Local Fund Supplementation	Total Operating Expenses[(1)]	Farebox Recovery Ratio
2007-08	$29,866	$8,659	$151,079	25.5%
2008-09	32,571	3,963	143,271	25.5
2009-10	30,864	3,663	135,400	25.5
2010-11	28,967	2,030	121,557	25.5
2011-12	28,964	3,170	126,019	25.5

(1) Operating expenses are shown without depreciation.
Source: District's Audited Financial Reports from Fiscal Year 2008 through Fiscal Year 2011; the data for Fiscal Year 2012 is based on management estimates and is subject to post year-end adjustments.

Effective January 1, 2013, the TDA will be amended to require that the District maintain a Farebox Recovery Ratio of no less than 23% (subject to the same ability to supplement with local funds as described above). In addition, the Sacramento Area Council of Governments ("SACOG") will be authorized to evaluate compliance with the TDA's farebox recovery ratio requirements by aggregating the farebox revenues for some or all of Sacramento County transit operators (the District, Elk Grove Transit, Folsom Transit, South County Transit (Galt), and Sacramento County transit services). Essentially, the District's revenue base will be available to assist the three smaller transit operators to remain eligible for TDA funding.

Historical and Pro Forma Debt Service Coverage. The following table sets forth the historical annual debt service coverage from Farebox Revenues for the 2003 COPs for the fiscal years ended June 30, 2008, 2009, 2010, 2011 and 2012.

Historical Debt Service Coverage
(in thousands)

	Fiscal Year Ended June 30,				
	2008	2009	2010	2011	2012[(1)]
Farebox Revenues	$29,866	$32,571	$30,864	$28,967	$28,964
Annual Debt Service on 2003 COPs					
Annual Debt Service Coverage					

(1) Unaudited, subject to post year-end adjustments.
Sources: The District and the Underwriter.

The following table presents the pro forma debt service coverage from Farebox Revenues for the Series 2012 Bonds assuming (i) no increase in Farebox Revenues from the amount of Farebox Revenues collected by the District in the Fiscal Year ended June 30, 2012 and (ii) Maximum Annual Debt Service on the Series 2012 Bonds as shown above under the caption "DEBT SERVICE REQUIREMENTS."

Pro Forma Debt Service Coverage
(in thousands)

Farebox Revenues	$28,964[1]
Maximum Annual Debt Service on the Series 2012 Bonds	
Pro Forma Debt Service Coverage	

(1) Unaudited, subject to post year-end adjustments.
Sources: The District and the Underwriter.

Non-Farebox Revenue Sources

The Series 2012 Bonds are secured solely by the Farebox Revenues and other moneys and assets pledged pursuant to the Indenture and not by any Non-Farebox Revenues.

General. As is common with transit agencies, the District relies heavily on a variety of Non-Farebox Revenues to fund its operating expenses and capital improvements. Set forth below is a description of the main sources of Non-Farebox Revenues. The sources and amounts of Non-Farebox Revenues change from time to time. See "INVESTMENT CONSIDERATIONS."

The following table sets forth the amounts of Non-Farebox Revenues received by the District for the Fiscal Years ended June 30, 2008 through June 30, 2012 that were eligible to be expended on operating expenses. Both the Measure A Sales Taxes and the LTF Revenues are based on sales taxes collected within Sacramento County.

Historical Major Sources of Non-Farebox Revenues for Operating Expenses
Fiscal Years 2007-08 Through 2011-12

Fiscal Year	Measure A Sales Taxes[1]	LTF Revenues[2]	STA Funds[3]	Federal Grants[4]
2007-08	$44,945,670	$32,568,348	$7,043,727	$22,804,156
2008-09	34,872,181	33,056,759	2,796,057	30,787,544
2009-10	27,678,086	24,698,724	5,757,829	34,551,703
2010-11	28,942,154	27,382,646	1,784,366	27,373,904
2011-12	30,885,085	33,554,746	4,692,026	28,669,766

(1) See "Local Sources of Non-Farebox Revenues" for more information regarding the Measure A Sales Taxes.
(2) See "State Sources of Non-Farebox Revenues" for more information on the LTF Revenues.
(3) See "State Sources of Non-Farebox Revenues" for more information on the STA Funds.
(4) See "Federal Sources of Non-Farebox Revenues" for more information on federal grants.
Source: The District.

Local Sources of Non-Farebox Revenues. Historically, the largest source of Non-Farebox Revenues has been a local source, the Measure A Sales Taxes.

Measure A Sales Taxes. In November of 2004, more than 75% of the voters in Sacramento County voting on such ballot measure approved Measure A ("Measure A"), implementing a 30-year half-cent sales tax (the "Measure A Sales Tax"), effective on April 1, 2009 and expiring on March 31, 2039. Measure A is a continuation of a sales tax approved by the voters in Sacramento County in November 1988 that became effective April 1, 1989 and expired March 31, 2009. The Measure A Sales Tax is a special retail transactions and use tax of one half of one percent (0.5%) of the gross receipts of retailers from the sale of all tangible personal property sold at retail in Sacramento County and a use tax at the same rate upon the storage, use or other consumption in Sacramento County of such property purchased from any retailer for storage, use or other consumption in Sacramento County, subject to certain exceptions. See APPENDIX C – "SELECTED INFORMATION REGARDING SACRAMENTO COUNTY–Commercial Activity" for a summary of the annual volume of taxable transactions within Sacramento County since 2005.

Revenues generated by the Measure A Sales Tax are disbursed through the Sacramento Transportation Authority (the "Authority"). The use of the Measure A Sales Taxes is governed by an ordinance adopted by the Authority (the "Authority Ordinance") and the Sacramento County Transportation Expenditure Plan 2009-2039 (the "Transportation Expenditure Plan") adopted by the Authority and approved by Sacramento County voters. Under the Transportation Expenditure Plan, Measure A Sales Taxes are allocated among certain transportation, public transit and environmental mitigation programs. The Transportation Expenditure Plan provides that 34.5% of Measure A Sales Tax revenue collected will be allocated to the District to fund operating expenses and 3.75% of Measure A Sales Tax revenue collected will be allocated to the District to fund specified transit capital improvements. (The Measure A Sales Taxes provided $25.27 million of funding for the South Line Phase 2 Project. See "PLAN OF FINANCE AND 2012 PROJECT.") The Transportation Expenditure Plan provides that these funds are to be directly subvented to the District based on a five-year transit capital and operating business plan to be updated annually as recommended by the District and approved by the governing board of the Authority. The Transportation Expenditure Plan may only be changed upon approval by the Sacramento County Board of Supervisors and a majority of all cities in Sacramento County representing a majority of the incorporated population.

The table below shows the amount of Measure A Sales Taxes allocated to the District for operating expenses and capital purposes in the years indicated. The impact on Sacramento County of the recession was evidenced in the decrease in Measure A Sales Tax over the past several years. The Measure A Sales Tax has been modestly increasing since its low in 2010. See "INVESTMENT CONSIDERATIONS-Sales Taxes."

Measure A Sales Tax Funding Trends
Fiscal Years 2007-08 through 2011-12

Fiscal Year	Total Measure A Sales Taxes Available to be Allocated to the District	Measure A Sales Taxes Allocated to the District for Operating Expenses	Measure A Sales Taxes Allocated to the District for Capital Purposes
2007-08	$55,611,553	$44,945,670	$10,665,883
2008-09	34,872,181	34,872,181	0
2009-10	79,836,086	27,678,086	52,158,000
2010-11	28,942,154	28,942,154	0
2011-12	30,885,085	30,885,085	0

The Authority disburses allocations of Measure A Sales Tax revenue to the District and other local jurisdictions after (1) deduction of all required State Board of Equalization fees and authorized costs and (2) all required deposits of Measure A Sales Tax revenues are made in accordance with the indenture relating to the bonds and other obligations of the Authority that are, or may in the future be, secured by the Measure A Sales Tax revenues.

As of August 1, 2012, the outstanding principal amount of the Authority's bonds secured Measure A Sales Tax revenue is $371,655,000. While 100% of the Measure A Sales Tax revenues are pledged to the Authority's bonds and other obligations (including the Authority Swaps defined below), the District understands that the Authority has structured the debt service on its bonds so as to enable it to make the allocations to the District and local jurisdictions as required by the Transportation Expenditure Plan. To date, all allocations of Measure A Sales Tax revenues to the District have been disbursed in accordance with the percentages described in the Transportation Expenditure Plan.

Of the $371,655,000 of the Authority's bonds that are outstanding, $53,355,000 are fixed rate bonds with a final maturity of October 1, 2027. The Authority's bonds in the remaining amount of $318,300,000 are variable rate demand bonds supported by three different standby bond purchase agreements and maturing on October 1, 2038. The current liquidity providers for the Authority's variable rate bonds are Wells Fargo Bank, National Association, JPMorgan Chase Bank, National Association and Bank of America, N.A. These bonds are subject to tender provisions and remarketing by remarketing agents and, if such bonds are purchased by the liquidity providers under the standby bond purchase agreements, they are subject to acceleration.

In addition, the Authority entered into three fixed payer interest rate swap agreements in an initial aggregate notional amount of $318,300,000 (the "Authority Swaps") to hedge against interest rate fluctuations on the variable rate demand bonds. The counterparties to each of the Authority Swaps are Bank of America, N.A., Goldman Sachs Capital Markets, L.P. and JPMorgan Chase Bank, National Association. Under the Authority Swaps, the Authority has agreed to pay to the counterparties a fixed rate of interest and each of the counterparties has agreed to pay the Authority a floating rate of interest. Regularly scheduled payments and termination payments on the Authority Swaps are secured by Measure A Sales Tax revenues. As of May 21, 2012 (the date of the Authority's most recent official statement), the Authority Swaps had a negative marked-to-market valuation of $117,797,288.55 (the cost to the Authority to terminate the Authority Swaps on that date). To the District's knowledge, the Authority has no intention to terminate the Authority Swaps.

While the District expects to receive its allocation of Measure A Sales Taxes each year for operation expenses, an acceleration of the Authority's bonds or a termination event with respect to any of the Authority Swaps may have a material adverse impact on the financial condition of the District.

State Sources of Non-Farebox Revenues. The District relies on Non-Farebox Revenues from a variety of State sources for both operating expenses and capital purposes. The ongoing availability and amount of funding for such State sources are subject to economic factors and a number of other conditions that the District does not control and that may change from time to time. No assurance can be given that the District will continue to receive State sources of Non-Farebox Revenues from any particular source or in any particular amount. See "INVESTMENT CONSIDERATIONS – Continued Service Dependent on Non-Farebox Revenues."

Currently, the major State sources of Non-Farebox Revenues utilized by the District for operating expenses consist of amounts received by the District pursuant to the TDA from the county Local Transportation Fund (the "LTF Revenues") and the State Transit Assistance Program (the "STA Funds"). The LTF Revenues and the STA Funds are each described below.

LTF Revenues. Pursuant to the TDA, one-fourth of 1% of the current California statewide sales tax is made available for public transportation operating and capital expenditures in the county in which the sales tax is collected. LTF Revenues deposited in the county Local Transportation Fund are apportioned to each county on the basis of the amount of LTF Revenues collected by the State Board of Equalization within such county. The District's LTF Revenues consist of a portion of the revenues generated in Sacramento County from the application of such one-fourth of 1% of the current California statewide sales tax in Sacramento County. See APPENDIX C – "SELECTED INFORMATION

REGARDING SACRAMENTO COUNTY–Commercial Activity" for a summary of the annual volume of taxable transactions within Sacramento County since 2005.

There is a three-step process for local transportation service entities to obtain LTF Revenues: (1) apportionment; (2) allocation; and (3) payment. Generally, each county's LTF Revenues must be apportioned, by population, to areas within such county. This apportionment is made annually by the designated regional transportation planning agency for the particular county based upon the expected annual LTF Revenues for such county. Once LTF Revenues are apportioned to a given area, such LTF Revenues are typically only available for allocation by the applicable designated regional transportation planning agency to claimants in that area for a specific purpose.

The Sacramento Area Council of Governments ("SACOG") is the designated regional transportation planning agency responsible for apportioning and allocating LTF Revenues within Sacramento County. The District is an eligible claimant for LTF Revenues apportioned to areas within its jurisdiction. The District receives LTF Revenues by submitting an annual claim form and supporting documents to SACOG. LTF Revenues are then disbursed by the Treasurer of Sacramento County based upon disbursement schedules provided by the District and approved by SACOG. The District has received LTF Revenues in each year since the District's creation.

The table below shows the amount of LTF Revenues claimed and expended by the District for both operating expenses and capital purposes in the years indicated.

LTF Revenues Claimed and Expended by the District
Fiscal Years 2007-08 through 2011-12

Fiscal Year	Total LTF Revenues Claimed and Expended by the District	LTF Revenues Claimed and Expended by the District for Operating Expenses	LTF Revenues Claimed and Expended by the District for Capital Purposes
2007-08	$32,568,348	$32,568,348	$ 0
2008-09	33,056,759	33,056,759	0
2009-10	25,842,243	24,698,724	1,143,519
2010-11	27,382,646	27,382,646	0
2011-12	33,554,746	33,554,746	0

Source: The District

STA Funds. STA Funds are derived from a portion of the proceeds of a California statewide sales tax on diesel fuel appropriated to the State Transit Assistance Program ("STA") through the State budget process. The amount of funds available through STA has varied significantly in recent years, from a record appropriation 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 STA in the State's 2009-10 fiscal year budget. Following the suspension of STA in the State's 2009-10 fiscal year budget, then Governor Schwarzenegger proposed eliminating transit-related STA funding in his 2010-11 fiscal year budget; however, the former Governor's proposal to eliminate transit-related STA funding was never enacted. Instead, during the State Legislature's Eighth Extraordinary Session in 2010, Assembly Bill 6 ("AB 6") and Assembly Bill 9 ("AB 9" and, together with AB 6, the "Bills") were enacted to restructure the sources for transit-related STA funding. The Bills allocated approximately $400 million in funding to the STA for the State's fiscal year 2009-10. The Bills also provided that approximately 75% of the proceeds of the State's sales tax on diesel fuel would be allocated to STA funding and increased the sales tax on diesel fuel as of July 1, 2011, which, together, are expected to produce approximately $350 million annually for STA funding. However, STA funding remains subject to annual appropriation through the State budget process.

STA Funds have to be claimed by the District based on actual cash expenditures and are generally received by the District on a quarterly basis. The table below shows the amount of STA Funds claimed and utilized by the District for both operating expenses and capital purposes in the years indicated.

STA Funds Claimed and Utilized by the District
Fiscal Years 2007-08 Through 2011-12

Fiscal Year	Total STA Funds Claimed and Utilized by the District	STA Funds Claimed and Utilized by the District for Operating Expenses	STA Funds Claimed and Utilized by the District for Capital Purposes
2007-08	$ 8,408,109	$7,043,727	$1,364,382
2008-09	4,908,090	2,796,057	2,112,033
2009-10	5,757,828	5,757,828	
2010-11	5,304,891	1,784,366	3,520,525
2011-12	9,596,963	4,692,026	4,904,937

Source: The District

Federal Sources of Non-Farebox Revenues. The District also relies on Non-Farebox Revenues from a variety of federal grant programs for both operating expenses and capital purposes. The ongoing availability and amount of funding for such federal programs are subject to economic factors and a number of other conditions that the District does not control. No assurance can be given that the District will continue to receive federal sources of Non-Farebox Revenues. However, the federal government has made continuous commitments of transportation funding since 1932 when the first federal vehicle fuel tax was imposed. Funds from this source were dedicated to highways until 1983 when transit agencies began to receive a measure of this funding. Funding has continued to be made available for transit agencies through a variety of programs including the Surface Transportation Assistance Act of 1982; the 1991 Intermodal Surface Transportation Efficiency Act (ISTEA); the Transportation Equity Act for the 21st Century (TEA-21) in 1998; the 2005 Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU); and, most recently, Moving Ahead for Progress in the 21st Century (MAP-21) that was signed into law on July 6, 2012. See “INVESTMENT CONSIDERATIONS – Continued Service Dependent on Non-Farebox Revenues.”

Currently, the major source of federal funding utilized by the District for operating expenses is the FTA’s Urbanized Area Formula Funding Program (49 U.S.C. 5307) (“Section 5307”). This program makes federal grant funds available to urbanized areas for transit capital and operating assistance and for transportation related planning. Although this funding source has traditionally been used for capital purposes it also may be used to fund preventative maintenance costs, which are operating expenses. In recent years, the District and other transit agencies throughout the United States of America have made significant use of Section 5307 to fund preventative maintenance costs.

The table below shows the amount of federal grant funds, including Section 5307 grants, utilized by the District for both operating expenses and capital purposes in the years indicated.

Federal Grant Funds Utilized by the District
Fiscal Years 2007-08 through 2011-12

Fiscal Year	Total Federal Grant Funds Utilized by the District	Federal Grant Funds Utilized by the District for Operating Expenses	Federal Grant Funds Utilized by the District for Capital Purposes
2007-08	$27,379,340	$22,804,156	$4,575,184
2008-09	39,772,142	30,787,544	8,984,598
2009-10	39,507,156	34,551,703	4,955,453
2010-11	30,912,137	27,373,904	3,538,233
2011-12	38,685,663	28,669,766	10,015,897

Source: The District

Historical Statements of Revenues, Expenses, and Changes in Net Assets

The District's accounting policies conform to generally accepted accounting principles for the audited financial statements. The District utilizes the accrual basis of accounting. Federal, state and local grant funds are accounted for in accordance with the purpose for which the funds are intended. Approved grants for the acquisition of land, buildings and equipment are credited to contributed capital as the related expenditures are incurred. Approved grants for operating assistance are recorded as revenues in the year in which the related grant conditions are met. Advances received on grants are recorded as liability until related grant conditions are met.

The Statements of Revenues, Expenses, and Changes in Net Assets for the District for the past five fiscal years are summarized on the following page. The information for fiscal years 2007-08 through 2010-11 is derived from the audited comprehensive financial reports of the District for such years. The information for the fiscal year 2011-12 is unaudited and was derived from District management from the unaudited financial statements of the District for such period. The results for the fiscal year 2011-12 are subject to further post-year-end adjustments.

The financial information should be read in conjunction with the audited comprehensive financial reports for the fiscal years ended June 30, 2011 and 2010, including the related notes, and the report thereon, contained in Appendix B.

Statements of Revenues, Expenses, and Changes in Net Assets
For Fiscal Years 2007-08 through 2011-12

	2007-08	2008-09	2009-10	2010-11	2011-12
Operating Revenues:					
Fares[1]	$ 29,865,810	$ 32,571,459	$ 30,863,701	$ 28,967,228	$ 28,964,148
Operating Expenses:					
Labor and Fringe Benefits[2]	93,779,919	91,580,300	91,203,130	79,365,716	82,208,644
Professional and Other Services	26,504,694	26,584,306	24,797,197	20,719,781	21,416,503
Spare Parts and Supplies	12,187,760	12,950,141	11,043,792	8,523,578	9,784,687
Utilities	5,550,144	5,544,739	5,530,888	5,741,319	5,587,066
Casualty and Liability Costs	11,159,479	7,104,114	2,286,204	6,540,245	6,353,496
Depreciation and Amortization	28,445,407	30,698,602	30,870,183	31,238,071	31,392,344
Indirect Costs Allocated to Capital Programs	-	(2,171,760)	(862,965)	(881,316)	(823,572)
Other[3]	1,896,171	1,680,016	1,401,986	1,547,354	1,491,769
Total Operating Expenses	179,523,574	173,970,458	166,270,415	152,794,748	157,410,937
Operating Loss	(149,657,764)	(141,398,999)	(135,406,714)	(123,827,520)	(128,446,789)
Non-Operating Revenues (Expenses)					
Operating Assistance:					
State and Local[4]	84,557,745	70,724,997	58,134,639	58,109,166	69,131,857
Federal	22,804,156	30,787,544	34,551,703	27,373,904	28,669,766
Investment Income	8,145,081	8,910,839	6,438,505	4,113,266	2,456,152
Interest Expense	(7,951,190)	(9,154,035)	(6,792,061)	(4,401,251)	(2,722,015)
Pass Through to Subrecipients[5]	(1,377,945)	(478,468)	(3,637,885)	(4,042,535)	(4,216,435)
Contract Services[6]	4,732,120	4,311,430	4,598,650	4,361,810	5,244,807
Other	4,336,186	3,304,469	2,758,212	3,946,375	2,484,635
Total Non-Operating Revenues	115,246,153	108,406,776	96,051,763	89,460,735	101,048,767
Loss Before Capital Contributions	(34,411,611)	(32,992,223)	(39,354,951)	(34,366,785)	(27,398,022)
Capital Contributions					
State and Local	29,606,239	42,441,018	29,380,939	36,481,569	33,473,886
Federal	4,575,184	8,984,598	4,955,453	3,538,233	10,015,897
Increase (Decrease) in Net Assets before Extraordinary Item	(230,188)	18,433,393	(5,018,559)	5,653,017	16,091,761
Extraordinary Loss on Early Extinguishment of Debt	-	-	-	-	-
Special Items	-	-	-	-	-
Increase (Decrease) in Net Assets after Extraordinary Item	$ (230,188)	$ 18,433,393	$ (5,018,559)	$ 5,653,017	$ 16,091,761

(1) Declines in Fiscal Year 2010 and Fiscal Year 2011 were the result of service reductions made in response to the economic downturn. See "Management's Discussion."

(2) Decline in Fiscal Year 2011 was due to employee and service reductions made in June 2010. See "THE DISTRICT – Employees."

(3) Represents deferred revenue recognized due to Lease/Leaseback transactions entered into in 2005, 2006 and 2007. See "Existing Indebtedness, Internal Borrowings and Capital Lease Transactions."

(4) Declines due to decreasing sales tax revenues resulting from economic downturn. See "Non-Farebox Revenue Sources."

(5) RT is the designated recipient in the region for Federal Funds for transits or public agencies. The amounts shown represent payments received on behalf of other non-RT transit and public agencies. The associated revenues are included under the catergory "Capital Contributions".

(6) Represents the revenues the District receives from the surrounding cities for providing bus, rail, and other services to the respective areas.

Source: The District

Budgets

In December of each year, the process of capital and operating budget development begins for the following fiscal year. The following February and April, draft budgets are submitted to senior staff and for public review, respectively. The budget is then presented for adoption by the Board in June. Budgetary control is maintained at several levels. The legal level of control is at the fund level. The Board authorizes budget amendments to the fund level. The responsible division directors and the General Manager/CEO authorize interdivisional transfers. The respective departmental managers and division director authorize intra-divisional transfers. The responsible manager authorizes departmental transfers.

Due to the complex and variable funding sources for the District's needs, the District has developed and used since the early 1990s a Financial Forecasting Model (the "FFM") to analyze the financial capacity of the District to support alternative future levels of service under various assumptions of revenue growth, ridership productivity and cost efficiency. The model is designed to accept a variety of input variables including service levels by mode, revenue growth assumptions, capital improvement project information, fare changes, ridership productivity, and cost factors. The aggregate total of these operating and capital costs and revenues yields the forecasted net cash position of the District each year through the Fiscal Year ending June 30, 2032. The model also produces a series of productivity measures, including cost efficiency, to assist in evaluating alternative scenarios.

As part of its application to the FTA for New Starts funding for the South Line Phase 2 Project, the District is required to submit this Financial Forecasting Model to support the feasibility of the project to the FTA. The Financial Forecasting Model includes all capital revenue sources and all capital project and program costs through the Fiscal Year ending June 30, 2032 for bus, light rail, paratransit, and regional rail and includes recapitalization of the fleet, facilities, and infrastructure. In addition, the District also prepares a 10-year forecast of capital revenues and expenditures.

The table on the next page summarizes the District's Adopted Operating Budgets for Fiscal Years 2010-11, 2011-12 and 2012-13 and the District's actual operating results for the Fiscal Years 2010-11 and 2011-2012.

Adopted Operating Budget to Actual Operating Results
For Fiscal Years Ended June 30, 2010 through 2013

	2010-11 Adopted Budget	2010-11 Operating Results	2011-12 Adopted Budget	2011-12 Operating Results	2012-13 Adopted Budget
Revenue					
Farebox Revenues	$29,800,640	$28,967,228	$29,518,043	$28,964,148	$30,964,536
Contracted Services	4,466,484	4,361,810	5,194,479	5,244,807	5,651,412
State and Local Funding	57,357,349	58,109,166	69,594,842	69,131,857	73,244,320
Federal Funding	21,236,349	23,331,369	24,214,766	24,453,331	25,684,226
Other	4,195,292	3,923,818	2,866,725	2,428,255	2,920,292
Total Revenue	$117,056,114	$118,693,391	$131,388,855	$130,222,398	$138,464,786
Expenditures					
Labor/Fringes/Benefits (Net, Indirect Charges)	$78,039,538	$78,484,400	$81,493,669	$81,385,072	$86,705,915
Professional and Other Services	19,255,614	20,458,814	21,701,818	20,714,711	22,600,663
Spare Parts and Supplies	7,486,804	7,915,118	7,670,250	9,116,270	8,451,206
Utilities	5,637,535	5,741,319	5,986,260	5,587,066	6,430,950
Casualty and Liability Costs	6,420,624	6,540,245	7,891,094	6,353,496	7,820,812
Other	1,771,868	1,487,931	1,920,840	1,441,768	2,290,785
Total Expenses	$118,611,983	$120,627,827	$126,663,931	$124,598,383	$134,300,331
Increase (Decrease) Net Assets (prior to reserve)	($1,555,869)	($1,934,436)	$4,724,924	$5,624,015	$4,164,455
Reserve (Deficit) Carryover	$1,555,869	$1,555,869	$0	(378,567)	$5,245,448
Increase (Decrease) Net Assets	$0	($378,567)	$4,724,924	$5,245,448	$9,409,903

Source: The District 2011-12 and 2012-13 Adopted Budgets. Note, the operating results shown on the table exclude Depreciation and other Operating Expenses that were funded with capital funds.

Management's Discussion

The District projects a surplus (revenues over expenditures) of approximately $5.25 million for the fiscal year ended 2011-12 compared with a loss of $379 thousand in fiscal year 2010-11.

The District attributes projected fiscal year 2011-12 results to the success of the deficit elimination plan it initiated in February 2010 to address the impacts of the economic downturn that affected the State overall and the Sacramento region in particular. In January 2010, the District learned that sales-tax-based revenue receipts, including LTF Revenues and Measure A Sales Taxes (discussed in "Non-Farebox Revenue Sources"), would be adjusted downward due to the declining economy and would fall well short of amounts budgeted for fiscal year 2009-10. In February 2010, the District reported that this sales tax decline, coupled with the projected loss of other State revenues, declining fare revenues due to high unemployment in the area and lower investment income due to low interest rates, would result in a fiscal year end structural deficit of approximately $25 million absent swift action on its part. While the news came too late to take remedial action to eliminate the projected shortfall within the fiscal year, the District initiated an 18-month plan to stabilize the District's finances and eliminate the structural deficit by the end of the following fiscal year. Pursuant to its plan, the District declared a state of fiscal emergency on March 22, 2010 and undertook several emergency actions including: (1) drastically reducing all non-labor operating expenses, (2) implementing bus and rail service reductions totaling nearly 21% effective June 20, 2010 and (3) laying off or accepting early retirements from approximately 172 employees.

An integral part of the 18-month recovery plan was the need to achieve labor savings through the cooperation and concessions of the District's employee groups, including the group of unrepresented employees in the MCEG. See "Employees." To mitigate an estimated $20 million decline in expected revenue from the State, the District established the following parameters for the "Net Zero Over Base" salary and benefit program. Each employee group was required to determine a combination of strategies to absorb rising labor and fringe benefit costs during fiscal years 2009-10 and 2010-11 fiscal years so as to maintain such costs at the same levels as the 2008-09 base fiscal year.

Suggested "Zero-Base" Strategies included:

a. Salary freeze;

b. Suspension of vacation, sick leave, floating holiday sell backs;

c. Furloughs of at least 11 days over 22 months;

d. Increased insurance premium payment share by employees from 8% to 10%;

e. Increased insurance co-pays for office visits; and

f. Reduced prescription replacements per co-pay from 90 day to 30 day supplies.

MCEG, AEA and AFSCME complied with the "Zero-Base" concession requirement and implemented each of the above strategies to achieve the desired salary and benefit reduction levels. Concessions from these groups resulted in more than $2.6 million in savings to the District. As an additional significant cost saving measure, the District recently converted its medical coverage from direct contracts with medical providers to participation in the CalPERS medical program.

In the middle of the fiscal year ended June 30, 2011, the District extended the concessions through the end of that 2011 fiscal year for MCEG enabling it to exceed the "Zero-Base" saving goal for that employee group. The District completed arbitration with ATU and IBEW to achieve similar concessions that will be experienced over a longer time frame. ATU and IBEW members will complete their concessions by April 2013.

The approved operating and capital budgets for the fiscal year ending June 30, 2013 continues the District's cost control strategies, for example, managing facilities maintenance on an "as needed" or complaint basis. However, the operating budget also includes Phase I of TransitRenewal, the first year of a five- year plan to restore service to pre-fiscal year 2009-10 levels. The adopted operating budget also plans for an operating reserve of $5.0 million at year-end, which, when combined with the projected reserve for the fiscal year ended June 30, 2012, would result in a projected cumulative reserve balance of $10.2 million at the end of the fiscal year ending June 30, 2013.

While the District successfully completed its 18-month plan to stabilize its finances and is projecting a second year of surpluses, it nonetheless continues to experience the impacts of economic downturn.

Existing Indebtedness, Internal Borrowings and Capital Lease Transactions

Long-Term Indebtedness. Once the District defeases the 2003 COPs with a portion of the proceeds of the Series 2012 Bonds on the date of issuance of the Series 2012 Bonds, the Series 2012 Bonds will be the only outstanding long-term indebtedness of the District (other than capital leases).

Line of Credit. Since October 2004, the District has had a line of credit with a bank to assist the District in meeting its liquidity needs stemming from the timing of cash receipts from local, state and federal sources and its expenditures. In July 2007, the line of credit was increased from $10 million to $20 million. In July 2009, the line of credit was increased to $25 million. The line of credit is secured by a pledge of, lien on and security interest in all of the District's revenues (excluding Farebox Revenues). The line of credit contains a number of covenants that are different from the covenants contained in the Indenture for the benefit of the Series 2012 bondholders. The line of credit expires June 30, 2013, subject to extension based on mutual agreement of the District and the bank. The interest rate is either current LIBOR plus 1.50% on a fixed basis if the District is using a defined payback period within the year, or current Prime minus 0.25% on a variable basis if the District is using an undefined payback within the year. As of June 30, 2012, the outstanding amount in this line of credit is $10 million.

Internal Borrowings. On September 14, 2009, the District's Board of Directors approved an Inter-Fund Borrowing plan which enabled the District to borrow up to $7 million in regional transit developer impact fees and up to $3.6 million in Cal Trans funds (dedicated to the Folsom express service) to be repaid no later than October 1, 2014. The purpose of the borrowing is to fill a temporary funding gap related to a portion of the project expenses incurred to fund the first phase of the extension of the Green Line to the Sacramento International Airport. See "THE DISTRICT - Future Extensions of the Transit System."

Lease/Leaseback Transactions. In December 2005, January 2006 and September 2007, following approval by the Federal Transit Administration and the District's Board of Directors, the District entered into separate leveraged lease-leaseback transactions in three tranches for an aggregate of 50 light rail vehicles manufactured by Construcciones y Auxiliar de Ferrocarriles ("CAF") and Siemens-Duewag ("Siemens"). The first tranche ("Tranche 1") included 8 CAF light rail vehicles (the "Tranche 1 Equipment"), the second tranche ("Tranche 2") included 10 CAF light rail vehicles divided into two equipment lots and 10 Siemens light rail vehicles in a third equipment lot (the "Tranche 2 Equipment") and the third tranche ("Tranche 3" and, together with Tranche 1 and Tranche 2, each a "Tranche" and, collectively, the "Tranches") included 22 CAF light rail vehicles (the "Tranche 3 Equipment" and, together with the Tranche 1 Equipment and the Tranche 2 Equipment, collectively, the "Equipment"). Each Tranche was structured as a head lease of the applicable Equipment by the District to a special purpose trust formed by the equity investor in the transaction (the "Equity Investor"), and a lease (each, a "Lease" and, collectively, the "Leases") of the Equipment back to the District from the trust. The expiration date for the Tranche 1 Lease and the Tranche 3 Lease is January 1, 2035. The expiration date of the Tranche 2 Lease for the two lots of the Tranche 2 Equipment that include CAF light rail vehicles is January 1, 2035 and for the third lot of the Tranche 2 Equipment that includes Siemens light rail vehicles is January 1, 2030. During the term of each Lease, the District maintains possession and control over the operation of the applicable Equipment and is obligated to insure and maintain the applicable Equipment.

The District received an upfront payment at the commencement of these transactions. As a result of the Tranche 1 and Tranche 2 transactions, the District recorded deferred revenue of $6.2 million in Fiscal Year 2005-06, and as a result of the Tranche 3 transaction the District recorded deferred revenue of another $5.6 million in Fiscal Year 2007-08. The deferred revenue amount is being amortized over the term of the Leases and is recorded in the line item "Other" within the Non-Operating Revenues (Expenses) on the District's income statement.

Under the Leases, the District is required to make periodic rental payments to the special purpose trusts. The periodic rental payments are made on the District's behalf by AIG-FP Special Finance (Cayman) Limited (the "Payment Undertaker"), an affiliate of American International Group, Inc. ("AIG"), pursuant to payment undertaking agreements (the "PUAs"). AIG guarantees the Payment Undertaker's obligations under the PUAs. The District has made, or caused to be made, all rental payments under Tranche 1 and Tranche 2 and has one remaining obligation due in January 2013 with respect to Tranche 3.

The District has an option to purchase the applicable Equipment on the Lease expiration date for the applicable Tranche. The aggregate purchase price of $97,932,090 for the Equipment, if the purchase option is exercised, would be funded from the maturity value of United States government securities (the "Securities") pledged by the District and held under a custodial arrangement by U.S. Bank National Association (the "Custodian"). (The value of these securities is reflected on the District's balance sheet in the line item "Lease/Leaseback Payable.") The District is required to replace the Securities with acceptable substitute collateral if the rating of the United States government, as the issuer of the Securities, falls below AAA by Standard & Poor's Rating Services ("S&P") or Aaa by Moody's Investor Service, Inc. ("Moody's"). Failure to replace the Securities within one year following a downgrade below the applicable rating thresholds could trigger a default which, if uncured, could result in an early termination of the transactions at a substantial cost to the District. On August 5, 2011, S&P downgraded its rating of the United States government from AAA to AA+. As a result of this downgrading, the District was required to replace the Securities with acceptable substitute collateral by August 4, 2012. Under the terms of a forbearance agreement with the District, the Equity Investor has extended the deadline to replace the Securities to August 1, 2013. The District cannot predict if the ratings on the Securities will return to their original AAA rating or whether the Equity Investor will provide additional forbearance and/or waive the minimum rating requirements. Because it may not be possible to replace the Securities if the Equity Investor does not agree to extend the deadline further, or to waive the requirement, to replace the Securities, the District could become liable to pay the early termination costs.

The District is also be required to make an early termination payment with respect to an item of Equipment if such item of the Equipment suffers an event of loss (such as destruction or damage beyond repair). The source of such early termination payment is expected to be from the liquidation of a portion of Securities held by the Custodian.

The aggregate early termination costs to the District for all three Tranches as of August 31, 2012, after accounting for the market value of the Securities (which would be liquidated and the proceeds thereof applied to pay a portion of the early termination costs) was approximately $25.2 million. The District views the risk of early termination of all three Tranches as remote. The obligation of the District to pay early termination costs is not secured by a pledge of Farebox Revenues. No assurances can be given, however, that an early termination will not occur. If it were to occur, the impact would have a material adverse impact on the financial condition of the District.

See Footnote 6 to APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF SACRAMENTO REGIONAL TRANSIT DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2010 and 2011" for more information about the District's lease/leaseback transaction.

Investment Policy

The District pursues a program of safety, liquidity, and yield in its cash management and investment program to achieve maximum return on the Surplus Fund's available funds. The Surplus Fund's investment policy (pertaining to investment of surplus funds) is governed by an annually adopted Board policy, which is in compliance with the provisions of Articles 1 and 2 of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code. Reference is made to the full text of the District's investment policy for a complete description of the terms thereof, which is available from the District upon request.

Insurance

The District is self-insured for workers' compensation claims, general liability claims and major property damage up to the amounts specified below as of September, 2012 for claims related to the following:

Type of Coverage	Self-insurance (per occurrence)	Excess Coverage (per occurrence)
Workers' Compensation	Up to $2,000,000	$2,000,000 to $25,000,000
Commercial General Liability		
Bus	Up to $2,000,000	$2,000,000 to $200,000,000
Light Rail	Up to $5,000,000	$5,000,000 to $200,000,000
Property:*		
Perils	Up to $100,000	$100,000 to $250,000,000
Collision	Up to $250,000	$500,000 to $250,000,000
Flood	Up to $250,000	$250,000 to $10,000,000

* Includes revenue and non-revenue vehicles.

As of June 30, 2012, the District has approximately $4.4 Million invested in a designated catastrophic reserve account for public liability and property damage liability. The District purchases commercial insurance for claims in excess of self-insured amounts and for all other risks of loss to a stated maximum amount as described above. The District is self-insured for amounts in excess of these maximum amounts. Settled claims have not exceeded the District's excess commercial coverage in any of the past three fiscal years.

The claims liability of $18,292,958 and $19,045,267 reported at June 30, 2012 and 2011, respectively, is based on estimates of the amounts needed to pay prior and current year claims and to allow accrual of estimated incurred but not reported claims. See Footnote 12 to APPENDIX B –

"AUDITED FINANCIAL STATEMENTS OF SACRAMENTO REGIONAL TRANSIT DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2010 and 2011" for more information about the District's self-insurance program.

Pension Plans

The following is a brief summary of the District's disclosure relating to the District's pension plans and is qualified in its entirety by reference to the complete discussion of the District's pension plans in APPENDIX A.

The District contributes to three single-employer defined benefit pension plans (the "Plans"). The Plans provide pension, disability and death benefits to District employees. The Plans are administered by the District under the direction of five separate Retirement Boards of Directors, each representing one of the District's bargaining groups and the group of unrepresented employees, MCEG. As of June 30, 2011, there are 1,850 members of the Plans.

The District has contributed 100% of an actuarially determined rate based on an actuarial valuation for each Plan provided annually by an independent actuary. The District's contribution to the Plans is mandated by contractual agreements with employee groups and may be amended at any time. Amendments to existing contracts are agreed upon between each collective bargaining unit and the District. No contributions are required by plan members.

For the fiscal year ended June 30, 2012, the District's total contribution to the Plans was $12,464,457 and for the fiscal year ending June 30, 2013, the District total contribution to the Plans is expected to be $14,678,295. The level of contributions that will be required in the future will depend on a variety of factors, including future investment portfolio performance, actuarial assumptions and additional potential changes in retirement benefits. The District expects contributions in 2014 to increase and there can be no assurance that the required annual contribution to the Plans will not continue to increase. To mitigate future increases, the District is examining the feasibility of implementing employee contributions into future bargaining agreements to lessen the impact to the District's labor expenses.

As of June 30, 2011 the combined unfunded actuarial liability of two of the Plans was $64,033,247 and the funded ratio was 68%. As of June 30, 2011, the unfunded actuarial liability of the third Plan was $44,290,108 and the funded ratio was 54%.

See APPENDIX A – "INFORMATION CONCERNING THE PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFIT PLANS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT – Pension Plans."

OPEB Plans

The following is a brief summary of the District's disclosure relating to the District's other post-employment benefit plans and is qualified in its entirety by reference to the complete discussion of the District's other post-employment benefit plans in APPENDIX A.

The District provides health care and life insurance benefits for active and retired members of each of the District's bargaining groups and the group of unrepresented employees, MCEG. The District began providing health care benefits to active and retired members of two of the District bargaining groups in 2011. The provision by the District of these "other post-employment benefits" or "OPEB" to employees and/or beneficiaries is referred to herein as the "OPEB Plans." As of June 30, 2011, 1,368 total participants (896 active employees and 472 retirees) were eligible to receive OPEB benefits from the District.

The benefits under the OPEB Plans are mandated by contracted agreement between the District and the respective bargaining and employee groups and may be amended at any time. These members and their dependents may become eligible for such benefits if the employees reach normal retirement age while working for the District.

In May 2009, the District established an irrevocable trust under the CalPERS's Employers' Retiree Benefit Trust program (the "CERBT Fund") to prefund its OPEB Plans. The funds in the CERBT Fund are held in trust and are administered by the California Public Employees' Retirement System ("CalPERS") as an agent multiple-employer plan. In June 2009, the District began prefunding the CERBT Fund on behalf of the members of two of its bargaining groups, AEA and AFSCME, as well as MCEG. In June 2012, the District began prefunding the CERBT Fund on behalf of the members of the District's two remaining bargaining groups that obtained these benefits in 2011.

The obligation of the District to prefund its OPEB liabilities is established by the Board of Directors of the District, and may be changed from time to time. Currently, the District funds the CERBT Fund in the amount of 100% of the annual required contribution (the "ARC") of the District, as employer, which is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. No contributions are made by employees or retirees.

For the fiscal year ended June 30, 2012, the District's total contribution to the OPEB Plans was $3,260,329 and for the fiscal year ending June 30, 2013, the District's total contribution to the OPEB Plans is expected to be $3,387,876. The level of contributions that will be required in the future will depend on a variety of factors, including future investment portfolio performance, actuarial assumptions and additional potential changes in retirement benefits. There can be no assurance that the required annual contribution to the Plans will not continue to increase.

As of June 30, 2011 the combined unfunded actuarial liability of the OPEB Plans was $33,912,529 and the funded ratio was 16%.

See APPENDIX A – "INFORMATION CONCERNING THE PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFIT PLANS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT – OPEB Plans."

INVESTMENT CONSIDERATIONS

Purchase of the Series 2012 Bonds involves certain investment risks. To identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the Appendices hereto) and the legal documents described herein in making a judgment as to whether the Series 2012 Bonds are an appropriate investment. Potential investors are advised to consider the following factors, along with all other information contained or incorporated by reference in this Official Statement, in evaluating whether to purchase the Series 2012 Bonds. There can be no assurance that there are not other material risk factors or that other risk factors will not become material in the future. The factors listed below, among others, could adversely affect the level of Farebox Revenues and the ability of the District to pay principal of and interest on the Series 2012 Bonds. ***This***

discussion of risk factors is not, and is not intended to be, comprehensive or exhaustive and the order of presentation does not necessarily reflect the relative importance of the various risks.

Economy

The Series 2012 Bonds are secured primarily by a pledge of the Farebox Revenues. The amount of Farebox Revenues collected at any time is dependent, in part, upon the level of the District's ridership. The District's ridership is dependent, in part, upon the level of economic activity in the geographic area served by the District, being Sacramento County. The State is the primary employer in Sacramento County. Any reduction in State employment in Sacramento or furloughs or reduction in hours for State employees will have an impact on the level of the District's ridership. Any substantial deterioration in the level of economic activity within Sacramento County, including changes in State employees work patterns, or any substantial deterioration in the level of the District's ridership for any other reason could have a material adverse impact upon the amount of Farebox Revenues collected by the District and therefore upon the ability of the District to pay principal of and interest on the Series 2012 Bonds.

For information relating to current economic conditions within Sacramento County. See APPENDIX C – "SELECTED FINANCIAL INFORMATION REGARDING SACRAMENTO COUNTY."

Continued Service Dependent on Non-Farebox Revenues

As is common for most transit agencies, the District's annual operating expenses substantially exceed its annual Farebox Revenues. As a result, the District relies heavily on a variety of local, State and federal sources on Non-Farebox Revenues to pay for operating expenses and capital improvements. The ongoing availability and amount of funding for any such program are often subject to a number of economic factors, including budget constraints of local, State and federal entities other than the District, and other conditions that the District does not control. For many programs the District is also required to demonstrate and maintain eligibility requirements to receive funding. No assurance can be given that the District will continue to receive any source of Non-Farebox Revenues or continue to receive any source of Non-Farebox Revenues in any particular amount. Any reduction in the amount of funding for, or elimination of, such sources of Non-Farebox Revenues would likely force the District to reduce operating costs through reductions in service, which in turn would likely reduce the amount of Farebox Revenues available to make payments on the Series 2012 Bonds. The District has not covenanted to raise the fares charged for transit service if Farebox Revenues are insufficient to make payments when due on the Series 2012 Bonds. Non-Farebox Revenues are not pledged to secure payment of the Series 2012 Bonds. See "DISTRICT FINANCIAL INFORMATION – Farebox Revenues" and "—Non-Farebox Revenue Sources." See also APPENDIX B – "SACRAMENTO REGIONAL TRANSIT DISTRICT COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010."

Sales Taxes

Significant sources of the District's Non-Farebox Revenues are derived from sales taxes levied within Sacramento County and, to a lesser extent, throughout the State. See "DISTRICT FINANCIAL INFORMATION – Non-Farebox Revenue Sources." The amount of sales tax revenues collected at any time is dependent upon the level of sales subject to the applicable sales tax within the geographic region in which such sales tax is levied. The level of sales is, in turn, dependent upon the level of economic activity in Sacramento County and in the State generally. As a result, any substantial deterioration in the level of economic activity within Sacramento County or in the State could have a material adverse impact upon the amount of Non-Farebox Revenues available to the District. For information relating to current economic conditions within Sacramento County. See APPENDIX C – "SELECTED FINANCIAL INFORMATION REGARDING SACRAMENTO COUNTY."

The increasing use of the internet to conduct electronic commerce may also adversely impact the amount of sales tax revenues generated in Sacramento County and thus, adversely impact the amount of Non-Farebox Revenues received by the District. To the extent that transactions otherwise subject to sales tax avoid the imposition of sales tax because they constitute sales over the internet that are not subject to such tax, the sales tax revenues may be negatively impacted. Ongoing pressures on State and local budgets and declining tax revenues could result in a change of current laws governing the use and distribution of sales tax revenues and a corresponding decline in the District's Non-Farebox Revenues derived from this source.

In addition, a major source of sales taxes received by the District, the Measure A Sales Taxes, are subject to the prior pledge of such sales tax revenues under the indenture relating to bonds and other obligations issued or incurred by the Sacramento Transportation Authority. See "DISTRICT FINANCIAL INFORMATION – Non-Farebox Revenue Sources – Local Sources of Non-Farebox Revenues."

Increased Operation and Maintenance Expenses

There can be no assurance that the operation and maintenance expenses of the District will not increase substantially. The District has limited ability to increase its rates and charges, and in all cases such increases could reduce market demand for the District's services. The District has in the past and may in the future address substantial increases in costs through service reductions, which could reduce the amount of Farebox Revenues collected by the District and adversely affect the ability of the District to make payments on the Series 2012 Bonds. See "DISTRICT FINANCIAL INFORMATION."

Labor Actions

A work stoppage or other labor action may limit the District's ability to operate its bus and light rail vehicles or otherwise provide its services and have a material adverse impact on the Farebox Revenues collected by the District to make payments on the Series 2012 Bonds. See THE DISTRICT – Employees."

Statutory and Regulatory Compliance

The District is subject to a number of State and federal regulatory requirements. The District'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 District may also lead to administrative orders issued by State or federal regulators. Changes in statutory or regulatory requirements or the issuance of administrative orders could impact the District's operation of its transit system, including the District's bus and light rail vehicles, and compliance with such changes or orders could impose substantial additional operating or capital costs on the District.

Full Faith and Credit Not Pledged

Although the obligation of the District to pay principal and interest on the Series 2012 Bonds is secured by a lien on and pledge of the Revenues, the District has not pledged its full faith and credit or any other tax or revenue sources to payment of the Series 2012 Bonds. If Revenues are insufficient in any year to pay principal and interest on the Series 2012 Bonds, the District is not obligated to pay the remaining portion from any other funds of the District.

Completion of South Line Phase 2 Project

The District believes that the funding available for the South Line Phase 2 Project will be sufficient to cover the project costs as the budget currently includes an unallocated contingency of approximately 9% of the overall budget. All of the federal funds for the South Line Phase 2 Project have not yet been received and are subject to further federal approvals. See "PLAN OF FINANCE AND THE 2012 PROJECT." Although the District has received environmental and other levels of approval and believes all remaining approvals will be received in a timely manner, there can be no assurance that such approvals will be obtained in a timely fashion, or that changes in the South Line Phase 2 Project will not result in increased costs. Furthermore, significant inflationary increases have occurred in construction costs in the past, and may occur in the future. Although potential increases in the cost of construction due to materials and labor could increase the cost of the South Line Phase 2 Project, the pricing will be fixed at the time of bid award, expected in January 2013.

As with any major construction project, the on-time completion of the South Line Phase 2 Project depends upon a large number of factors, many of which may be beyond the control of the District. These include, but are not limited to, adverse weather, strikes, delays in the delivery of or shortages of materials, environmental restrictions or similar unknown or unforeseeable contingencies. The occurrence of any of the foregoing could result in increases in construction costs or considerable delays in completion of the South Line Phase 2 Project. The District believes that the probability of extending the project schedule, due to the factors above, are low given that the schedule currently includes a 5-month contingency.

Force Majeure

Events of force majeure, such as earthquakes, damaging storms and winds, fires and floods, levee breaks, mud slides, riots, acts of war or terrorism, trespasser incidents, sabotage, blockades and spills of hazardous substances could interrupt District service for unknown periods of time or cause the damage or destruction of District properties. Service interruptions or damage or destruction of property resulting from any force majeure event could have a material adverse impact upon the level of Farebox Revenues and therefore upon the ability of the District to pay principal of and interest on the Series 2012 Bonds.

Insurance

The District covenants in the Indenture to maintain customary insurance on its assets, business and operations. The District is entitled to self-insure against all or any part of the customary risks subject to certain conditions set forth in the Indenture. A significant risk event affecting the District, its assets or operations could materially adversely affect the financial condition of the District and its ongoing operations. See "SACRAMENTO REGIONAL TRANSIT DISTRICT – Insurance." herein.

Loss of Tax Exemption

As discussed under "TAX MATTERS" herein, interest on the Series 2012 Bonds could become includable in federal gross income, possibly from the date of issuance of the Series 2012 Bonds, as a result of acts or omissions of the District subsequent to the issuance of the Series 2012 Bonds. If interest becomes includable in federal gross income, the Series 2012 Bonds are not subject to redemption by reason thereof and will remain Outstanding until maturity or earlier redemption.

No Acceleration Upon Default; Limited Remedies against District

The payment of the principal of and interest on the Bonds may not be accelerated upon any Event of Default under the Indenture. In the event of default by the District, the Holders will have the right to exercise the remedies set forth in the Indenture, subject to the limitations set forth therein. The District is permitted to commingle the Revenues with its own funds for certain periods of time before turning over certain of the Revenues to the Trustee. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS." If the District fails to turn over to the Trustee Revenues as required by the Indenture or otherwise defaults, the lien of the Indenture may not be enforceable against Revenues that are in the possession of the District and have been commingled with other moneys. The Trustee and the Holders have no right to exercise any remedies against any assets of the District other than the Revenues and other assets pledged pursuant to the Indenture, subject to the terms of the Indenture.

Bankruptcy and Equitable Limitations

Rights and remedies of the Trustee and holders of Series 2012 Bonds may be limited by and subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws and equitable principles that may affect the enforcement of creditors' rights. The various legal opinions to be delivered concurrently with the issuance of the Series 2012 Bonds will be qualified, as to the enforceability of remedies under the Indenture and the Series 2012 Bonds, by bankruptcy, reorganization, moratorium, insolvency, fraudulent conveyance or other similar laws relating to or affecting the enforcement of creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in the appropriate cases and to the limitation on legal remedies against public entities in the State.

Because it is a municipal governmental entity, the District may be eligible to file a bankruptcy petition under Chapter 9 ("Chapter 9") of the United States Bankruptcy Code under certain circumstances. An involuntary bankruptcy petition cannot be filed against the District. Should the District go into bankruptcy, there could be adverse consequences for the Holders of the Series 2012 Bonds. These adverse consequences could include, but may not be limited to, one or more of the following.

The District is permitted to commingle the Revenues with its own funds for certain periods of time before turning over certain of the Revenues to the Trustee. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS." If the District goes into bankruptcy, the District may not be required to turn over to the Trustee any Revenues that are in its possession at the time of the bankruptcy filing and have been commingled with other moneys.

If the Farebox Revenues are "special revenues" under Chapter 9, then Farebox Revenues collected after the date of the bankruptcy filing should be subject to the lien of the Indenture. "Special revenues" are defined to include receipts derived from the ownership or operation of projects or systems that are primarily used to provide transportation services. While the Farebox Revenues appear to satisfy this definition and thus be "special revenues," no assurance can be given that a court would not hold that the Farebox Revenues are not special revenues or are not subject to the lien of the Indenture.

If the Farebox Revenues are determined not to be "special revenues," then Farebox Revenues collected after the commencement of the bankruptcy case will not be subject to the lien of the Indenture. It is likely the case that all Revenues other than Farebox Revenues are not special revenues and thus any Revenues other than Farebox Revenues collected after the commencement of the bankruptcy case will not be subject to the lien of the Indenture. The Holders of the Series 2012 Bonds may not be able to assert a claim against any property of the District other than the Revenues, and if the Revenues are no longer subject to the lien of the Indenture, then the Holders of the Series 2012 Bonds may suffer a complete loss of their investment.

The Indenture provides for a gross pledge of the Revenues. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS." Chapter 9 provides that special revenues can be applied to necessary operating expenses of the project or system, before they are applied to debt service. This rule applies regardless of the provisions of the transaction documents. Thus, the District may be able to use Farebox Revenues to pay its necessary operating expenses, before the remaining Farebox Revenues are turned over to the Trustee to pay debt service. It is not clear precisely which expenses would constitute necessary operating expenses.

If the District is in bankruptcy, the parties (including the Holders of the Series 2012 Bonds) may be prohibited from taking any action to collect any amount from the District or to enforce any obligation of the District, unless the permission of the bankruptcy court is obtained. These restrictions may prevent the Trustee from making payments to the Holders of the Series 2012 Bonds from funds in the Trustee's possession during the pendency of the bankruptcy proceedings.

The District may be able to cause some of the Revenues to be released to it, free and clear of lien of the Indenture, as long as the bankruptcy court determines that the rights of the Trustee and the Holders of the Series 2012 Bonds will be adequately protected. The District may be able to borrow additional money that is secured by a lien on any of its property (including the Revenues), which lien could have priority over the lien of the Indenture, as long as the bankruptcy court determines that the rights of the Trustee and the Holders of the Series 2012 Bonds will be adequately protected.

The District may be able, without the consent and over the objection of the Trustee and the Holders of the Series 2012 Bonds, to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the indenture or the Series 2012 Bonds as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Series 2012 Bonds or in other losses to the Holders of the Series 2012 Bonds.

Regardless of any specific adverse determinations in a bankruptcy proceeding, the fact of a bankruptcy proceeding by the District could have an adverse effect on the liquidity and value of the Series 2012 Bonds.

RATINGS

Moody's Investors Service Inc. ("Moody's") and Standard & Poor's Ratings Group ("Standard & Poor's"), a division of The McGraw Hill Company, are expected to assign ratings of "___" and "___," respectively, to the Series 2012 Bonds, in each case based upon the understanding that the financial guaranty insurance policy will be issued by the Series 2012 Bond Insurer simultaneously with the delivery of the Series 2012 Bonds. In addition, the Series 2012 Bonds have been assigned underlying ratings of "__" by Moody's and "__" by Standard & Poor's, respectively. The District did not apply for any other ratings. Certain information was supplied by the District to Moody's and Standard & Poor's to be considered in evaluating the Series 2012 Bonds. The ratings reflect only the views of such rating agencies and any explanation of the significance of such ratings should be obtained from the rating agencies. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. There is no assurance that any rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by either rating agency if in its judgment, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price of the Series 2012 Bonds.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2012 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX G hereto.

To the extent the issue price of any maturity of the Series 2012 Bonds is less than the amount to be paid at maturity of such Series 2012 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2012 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2012 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2012 Bonds is the first price at which a substantial amount of such maturity of the Series 2012 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2012 Bonds accrues daily over the term to maturity of such Series 2012 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2012 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2012 Bonds. Beneficial Owners of the Series 2012 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2012 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2012 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2012 Bonds is sold to the public.

Series 2012 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2012 Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2012 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2012 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2012 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2012 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2012 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2012 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2012 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration recently announced a legislative proposal which for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Series 2012 Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Series 2012 Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2012 Bonds. Prospective purchasers of the Series 2012 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2012 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2012 Bonds ends with the issuance of the Series 2012 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Series 2012 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2012 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the Series 2012 Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

ABSENCE OF MATERIAL LITIGATION

No litigation is pending, or to the best knowledge of the District, threatened, against the District concerning the validity of the Series 2012 Bonds. The District is not aware of any litigation pending, or threatened against the District questioning the existence of the District or contesting the District's ability to issue the Series 2012 Bonds or to receive the amounts pledged pursuant to the Indenture.

Although the District is subject to a number of lawsuits in the normal course of its business, in the opinion of Chief Counsel to the District, there are no claims or actions, threatened or pending that, if determined adversely to the District, either individually or in the aggregate, would have a material adverse effect on the financial or operating condition of the District and thereby the ability of the District to pay principal of and interest on the Series 2012 Bonds.

AUDITED FINANCIAL STATEMENTS

The audited financial statements of the District for the fiscal years ended June 30, 2011 and 2010, included in APPENDIX B to this Official Statement, have been audited by Gilbert Associates, Inc., independent auditors, as stated in its report herein. See APPENDIX B – "SACRAMENTO REGIONAL TRANSIT DISTRICT COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010." Gilbert Associates, Inc. was not asked to consent to the inclusion of its report in APPENDIX B, nor has Gilbert Associates, Inc. undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Gilbert Associates, Inc. with respect to any event subsequent to the date of its report.

VERIFICATION OF MATHEMATICAL ACCURACY

The arithmetical accuracy of certain computations included in the schedules provided on behalf of the District relating to computation of forecasted receipts of principal and interest on the Escrow Fund relating to the District's 2003 COPs and the forecasted payments of principal and interest to prepay such COPs will be examined by __________________, Certified Public Accountants (the "Verification Agent"). Such examination will be based solely upon the assumptions and the information supplied to the Verification Agent on behalf of the District. The Verification Agent will restrict its procedures to examining the arithmetical accuracy of certain computations and will not make any study or evaluation of the assumptions and information upon which the computations are based, and accordingly, will not express an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome. The Verification Agent will have no obligation to update its examination because of events occurring, or data or information coming to its attention, subsequent to the date of issuance of the Series 2012 Bonds.

LEGAL MATTERS

The validity of the Series 2012 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. A complete copy of the proposed form of the opinion to be delivered by Bond Counsel is attached hereto as APPENDIX G. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Approval of certain other legal matters will be passed upon for the District by its Chief Counsel, Bruce A. Behrens, and for the Underwriter, by Stradling Yocca Carlson & Rauth, P.C., San Francisco, California.

UNDERWRITING

The Series 2012 Bonds are being purchased by the Underwriter pursuant to a bond purchase agreement, to be dated the date of sale of the Series 2012 Bonds (the "Bond Purchase Agreement"). The Underwriter has agreed to purchase the Series 2012 Bonds from the District at a price of $_________ (which price is equal to $___________, representing the principal amount of the Series 2012 Bonds, less an underwriter's discount of $___________, plus a net original issue premium of $__________). The Bond Purchase Agreement relating to the Series 2012 Bonds provides that the Underwriter will purchase all of the Series 2012 Bonds if any are purchased, with the obligation to make such purchase being subject to certain terms and conditions set forth in said Bond Purchase Agreement.

The Series 2012 Bonds may be offered and sold to certain dealers and others at prices lower than the initial offering price stated on the cover of this Official Statement. The offering prices may be changed from time to time without notice.

Citigroup Global Markets Inc. has entered into a retail brokerage joint venture. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with its respective allocations of the Series 2012 Bonds.

OTHER MATTERS

This Official Statement is not to be construed as a contract or agreement between the District and the Holders or Beneficial Owners of any of the Series 2012 Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

The execution and delivery of this Official Statement have been duly authorized by the District.

SACRAMENTO REGIONAL TRANSIT DISTRICT

By:____
General Manager/Chief Executive Officer

APPENDIX A

INFORMATION CONCERNING THE PENSION PLANS AND THE OTHER POST-EMPLOYMENT BENEFIT PLANS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT

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PENSION PLANS

Description of the Plans

The District contributes to three single-employer defined benefit pension plans (the “Plans”): (1) the Sacramento Regional Transit District Retirement Plan for members of Amalgamated Transit Union, Local 256 (the “ATU Plan”), (2) the Sacramento Regional Transit District Retirement Plan for members of the International Brotherhood of Electrical Workers, Local 1245 (the “IBEW Plan”), and (3) the Sacramento Regional Transit District Retirement Plan (the “Salaried Plan”) for employees who are members of the Administrative Employees’ Association (“AEA”), Management and Confidential Employees Group (“MCEG”), and the American Federation of State, County and Municipal Employees (“AFSCME”). The ATU Plan and the IBEW Plan are accounted for by the District as one Plan (collectively, the “ATU/IBEW Plan”). The MCEG is an employee group of exempt management and confidential administrative support employees and executives that is not subject to a labor agreement. All of the other groups are bargaining groups that are subject to labor agreements.

The plans are administered by the District under the direction of five separate Retirement Boards of Directors (the “Retirement Boards”), each representing one of the aforementioned bargaining and employee groups of ATU, IBEW, AEA, MCEG and AFSCME. Each Retirement Board is comprised of equal representation: two members from District Management (a member from the District’s Board of Directors and the District’s General Manager), and two members from the represented group. All members are elected annually.

The Plans provide pension, disability and death benefits to District employees. For the ATU Plan, the ATU members will fully vest after ten years of service and for the IBEW plan, the IBEW members will fully vest after five years of service. For the Salaried Plan, members represented by the AEA and MCEG fully vest after five years of service. The members of AFSCME fully vest after nine years of service.

The District has retained independent actuaries, EFI Actuaries, to provide annual actuarial valuations of the Plans. The most recent actuarial valuation for each of the Plans as of July 1, 2011 was adopted by the Board of Directors of the District in March 2012. The Pension Plans are audited on an annual basis by an independent audit firm.

On June 25, 2012, the Governmental Accounting Standards Board (“GASB”) approved two new standards with respect to pension accounting and financial reporting standards for state and local governments. The new Statements 67 and 68 will replace Statements 25, 27, and 50. The changes will impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government’s balance sheet (currently, such unfunded liabilities are typically included as notes to the government’s financial statements); (2) more components of the full pension costs will be shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates will be required to be used for underfunded plans for certain purposes of the financial statements; (4) closed amortization periods for unfunded liabilities will be required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns will be recognized over a closed five-year period. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District’s Plans is not known at this time. It is anticipated that the new accounting standards requiring the District to expense the entire estimated pension liability will create a new unfunded liability on the District’s balance sheet. The GASB reporting requirements for pension plans will take effect for the fiscal year beginning mid-2013 and the reporting requirements for government employers will take effect for the fiscal year beginning mid-2014.

The assets and liabilities of the Plans are included in the audited financial statements of the District as fiduciary funds. A summary description of the Plans is set forth in Footnote 10 to the audited financial statements of the District included in this Official Statement as Appendix B and the Schedule of Funding Progress for the Plans as of June 30, 2011 is included in the Required Supplementary Information to the audited financial statements of the District included in this Official Statement as Appendix B. See Appendix B – "AUDITED FINANCIAL STATEMENTS OF SACRAMENTO REGIONAL TRANSIT DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2010 and 2011."

Membership

The following table reflects the total membership of each of the Plans as of July 1, 2011.

Membership	ATU/IBEW Plan	Salaried Plan
Active Members	669	236
Transfers, Vested Terminated and Disabled	233	125
Retirees and Beneficiaries	396	191
Total Membership	1,298	552

Funding Policy

The District has contributed 100% of an actuarially determined rate based on an actuarial valuation for each Plan provided annually by an independent actuary. The District's annual required contributions to the Plans are mandated by contractual agreements with bargaining groups and may be amended at any time. Amendments to existing contracts are agreed upon between each collective bargaining unit and the District. No contributions are required by plan members.

The following tables set forth the contribution rate, the actuarial valuation on which the contribution is based and the actual amount contributed by the District to each of the Plans for the fiscal years ended June 30, 2006 through 2012 and the expected contribution rate and contribution amount for the fiscal year ending June 30, 2013.

Funding of the ATU/IBEW Plan

Fiscal Year Ended	Contribution Rate	Based on Actuarial Valuation Dated	District Contribution
6/30/2006	15.19%	7/1/2004	$6,227,478
6/30/2007	16.96	7/1/2005	7,088,212
6/30/2008	17.89	7/1/2006	7,680,725
6/30/2009	17.31	7/1/2007	6,969,874
6/30/2010	17.83	7/1/2008	7,425,798
6/30/2011	19.42	7/1/2009	6,809,060
6/30/2012	22.63	7/1/2010	7,884,551
6/30/2013	25.55	7/1/2011	8,777,813

Funding of the Salaried Plan

Fiscal Year Ended	Contribution Rate	Based on Actuarial Valuation Dated	District Contribution
6/30/2006	12.25%	7/1/2004	$2,564,069
6/30/2007	17.16	7/1/2005	3,694,380
6/30/2008	18.31	7/1/2006	4,132,017
6/30/2009	19.87	7/1/2007	3,819,900
6/30/2010	19.95	7/1/2008	4,268,586
6/30/2011	20.30	7/1/2009	3,717,655
6/30/2012	23.19	7/1/2010	4,579,906
6/30/2013	28.92	7/1/2011	5,900,481

The contribution rate required by the District has been increasing in recent years due to the results of investment returns, updates in experience studies, changes in demographics, and economic changes. The contribution rate increase for the ATU/IBEW Plan and the Salaried Plan from the fiscal year ended June 30, 2012 to the fiscal year ending June 30, 2013 can be attributed in large part to lowering the investment return rate assumption from 8.0% to 7.75%. See "Actuarial Methods and Assumptions" below. In addition, the required contribution rate increase for the Salaried Plan from the fiscal year ended June 30, 2012 to the fiscal year ending June 30, 2013 can also be attributed to changes in demographic and economic assumptions based on a recent experience study conducted by the actuary of the Plan which indicated that employees within the Salaried Plan were living longer than originally estimated.

For the fiscal year ending June 30, 2014, the annual required pension contributions are anticipated to rise to 26% of pay for the ATU/IBEW Plan and 30% of pay for the Salaried Plan. To mitigate future increases, the District is examining the feasibility of implementing employee contributions into future bargaining agreements to lessen the impact to the District's labor expenses.

Actuarial Methods and Assumptions

The following table reflects certain actuarial methods and assumptions for each of the Plans. The Retirement Boards are required to meet annually to review the actuarial study and set the future year's annual required contribution. The actuarial study dated July 1, 2010 incorporated an investment assumption and inflation rate assumption of 8% and 3.5%, respectively. During the first quarter of 2012, the Boards reviewed the investment results and passed as resolution to drop the assumed investment rate of return from 8% to 7.5% pending additional information requested from the actuary for the actuarial study dated July 1, 2011. After further discussions between the Retirement Boards and the actuary about the investment rate assumptions, the Retirement Boards, in May of 2012, adopted a new investment assumption rate of 7.75% and inflation rate of 3.25% as of July 1, 2011, with an implementation date of July 1, 2012.

Certain Actuarial Methods And Assumptions Utilized For The Plans
(As of July 1, 2011)

Methods	**ATU/IBEW Plan**	**Salaried Plan**
Actuarial Cost Method	Individual Entry Age Normal Actuarial Cost Method	Individual Entry Age Actuarial Cost Method
Amortization Method	Level Percent	Level Percent
Amortization Period	Closed	Closed
Remaining Amortization Period	22 years	22 years
Asset Valuation Method	Modified Market-Related Value (5 year smoothing)	Modified Market-Related Value (5 year smoothing)
Actuarial Assumptions		
Investment Rate of Return (net of administrative and investment expenses)	7.75%	7.75%
Increases in Pay	Based on an analysis of pay levels and years of service for ATU participants, assumed increases in pay are 9% per year for the first six years and 0.5% per year thereafter. For IBEW participants, assume 5% for the first six years and 0.25% thereafter	Based on an analysis of pay levels and years of service, assumed increases in pay range from 0.00% to 12%
Consumer Price Inflation	3.25%	3.25%

Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the Plans, and are based upon a variety of assumptions, one or more of which may prove to be inaccurate or be changed in the future. Actuarial assessments will change with the future experience of the Plans.

Funding Status

As of June 30, 2011, the unfunded actuarial liability of the ATU/IBEW Plan was $64,033,247 and the funded ratio was 68%. The funded status of the ATU/IBEW Plan is as follows:

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Underfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
6/30/2006	$114,823,844	$148,179,336	$33,355,492	77.5%	$42,897,044	77.8%
6/30/2007	125,257,646	154,996,244	29,738,598	80.8	44,718,496	66.5
6/30/2008	134,022,855	171,092,073	37,069,218	78.3	44,916,133	82.5
6/30/2009	134,537,202	179,294,287	44,757,085	75.0	43,626,223	102.6
6/30/2010	134,517,986	190,222,989	55,705,003	70.7	38,342,969	145.3
6/30/2011	136,269,214	200,302,461	64,033,247	68.0	38,558,226	166.1

As of June 30, 2011, the unfunded actuarial liability of the Salaried Plan was $44,290,108 and the funded ratio was 54%. The funded status of the Salaried Plan is as follows:

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Underfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
6/30/2006	$40,090,604	$65,220,040	$25,129,436	61.5%	$21,363,057	117.6%
6/30/2007	44,561,443	72,273,554	27,712,111	61.7	21,929,109	126.4
6/30/2008	48,659,603	79,072,546	30,412,943	61.5	21,114,983	144.0
6/30/2009	50,164,727	82,942,062	32,777,335	60.5	22,601,919	145.0
6/30/2010	50,994,346	86,869,623	35,875,277	58.7	19,466,160	184.3
6/30/2011	52,145,118	96,435,226	44,290,108	54.1	19,105,372	231.8

For the fiscal year ended June 30, 2011, the market value of the assets of each of the Plans was within 1% of the actuarial value of such assets.

Investment Policy; Investment Returns

The Retirement Boards are responsible for developing the investment policy, objectives and guidelines for the management of the assets of the ATU/IBEW Plan and the Salaried Plan and for administering the Plans for the exclusive benefit of its participants and beneficiaries.

As trustees of the assets of the ATU/IBEW Plan and Salaried Plan, the Retirement Boards have a fiduciary duty: to prudently establish an asset allocation policy, investment objectives and investment restrictions; and to monitor the performance of the Plans' investment managers and review the liabilities of the District to fund retirement benefits. The Retirement Boards are responsible for developing a sound and consistent investment strategy, in compliance with all applicable laws and regulations, which the investment managers can use in formulating investment decisions.

Beginning in the fiscal year ended June 30, 2010, the investments of the ATU/IBEW Plan and the Salaried Plan were commingled. On the basis of an asset allocation study conducted by the Retirement

Boards' Investment Advisor, the Retirement Boards have determined that the long-range asset allocation policy for the assets of the ATU/IBEW Plan and the Salaried Plan is as follows:

Asset Class	Minimum	Target	Maximum
Domestic Equity	**32%**	**42%**	**52%**
Large Capitalization Equity	29%	34%	39%
Small Capitalization Equity	3%	8%	13%
International Equity	**13%**	**18%**	**23%**
Domestic Fixed-Income	**35%**	**40%**	**45%**

The following table sets forth the total return on the assets for each Plan for the fiscal years ended June 30, 2002 through June 30, 2012, as well as average weighted returns.

Investment Results For Each Plan Based On Market Value

Fiscal Year Ended June 30	Annualized Rate of Return for ATU/IBEW Plan	Annualized Rate of Return for Salaried Plan
2001	-3.49%	-2.96%
2002	-10.01%	-10.55%
2003	21.81%	21.86%
2004	11.26%	10.89%
2005	8.12%	8.35%
2006	8.55%	9.11%
2007	16.44%	16.21%
2008	-4.52%	-4.21%
2009	-13.04%	-12.77%
2010[a]	16.33%	16.33%
2011	20.42%	20.42%
2012	2.34%	2.34%

[a] Note: Beginning in fiscal year ended June 30, 2010, the investments of the ATU/IBEW Plan and Salaried Plan were commingled.

Average Weighted Returns For the commingled Plans as of June 30, 2011

Period	Weighted Average Rate of Return for Plans
3 years	12.76%
5 years	3.58%
10 years	6.85%
20 years	8.79%

OTHER POST-EMPLOYMENT BENEFITS PLANS

Description of the Plans

In addition to the pension benefits described above under "PENSION PLANS," the District provides health care benefits for active and retired members of three of the District's five bargaining or employee groups (AEA, AFSCME and MCEG). The District also provides life insurance benefits to active and retired members of all five of the District's bargaining or employee groups. Beginning May 1, 2011 the active and retired members of the ATU were provided certain health care benefits. Beginning July 1, 2011 the active and retired members of the IBEW will be provided certain health care benefits. The provision by the District of these "other post-employment benefits" or "OPEB" to employees and/or beneficiaries is referred to herein as the "OPEB Plans."

The District's decision in 2011 to provide health care benefits to active and retired members of the ATU and the IBEW was based on the District's analysis of the cost saving measures resulting from it joining the California Public Employees' Retirement System ("CalPERS") medical group program, referred to as the Public Employees' Medical & Hospital Care Act ("PEMHCA"). Previously, the District had contracted with certain health care insurance companies to provide health care benefits to employees and retirees of three of the District's five bargaining or employee groups'.

One of the eligibility requirements for participating in the PEMHCA plan is that the participating public agency is required to provide some level of OPEB benefits to all active employees and retirees. After analyzing the costs and savings associated with the change, the District estimated that it would reach a net savings to the District's current annual operating costs and a long term savings over 20 or more years regardless of the requirement to provide unequal OPEB benefits to the remaining two bargaining groups, ATU and IBEW. This conclusion was reached after evaluating the significant potential savings from changing the medical benefits provider, future anticipated annual OPEB costs, administrative fees, and any cash flow issues after enrolling in the PEMCHA. This savings was possible because the PEMHCA plan allows the District to offer the ATU and IBEW groups with the minimum "unequal" contributions to its current and future retirees. The "unequal" contribution is based on the District providing a monthly stipend beginning with $1 a month per retiree (and the retiree paying the remainder of the cost), with the annual increase based on the projected monthly employer contribution per active employee indexed to the medical cost component of the federal Consumers Price Index (CPI). Therefore, the first and second calendar year's cash flow cost to the District for each retiree was $1.00 and $5.66 per month. In addition to the cash flow consideration, the annual required contribution for the fiscal year ended June 30, 2012 and the fiscal year ending June 30, 2013 for the ATU and IBEW groups are $1,002,589 and $1,048,436, respectively.

The benefits under the OPEB Plans are mandated by contracted agreement between the District and the respective bargaining groups and may be amended at any time. These members and their dependents may become eligible for such benefits if the employees reach normal retirement age while working for the District.

In May 2009, the District established an irrevocable trust under the CalPERS's Employers' Retiree Benefit Trust program (the "CERBT Fund") to prefund its OPEB Plans. The funds in the CERBT Fund are held in trust and are administered by CalPERS as an agent multiple-employer plan. In June 2009, the District began prefunding the CERBT Fund on behalf of the members within the AEA, AFSCME and MCEG bargaining or employee groups. In June 2012, the District began prefunding the CERBT Fund on behalf of the members within the ATU and IBEW bargaining groups.

The investments of the District's OPEB Plans for all five of the District's bargaining or employee groups are commingled pursuant to the requirements of CalPERS, however, the assets and liabilities for each plan are separately tracked and reported by the following sub-groups in the biannual actuarial valuations: (1) the Salaried OPEB Plan (AEA, AFSCME, and MCEG), (2) the ATU OPEB Plan, and (3) the IBEW OPEB Plan. The District has retained an independent actuary, Bickmore Risk Services, to provide biannual actuarial valuations of the District's OPEB liabilities using the actuarial assumptions and methods set forth by CalPERS. See "Actuarial Methods and Assumptions" below. The audit of the District's OPEB Plans are included in the comprehensive annual financial report of CalPERS (the District's OPEB Plans are part of the CERBT Fund of CalPERS).

A summary description of the OPEB Plans is set forth in Footnote 11 to the audited financial statements of the District included in this Official Statement as Appendix B and the Schedule of Funding Progress for the OPEB Plans as of June 30, 2011 is included in the Required Supplementary Information to the audited financial statements of the District included in this Official Statement as Appendix B. See Appendix B – "AUDITED FINANCIAL STATEMENTS OF SACRAMENTO REGIONAL TRANSIT DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2010 and 2011."

Membership

As of June 30, 2011, 1,368 total participants (896 active employees and 472 retirees) were eligible to receive OPEB benefits from the District.

Funding Policy

The obligation of the District to prefund its OPEB liabilities is established by the Board of Directors of the District, and may be changed from time to time. Currently, the District funds the CERBT Fund in the amount of 100% of the annual required contribution of the District, as employer (the "ARC"), which is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The most recent actuarial valuation for the District's OPEB liabilities as of July 1, 2011 will be used by the District to determine the District's annual OPEB cost for the fiscal year ended June 30, 2012 and the fiscal year ending June 30, 2013.

The annual cost of providing post-employment health and life insurance benefits to all five of the District's bargaining or employee groups, the percentage of annual OPEB cost contributed by the District, and the net OPEB obligation for the fiscal years ended June 30, 2012 and the six preceding years and the expected amounts for the fiscal years ending June 30, 2013 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2006	-	-	-
6/30/2007	-	-	-
6/30/2008	$2,774,707	45.7%	$1,507,862
6/30/2009	2,751,016	154.0	-
6/30/2010	2,779,579	100.0	-
6/30/2011	2,192,523	100.0	-
6/30/2012	3,260,329	100.0	-
6/30/2013	3,387,876	100.0	-

Actuarial Methods and Assumptions

The following table reflects certain actuarial methods and assumptions for each of the OPEB Plans. The CalPERS OPEB actuarial assumptions model is used in OPEB actuarial valuations of employers, such as the District, who elect to prefund their OPEB obligations through CalPERS's Retiree Benefit Trust program. With the participation of consulting actuaries from EFI Actuaries, Gabriel Roeder Smith, Milliman Inc., the Segal Company, and Bartel Associates LLP, CalPERS actuarial staff developed the OPEB actuarial assumption model.

While the District has some ability to adjust the OPEB benefits provided to its employees and retirees, CalPERS determines the actuarial methods and assumptions used with respect to assets administered by CalPERS (including the assets of the District's OPEB Plans) and makes the investment decisions with respect to such assets. For a description of such actuarial methods and assumptions and investments, see the comprehensive annual financial report of CalPERS (the District's OPEB Plans are part of the CERBT Fund of CalPERS) available on its website at www.calpers.ca.gov. The District cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the OPEB plans, and are based upon a variety of assumptions, one or more of which may prove to be inaccurate or be changed in the future. Actuarial assessments will change with the future experience of the OPEB plans.

Certain Actuarial Methods And Assumptions Utilized For The OPEB Plans (As of July 1, 2011)

Methods	
Actuarial Cost Method	Entry age normal cost
Amortization Method	Level percentage of payroll
Amortization Period	30 years, Closed
Remaining Amortization Period	30
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions	
Investment Rate of Return (net of administrative and investment expenses)	7.61%
Increases in Pay	3.25%
Consumer Price Inflation	3.25%

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

In the July 1, 2011 actuarial valuation, the Entry Age Normal (EAN) cost method was used. The actuarial assumptions included a 7.61% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.0% for calendar year 2012, reduced by decrements of 0.5% a year to an ultimate rate of 4.5% at 2019 and thereafter.

The EAN cost method spreads plan costs for each participant from entry date to the expected retirement date. Under the EAN cost method, the plan's normal cost is developed as a level amount over the participants' working lifetime. The AAL is the cumulative value, on the valuation date, of prior service costs. For retirees, the AAL is the present value of all projected benefits.

The ARC under this method equals the normal cost plus the amortization of unfunded AAL over a thirty (30) year closed period and is being amortized as a level percentage of increasing payroll. The costs of the OPEB Plans are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, and the like, which are assumed to hold for many years in the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true costs of the OPEB Plans.

Funding Status

The funded status of the consolidated OPEB Plans for all five of the District's bargaining or employee groups as of July 1, 2011, was as follows:

Actuarial accrued liability (AAL)	$	40,370,969
Actuarial value of plan assets		6,458,440
Unfunded actuarial accrued liability (UAAL)	$	33,912,529

Funded Ratio (actuarial value of plan assets/AAL)		16.0%
Covered payroll (active plan members)	$	50,771,530
UAAL as a percentage of covered payroll		149.7%

For the fiscal year ended June 30, 2011, the market value of the assets of the OPEB Plans was equal to the actuarial value.

Investment Policy; Investment Returns

As a participating employer in the CalPERS Employers' Retiree Benefit Trust program, the District is offered three preset investment strategies that are investments in pooled assets classes managed by CalPERS. Employers such as the District do not have direct ownership of the securities in the portfolio. The District elected the CERBT strategy 1 portfolio, which consists of investments with a higher percentage of equities to bonds and other assets, as compared to the two other strategies. Below is a table showing the most recent asset class target allocations for the CERBT Strategy 1:

Asset Class Target Allocations *	CERBT Strategy 1
Global Equity	66%
U.S. Fixed Income	18%
TIPS	5%
REITs	8%
Commodities	3%

Source: CalPERS.

The following table sets forth the total return on the assets for the CERBT strategy 1 portfolio since inception June 1, 2007 as of June 30, 2012.

CERBT Strategy 1 Performance Results as of June 30, 2012

	1 Month	3 Months	6 months	1 Year	3 Years*	5 Year*	Since Inception* (June 1, 2007)
Returns before expense (1)%	3.81	-2.51	.15	.15	13.19	1.22	1.03

Source: CalPERS.

* Returns for periods greater than one year are annualized.

APPENDIX B

SACRAMENTO REGIONAL TRANSIT DISTRICT COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

APPENDIX C

SELECTED FINANCIAL INFORMATION REGARDING SACRAMENTO COUNTY

The information in this APPENDIX C is supplied for informational purposes only. Neither the Series 2012 Bonds nor any obligations of the District are a debt of the County of Sacramento nor is the County of Sacramento liable therefore. Information in this APPENDIX C is gathered from the most current information available from the sources cited herein. Such information was obtained from the County and from sources the District and the Underwriter believe to be reliable as of the latest date when such information was available. The District and the Underwriter take no responsibility for the accuracy or completeness of such information.

Population

Population in Sacramento County (the "County") reflects continued growth as shown in the following table. During the 1980's, 1990's and 2000's, population growth totaled 23.49%, 32.84%, and 17.50% respectively. Since 1980, population growth has totaled 83.20%.

The State Department of Finance estimates Sacramento County population at 1,435,153 as of January 1, 2012. Sacramento County currently has seven incorporated cities: Citrus Heights, Elk Grove, Folsom, Galt, Isleton, Rancho Cordova and Sacramento. Approximately 32.82% of the County's population lives in the City of Sacramento. Approximately 39.07% of the County's population lives in unincorporated areas, giving Sacramento County one of the largest unincorporated populations among all counties in the State.

Area	1960	1970	1980	1990	2000	2010	2011	2012
Cities:								
Citrus Heights	---	---	---	---	85,071	83,267	83,618	83,881
Elk Grove	---	---	---	---	---	152,925	154,954	155,937
Folsom	3,925	5,810	11,003	29,802	51,884	72,201	72,439	72,725
Galt	1,868	3,200	5,514	8,889	19,472	23,641	23,767	24,076
Isleton	1,039	909	914	833	828	804	808	810
Rancho Cordova	---	---	---	---	---	64,413	65,502	66,093
Sacramento	191,667	257,105	275,741	369,365	407,018	466,279	469,566	470,956
Unincorporated Area	304,279	367,349	490,209	632,330	659,226	553,529	558,061	560,675
Total	502,778	634,373	783,381	1,041,219	1,223,499	1,417,059	1,428,715	1,435,153
Total:		634,373	783,381	1,041,219	1,223,499	1,417,059	1,428,715	1,435,153
% Increase over prior period:			**23.49%**	**32.91%**	**17.51%**	**15.82%**	**0.82%**	**0.45%**
State Population:		19,935,134	23,782,000	29,828,496	34,095,209	37,223,900	37,510,766	37,678,563
% Increase over prior period:			**19.30%**	**25.42%**	**14.30%**	**9.18%**	**0.77%**	**0.45%**

Source: California Department of Finance.

Industry and Employment

Three major job categories comprised 78% of the County's work force during 2010: services (37.3%), government (28.7%), and wholesale/retail trade (12.1%), based on seasonally unadjusted March 2012 statistics, as summarized in the following table. The County's preliminary unemployment rate (not seasonally adjusted) as of April 2012 was at 10.5%, compared to the Statewide average of 10.5%; a decrease from the April 2011 County rate (not seasonally adjusted) of 11.8%.

Sacramento County Labor Market Survey
Calendar Years 2007 to 2010
(Amounts Expressed in Thousands)

Industry	2007	2008	2009	2010
Mining	0.2	0.1	0.1	0.1
Construction	41.0	34.4	26.9	23.5
Manufacturing-Durable goods	15.6	14.5	12.9	12.2
Manufacturing-Nondurable goods	8.5	8.2	7.6	7.5
Transportation, Warehousing & Public Utilities	13.6	13.7	12.8	12.7
Information	15.5	15.0	14.2	13.2
Wholesale Trade	17.6	16.0	14.7	14.0
Retail Trade	64.1	60.4	55.4	55.1
Finance, Insurance, Real Estate	42.8	39.9	36.0	32.1
Services	224.4	223.5	215.5	213.2
Government	169.1	171.5	168.8	164.1
Agriculture	2.9	2.7	2.7	2.7
Other	20.5	20.8	20.4	19.9
Total:	635.8	620.7	588.0	570.3

Source: California State Employment Development Department; not seasonally adjusted; as of each end-December.

Major Employers

The table below represents the Major Private-Sector Employers for the County of Sacramento. Major private employers in the County of Sacramento include those in electronics, health care services, retail sales, financial and business services and aerospace manufacturing. Major private sector employers, their products or services and their number of employees in 2012 are reflected in the following table.

Major Private Sector Employers 2012

Company	Type of Business	No. of FTE Employees
Kaiser Permanente	Health Care	6,360
Sutter Health	Health Care	5,765
Dignity Health	Health Care	7,069
Intel Corporation	Semiconductor Manufacturer	6,147
Wells Fargo & Co.	Financial Services	2,160
Health Net of CA	Health Care	2,552
Delta Dental of CA	Dental Insurance	1,300
Aerojet	Aerospace Manufacturing	1,740
Raley's Family of Fine Stores	Retail Grocery	3,694
VSP Global	Vision Healthcare	2,070

Source: Sacramento Business Journal, April 2012.

Major public sector employers in the County of Sacramento are detailed in the following table.

Major Public Sector Employers-Sacramento County Only
2012

Company	Number of FTE Positions
State of California	69,763
Sacramento County	11,450
UC Davis Health System	7,725
Elk Grove Unified School District	5,021
San Juan Unified School District	4,700
Sacramento City Unified School District	5,000
City of Sacramento	4,083
Los Rios Community College District	3,269
California State University Sacramento	2,936
Sacramento Municipal Utility District	1,828
Folsom Cordova Unified School District	1,850

Source: Sacramento Business Journal, April 2012

Commercial Activity

Commercial activity is an important contributor to the County's economy.

SACRAMENTO COUNTY
Taxable Transactions 2005 Through 2010*

(Amounts Expressed in Thousands of Dollars)

	2005	2006	2007	2008	2009	2010*
Apparel Stores Group	$ 646,188	$ 652,320	$ 653,594	$673,787	$772,262	$786,230
General Merchandise Stores Group	2,381,491	2,454,816	2,447,216	2,301,556	1,904,847	1,959,729
Specialty Stores Group	2,186,836	2,236,992	**	**	**	**
Food Stores Group	885,721	920,753	920,698	841,011	838,995	854,810
Eating & Drinking Places	1,606,306	1,687,711	1,717,772	1,713,915	1,643,893	1,665,337
Household and Home Furnishings Group	735,292	653,574	548,536	577,869	262,196	248,592
Building Materials Group	1,666,931	1,511,444	1,290,861	1,036,318	890,055	911,945
Automotive Group	4,116,420	4,079,709	2,567,020	1,949,153	1,568,867	1,618,580
All Other Retail Stores	587,227	615,724	2,544,502	2,155,812	553,894	3,570,465
Retail Stores Total	$14,812,412	$14,813,043	$12,690,199	$11,249,421	$8,435,009	$11,615,688
Business and Personal Services	888,931	888,878	854,120	711,939	***	***
All Other Outlets	5,565,157	5,438,465	5,452,523	5,646,372	5,311,534	5,288,841
Total All Outlets	**$21,266,500**	**$21,140,386**	**$18,996,842**	**$17,607,732**	**$13,746,543**	**$16,904,529**

Source: California State Board of Equalization.
* Data for 2011 not yet available.
** Separate category for Specialty Stores Group discontinued after 2006.
*** Category for Business and Personal Services discontinued after 2008.

Agriculture

Agriculture continues to be a factor in the County's economy; however, with the ever-increasing urban and commercial development of the County, agriculture's relative impact on the County's economy has declined in recent years. The gross value of agricultural production in 2010 reached $355,943,000, a 2% increase from the previous year.

Construction Activity

The value of building permits issued in the County totaled $828,405,000 in 2011, an increase of 8.04% from the prior year. From 2007 through 2011, the value of nonresidential building permits reflected a total decrease of 32.92% and the value of residential building permits reflected a total decrease of 55.76%. In addition to annual building permit valuations, the numbers of permits for new dwelling units issued each year from 2007 through March of 2012 are shown in the following table.

SACRAMENTO COUNTY
Building Permit Valuations
Calendar Year 2007 through 2012(1)
(Amounts Expressed in Thousands)

	2007	2008	2009	2010	2011	2012(1)
Valuation:						
Residential	$961,888	$681,318	$396,103	$382,892	$425,497	$88,328
Nonresidential	600,632	897,092	356,605	356,017	402,908	97,762
Total:	**$1,562,520**	**$1,578,410**	**$752,708**	**$738,909**	**$828,405**	**$186,090**
New Dwelling Units:						
Single Family	2,764	1,692	754	630	727	193
Multiple Family	146	18	8	50	606	56
Total:	**2,910**	**1,710**	**762**	**680**	**1,333**	**249**

Source: Sacramento County Assessor's Office.
(1) Available data through March 2012 only.

Property Taxes

Assessed Valuation. The County assesses property values and collects and distributes secured and unsecured property taxes to the County, cities, community redevelopment agencies, special districts and local school districts within the County. California law exempts $7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since an amount equivalent to the taxes which would have been payable on such exempt values is paid by the State.

The Assessor's Roll lien date for FY 2010-11 roll was January 1, 2010. In past years, assessed valuation in the County grew. However, in FY 2009-10 assessed valuations decreased by 7.05%, and again decreased in FY 2010-11 by 0.92%, due to changes in the housing market. The County Assessor's Office is estimating that FY 2011-12 assessed valuation will decrease another 3.07%, translating into a property tax revenue decrease for the County General Fund of approximately $6.9 million for the secured and unsecured portion of the County's property tax revenues. The following table reflects the FY 2008-09, 2009-10 and 2010-11 actual assessed valuations in the County. A seven-year history of actual assessed valuation, and FY 2011-12 estimated, is also provided below.

SACRAMENTO COUNTY
Assessed Valuations
FY 2008-09 to 2010-11
(Amounts Expressed in Thousands)

	Net Assessed Valuation	Reimbursed Exemptions	Total Assessed Valuation*
2010-11 (actual)			
Local Secured	$117,701,281	$1,698,866	$119,400,147
Utility—Nonunitary	24,101	0	24,101
Utility—Unitary	1,488,079	0	1,488,079
Unsecured	5,314,280	167	5,314,447
Total:	$124,527,741	$1,699,033	$126,226,774
2009-10 (actual)			
Local Secured	$118,429,195	$1,709,582	$120,138,777
Utility—Nonunitary	18,450	0	18,450
Utility—Unitary	1,547,402	0	1,547,402
Unsecured	5,700,393	186	5,700,579
Total:	$125,695,440	$1,709,768	$127,405,208
2008-09 (actual)			
Local Secured	$128,034,925	$1,718,098	$129,753,023
Utility—Nonunitary	17,217	0	17,217
Utility—Unitary	1,624,214	0	1,624,214
Unsecured	5,679,313	223	5,679,536
Total:	$135,355,669	$1,718,321	$137,073,990

Source: Sacramento County Department of Finance.
* Net assessed valuation plus State-reimbursed exemptions. Includes property taxes on incremental assessed valuations which are allocated for redevelopment projects, net of property tax shifts to schools.

SACRAMENTO COUNTY
History of Assessed Valuations
FY 2004-05 to 2011-12
(Amounts Expressed in Thousands)

Fiscal Year	Total Assessed Valuation*	Secured/Unsecured Roll Growth
2004-05	94,690,205	12.01
2005-06	108,299,482	14.37
2006-07	124,130,188	14.62
2007-08	135,331,985	9.02
2008-09	137,073,990	1.29
2009-10	127,405,208	(7.05)
2010-11	126,226,774	(0.92)
2011-12 (est.)	122,351,612	(3.07)

Source: Sacramento County Department of Finance
* Net assessed valuation plus state-reimbursed exemptions. Includes property taxes on incremental assessed valuations which are allocated for redevelopment projects, net of property tax shifts to schools.

Transportation

The County's location and transportation network have contributed to the County's economic growth. The County is traversed by the main east-west and north-south freeways serving northern and central California. Interstate 80 connects Sacramento with the San Francisco Bay Area, Reno, Nevada, and points east. U.S. Highway 50 carries traffic from Sacramento to the Lake Tahoe Area. Interstate 5 is the main north-south route through the interior of California; it runs from Mexico to Canada. California State Highway 99 parallels Interstate 5 through central California and passes through Sacramento.

Transcontinental and intrastate rail service is provided by the Union Pacific Railroad. Passenger rail service is provided by AMTRAK. Bus lines offering intercity as well as local service include Greyhound and Sacramento Regional Transit. Regional Transit also operates an approximately 37-mile light rail system.

The Port of Sacramento provides direct ocean freight service to all major United States and world ports, shipping approximately 870,000 tons of cargo annually. It is a deep-water ship channel, located 79 nautical miles northeast of San Francisco. The three major rail links serving Sacramento connect with the Port. Interstate 80 and Interstate 5 are immediately adjacent to the Port.

The County Airport System provides for the planning, development and operation of public air transportation facilities serving Sacramento County and adjoining areas. The Airport System consists of Sacramento International Airport, serving approximately 8.7 million enplaned passengers annually, Executive Airport and Franklin Field for general aviation and Mather Airport for air cargo and general aviation. In 2008, the Sacramento International Airport began construction of a Terminal Modernization Program to address future capacity needs through at least 2020, which includes a new 19-gate Concourse B (netting seven additional gates) and a new landside Terminal B. The new facilities became operational on October 6, 2011.

Sacramento International Airport (SMF) is about 12 miles northwest of downtown Sacramento. The airport is served by 13 passenger airlines, which includes two commuter airlines, and 9 all-cargo airlines. Since September 11, 2001, SMF has demonstrated its strength among airports by adding three new air carriers (Frontier, Hawaiian and JetBlue). Executive Airport, located in Sacramento, is a full-service, 680-acre facility serving general aviation. Currently, Mather Airport is served by three all-cargo carriers. In addition to Sacramento International Airport, Executive Airport and Mather Airport, there is one other County operated general airport and numerous private airports.

Sacramento County voters passed a ballot measure (Measure A) in November of 1988 providing for collection of an additional 1/2 cent sales tax to be used exclusively for transportation and air quality projects. Ballot language specified formula distribution: (1) for the cities and unincorporated area of the County; (2) for projects to reduce air pollution; and (3) for mass transit improvements. The additional 1/2 cent sales tax expired in 2009, but in 2004 the County voters approved, by 75.29%, the extension of this 1/2 cent sales tax for an additional 30 years to 2039.

Education

Public school education is provided by 13 school districts (eight are Unified School Districts) plus the County Office of Education and consists of the following types of schools: 20 pre-schools; 230 elementary; 41 middle; 73 secondary (high schools); one K-first grade; one K-third grade; one second-sixth grade; 52 charter schools; five special education centers; 19 community schools; and three alternative schools. The County Office of Education runs three community schools and seven juvenile schools. Five special education centers are run by the various districts and approximately 35 special education sites are run by the Office of Education. There are approximately 62 private schools in the County with an enrollment of approximately 12,335 as of 2011-2012 (the latest date for which such information is available). Public school enrollment for 2011-2012 is approximately 237,567.

The Los Rios Community College District serves the majority of Sacramento County, as well as portions of El Dorado, Placer, Yolo and Solano Counties. The Los Rios Community College

District maintains four campuses in the County, including American River College, located in the northeastern unincorporated area of Carmichael; Sacramento City College, located in Sacramento; Cosumnes River College, located in the southern area of the City of Sacramento; and Folsom Lake-El Dorado College, located in the northeast area of the County. The 2010-2011 school-year enrollment totals at the four campuses were approximately 82,495 students. The southernmost portion of the County is served by the San Joaquin Delta Community College District.

California State University at Sacramento offers four-year programs in business administration, liberal arts, engineering, education and nursing, and master's degrees in service fields. Fall 2011 enrollment was approximately 28,019 students, an increase from Fall 2010's enrollment of 27,033 students. Other higher education facilities located in Sacramento are the University of Phoenix, University of Southern California, McGeorge School of Law which is a branch of the University of the Pacific, University of San Francisco, University of California at Davis Extension, and the Medical Center of the University of California at Davis.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

APPENDIX E

BOOK-ENTRY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Sacramento Regional Transit District Farebox Revenue Bonds, Series 2012 Bonds (the "Series 2012 Bonds"). The Series 2012 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each annual maturity of Series 2012 Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the front portion of this Official Statement or in *APPENDIX* D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

The following information has been provided by DTC, and neither the Sacramento Regional Transit District (the "District") nor Citigroup Global Markets Inc. (the "Underwriter") makes any representation as to its accuracy or completeness. For further information, Beneficial Owners should contact DTC in New York, New York.

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

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

To facilitate subsequent transfers, all Series 2012 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 the Series 2012 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012 Bonds, such as redemptions, defaults and proposed amendments to the bond documents. For example, Beneficial Owners of Series 2012 Bonds may wish to ascertain that the nominee holding Series 2012 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee or registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2012 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy (the "Omnibus Proxy") to the District and the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants (identified in a listing attached to the Omnibus Proxy) to whose accounts the Series 2012 Bonds are credited on the record date.

Principal and interest payments on the Series 2012 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on the payable date in accordance with 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 nor its nominee, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest, including upon redemption, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2012 Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances and if a successor securities depository is not obtained, bond certificates shall be printed and delivered in accordance with the provisions set forth in the Indenture.

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

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX G

PROPOSED FORM OF OPINION OF BOND COUNSEL

APPENDIX H

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

RESOLUTION NO. 12-10-___

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

October 22, 2012

AUTHORIZING (1) THE ISSUANCE AND SALE OF NOT TO EXCEED $100,000,000 AGGREGATE PRINCIPAL AMOUNT OF SACRAMENTO REGIONAL TRANSIT DISTRICT FAREBOX REVENUE BONDS, SERIES 2012, (2) THE EXECUTION AND DELIVERY OF AN INDENTURE, A SUPPLEMENTAL INDENTURE, A PURCHASE CONTRACT, AN OFFICIAL STATEMENT AND A CONTINUING DISCLOSURE AGREEMENT, AND (3) CERTAIN RELATED MATTERS

WHEREAS, the Sacramento Regional Transit District (the "Issuer") is duly organized and existing under the provisions of the Sacramento Regional Transit District Act, being Part 14 of Division 10 of the Public Utilities Code of the State of California (the "State"), Sections 102000 *et seq.* (the "Act");

WHEREAS, the Issuer is authorized by Article 2 of Chapter 7 of the Act, Chapter 6 of Part 1 of Division 2 of Title 5 of the Government Code of the State (Sections 54300 *et seq*.) as referenced in, and modified by, the Act and Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State (Sections 53570 *et seq*.) to issue from time to time Bonds or notes and to incur from time to time other obligations payable in whole or in part from revenues of the Issuer's transit system;

WHEREAS, the Issuer desires to enter into an Indenture (the "Indenture") with U.S. Bank National Association, as trustee (the "Trustee") to provide for the authentication and delivery from time to time of certain Bonds or notes (the "Bonds") secured by the fare revenues of the Issuer and certain other revenues described in the Indenture (the "Revenues"), to establish and declare the terms and conditions upon which the Bonds and other obligations secured by the Revenues shall be issued and secured and to secure the payment of the principal thereof, premium (if any), and interest on the Bonds and other obligations secured by the Revenues on a parity with the Bonds and certain other obligations secured by the Revenues and a proposed form of the Indenture has been prepared and presented to the Issuer;

WHEREAS, the Issuer further desires to issue a series of Bonds under the Indenture designated as Sacramento Regional Transit District Farebox Revenue Bonds, Series 2012 in an aggregate principal amount not to exceed $100,000,000 (the "Series 2012 Bonds") to finance the costs of acquisition, construction, improvement or equipping of portions of the Issuer's transit system and prepay the outstanding Farebox Revenue Certificates of Participation, 2003 Series-C (Sacramento Regional Transit District Project) (the "2003 COP") executed and delivered on behalf of the Issuer by The Bank of New York Mellon Trust Company, N.A. (the "Prior Trustee") by prepaying the outstanding installment payments payable by the Issuer (the "Prior Obligations") under that certain Installment Purchase Contract, dated as of December 1, 2003, between the Issuer and the California Transit Finance Corporation;

WHEREAS, the issuance of the Series 2012 Bonds is required by Section 102530 of the Act to be approved by two-thirds vote of the Board of Directors (the "Board") of the Issuer;

WHEREAS, the Series 2012 Bonds shall be secured by a pledge of the Revenues and shall be issued pursuant to the Indenture and a Supplemental Indenture, to be entered into between the Issuer and the Trustee and a proposed form of Supplemental Indenture has been prepared and presented to the Issuer;

WHEREAS, to set forth the terms of sale of the Series 2012 Bonds, the Issuer proposes to enter into a Bond purchase agreement (the "Purchase Contract") with Citigroup Global Markets Inc. (the "Underwriter") and a proposed form of the Purchase Contract has been prepared and presented to the Issuer;

WHEREAS, to provide information about the Series 2012 Bonds and related matters to purchasers and potential purchasers of the Series 2012 Bonds, the Issuer proposes to execute and deliver an official statement and the proposed form of the official statement has been prepared and presented to the Issuer in preliminary form (the "Official Statement");

WHEREAS, to assist the Underwriter in satisfying its obligations under Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Issuer proposes to enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") and a proposed form of the Continuing Disclosure Agreement has been prepared and presented to the Issuer;

WHEREAS, the Issuer has been presented with proposed forms of the Indenture, the Supplemental Indenture, the Purchase Contract, the Official Statement and the Continuing Disclosure Agreement (the "Financing"), and the Issuer has examined and approved each document and desires to authorize and direct the execution of such documents as are specified herein and such other documents as are necessary in connection with the Financing and to authorize and direct the consummation of the Financing;

WHEREAS, all acts, conditions and things required by the Act and the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the issuance of the Series 2012 Bonds and consummation of the Financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Issuer is now duly authorized and empowered, pursuant to each and every requirement of law, to authorize such Financing and to authorize the execution of the Indenture, the Supplemental Indenture, the Purchase Contract, the Official Statement and the Continuing Disclosure Agreement for the purposes, in the manner and upon the terms provided;

NOW THEREFORE, THE SACRAMENTO REGIONAL TRANSIT DISTRICT RESOLVES:

Section 1. The Issuer finds and determines that the foregoing recitals are true and correct.

Section 2. The issuance by the Issuer of not to exceed $100,000,000 aggregate principal amount of Sacramento Regional Transit District Farebox Revenue Bonds, Series 2012, in accordance with the provisions set forth in the Indenture and the Supplemental Indenture as finally executed and delivered, is hereby authorized and approved.

Section 3. The proposed forms of Indenture and Supplemental Indenture, as on file with the Clerk as of the date of this meeting, and the terms and conditions thereof, are hereby approved. The structure, date, maturity date or dates (not to exceed March 1, 2048), fixed interest rates, interest payment dates, forms, registration privileges, place or places of payment, terms of redemption and number thereof and other terms of the Series 2012 Bonds shall be as provided in the Indenture and the Supplemental Indenture as finally executed and delivered.

The General Manager/CEO of the Issuer (the "Authorized Representative") is hereby authorized and directed, for and in the name and on behalf of the Issuer, to execute and deliver the Indenture and the Supplemental Indenture, in substantially said forms, with such changes therein as the Authorized Representative may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

The Series 2012 Bonds shall be executed by the manual or facsimile signature of the Authorized Representative, and shall be in the form set forth in and otherwise in accordance with the Supplemental Indenture; and when so executed, the Series 2012 Bonds shall be delivered to the Trustee for authentication by the Trustee and delivery by the Trustee to the Underwriter in accordance with written instructions executed on behalf of the Issuer by the Authorized Representative, which instructions such Authorized Representative is hereby authorized and directed, for and on behalf of the Issuer, to execute and deliver to the Trustee and which instructions shall provide for the delivery of the Series 2012 Bonds to the Underwriter in accordance with the Purchase Contract upon payment by the Underwriter of the purchase price of the Series 2012 Bonds.

Section 4. The proposed form of the Purchase Contract, on file with the Clerk as of the date of this meeting is hereby approved. The Authorized Representative is hereby authorized and directed, for and in the name and on behalf of the Issuer, to sell the Series 2012 Bonds to the Underwriter pursuant to the Purchase Contract with a not to exceed 5.00% per annum true interest cost and with the Underwriter's compensation not to exceed 0.30% of the principal amount of the Series 2012 Bonds and to execute and deliver the Purchase Contract, in substantially said form, with such changes therein as the Authorized Representative may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. The proposed form of Official Statement presented to this meeting is hereby approved. The Authorized Representative is hereby authorized and directed to execute and deliver to the Underwriter a certificate deeming the preliminary Official Statement, in substantially the form on file with the Secretary of the Board and presented to this meeting and with such changes as the Authorized Representative approves in the interest of the Issuer, final within the meaning of Securities Exchange Commission Rule 15c2-12. The Underwriter is hereby authorized to distribute the Official Statement in preliminary and final form. The Authorized Representative is hereby authorized and directed, for and in the name and on behalf of the Issuer, to execute and deliver the Official Statement, in final form, in substantially said form, with such changes therein as the

Authorized Representative may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. The proposed form of the Continuing Disclosure Agreement presented to this meeting is hereby approved. The Authorized Representative is hereby authorized and directed, for and in the name and on behalf of the Issuer, to execute and deliver the Continuing Disclosure Agreement, in substantially said form, with such changes therein as the Authorized Representative may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. All approvals, consents, directions, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, whether before or after the issuance of the Series 2012 Bonds, (including, without limitation, any amendment of any of the documents authorized by this Resolution or other agreement related thereto, or any reserve facility, any investment of proceeds of the Series 2012 Bonds, or in connection with the addition, substitution or replacement of underwriters, or any agreements with paying agents or the removal or replacement of the Trustee) or any similar action may be given or taken by the Authorized Representative, without further authorization or direction by the Issuer, and the Authorized Representative is hereby authorized and directed to give any such approval, consent, direction, notice, order, request, or other action and to execute such documents and take any such action which the Authorized Representative may deem necessary or desirable to further the purposes of this Resolution.

Section 8. The Authorized Representative and each other appropriate officer of the Issuer, each acting alone, are authorized and directed, for and in the name and on behalf of the Issuer, to execute and deliver any and all agreements, certificates, documents and instruments, including, without limitation, signature certificates, no-litigation certificates, disclosure certificates, tax certificates, letters of representation relating to book-entry registration, certificates concerning the representations in the Purchase Contract, certificates concerning the contents of the Official Statement, escrow agreements or certificates and contracts for rebate compliance services, and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the Issuer has approved in this Resolution.

The Authorized Representative may appoint in writing a designee to perform any of the actions that the Authorized Representative may take under this Resolution.

Section 9. The Chief Counsel of the Issuer or such officer's designee (the "Chief Counsel") is authorized and directed to provide such opinions, on behalf of the Issuer, as are required to consummate the transactions authorized by this Resolution.

Section 10. If the Authorized Representative determines that it will be advantageous to the Issuer to purchase municipal Bond insurance or other credit enhancement with respect to some or all of the Series 2012 Bonds or to purchase one or more reserve fund surety policies or other credit instruments for the benefit of any reserve fund established for the Series 2012 Bonds or to obtain a particular rating or ratings on all or a portion of the Series 2012 Bonds, the Authorized Representative is hereby authorized to purchase such insurance or other credit enhancement or such reserve fund surety policies or other credit instruments at market rates and to take such other actions as may be necessary to obtain such rating or ratings. Without limiting the generality of the foregoing, the Authorized Representative is hereby authorized to negotiate any and all terms of a commitment for such municipal Bond insurance policy or other credit enhancement and such reserve fund surety policies or other credit instruments and to negotiate covenants of the Issuer or approve such other changes to the proposed forms of the Indenture, Supplemental Indenture, Purchase Contract, Official Statement and Continuing Disclosure Agreement as may be necessary or appropriate to obtain such municipal Bond insurance policy or other credit enhancement or such reserve fund surety policies or other credit instruments or to obtain a particular rating or ratings on all or a portion of the Series 2012 Bonds, in each case after consultation with counsel to the Issuer.

Section 11. All actions heretofore taken by the members of the Board, the Authorized Representative, the Chief Counsel or any other officers, agents or employees of the Issuer, with respect to the issuance of the Series 2012 Bonds, and the other transactions contemplated hereby, and by the Official Statement, are hereby ratified, confirmed and approved.

Section 12. If any section, paragraph clause or provision of this Resolution shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph or clause or provision shall not affect any of the remaining provisions of this Resolution.

Section 13. This Resolution shall take effect immediately upon its adoption and approval.

PASSED AND ADOPTED by the Board of Directors of the Sacramento Regional Transit District this 22nd day of October, 2012, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

By: ________________________________
BONNIE PANNELL, Chair

ATTEST:
MICHAEL R. WILEY, Secretary

By: ________________________________
Cindy Brooks, Assistant Secretary